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Bonnie Biafore

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QuickBooks 2011: The Missing Manual. Your book-keeping workflow will be smoother and faster with QuickBooks 2011—but only if you spend more time *using* the program than figuring out how it works. This Missing Manual puts you in control: You'll not only find out how and when to use specific features, you'll also get basic accounting advice to help you through the learning process.

the missing manual®

The book that should have been in the box®

The important stuff you need to know

- **Set up QuickBooks.** Arrange files and preferences to suit your company.
- **Manage your business.** Track inventory, control spending, run payroll, and handle income.
- **Follow the money.** Examine everything from customer invoices to year-end tasks.
- **Find key info quickly.** Take advantage of QuickBooks' reports, Company Snapshot, and search tools.
- **Streamline your workflow.** Set up the Home page and Online Banking Center to meet your needs.
- **Build and monitor budgets.** Learn how to keep your company financially fit.
- **Share your financial data.** Work with your accountant more efficiently.

Bonnie Biafore is a project management consultant and the award-winning author of more than a dozen books on project management, small business accounting, personal finance, investing, and technology. She's written Missing Manuals on Quicken, QuickBooks, Microsoft Project, and personal investing (all from O'Reilly).

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by Bonnie Biafore

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Missing Credits

About the Author



Bonnie Biafore has always been fascinated with math in its practical and more esoteric forms. As an engineer and project manager, she's thorough and steadfastly attentive to detail but redeems herself by using her sick sense of humor to transform these drool-inducing subjects into entertaining reading. She writes about personal finance, investing, accounting, and project management.

Her *NAIC Stock Selection Handbook* won major awards from the Society of Technical Communication and APEX Awards for Publication Excellence (but the raves she receives from beginning investors mean much more to her).

Bonnie is also the author of O'Reilly's *Microsoft Project 2010: The Missing Manual*, *Personal Finance: The Missing Manual*, *Quicken 2009: The Missing Manual*, and *Online Investing Hacks*. She writes a monthly column called "WebWatch" for *Better Investing* magazine and is a regular contributor to www.interest.com. As a consultant, she manages projects for clients and wins accolades for her ability to herd cats.

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—Bonnie Biafore

Introduction

Thousands of small companies and nonprofit organizations turn to QuickBooks to keep their finances on track. And over the years, Intuit has introduced various editions of QuickBooks to satisfy the needs of different types of companies. Back when milk was simply milk, you either used QuickBooks or you didn't. But now, when you can choose milk from soy beans as well as cows, and five different levels of fat, it's no surprise that QuickBooks comes in Simple Start, Pro, Premier, Online, and Enterprise editions (which, in some cases, are dramatically different from their siblings), as well as six industry-specific editions. From the smallest of sole proprietorships to burgeoning enterprises, one of these editions is likely to meet your organization's needs *and* budget.

QuickBooks isn't hard to learn. Many of the features that you're familiar with from other programs work just as well in QuickBooks—windows, dialog boxes, drop-down lists, and keyboard shortcuts, to name a few. And with each new version, Intuit has added enhancements and new features to make your workflow smoother and faster. The challenge is knowing what to do according to accounting rules, and how to do it in QuickBooks.

What's New in QuickBooks 2011

Despite the fluctuating size of the tax code, accounting and bookkeeping practices don't change much each year. The changes in QuickBooks 2011 are mostly small tweaks and subtle improvements, but a few additions might be just what you've been waiting for:

- The EasyStep Interview has been streamlined. Even better, it no longer confronts you with sales pitches for add-on services that cost extra.

- The QuickBooks Setup window (page 24) now opens after you finish creating a new company file. The window steps you through setting up customers, vendors, employees, items you sell, and bank accounts.
- The Company Snapshot window now includes a Customer tab (page 37) that lets you review the status and recent transactions of your customers.
- Transaction windows like Create Invoices and Enter Bills include a new panel with a summary of the customer's or vendor's account status and a list of recent transactions (page 201).
- QuickBooks now offers separate preferences to automatically apply discounts and credits (page 223).
- You can set up a batch of invoices (page 269) for the same items and amounts and then send them to as many of your customers as you want. In addition, you can add all the customers that receive the same invoice to a billing group and then choose that group to send the invoice to each customer in it.
- QuickBooks can now use Web-based email accounts (page 593), such as Gmail or Yahoo.
- The new "Balance sheet by class" report lets you prepare a balance sheet for each class you track—perfect for keeping tabs on the performance of different business units or locations.

When QuickBooks May Not Be the Answer

When you run a business (or a nonprofit), you track company finances for two reasons: to keep your business running smoothly and to generate the reports required by the IRS, SEC, and anyone else you have to answer to. QuickBooks helps you perform basic financial tasks, track your financial situation, and manage your business to make it even better. But before you read any further, here are a few things you *shouldn't* try to do with QuickBooks:

- **Work with more than 14,500 unique inventory items or 14,500 contact names.** QuickBooks Pro and Premier company files can hold up to 14,500 inventory items and a combined total of up to 14,500 customer, vendor, employee, and other (Other Names list) names. (QuickBooks Enterprise Solutions version 7.0 and later increases these limits to 1,000,000.)
- **Track personal finances.** Even if you're a company of one, keeping your personal finances separate from your business finances is a good move, particularly when it comes to tax reporting. In addition to opening a separate checking account for your business, track your personal finances somewhere else (like in Quicken). If you do decide to use QuickBooks, at least create a separate company file for your personal financial info.
- **Track the performance of stocks and bonds.** QuickBooks isn't meant to keep track of the capital gains and dividends you earn from investments such as stocks and bonds. But companies have investments, too, of course. A machine that costs hundreds of thousands of dollars is an investment that you hope

will generate lots of income, and you should track it in QuickBooks. However, in QuickBooks, these types of investments show up as *assets* of the company (page 146).

- **Manage customer relationships.** Lots of information goes into keeping customers happy. With QuickBooks, you can stay on top of customer activities with features like To Do items, Reminders, and Memorized Transactions. But for tracking details like memberships, items sold on consignment, project progress, and scheduled events, another program like Microsoft Excel or Access would be a better solution.

Note: Intuit sells an online customer-management product called Customer Manager (<http://customermanager.com>). Also, some third-party customer-management programs integrate with QuickBooks (page 609).

Choosing the Right Edition of QuickBooks

QuickBooks comes in a gamut of editions, offering options for organizations at both ends of the small-business spectrum. QuickBooks Simple Start and Online Edition cover the basic needs of very small operations. Enterprise Solutions, on the other hand, are the most robust and powerful editions of QuickBooks, boasting enhanced features and speed for the biggest of small businesses.

Warning: QuickBooks for Mac differs *significantly* from the Windows version, and unfortunately you won't find help with the Mac version of the program in this book.

This book focuses on QuickBooks Pro because its balance of features and price make it the most popular edition. Throughout this book, you'll also find notes about features offered in the Premier edition, which is one step up from Pro. (Whether you're willing to pay for these advanced features is up to you.) Here's an overview of what each edition does:

- **QuickBooks Simple Start** is mainly a marketing tool, because you'll quickly outgrow its limitations. (At that point, you can move your data to QuickBooks Pro or QuickBooks Online.) But it's a low-cost option for small businesses with simple accounting needs and only one person running QuickBooks at a time. It's easy to set up and use, but it doesn't handle features like inventory, downloading transactions from your bank, tracking time, or sharing your company file with your accountant.
- **QuickBooks Online Edition** has most of the features of QuickBooks Pro, but you access it via the Web instead of running it on your PC. It lets you use QuickBooks anywhere, on any computer, so it's ideal for consultants who are always on the go.

- **QuickBooks Pro** is the workhorse edition. It lets up to five people work in a company file at a time; you can purchase licenses in single- or five-user packs. QuickBooks Pro includes features for tasks such as invoicing; entering and paying bills; job costing; creating estimates; saving and distributing reports and forms as email attachments; creating budgets automatically; projecting cash flow; tracking mileage; customizing forms; customizing prices with price levels; printing shipping labels for FedEx and UPS; and integrating with Word, Excel, and hundreds of other programs. QuickBooks Pro's name lists—customers, vendors, employees, and so on—can include up to a combined total of 14,500 entries. Other lists like the Chart of Accounts can have up to 10,000 entries.
- **QuickBooks Premier** is another multi-user edition. For business owners, its big claim to fame is handling inventory items assembled from other items and components. In addition, Premier can generate purchase orders from sales orders and estimates, and apply price levels to individual items. You can also track employee info and get to your data remotely. This edition also includes a few extra features that typically interest only accountants, like reversing general journal entries. When you purchase QuickBooks Premier, you can choose from six different industry-specific flavors (see the next section). Like the Pro edition, Premier can handle a combined total of up to 14,500 list entries.
- **Enterprise Solutions 10.0** is the edition for larger operations. It's faster, bigger, and more robust than its siblings. Up to 30 people can access a company file at the same time, and this simultaneous access is at least twice as fast as in the Pro or Premier edition. The database can handle lots more names in its customer, vendor, employee, and other name lists (1,000,000 versus 14,500 for Pro and Premier). You can have multiple company files, work in several locations, and produce combined reports for those companies and locations. And because more people can be in your company file, this edition has features such as an enhanced audit trail, more options for assigning or limiting user permissions, and the ability to delegate administrative functions to the other people using the program.

The QuickBooks Premier Choices

If you work in one of the industries covered by QuickBooks Premier, you can get additional features unique to your industry—for about \$150 more than QuickBooks Pro. (When you install QuickBooks Premier, you choose the industry version you want to run. If your business is in an industry other than one of the five industry-specific versions, choose General Business.) Some people swear that these customizations are worth every extra penny. Others say the additional features don't warrant the Premier price. On the QuickBooks website (<http://quickbooks.intuit.com>), you can tour the Premier features to decide for yourself. Or, you can purchase the Accountant edition, which can run any QuickBooks edition, from QuickBooks Pro to the gamut of Premier's industry-specific versions. Here are the industries that have their own Premier editions:

FREQUENTLY ASKED QUESTION

Nonprofit Dilemma

I'm doing the books for a tiny nonprofit corporation. I'd really like to avoid spending any of our hard-raised funds on a special edition of QuickBooks. Can't I just use QuickBooks Pro?

You may be tempted to save some money by using QuickBooks Pro instead of the more expensive QuickBooks Nonprofit Edition, and you can—if you're willing to live with some limitations. As long as funding comes primarily from unrestricted sources, the Pro edition will work reasonably well. Your biggest annoyance will be using the term “customer” when you mean donor or member, or the term “job” for grants you receive. Throughout this book, you'll

find notes and tips about tracking nonprofit finances with QuickBooks Pro (or plain QuickBooks Premier).

However, if you receive restricted funds or track funds by program, you have to manually post them to equity accounts and allocate them to accounts in your chart of accounts, since QuickBooks Pro doesn't automatically perform these staples of nonprofit accounting. Likewise, the program doesn't generate all the reports you need to satisfy your grant providers or the government, although you can export reports (page 611) and then modify them as necessary in a spreadsheet program.

Note: Accountant Edition is designed to help professional accountants and bookkeepers deliver services to their clients. It lets you run any QuickBooks edition (that is, Pro, or any of the Premier versions). In addition to being compatible with all other editions of QuickBooks, it lets you design financial statements and other documents, process payroll for clients, reconcile clients' bank accounts, calculate depreciation, and prepare clients' tax returns.

- The **General Business** version has all the goodies of the Premier Edition like per-item price levels, sales orders, and so on. It also has more built-in reports than QuickBooks Pro, sales and expense forecasting, and a business plan feature (although, if you're using QuickBooks to keep your books, you may already have a business plan).
- The **Contractor** version includes special features near and dear to construction contractors' hearts: job-cost and other contractor-specific reports, the ability to set different billing rates by employee, and tools for managing change orders.
- **Manufacturing & Wholesale** is targeted to companies that manufacture products. It includes a chart of accounts and menus customized for manufacturing and wholesale operations. You can manage inventory assembled from components and track customer return materials authorizations (RMAs) and damaged goods.
- If you run a nonprofit organization, you know that several things work differently in the nonprofit world, as the box above details. The **Nonprofit** version of QuickBooks includes features such as a chart of accounts customized for nonprofits, forms and letters targeted to donors and pledges, info about using QuickBooks for a nonprofit, and the ability to generate the “Statement of Functional Expenses 990” form.

- The **Professional Services** version (not to be confused with QuickBooks Pro) is designed for companies that deliver services to their clients. Unique features include project-costing reports, templates for proposals and invoices, billing rates that you can customize by client or employee, and professional service-specific reports and help.
- The **Retail** version customizes much of QuickBooks to work for retail operations. It includes a specialized chart of accounts, menus, reports, forms, and help. Intuit offers companion products that you can integrate with this edition to support all aspects of your retail operation. For example, QuickBooks Point of Sale tracks sales, customers, and inventory as you ring up sales, and it shoots the information over to your QuickBooks company file.

UP TO SPEED

Learning More About Accounting

If you need to learn a lot about QuickBooks and a little something about accounting, you're holding the right book. But if bookkeeping and accounting are unfamiliar territory, some background training (page 675) may help you use QuickBooks better and more easily (without calling your accountant for help five times a day).

The Accounting and Business School of the Rockies offers an accounting and bookkeeping self-study course that

you can play on a VCR or DVD player. The course presents real-life accounting situations, so you'll learn to solve common small-business accounting challenges, and it includes hands-on exercises to help you master the material. It doesn't take long to complete, so you'll be up and accounting in no time. To contact the school, visit www.usefultraining.com or call 1-303-755-6885.

Accounting Basics—The Important Stuff

Intuit claims that you don't need to understand most accounting concepts to use QuickBooks. However, you'll be more productive *and* have more accurate books if you understand the following concepts and terms:

- **Double-entry accounting** is the standard method for tracking where your money comes from and where it goes. Following the old saw that money doesn't grow on trees, money always comes from somewhere when you use double-entry accounting. For example, as shown in Table I-1, when you sell something to a customer, the money on your invoice comes in as income and goes into your Accounts Receivable account. Then, when you deposit the payment, the money comes out of the Accounts Receivable account and goes into your checking account. (See Chapter 16 for more about double-entry accounting and journal entries.)

Note: Each side of a double-entry transaction has a name: debit or credit. As you can see in Table I-1, when you sell products or services, you credit your income account (since you increase your income when you sell something), but debit the Accounts Receivable account (because selling something also increases how much customers owe you). You'll see examples throughout the book of how transactions translate to account debits and credits.

Table I-1. Following the money through accounts

Transaction	Account	Debit	Credit
Sell products or services	Service Income		\$1,000
Sell products or services	Accounts Receivable	\$1,000	
Receive payment	Accounts Receivable		\$1,000
Receive payment	Checking Account	\$1,000	
Pay for expense	Checking Account		\$500
Pay for expense	Office Supplies	\$500	

- **Chart of Accounts.** In bookkeeping, an *account* is a place to store money, just like your checking account is a place to store your ready cash. The difference is that you need an account for each kind of income, expense, asset, and liability you have. (See Chapter 3 to learn about all the different types of accounts you might use.) The *chart of accounts* is simply a list of all the accounts you use to keep track of money in your company.
- **Cash vs. Accrual Accounting.** Cash and accrual are the two different ways companies can document how much they make and spend. Cash accounting is the choice of many small companies because it's easy: You don't show income until you've received a payment (regardless of when that happens), and you don't show expenses until you've paid your bills.

The accrual method, on the other hand, follows something known as the *matching principle*, which matches revenue with the corresponding expenses. This approach keeps income and expenses linked to the period in which they happened, no matter when cash comes in or goes out. The advantage of this accrual method is that it provides a better picture of profitability because income and its corresponding expenses appear in the same period. With accrual accounting, you recognize income as soon as you record an invoice, even if you'll receive payment during the next fiscal year. For example, if you pay employees in January for work they did in December, those wages are part of the previous fiscal year.

- **Financial Reports.** You need three reports to evaluate the health of your company (described in detail in Chapter 17):
 - The *income statement*, which QuickBooks calls a *Profit & Loss* report, shows how much income you've brought in and how much you've spent over a period of time. This QuickBooks report gets its name from the difference between the income and expenses, which results in your profit (or loss) for that period.
 - The *balance sheet* is a snapshot of how much you own and how much you owe. Assets are things you own that have value, such as buildings, equipment, and brand names. Liabilities consist of the money you owe to others (like money you borrowed to buy one of your assets, say). The difference

between your assets and liabilities is the *equity* in the company—like the equity you have in your house when the house is worth more than you owe on the mortgage.

- The *Statement of Cash Flows* tells you how much hard cash you have. You might think that the Profit & Loss report would tell you that, but noncash transactions—such as depreciation—prevent it from doing so. The statement of cash flows removes all noncash transactions and shows the money generated or spent operating the company, investing in the company, or financing.

About This Book

These days, QuickBooks Help gives more in the way of accounting background and troubleshooting tips than it used to, although useful examples are still in short supply. The problem is finding the topics you want. If the Relevant Topics feature (page 668) doesn't answer your question, the Live Community—which lets you ask your peers and experts for answers (page 670)—offers no assistance, and searching with keywords doesn't produce the answer you're looking for; then QuickBooks Help can't help you. In addition, QuickBooks Help doesn't let you mark your place, underline key points, jot notes in the margin, or read about QuickBooks while sitting in the sun; this book does.

This book takes the place of the manual that should have accompanied QuickBooks 2011. It applies to the *Windows* version of QuickBooks Pro and Premier. (Because the Mac version of the program differs significantly from the Windows one, this book won't be of much help if you have QuickBooks for Mac.)

In these pages, you'll find step-by-step instructions for using every QuickBooks Pro feature, including those you might not quite understand: progress invoicing (page 288), making general journal entries (page 433), customizing forms (page 630), writing off losses (page 405), and so on. If you're just starting out with QuickBooks, you can read the first few chapters as you set up your company file. After that, go ahead and jump from topic to topic depending on the bookkeeping task at hand. As mentioned earlier, you'll learn about some of the extra bells and whistles in the QuickBooks Premier edition, as well. (All of the features in QuickBooks Pro—and in this book—are also in Premier.) To keep you productive, this book also includes evaluations of features to help you figure out which ones are useful and when to use them.

Note: Although each version of QuickBooks introduces new features and enhancements, you can still use this book if you're keeping your company books with earlier versions of QuickBooks. Of course, the older your version of the program, the more discrepancies you'll run across.

QuickBooks 2011: The Missing Manual is designed to accommodate readers at every technical level. The primary discussions are written for people with advanced-beginner or intermediate QuickBooks skills. But if you're using QuickBooks for the first time, special boxes titled "Up To Speed" provide the introductory info you need

to understand the current topic. On the other hand, people with advanced skills should watch for similar boxes labeled “Power Users’ Clinic,” which cover more technical tips, tricks, and shortcuts for experienced QuickBooks fans.

About the Outline

This book is divided into five parts, each containing several chapters:

- **Part One: Getting Started** covers everything you have to do to set up QuickBooks based on your organization’s needs. These chapters explain how to create and manage a company file; set up accounts, customers, jobs, invoice items, and other lists; and manage QuickBooks files.
- **Part Two: Bookkeeping** follows the money from the moment you rack up time and expenses for your customers and add charges to a customer’s invoice to the tasks you have to perform at the end of the year to satisfy the IRS and other interested parties. These chapters describe how to track time and expenses, pay for things you buy, bill customers, manage the money that your customers owe you, pay for expenses, run payroll, manage your bank accounts, and perform other bookkeeping tasks.
- **Part Three: Managing Your Business** delves into the features that can help you make your company a success—or even more successful than it was before. These chapters explain how to keep your inventory at just the right level, build budgets, and use QuickBooks’ reports to evaluate every aspect of your enterprise.
- **Part Four: QuickBooks Power** helps you take your copy of the program to the next level. You’ll learn how to save time and prevent errors by downloading transactions electronically; boost your productivity by setting QuickBooks’ preferences to the way you like to work and integrating QuickBooks with other programs; customize QuickBooks’ components to look the way you want; and—most important—set up QuickBooks so your financial data is secure.
- **Part Five: Appendixes** provides a guide to installing and upgrading QuickBooks and a reference to help resources.

Note: You can find three bonus appendixes online at www.missingmanuals.com/cds: Keyboard Shortcuts, Tracking Time with the Standalone Timer, and Advanced Form Customization.

The Very Basics

To use this book (and QuickBooks), you need to know a few basics. This book assumes that you’re familiar with the following terms and concepts:

- **Clicking.** This book includes instructions that require you to use your computer’s mouse or trackpad. To *click* means to point your cursor (the arrow pointer) at something on the screen and then—without moving the cursor at all—press

and release the left button on the mouse (or laptop trackpad). To *right-click* means the same thing, but pressing the *right* mouse button instead. (Usually, clicking selects an onscreen element or presses an onscreen button, whereas right-clicking typically reveals a *shortcut menu*, which lists some common tasks specific to whatever you're right-clicking.) To *double-click*, of course, means to click twice in rapid succession, again without moving the pointer at all. And to *drag* means to move the cursor while holding down the (left) mouse button the entire time. To *right-drag* means to do the same thing but holding down the right mouse button.

When you're told to *Shift-click* something, you click while pressing the Shift key. Related procedures, like *Ctrl-clicking*, work the same way—just click while pressing the corresponding key.

- **Menus.** The *menus* are the words at the top of your screen: File, Edit, and so on. Click one to make a list of commands appear, as though they're written on a window shade you've just pulled down. Some people click to open a menu and then release the mouse button; after reading the menu command choices, they click the command they want. Other people like to press the mouse button continuously as they click the menu title and drag down the list to the desired command; only then do they release the mouse button. Both methods work, so use whichever one you prefer.
- **Keyboard shortcuts.** Nothing is faster than keeping your fingers on your keyboard to enter data, choose names, trigger commands, and so on—without losing time by grabbing the mouse, carefully positioning it, and then choosing a command or list entry. That's why many experienced QuickBooks fans prefer to trigger commands by pressing combinations of keys on the keyboard. For example, in most word processors, you can press Ctrl+B to produce a boldface word. In this book, when you read an instruction like “Press Ctrl+A to open the Chart of Accounts window,” start by pressing the Ctrl key; while it's down, type the letter A; and then release both keys.

About→These→Arrows

Throughout this book, and throughout the Missing Manual series, you'll find sentences like this one: Choose Lists→Customer & Vendor Profile Lists→Customer Type List. That's shorthand for a much longer instruction that directs you to navigate three nested menus in sequence, like this: “Choose Lists. On the Lists menu, point to the Customer & Vendor Profile Lists menu item. On the submenu that appears, choose Customer Type List.” Figure I-1 shows the menus this sequence opens.

Similarly, this arrow shorthand also simplifies the instructions for opening nested folders, such as Program Files→QuickBooks→Export Files.

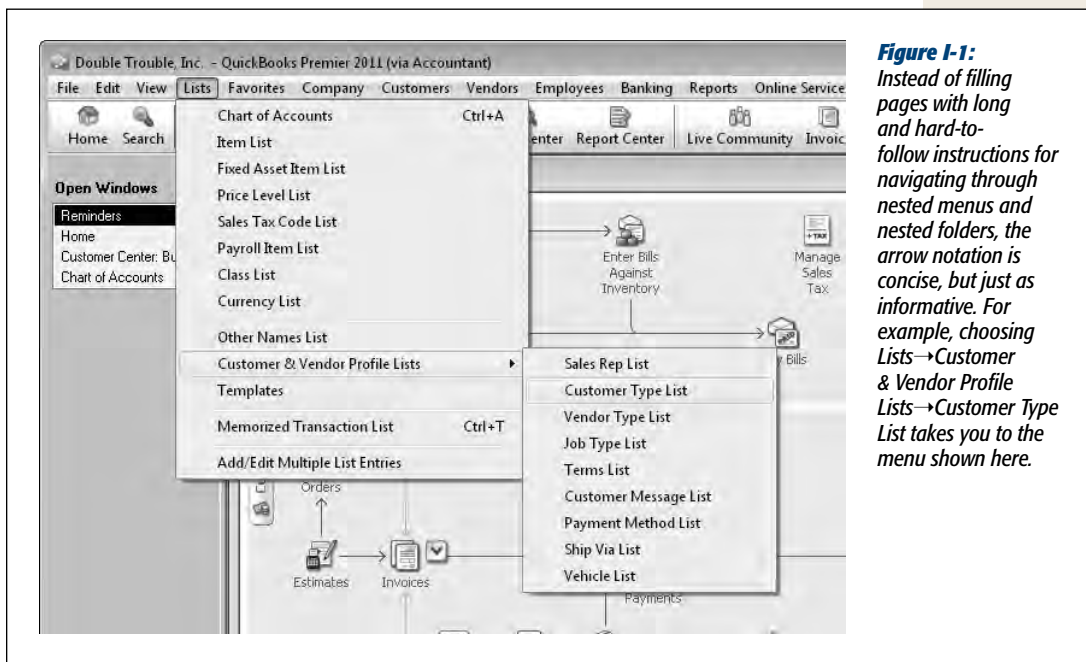


Figure I-1: Instead of filling pages with long and hard-to-follow instructions for navigating through nested menus and nested folders, the arrow notation is concise, but just as informative. For example, choosing Lists → Customer & Vendor Profile Lists → Customer Type List takes you to the menu shown here.

About MissingManuals.com

At www.missingmanuals.com, you'll find articles, tips, and updates to this book. In fact, we invite and encourage you to submit such corrections and updates yourself. In an effort to keep the book as up-to-date and accurate as possible, each time we print more copies of this book, we'll make any confirmed corrections you've suggested. We'll also note such changes on the website, so that you can mark important corrections into your own copy of the book, if you like. (Go to www.missingmanuals.com/library.html, click this book's name, and then click the "View/Submit Errata" link of the left side of the page to see the changes.)

We'd love to hear your suggestions for new books in the Missing Manual line. There's a place for that on missingmanuals.com, too. And while you're online, you can also register this book at <http://www.oreilly.com> (you can jump directly to the registration page by going here: <http://tinyurl.com/yo82k3>). Registering means we can send you updates about this book, and you'll be eligible for special offers like discounts on future editions of *QuickBooks 2011: The Missing Manual*.

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Creating a Company File

A *company file* is where you store your company's records in QuickBooks, and it's the first thing you need to work on in the program. You can create a company file from scratch or convert records previously kept in a small business accounting program or Quicken. The easiest approach is to use a file that *someone else* created. For example, if you've worked with an accountant to set up your company, she might provide you with a QuickBooks company file configured precisely for your business so you can hit the ground running.

If you have to create your own company file, this chapter tells you how to use the QuickBooks EasyStep Interview to get started, and points you to the other chapters that explain how to finish the job. If you already have a company file, you'll learn how to open it, update it to a new version of QuickBooks, and modify basic company information.

Opening QuickBooks

Here are the easiest ways to open QuickBooks:

- **Desktop icon.** If you told QuickBooks to create a desktop shortcut during installation (page 662), double-click the shortcut to launch QuickBooks.
- **Quick Launch toolbar.** The fastest way to open QuickBooks is to click its icon on the Windows taskbar—but first you have to put it there. In Windows 7, right-drag (that's dragging while holding down the right mouse button) the program's desktop shortcut onto the taskbar, as shown in Figure 1-1. In Windows XP, right-drag it onto the Quick Launch toolbar (to display the toolbar, right-click the taskbar, and then choose Toolbars→Quick Launch) and then choose Copy Here to create a second shortcut on the toolbar (if you're trying to clean up your desktop, choose Move Here instead). You can also use the right-drag technique to copy or move a shortcut in Windows Explorer or from the Start menu.



Figure 1-1:

Windows' taskbar keeps your desktop tidy. It's easy to reach, because program windows don't hide the taskbar the way they do desktop shortcuts.

- **Programs menu.** Without a desktop icon, you can launch QuickBooks from the Start menu. Click Start→QuickBooks Pro 2011 (or QuickBooks Premier Edition 2011). If QuickBooks isn't already listed on the menu, choose All Programs→QuickBooks→QuickBooks Pro 2011 (or QuickBooks Premier Edition 2011).

The first time you launch QuickBooks, you're greeted by the "Welcome to QuickBooks" screen. You have to create or open a company file, and then you're ready to dive into bookkeeping. The rest of this chapter explains how to create a company file and then how to open company files you create.

Before You Create Your Company File

If you've just started a business and want to inaugurate your books with QuickBooks, your prep work will be a snap. On the other hand, if you have existing books for your business, you have a few small tasks to complete before you jump into QuickBooks' setup. Whether your books are paper ledgers or electronic files in another program, gather your company information *before* you open QuickBooks. That way, you can hunker down in front of your computer and crank out a company file in record time. This section explains what you need to create your company file in QuickBooks.

Start Date

To keep your entire financial history at your fingertips, you need to put every transaction and speck of financial information in your QuickBooks company file. But you have better things to do than enter years' worth of checks, invoices, and deposits, so the comprehensive approach is practical only if you just recently started your company.

The more realistic approach is to enter your financial state as of a specific date and, from then on, add all new transactions in QuickBooks. The date you choose is called the *start date*, and you shouldn't choose it randomly. Here are your start date options and the ramifications of each one:

- **The last day of the previous fiscal year.** The best choice is to fill in your records for the entire year. Choose the last day of your company's previous fiscal year as the company file start date. That way, the account balances on your start date are like the ending balances on a bank statement, and you're ready to start book-keeping fresh on the first day of the fiscal year.

Yes, you have to enter checks, credit card charges, invoices, and other transactions that happened since the beginning of the year, but that won't take as much time as you think. And you'll regain those hours when tax time rolls around, as you nimbly generate the reports you need to complete your tax returns.

If more than half of the year has already passed, the best approach is to be patient and postpone your QuickBooks setup until the next fiscal year. Intuit releases new versions of QuickBooks in October or November each year for just that reason. But waiting until next year isn't always an option, particularly if your old accounting system vendor wants a truckload of cash for an upgrade. In cases like that, go with the next start-date option.

Tip: For practice, you can set the start date for your company file to the starting date from the bank statement closest to your company start date. Then you can enter transactions for the month and try reconciling your bank account to those transactions.

- **The last day of the previous fiscal period.** The next best start date is the last day of the previous fiscal quarter (or fiscal month at the very least). Starting in the middle of a fiscal year makes the entire year's accounting more difficult. Since your company file doesn't contain a full year's worth of detail, you'll have to switch between QuickBooks and your old filing cabinets to prepare your tax returns and look up financial information. Starting just before a fiscal period mitigates this hassle but doesn't eliminate it.

Account Balances and Transactions

Unless you begin using QuickBooks when you start your business, you need to know your account balances as of your selected start date to get things rolling. For example, if your checking account has \$342 at the end of the year, that value goes into QuickBooks during setup. You also need every transaction that's happened since the start date—sales you've made, expenses you've incurred, payroll and tax transactions, and so on—to establish your asset, liability, equity, income, and expense accounts. So dig that information out of your existing accounting system (or shoebox). Here are the balances and transactions you need and where you can find them in your records:

- **Cash balances.** For each bank account you use in your business (checking, savings, money market, petty cash, and so on), find the bank statements with statement dates as close to—but *earlier* than—the start date for your QuickBooks file.

Gather deposit slips and your checkbook register to identify the transactions that haven't yet cleared; you'll need them to enter transactions, unless you download transactions from your bank (page 547). If you have petty cash lying around, count it and use that number to set up your petty cash account (page 426).

Tip: The balance sheet that you included with your previous year's tax return is a great starting point for your account balances. Your tax return also shows your Federal Tax ID number, which you'll need, too.

- **Customer balances.** If customers owe you money, pull the paper copy of every *unpaid* invoice or statement out of your filing cabinet so you can give QuickBooks what it needs to calculate your Accounts Receivable balance. If you didn't keep copies, ask your customers for copies of the invoices they haven't paid or simply create invoices in QuickBooks to match the payments you receive.
- **Vendor balances.** If your company thinks handing out cash before you have to is more painful than data entry, find the bills you haven't yet paid and get ready to enter them in QuickBooks so you can generate your Accounts Payable balance. (To reduce the number of transactions you have to enter, simply pay those outstanding bills and record the payments in QuickBooks.)
- **Asset values.** When you own assets such as buildings or equipment, the value of those assets depreciates over time. If you've filed a tax return for your company, you can find asset values and accumulated depreciation on your most recent tax return (yet another reason to start using QuickBooks at the beginning of the year). If you haven't filed a tax return for your company yet, the asset value is typically the price you paid for the asset.
- **Liability balances.** Find the current balances you owe on any loans or mortgages.
- **Inventory.** For each product you stock, you need to know how many items you had in stock as of the start date, how much you paid for them, and what you expect to sell them for.

Tip: The basic QuickBooks editions like QuickBooks Pro and QuickBooks Premier aren't very good at working with inventory that you assemble from components or raw materials. See page 107 to learn how to track such inventory.

- **Payroll.** Payroll services are a great value for the money, which you'll grow to appreciate as you collect the info you need for payroll (including salaries and wages, tax deductions, benefits, pensions, 401(k) deductions, and other stray payroll deductions you might have). You also need to know who receives

withholdings, such as tax agencies or the company handling your 401(k) plan. Oh yeah—and you need payroll details for each employee. Chapter 14 explains the ins and outs of payroll in QuickBooks.

Tip: If you have outstanding payroll withholdings such as employee payroll taxes, send in the payments so you don't have to enter those open transactions in QuickBooks.

About the EasyStep Interview

Keeping books requires accuracy, attention to detail, and persistence, hence the customary image of spectacled accountants hunched over ledgers. QuickBooks can help you keep your books without ruining your eyesight or your posture—as long as you start your QuickBooks company file with good information.

UP TO SPEED

The Fastest Way to a New Company File

The proud owners of brand-new businesses face a dilemma: They have more important things to do than muddle through setting up a company file in QuickBooks, but money is usually as short as free time. Even so, if you don't know much about bookkeeping or accounting, a few hours of your accountant's time is a worthwhile investment. You'll not only save untold hours of tedium and confusion, but also know that your books are set up properly. Accountants well-versed in QuickBooks can create a flawless company file without breaking a sweat.

If you plan to do without an accountant but you want some help setting up your company file, once you get past the "Welcome to QuickBooks" screen, you can choose Help→Find A Local QuickBooks Expert. By answering a few questions on the Local QuickBooks Expert website (<http://tinyurl.com/find-qbadvisor>), you can locate someone in your area to help you get started.

In QuickBooks 2011, the Interview is relatively short and sweet; it takes about 30 minutes. All it wants to know is some company information, the industry you're in, and the features you want to use. QuickBooks then sets your preferences and creates a few accounts (like basic income and expense accounts and your checking account), but you have to do the bulk of the setup work later.

Starting the EasyStep Interview

You can create a brand-new company file by choosing File→New Company (or by clicking "Create a new company" from either the "Welcome to QuickBooks" screen or the No Company Open window). What Intuit considers an "easy" interview seems to change with every new version of QuickBooks, but the Interview covers the basics of creating and customizing a company file to fit your business. After you start the Interview, click Next or Back to move from screen to screen.

GEM IN THE ROUGH

Experimenting with a Sample File

You don't have to use your real company file to test out QuickBooks features you've never used. QuickBooks comes with several sample files: one for a basic product-based business, another for a basic service-based business, and several more for more specialized pursuits like contracting, consulting, manufacturing, law firms, and so on.

To experiment with QuickBooks features before you put them in production, in either the "Welcome to QuickBooks" screen or the No Company Open window, click "Open a sample file", and then choose the sample file you want. (If

your company file is open, choose File→Close Company/Logoff to display the No Company Open window.) If you botch your experiment, you can always reinstall the sample files from the QuickBooks CD.

Don't try to use these sample files as your company file. They come with accounts, customers, vendors, and transactions (such as checks, invoices, and purchase orders). Besides, QuickBooks 2011 sets the date in these files to 12/15/2013, which makes transactions later than you or your vendors would like.

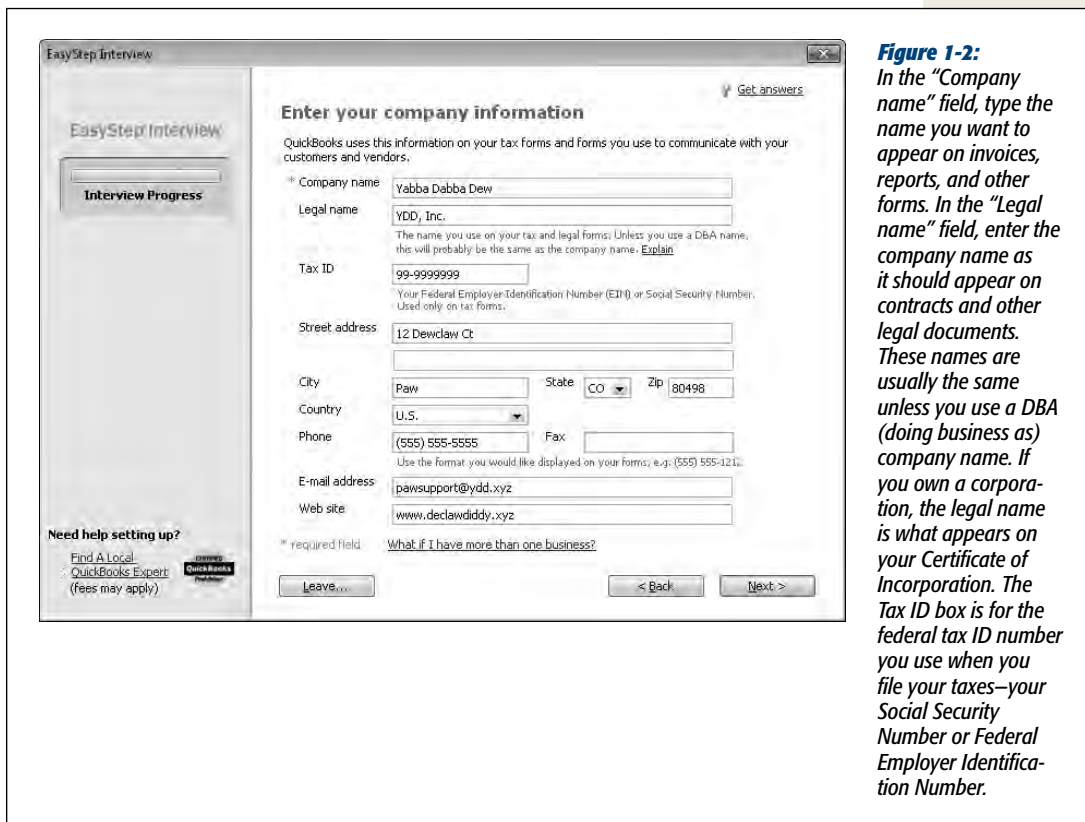
The Get Started screen assures you that you'll be ready to start using QuickBooks in about 30 minutes. Start by clicking one of the following three buttons:

- **Convert Data.** If you have existing records in Quicken or another accounting program, you're in luck. Converting your books (page 29) is easier than starting from scratch.
- **Skip Interview.** If you're something of a QuickBooks expert, this option lets you set up a company file without a safety net. It opens the "Enter your company information" window, followed by a few screens of data entry. If you need help during the process, you can always click the "Get answers" link.
- **Start Interview.** If you don't fit into either of the previous categories, this one's for you. The following sections take you through the process step by step, from start to finish. Keep in mind that, if you leave the interview before QuickBooks creates your company file, the program won't save any of the information you entered. So make sure you have at least 10 minutes to complete the first set of steps.

Company Information

After you click the Start Interview button, the first setup screen (Figure 1-2) asks you for the basic 411 about your company, such as its legal name and tax ID. (If any of the fields confuse you, try clicking the "Get answers" link in the upper-right corner.) Click Next when you're done filling out the fields.

After you complete the basics, the EasyStep Interview walks you through several screens of questions. Here's what QuickBooks' EasyStep Interview wants to know before it creates your company file:



- **Your industry.** Choose carefully on the “Select your industry” screen. The list of industries is robust, so chances are good you’ll find one that’s close to what your company does. Based on your choice, QuickBooks adjusts its settings and the chart of accounts it creates to match how your business operates. For example, the program creates income and expense accounts for your type of business and automatically turns on features like sales tax and inventory if your industry typically uses them. If QuickBooks makes assumptions you don’t like, you can select different options during the interview or alter your preferences (page 561) and accounts (page 49) later.

If you don’t see an obvious choice in the Industry list, scroll to the bottom and choose either General Product-based Business or General Service-based Business.

- **The type of company.** The tax form you use depends on the type of business entity you have. The “How is your company organized?” screen lists the most common types, from sole proprietorships and partnerships to corporations and

nonprofits. When you select an option on this screen, QuickBooks assigns the corresponding tax form to your company file. After you finish the Interview, you can see the tax form it selected by choosing Company→Company Information, which brings up the Company Information window shown in Figure 1-5 (page 25). The Income Tax Form Used box at the bottom of this window lists the tax form for your company type.

- **The first month of your fiscal year.** When you start your company, you choose a fiscal year. On the “Select the first month of your fiscal year” screen, QuickBooks automatically sets the “My fiscal year starts in” box to January because so many small businesses stick with the calendar year for simplicity. If you start your fiscal year in another month, choose it from the drop-down list.
- **The administrator password.** The administrator can do absolutely anything in your company file: set up other users, log in as other users, and access any area of the company files. Surprisingly, setting an administrator password is optional. QuickBooks lets you click Next and skip right past the “Set up your administrator password” screen, but this is no time for shortcuts, as the box below explains. Type the password you want to use in both the “Administrator password” and “Retype password” boxes, and then keep the password in a safe but memorable place. (Page 644 explains how to change the administrator name and password.)

TROUBLESHOOTING MOMENT

Safe Login Practices

Don’t even think about having everyone who works with a company file share one login. You don’t want everyone to have access to payroll data, and you wouldn’t know which person to fire if you found any less-than-legal transactions in the company file. Even if you run a small business from home, an administrator password prevents the chimney sweep from swiping your business credit card number. Chapter 26 has much more about keeping your QuickBooks files secure, but here are some password basics:

- Set a password that’s at least eight characters long and is a combination of letters and numbers.
- Passwords are case-sensitive, so make sure that Caps Lock isn’t turned on by mistake.

- *Type the password in both the “Administrator password” and “Retype password” boxes. If you copy and paste the password from the “Administrator password” box into the “Retype password” box, you could copy a typo and not be able to access the company file you just created.*

If you forget the administrator login and password or lose the piece of paper they’re written on, you won’t be able to open your company file without some fancy footwork, so keep a record of them someplace safe. If you’ve tried everything and your administrator password is still missing in action, see page 646 to learn how you can reset it.

Creating Your Company File

After you set the administrator password and click Next, the “Create your company file” screen appears. If you’re new to QuickBooks, click the “Where should I save my company file?” link, which opens a QuickBooks Help window that explains the pros

and cons of storing files in different places. When you're done reading it, or if you're a QuickBooks veteran, click Next to specify the filename and location.

QuickBooks opens the "Filename for New Company" dialog box, which is really just a Save As dialog box. Navigate to the folder where you want to store your company file. QuickBooks automatically sets the "File name" box to the company name you entered, and the "Save as type" box to "QuickBooks Files (*.QBW, *.QBA)". Here are some guidelines for the name:

- If you want to call the file something other than the company name you entered earlier in the Interview, simply type a new name in the "File name" box. For example, you may want one that's shorter or that better identifies the company's records within.
- Consider storing your company file in a folder with the rest of your company data so that it gets backed up along with everything else. For example, you could create a Company Files folder inside your My Documents folder—if you're the only person who uses QuickBooks. See page 664 for more about choosing a location for your company files.

When you click Save in the "Filename for New Company" dialog box, QuickBooks may take a minute or so to create the new file. In the meantime, a message box with a progress bar appears. Go grab a coffee, because when the company file is ready, the EasyStep Interview displays the "Customizing QuickBooks for your business" screen. Click Next to dig in.

Tip: At this point, the progress bar in the left margin of the EasyStep Interview window is depressingly short because you still have to do the bulk of company file setup. If you need a break before continuing, click Leave. The next time you open that company file, the EasyStep Interview continues where you left off.

Customizing Your Company File

The next several screens in the EasyStep Interview ask questions about your business to help QuickBooks decide which features to turn on, what to include on your QuickBooks Home page, and so on. The Interview displays "(recommended for your business)" next to the options that are typical for a company in your industry, as you can see in Figure 1-3.

Here are some guidelines for answering the questions on the screens that follow:

- The **What do you sell?** screen is where you tell QuickBooks whether you offer services, products, or both. When you choose one of these options, QuickBooks figures out which types of income accounts you need. If you select "Products only" or "Both services and products", another screen later in the Interview asks whether you want to track inventory.

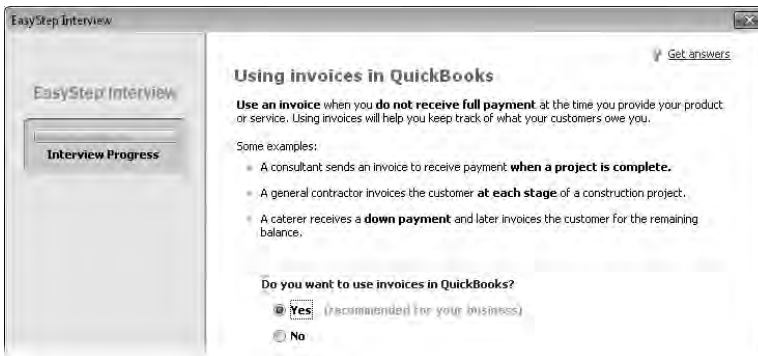


Figure 1-3:

The Interview sticks to the basics, so you'll have more setup to do later. As you step through the screens in this section, make a list of the features you're turning on (and the corresponding page numbers in this book) for reference. If you decide to change any of these settings later, Chapter 23 tells you how. Happily, the QuickBooks 2011 interview skips the sales pitches its predecessors had for add-on features that cost extra like selling online, getting an Intuit credit card, or ordering Intuit checks.

- The **Do you charge sales tax?** screen has only Yes or No options. If you're one of the unfortunate souls who has to navigate the rocky shoals of sales tax, select Yes. If you don't charge sales tax, select No. For detailed instructions on dealing with sales tax in QuickBooks, see page 120.
- On the **Do you want to create estimates in QuickBooks?** screen, select Yes or No to turn the estimate feature on or off. If you prepare quotes, bids, or estimates for your customers and want to do so in QuickBooks (page 282), select Yes.

Note: If you use QuickBooks Premier, the "Tracking customer orders in QuickBooks" screen asks whether you want to use sales orders to track backorders (page 280) or other orders that you plan to fill at a later date. QuickBooks Pro doesn't include this sales order feature.

- **Using statements in QuickBooks** is where you tell the program whether you generate statements to send to your customers (page 303). For example, your wine-of-the-month club might send monthly statements to its members. Or, a consultant could send invoices for work performed and then send a statement that summarizes the fees, payments, and outstanding balance.
- On the **Using invoices in QuickBooks** screen, select Yes to tell the program that you want to use invoices, which you probably do because invoices are the most flexible sales forms (page 248).

- The **Using progress invoicing** screen asks whether you invoice customers based on the percentage you've completed on a job. To learn why (and how) you might use this feature, see page 288.
- **Managing bills you owe** asks whether you plan to write checks to pay bills immediately (select No) or enter bills in QuickBooks and then pay them later (select Yes). You can read about bill preferences on page 566 and payment preferences on page 582.

Tip: It's more work to enter bills in QuickBooks than to just write checks, but there's a benefit if you do: QuickBooks can remind you when bills are due or qualify for timely payment discounts, and keep track of the total you owe.

- **Tracking inventory in QuickBooks** is the screen where you tell QuickBooks whether you keep track of the products you have in stock. This screen provides a few examples of when to track or bypass inventory, and page 95 has more about whether tracking inventory makes sense for your business.
- If you bill by the hour, **Tracking time in QuickBooks** is ideal. Select Yes to track the hours people work and create invoices for their time. Chapter 8 explains how to set time tracking up properly.
- **Do you have employees?** is where you specify whether you want to use QuickBooks' payroll and 1099 features (select Yes). If you use non-Intuit services to run payroll or generate contractors' 1099s, select No.

When you click Next on the "Do you have employees?" screen, you see the "Using accounts in QuickBooks" screen and the progress bar indicates that you're almost done with the Interview. With a few more steps, you'll have your start date and most of the accounts you want to use. Click Next to set up these final things:

- The **Select a date to start tracking your finances** screen summarizes what you learned about start dates on page 14. If you've already decided which start date to use, select the "Use today's date or the first day of the quarter or month" option. You can then type or choose any date you want in the box, such as the last day of the previous fiscal period. To start at the beginning of this fiscal year (which QuickBooks can figure out using the current calendar year and the starting month you selected), select the "Beginning of this fiscal year: 01/01/11" option instead. (The year you see listed depends on the current calendar year.)
- The **Review income and expense accounts** screen lists the accounts typically used by companies in your industry, as shown in Figure 1-4.

When you click Next, you'll see a bright orange, but premature, "Congratulations!" You still have a few more steps to complete before you can open your company file. Click "Go to Setup" and read the next section.

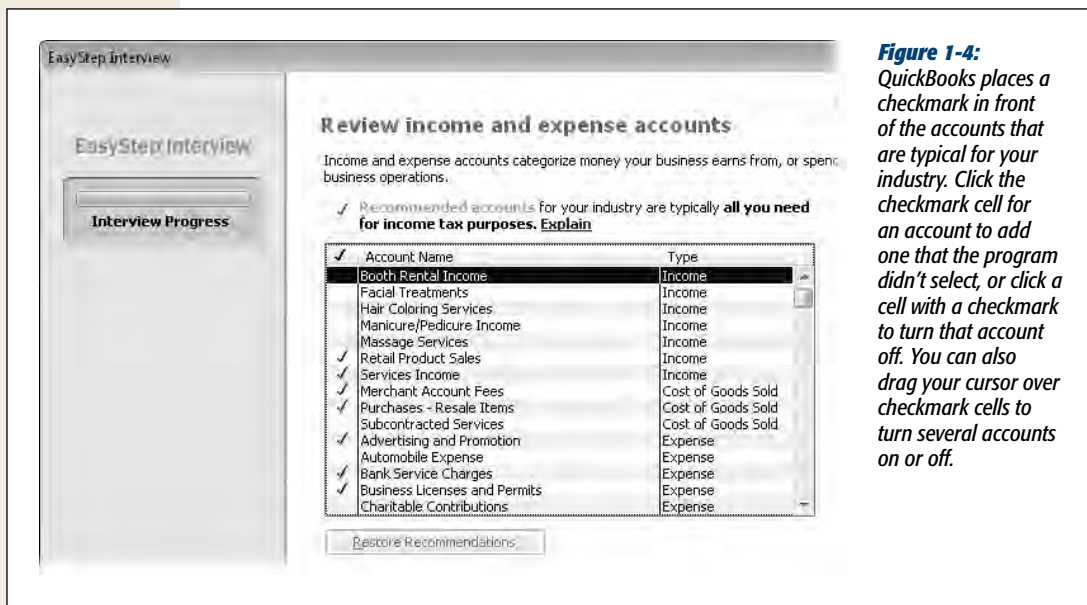


Figure 1-4: QuickBooks places a checkmark in front of the accounts that are typical for your industry. Click the checkmark cell for an account to add one that the program didn't select, or click a cell with a checkmark to turn that account off. You can also drag your cursor over checkmark cells to turn several accounts on or off.

Beginning to Use QuickBooks

After you create a new company file and click “Go to Setup” in the EasyStep Interview window, the QuickBooks Setup window opens with additional steps you have to complete, such as adding bank accounts and items you sell. If you want step-by-step guidance through these processes, click one of the Add buttons. For example, to create items, you can fill in a service or product name, description, and price; QuickBooks takes care of the rest. You can even copy and paste information from an Excel spreadsheet.

After you finish the additional steps, click “Start working” to open the Start Center window. You can click commands to open the corresponding features, click “Go to setup” to return to the QuickBooks Setup window, or click the X at the top-right of the window to close it so you work directly in the program.

Tip: If you'd rather perform these tasks later on or want more control over setup, click the Close button (the X at the top-right corner of the QuickBooks Setup window). Page 25 tells you where to go in this book for more detailed instructions on the rest of the setup you need.

After you close the QuickBooks Setup window, you see the QuickBooks Home page (page 31), which includes icons for the features you turned on during the EasyStep Interview.

Note: You may also see the QuickBooks Learning Center window (you can open this window anytime by choosing Help→Learning Center Tutorials) with links to tutorials and Help topics about new features (page 672). In the window, click a link to watch a video on a topic. To ask a question in the QuickBooks Live Community, choose Help→QuickBooks Help, and then click the Live Community tab. Page 670 explains how to use this feature.

Modifying Company Info

In the EasyStep Interview, QuickBooks gets the basic facts about your company in small chunks spread over several screens. But after you create your company file, you can edit any of this information in one dialog box, shown in Figure 1-5. To open it, choose Company→Company Information. Remember, the legal name and address are the ones you use on federal and state tax forms.

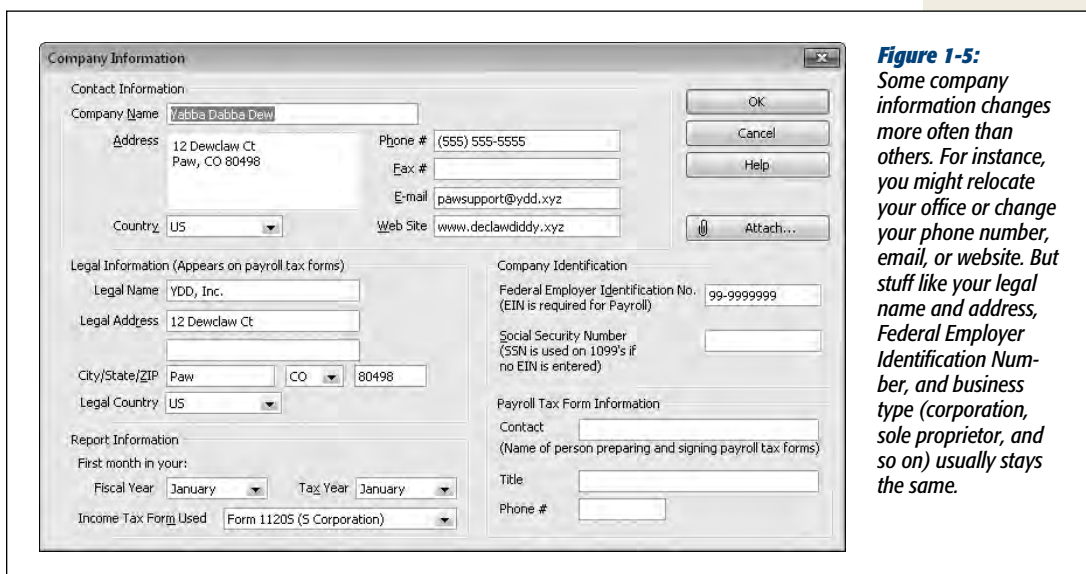


Figure 1-5: Some company information changes more often than others. For instance, you might relocate your office or change your phone number, email, or website. But stuff like your legal name and address, Federal Employer Identification Number, and business type (corporation, sole proprietor, and so on) usually stays the same.

What's Next?

The EasyStep Interview and the QuickBooks Setup windows help you complete quite a bit of setup, but you may need guidance for the rest. Look no further than the book in your hands. Here are the ways you can flesh out your company file:

- **Set up your users and passwords.** See “Assigning the Administrator User Name and Password” on page 644.
- **Review and/or change the preferences that QuickBooks set.** See “An Introduction to Preferences” on page 562.

- **Set up or edit the accounts in your Chart of Accounts.** If you didn't set up all your accounts yet, you can create them now. See "Creating Accounts and Subaccounts" on page 47.
- **Create a journal entry to specify accounts' opening balances.** See "Creating General Journal Entries" on page 433.

Note: See page 439 to learn how to record your initial contribution of cash or assets to your company.

- **Create items for the products and services you sell.** See "What Items Do" on page 93.
- **Set up sales tax codes.** See "Setting Up Sales Tax" on page 120.
- **Set up your 1099 tracking.** See "Tax: 1099" on page 595.
- **Sign up for Intuit Payroll Service if you want help with payroll.** See "Choosing a Payroll Service" on page 372.
- **Enter your historical transactions.** For invoices, see "Creating an Invoice" on page 253; for bills, see "Entering Bills" on page 200; for payroll, see Chapter 14.

Opening an Existing Company File

After you've opened a company file in one QuickBooks session, the next time you launch the program, it opens that same company file. If you keep the books for only one company, you might never have to manually open a QuickBooks company file again.

For irrepresible entrepreneurs or bookkeepers who work on several companies' books, you don't have to close one company file before you open another. You can open another company file in QuickBooks any time you want. The following sections describe the different ways to do so.

Opening a Recently Opened Company File

If you work on more than one company file, you may frequently switch between them. The easiest way to open a recent file is to choose File→Open Previous Company, and then choose the file you want to open, as shown in Figure 1-6. If the Open Previous Company menu doesn't list the file you want to open, follow the steps in the next section instead.

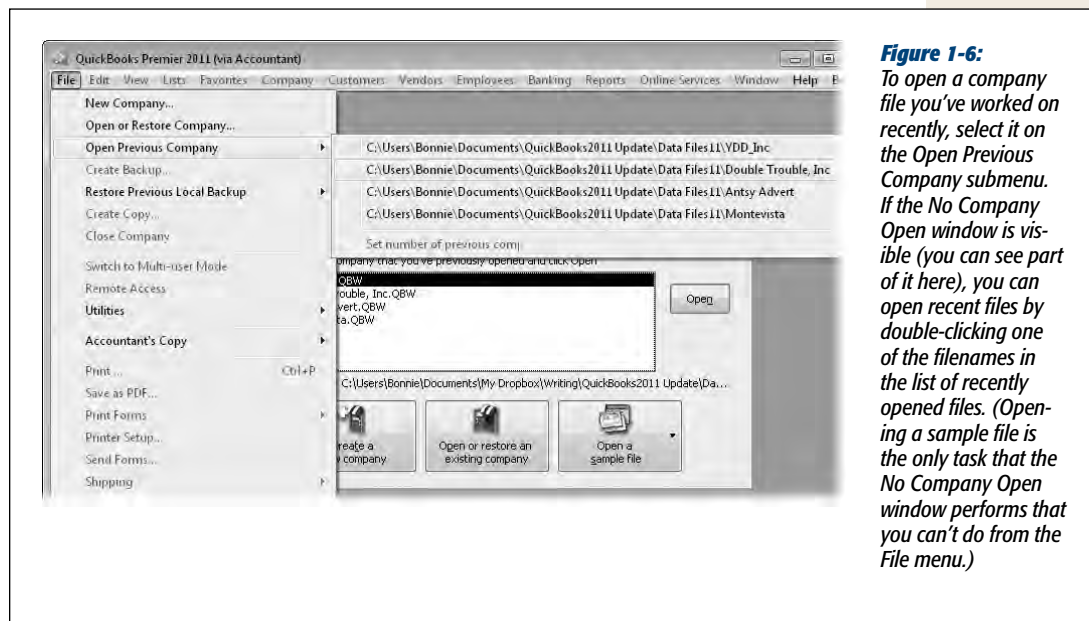
Opening Any Company File

Sometimes, a company file you want to open falls off the recent file list. (The box on page 28 explains how to tell QuickBooks how many files to list on the Open Previous Company submenu.) Say your bookkeeping business is booming and you work on dozens of company files every month. Or maybe you want to update a file from a

previous version (see the box on page 29). Here's how to open any company file, no matter how long it's been since you last used it:

1. Choose File→“Open or Restore Company”.

If the No Company Open window is visible, you can click “Open or restore an existing company” instead.



2. In the “Open or Restore Company” dialog box, select the “Open a company file” option and then click Next.

The “Open a Company” dialog box appears.

3. Navigate to the folder with the company file you want and double-click the file's name.

You can also click the filename and then click Open.

4. If the QuickBooks Login window appears (which it will if you've assigned a password to the Administrator user account or set up multiple users), type your user name and password.

If the Administrator is the only user, the Password box is the only one that appears. But if you have more than one user for the company file, both the User Name and Password boxes appear.

5. Click OK.

The company file opens and you're ready to keep the books.

Restoring a Backup File

Backup files are the answer to the adrenaline rush you get when you do something dumb with your company file, your hard drive crashes, or a plume of smoke wafts up from your computer. To restore a backup file, choose File→“Open or Restore Company”. In the “Open or Restore Company” dialog box, select the “Restore a backup copy” option and then click Next. To learn how to create backup files in the first place, as well as the details on restoring them, see page 158.

ORGANIZATION STATION

Fast Access to Several Companies

If you work on several sets of company books at the same time, choosing File→Open Previous Company is the quickest way to hop between company files. Out of the box, QuickBooks lists up to 20 companies on the Open Previous Company submenu. If you work with fewer companies, the submenu may have company files that you’d rather forget.

You can change the number of companies QuickBooks lists on the submenu to match the number of companies you work on. With a clever workaround, you can also clear out old entries that you don’t want to see.

Here’s how to change the number of companies on the Open Previous Company submenu:

1. Choose File→Open Previous Company→“Set number of previous companies”. (You need to have a company file open to select this command.)
2. In the “Set Number of Previous Companies” dialog box, type the maximum number of companies you want to see on the menu, and then click OK. QuickBooks can show up to 20, which it lists starting with the most recent.

To clear old entries off the menu, change the number of entries to 1. Then, QuickBooks lists only the most recent company file, clearing all the others off the list. If you want to see more than one company, reset the number of entries again, this time to a higher number.

Opening a Portable Company File

Portable files are a special file format that makes QuickBooks company files compact so you can email them more easily. Opening a portable file is similar to opening a regular file:

1. Choose File→“Open or Restore Company”.

The “Open or Restore Company” dialog box opens.

2. Select the “Restore a portable file” option and then click Next.

The Open Portable Company File dialog box appears. QuickBooks automatically changes the “Files of type” box to “QuickBooks Portable Company Files (*.QBM)”.

3. Navigate to the folder with the portable file and double-click its name.

QuickBooks opens your file.

FREQUENTLY ASKED QUESTION

Updating a QuickBooks File

How do I update a company file to the newest version of QuickBooks?

If you've used a previous version of QuickBooks, your company file is set up to work with that version of the program. When you upgrade to QuickBooks 2011, the program has to make some changes to your company file's format. Fortunately, updating a company file is easy: All you have to do is open it in the new version of QuickBooks and follow the onscreen instructions. Here are the steps:

1. Choose File→"Open or Restore Company".
2. In the "Open or Restore Company" dialog box, select the "Open a company file" option, and then click Next.
3. In the "Open a Company" dialog box, double-click the company file you want to update. If you see the Password box, enter your password.
4. In the "Update Company File for New Version" dialog box, turn on the verbose "I understand that my company file will be updated to this new version of QuickBooks" checkbox, and then click Update Now.

5. Click OK to create a backup before you upgrade. Follow the steps to create a backup copy of your company file (page 162).
6. When the Update Company message box appears, click Yes to start the update. Keep in mind that the process could take a while if your company file is large or you're updating from several QuickBooks versions back.

When the update is complete, the QuickBooks Learning Center window (page 672) opens in case you want to learn more about what's new in QuickBooks 2011. Click "Go to QuickBooks" at the bottom right of the window to get to work.

Once you update a company file, your coworkers won't be able to open it until you upgrade their computers to QuickBooks 2011. So to prevent work disruptions, plan to upgrade all copies of QuickBooks and the company file during downtime.

Converting from Another Program to QuickBooks

If you launched your small business from your basement and kept your records with Quicken Home & Business Edition, your accountant has probably recommended that you make the leap to using QuickBooks. On the other hand, you may have used another accounting program like Peachtree or Small Business Accounting and have decided to move to QuickBooks. Regardless of which other program you used, the command to convert your records to QuickBooks is the same: Choose File→Utilities→Convert. Then choose From Quicken, From Peachtree, or From Microsoft Small Business Accounting or Microsoft Office Accounting. The rest of this section explains what to do after that.

Converting from Quicken Home & Business

Quicken doesn't report your business performance in the way that most accountants want to see, nor does it store your business transactions the way QuickBooks does. If you want the conversion to proceed as smoothly as possible, do some cleanup in your Quicken file first.

For example, you have to record overdue scheduled transactions and send online payments before you convert your Quicken file. Also, delete accounts you don't want in QuickBooks because, once they're in QuickBooks, you can't delete accounts that have any transactions. And make sure that customer names are consistent and unique. QuickBooks doesn't support repeating online payments, so you also have to send an instruction in Quicken to delete any repeating online payments you've set up. In addition, you need complete reports of your past payroll because Quicken payroll transactions don't convert to QuickBooks.

Intuit publishes a detailed guide to help you prepare for a Quicken conversion, but finding it isn't easy. If you try searching the QuickBooks support site, keywords like "quicken quickbooks convert" or "Quicken to QuickBooks Conversion Guide" don't return the answer you need. Go to <http://tinyurl.com/qn-qbconversion>, and then click the "Quicken to QuickBooks Conversion Guide" link.

Note: If you run into problems converting from Quicken to QuickBooks, contacting Intuit's technical support could just intensify your headache. You're likely to get bounced back and forth between Quicken and QuickBooks tech support, with neither one being particularly helpful. If you've already cleaned up your Quicken file and run into conversion problems in QuickBooks, check the QuickBooks company file for errors by choosing File→Utilities→Verify Data, described on page 175. Another potential solution is to remove transactions prior to the current fiscal year before converting the file. If nothing you try works *and* you're willing to send your financial data to Intuit, QuickBooks technical support may agree to convert the file for you.

When your Quicken file is ready for conversion to QuickBooks, you have two options in QuickBooks:

- **Choose File→New Company.** In the EasyStep Interview window, click Convert Data and then choose Quicken.
- **Choose File→Utilities→Convert→From Quicken.**

Converting from a Non-Intuit Program

To convert files created in other accounting programs like Peachtree or Small Business Accounting, you have to download a conversion tool from the QuickBooks website. Choose File→Utilities→Convert and then choose the program you want to convert from. In the dialog box that opens, click Yes to tell QuickBooks to go online to download the QuickBooks Conversion Tool. Then scroll down to the bottom of the web page that opens and click the "Get free downloadable Conversion Tool" link. Fill in the boxes for your name, company name, and email address and then click Submit.

Getting Around in QuickBooks

You have more than enough to do running your business, so you don't want bookkeeping to take any longer than necessary. The QuickBooks Home page is your command center for all things financial; it helps you get your accounting done quickly and efficiently. The page not only provides a visual roadmap to the bookkeeping tasks you perform regularly, it also gives you quick access to tasks and information related to vendors, customers, and employees, along with the commands and overall financial info you use most often. Click an icon, and the corresponding window or dialog box appears. The Home page also includes Company and Banking panels with icons that open windows like the Chart of Accounts, Item List, Write Checks, and everyone's favorite—Make Deposits.

This chapter explains how to use the workflow icons on the Home page, as well as the Vendor, Customer, and Employees centers that open when you click the corresponding buttons on the left side of the Home page. You'll also learn how to review your company's finances in the Company Snapshot window and access QuickBooks commands from the menu bar and icon bar. Finally, you'll learn how to work with all the windows you open during a rousing bookkeeping session.

The QuickBooks Home Page

QuickBooks' Home page (Figure 2-1) is a slick way to work through your company's bookkeeping tasks. The page is divided into several panels: Vendors, Customers, Employees, Company, and Banking. When you create your company file with the EasyStep Interview (page 17), the things you tell QuickBooks determine what you see on the Home page. For example, if you tell the Interview that you invoice customers and send statements, the Customers panel includes icons for invoicing and

preparing statements. Or if you run a one-person shop with no employees, you won't see the Employees panel.

The Home page also has icons for other must-do tasks, like the Chart of Accounts icon in the Company panel, which opens the Chart of Accounts window, and the Check Register icon in the Banking panel, which opens your checking account register window. This section shows you how to use the Home page to best advantage.

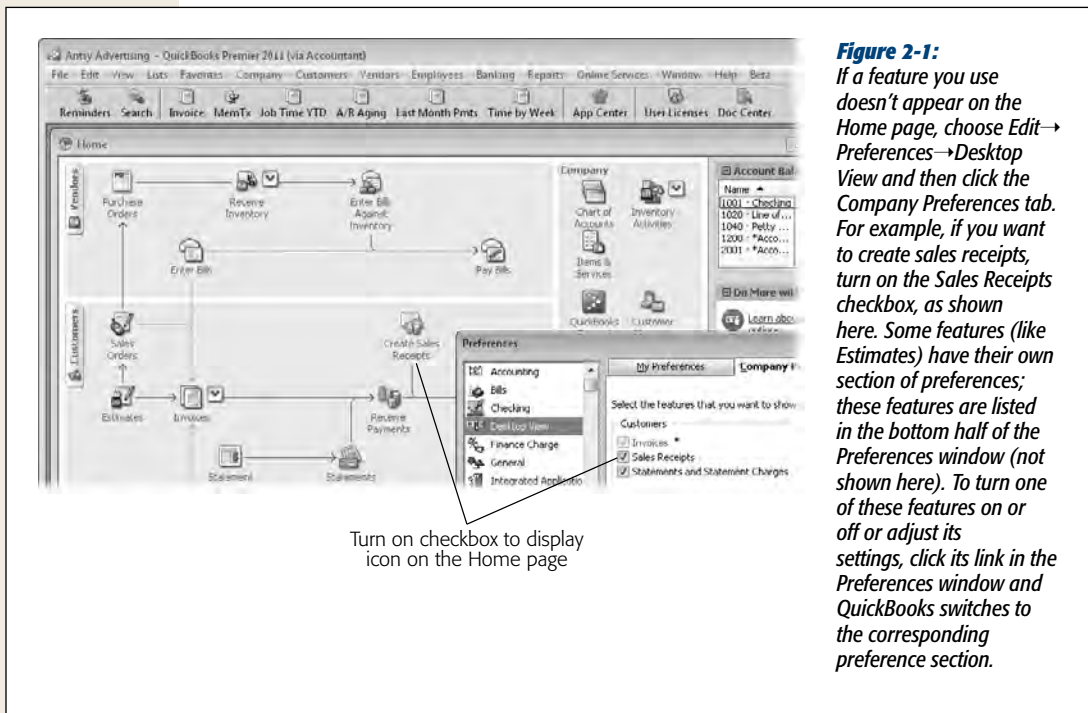


Figure 2-1:
If a feature you use doesn't appear on the Home page, choose Edit→Preferences→Desktop View and then click the Company Preferences tab. For example, if you want to create sales receipts, turn on the Sales Receipts checkbox, as shown here. Some features (like Estimates) have their own section of preferences; these features are listed in the bottom half of the Preferences window (not shown here). To turn one of these features on or off or adjust its settings, click its link in the Preferences window and QuickBooks switches to the corresponding preference section.

Tip: To make sure the Home page appears each time you log in, choose Edit→Preferences→Desktop View, click the My Preferences tab, and then turn on the "Show Home page when opening a company file" checkbox. If you prefer to choose commands from menus and want to keep the Home page hidden, turn this checkbox off.

The Home page shows you how bookkeeping tasks fit together so you can follow your money from start to finish. Vendors, customers, and employees each have their own panel on the Home page. The bookkeeping tasks for each group are laid out like breadcrumbs you can follow from start to finish. Each company is different, so you don't *have* to use every icon you see. This section outlines the tasks you can access from each panel and where you can find detailed instructions elsewhere in this book.

Vendors

Whether you purchase products and services to run your company or to sell to your customers, the Vendors panel steps you through purchasing and paying for the goods and services you use; these steps are described in detail in Chapter 9.

Click the Vendors button on the left side of the panel (or choose Vendors→Vendor Center) to open the Vendor Center shown in Figure 2-2, where you can set up and edit vendors, or check the status of purchase orders, bills, and other vendor transactions. The Vendor Center is the best place to create, edit, and view what's going on with your vendors. Here's what you can do there:

- **Create a new vendor.** In the Vendor Center toolbar at the top of the window, click New Vendor→New Vendor (how's that for redundant?), and the New Vendor window opens so you can create a new vendor record, as described on page 131. If you click New Vendor→Add Multiple Vendors instead, QuickBooks lets you create multiple vendors in one window (page 70).
- **Find a vendor.** If you have a bazillion vendors, you can shorten the vendor list that you see in the Vendor tab on the left side of the Vendor Center. The tab's View drop-down list is initially set to Active Vendors. If you want to see active and inactive vendors alike, choose All Vendors instead. If you'd rather see only the vendors you owe money to, choose "Vendors with Open Balances". Or choose Custom Filter to specify exactly the criteria you want.

To do a quick search of vendor records, type part of a vendor's name in the Vendor tab's Find box and then click the Find button, which has a magnifying glass on it.

- **Review a vendor's record.** When you select a vendor on the Vendors tab (shown in Figure 2-2), basic info about that vendor appears on the right side of the window.
- **Edit an existing vendor's record.** To change a vendor's record, on the Vendors tab, right-click the vendor's name and then choose Edit Vendor. The Edit Vendor window opens with the same fields you filled in when you created the record (page 131). If you select the vendor in the list so its info appears on the right, you can also click the Edit Vendor button in the right-hand pane to open the same window.
- **Attach an electronic document to a vendor record.** You can add attachments to a vendor's record and even scan them right in QuickBooks, as described on page 313.
- **Create transactions for a vendor.** In the Vendor Center toolbar, click New Transactions to display a drop-down menu of vendor-related commands like Enter Bills, Pay Bills, and Receive Items. (These do the same thing as the icons in the Home page's Vendors panel.)

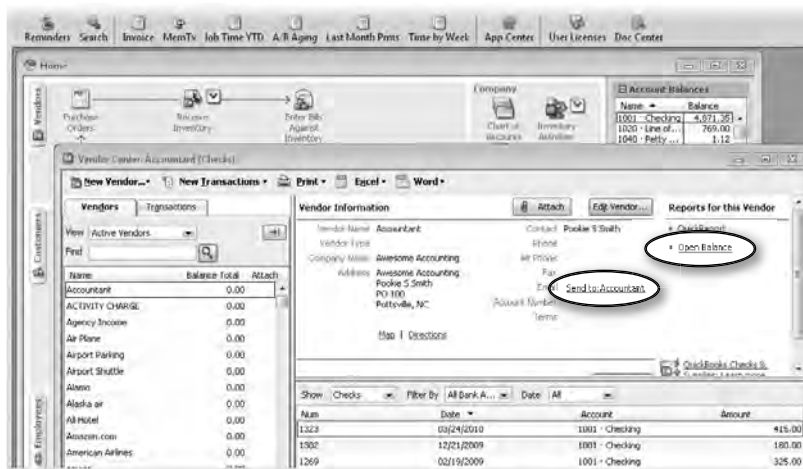


Figure 2-2: The Vendor Center puts all vendor-related tasks in a single window. When you choose a vendor from the list on the left, the Vendor Information pane on the right displays info about that vendor and its transactions. Click the Open Balance link (circled) to see how much you owe that vendor. If the vendor's record includes an email address, you can click the "Send to" link (also circled) to email the vendor. You can even click the Map or Directions link to find out how to get to your vendor.

- **Review transactions for a vendor.** When you select a vendor in the Vendors tab, the table at the bottom-right of the Vendor Center lists that vendor's transactions. By filtering these transactions, you can find out which purchase orders are still open, whether any bills are overdue, or what payments you've made. To see a specific kind of transaction, in the Show drop-down list, choose a transaction type, like Bills or Bill Payments.

The Filter By drop-down list lets you restrict the transactions you see by their status, such as Open Bills or Overdue Bills. To track down transactions within a specific date range, choose a date range from the Date drop-down list. (The options in this menu are the same as the ones available in reports; see page 521.)

Tip: To view a transaction in its corresponding window, double-click the transaction in the list.

- **Print or export vendor information.** In the Vendor Center toolbar, click Print to print vendor lists, vendor information, or vendor transactions. Click Excel to paste, import, or export vendor information and transactions (page 611).
- **Prepare vendor letters.** In the Vendor Center toolbar, click Word to create letters to vendors (page 598).

Customers

Like its vendor-related sibling, the Customers panel has icons for customer-oriented commands like creating invoices, statements, sales receipts, and so on. (Chapter 10 describes how to work with invoices, estimates, sales orders, refunds, and customer credits. Chapter 11 covers the commands for creating statement charges and statements. Receiving payments and sales receipts for cash sales are both described in Chapter 13.)

Click the Customers button on the left side of the panel (or choose Customers→Customer Center) to open the Customer Center, where you can perform the following tasks:

- **Create a new customer or job.** In the Customer Center toolbar at the top of the window, click New Customer & Job. In the drop-down menu, choose New Customer to create a new customer record (page 62), or choose “Add Multiple Customer:Jobs” to add several customers. If you want to add a job to a customer, first select the customer in the Customers & Jobs tab on the left side of the Customer Center, and then click New Customer & Job→Add Job (page 79).
- **Find a customer.** You can filter the Customer & Jobs tab’s list to show active customers, only customers who owe you money (customers with open balances), and so on, simply by choosing an option from the tab’s View menu. Choose Custom Filter to specify criteria for the customers you want to see. To search for a specific customer, type part of the customer’s name in the Find box, and then click the Find button (it has a magnifying glass on it).
- **Review a customer record.** When you select a customer in the Customers & Jobs tab, the right side of the window displays the basic 411 about that customer. In the Customer Information section, shown in Figure 2-3, you can send an email to that customer, attach electronic documents to the customer’s record, get directions to their location, add notes to the record, look at key information like the customer’s open balance, or run reports about the customer.

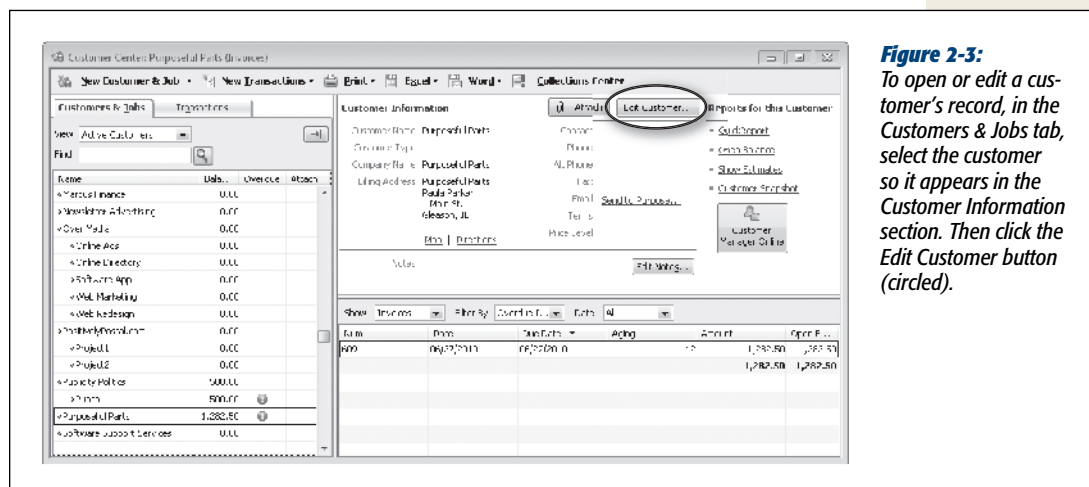


Figure 2-3:
To open or edit a customer's record, in the Customers & Jobs tab, select the customer so it appears in the Customer Information section. Then click the Edit Customer button (circled).

- **Review the status of a customer.** On the right side of the Customer Center, click the Customer Snapshot link to open the Company Snapshot window (page 37) to the Customer tab. There, you can quickly scan the customer's recent invoices and payments, look at a bar graph of sales you've made to the customer by time period, or review the items that the customer buys the most.
- **Edit an existing customer's record.** To open the Edit Customer window, in the Customers & Jobs tab, either right-click a customer's name and then choose Edit Customer, or select a customer and then click the Edit Customer button.
- **Attach an electronic document to a customer record.** You can add attachments to a customer's record or scan them in QuickBooks, as described on page 313.
- **Create transactions for a customer.** In the Customer Center toolbar, click New Transactions and then choose one of the transaction types from the drop-down menu, such as Estimates, Invoices, or Receive Payments. The items in this menu are the same as the icons in the Home page's Customers panel and open the corresponding window to record that type of transaction.
- **Review transactions for a customer.** The table at the bottom-right of the Customer Center lists the transactions for the customer you select in the Customers & Jobs tab. You can filter these transactions by type (estimates or invoices, for example), status, and date. Double-click a transaction in the list to open a window with details about that transaction.
- **Print or export customer information.** In the Customer Center toolbar, click Print to print customer information (page 516) or click Excel to import or export customer and job info (page 609).
- **Prepare customer letters.** In the Customer Center toolbar, click Word to create letters to customers (page 598).

Employees

The Employees panel has only a few icons. The devilish details arise when you click one of these icons to enter time, set up paychecks, or pay payroll tax liabilities. The Employee Center works the same way as the Vendor and Customer Centers you just learned about. To open it, click Employees on the left side of the Home page or choose Employees→Employee Center. (See Chapter 8 to learn how to record the time that employees work. Chapter 14 walks you through paying employees and other payroll expenses.)

In the Employee Center, you can create new records for employees, update info for existing employees, and view transactions like paychecks. On the Employees tab, you can filter the employee list to view active employees, released employees (ones who no longer work for you), or all employees.

Company

The Company panel is on the right half of the Home page. The two icons in this panel that you'll probably click most often are Chart of Accounts and Items & Services, which open the Chart of Accounts (page 49) and Item List (page 102) windows, respectively. If you track inventory, click the Inventory Activities icon and then choose a command, such as Adjust Quantity On Hand, which lets you change the quantity and value of your inventory (page 488).

Banking

The Home page's Banking panel is a one-stop shop for banking tasks. Whether you visit this panel frequently or almost never depends on how you like to record transactions. For example, you can click the Write Checks icon to open the Write Checks window (page 234) or simply press Ctrl+W to do the same thing. (Or, if you like to record checks in a check register window, you might prefer to double-click your bank account in the Chart of Accounts window instead.) Similarly, the Enter Credit Card Charges icon opens the Enter Credit Card Charges window (page 239), but you can record credit card charges directly in a credit card register (page 236).

Clicking the Record Deposits icon opens the "Payments to Deposit" dialog box so you can record bank deposits (page 361). The Reconcile icon opens the Begin Reconciliation dialog box so you can reconcile your QuickBooks records to your bank's (page 408). And the Print Checks icon opens the "Select Checks to Print" dialog box so you can select the checks you want to print and send them to a printer loaded with blank checks.

Note: The far right side of the Home page shows account balances at the top and a link to display reminders at the bottom. In between, you see a few links to services Intuit would like to sell you. If you use the Intuit Data Protect backup service (page 163), you also see a Backup section that tells you when your last backup ran. If the windows are collapsed, click + to expand them. If you set your preferences (page 571) to display the Getting Started window, a Getting Started section appears above the Account Balances section.

The Company Snapshot

The Company Snapshot window (choose Company→Company Snapshot to open it) is a financial dashboard that shows important aspects of your company's financial state like account balances, income breakdown (by top-level income accounts), customers who owe money, and best-selling items, as you can see in Figure 2-4. In QuickBooks 2011, you can choose from 12 different views (page 626) to see the financial information you care about most.



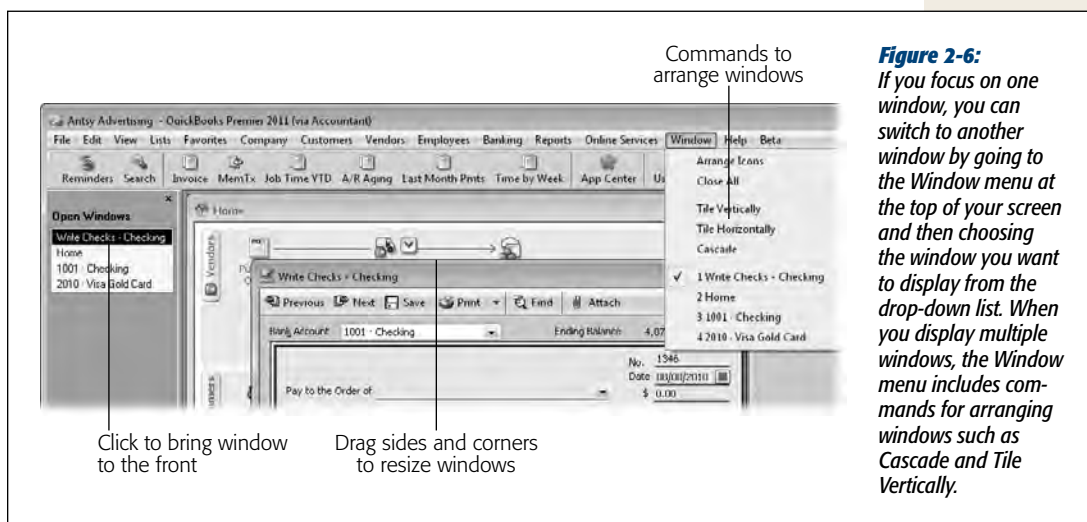
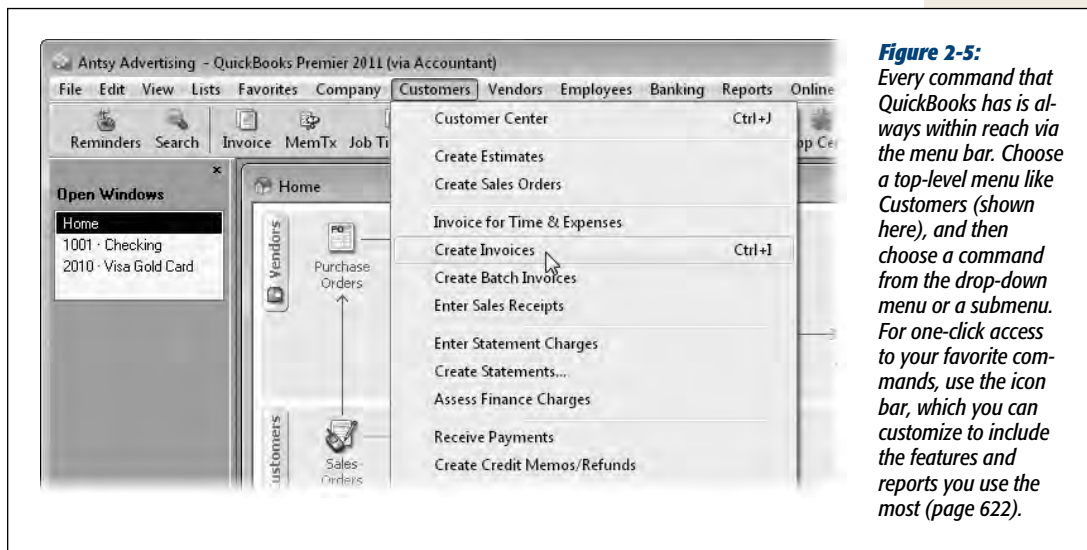
Using Menus and the Icon Bar

Although the QuickBooks Home page guides you through bookkeeping tasks, QuickBooks' veterans may still prefer to use the menu bar (Figure 2-5) at the very top of the QuickBooks window to launch commands for different financial activities. The menu bar is handy because, unlike other navigation features, it's always available and serves up every command QuickBooks has to offer.

Below the menu bar is the icon bar. After shortcut menus and keyboard shortcuts (see Appendix C, online at www.missingmanuals.com/cds), QuickBooks' icon bar is the fastest way to launch your favorite commands. You can add your favorite commands, memorized reports, or windows you open often to this bar, and remove commands you don't use. Page 622 tells you how to add all these items to the icon bar and how to change their appearance.

Switching Between Open Windows

If you tend to work on one bookkeeping task for hours on end, you can set QuickBooks up to display one full-size window at a time (page 570). That way, when you open additional windows, they get stacked on top of each other so you see only the last one you opened. If you go with the one-window approach, you can view another window by choosing it in the Open Window List, shown on the left side of Figure 2-6, or by going to the menu bar and clicking Window, and then choosing the name of the window you want to see. (If the Open Window List isn't visible, choose View→Open Window List.)



If, on the other hand, you flit between bookkeeping tasks like a honeybee in an alfalfa field, you probably want to see several windows at a time. QuickBooks can display several windows at the same time, as shown on the right in Figure 2-6. Like windows in other programs, simply click a window to bring it to the front. You can reposition windows by dragging their title bars, or resize windows by dragging their edges and corners.

To learn how to tell QuickBooks which window setup you prefer, see page 571.

Setting Up a Chart of Accounts

If you've just started running a business and keeping your company's books, all this talk of accounts, credits, and debits might have you flummoxed. Accounting is a cross between mathematics and the mystical arts. Its goal is to record and report the financial performance of an organization. The end result of bookkeeping and accounting is a set of financial statements (page 442), but the starting point is the chart of accounts.

In accounting, an *account* is more than an account you have at a financial institution; it's like a bucket for holding money used for a specific purpose. When you earn money, you document those earnings in an income account, just as you might toss the change from a day's take at the lemonade stand into the jar on your desk. When you buy supplies for your business, that expense shows up in an expense account that works a lot like the shoebox you throw the receipts into. If you buy a building, its value ends up in an asset account. And if you borrow money to buy that building, the mortgage owed shows up in a liability account.

Accounts come in a variety of types to reflect whether you've earned or spent money, whether you own something or owe money to someone else, as well as a few other financial situations. Your chart of accounts is a list of all the accounts you use to track money in your business.

Neophytes and experienced business folks alike will be relieved to know that you don't have to build a chart of accounts from scratch in QuickBooks. This chapter explains how to get a ready-made chart of accounts for your business and what to do with it once you've got it. If you want to add or modify accounts in your chart of accounts, you'll learn how to do that, too.

Acquiring a Chart of Accounts

The easiest—although probably not the cheapest—way to get a chart of accounts is from your accountant. Accountants understand the accounting guidelines set by the Financial Accounting Standards Board (FASB—pronounced “faz bee”), a private-sector organization that sets standards with the SEC’s blessing. When your accountant builds a QuickBooks chart of accounts for you, you can be reasonably sure that you have the accounts you need to track your business and that those accounts conform to accounting standards.

Note: Don’t worry—getting an accountant to build a chart of accounts for you probably won’t bust your budget, since the accountant won’t start from scratch. Many financial professionals maintain spreadsheets of accounts and build a chart of accounts by importing a customized account list into QuickBooks. Or, they may keep QuickBooks company files around to use as templates for new files.

Importing a Chart of Accounts

If you don’t want to pay an accountant to create a chart of accounts for you, how about finding one built by experts and available at no charge? A quick search on the Web for “QuickBooks chart of accounts” returns links to sites with predefined charts of accounts. For example, if you run a restaurant, you can go to www.rrgconsulting.com/restaurant_coa.htm and download a free .iif file with a restaurant-oriented chart of accounts that you can import into QuickBooks as explained in the next section.

In the not-for-profit world, the National Center for Charitable Statistics website (<http://nccs.urban.org/projects/ucoa.cfm>) includes downloadable QuickBooks files that contain the Unified Chart of Accounts for nonprofits (known as the UCOA). You can download a QuickBooks backup file of a nonprofit company file complete with chart of accounts (see page 168 to learn how to restore a backup file), an .iif file that you can import into QuickBooks, or a backup file for the Mac version of QuickBooks.

Importing a downloaded chart of accounts

If you download an .iif file with a chart of accounts, you can import that file into a QuickBooks company file. Because you’re importing a chart of accounts, you want to create your company file with basic info about your company and as few accounts as possible in the Chart of Accounts list. Here’s how you create a QuickBooks company file with bare-bones information so you can import a chart of accounts from an .iif file:

1. **Choose File→New Company; in the EasyStep Interview window that appears, click Skip Interview.**

QuickBooks opens the “Enter your company information” window. Enter your company’s name. You can also enter the legal name, tax ID, and other info about your company as described on page 18, or wait until later.

2. Click Next.

QuickBooks takes you through data entry screens where you select the type of business entity (LLC, corporation, and so on), and the start of your fiscal year. See Chapter 1 for details.

3. When the “Select your industry” screen appears, scroll to the bottom of the list and choose Other/None. Then click Next.

Choosing Other/None tells QuickBooks to create a company file with only a handful of accounts. The .iif file you’re going to import in step 7 will create the rest of your accounts.

4. In the “Create your company file” screen that appears, click Next to create your company file.

The “Filename for New Company” dialog box appears.

5. Choose a folder and filename for the company file as described on page 664, and then click Save.

QuickBooks creates your new, bare-bones company file.

6. Click Finish to open your company file.

If the QuickBooks Setup window opens, just click the Close button. With your new company file open, you’re ready to import your chart of accounts.

7. Choose File→Utilities→Import→IIF Files.

QuickBooks opens the Import dialog box to the folder where you stored your company file. It also sets the “Files of type” box to “IIF Files (*.IIF)”.

8. Navigate to the folder that contains the .iif file, select the file, and then click Open.

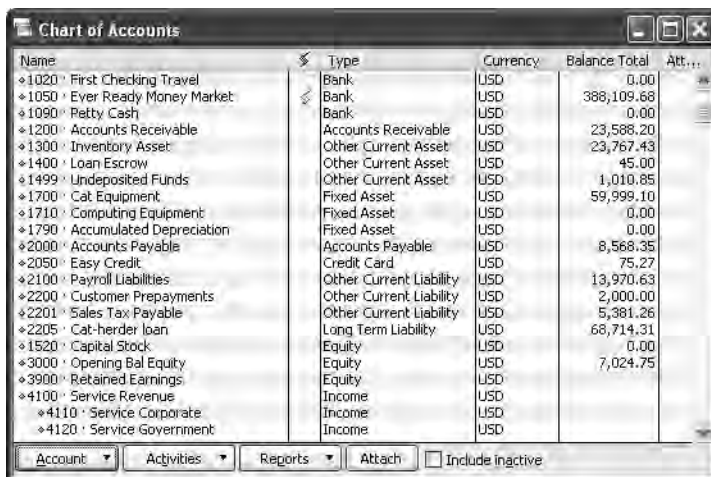
A message box appears that shows you the progress of the import. If all goes well, QuickBooks then displays a message box that tells you that it imported the data successfully. Click OK. If QuickBooks ran into problems with the data in your .iif file, it tells you that it didn’t import the data successfully. In that case, you have to open the .iif file in a text editor or Excel and correct the account info. (You can see what information QuickBooks expects by exporting an account list, as described on page 610.)

To admire your new chart of accounts, in the QuickBooks Home page’s Company panel, click Chart of Accounts (or press Ctrl+A). Now that your chart of accounts is in place, you can add more accounts, hide accounts you don’t need, merge accounts, or edit the accounts on the list. The rest of this chapter explains how to do all these things.

Note: Industry-specific Premier editions of QuickBooks include a chart of accounts, an item list, payroll items, and preferences already tuned to your industry (such as construction, manufacturing, nonprofit, professional services, or retail). The industry-specific editions also have features unique to each industry, like enhanced job costing in the Contractor Edition. You have to decide whether these features are worth a few hundred dollars more than the QuickBooks Pro price tag (page 4).

Naming and Numbering Accounts

Accountants and bookkeepers tend to refer to accounts by both numbers *and* names. This section explains why you should set up naming and numbering conventions—and suggests some rules you can follow—but it won't explain the meaning of all the different names you'll find in your chart of accounts. If you accept the accounts that QuickBooks recommends in the EasyStep Interview, your accounts already have assigned names and numbers, as shown in Figure 3-1. You might think that lets you off the hook. But by taking the time to learn standard account numbers and names, you'll find working with accounts more logical, and you'll understand more of what your accountant and bookkeeper say.



Name	Type	Currency	Balance Total	Att...
1020 First Checking Travel	Bank	USD	0.00	
1050 Ever Ready Money Market	Bank	USD	368,109.68	
1090 Petty Cash	Bank	USD	0.00	
1200 Accounts Receivable	Accounts Receivable	USD	23,588.20	
1300 Inventory Asset	Other Current Asset	USD	23,767.43	
1400 Loan Escrow	Other Current Asset	USD	45.00	
1499 Undeposited Funds	Other Current Asset	USD	1,010.85	
1700 Cat Equipment	Fixed Asset	USD	59,999.10	
1710 Computing Equipment	Fixed Asset	USD	0.00	
1790 Accumulated Depreciation	Fixed Asset	USD	0.00	
2000 Accounts Payable	Accounts Payable	USD	8,568.35	
2050 Easy Credit	Credit Card	USD	75.27	
2100 Payroll Liabilities	Other Current Liability	USD	13,970.63	
2200 Customer Prepayments	Other Current Liability	USD	2,000.00	
2201 Sales Tax Payable	Other Current Liability	USD	5,381.26	
2205 Cat-herder loan	Long Term Liability	USD	68,714.31	
1520 Capital Stock	Equity	USD	0.00	
3000 Opening Bal Equity	Equity	USD	7,024.75	
3900 Retained Earnings	Equity	USD		
4100 Service Revenue	Income	USD		
4110 Service Corporate	Income	USD		
4120 Service Government	Income	USD		

Figure 3-1:

Accounts that QuickBooks adds to your chart of accounts during the EasyStep Interview come with assigned names and numbers. If you don't see account numbers in the Chart of Accounts window (open it by pressing Ctrl+A), choose Edit→Preferences→Accounting, and then click the Company Preferences tab (you have to be a QuickBooks user with administrator privileges to open this tab). When you turn on the "Use account numbers" checkbox and then click OK, the numbers appear in the Chart of Accounts window.

Setting Up Account Numbers

Companies reserve ranges of numbers for different types of accounts, so they can identify the *type* of account by its account number alone. Business models vary, so you'll find account numbers carved up in different ways depending on the business. Think about your personal finances: You spend money on lots of different things, but your income derives from a precious few sources. Businesses and nonprofits are no different. So you might find income accounts numbered from 4000 to 4999 and expense accounts using numbers anywhere from 5000 through 9999 (see Table 3-1).

Table 3-1. Typical ranges for account numbers

Range	Account Type
1000–1999	Assets
2000–2999	Liabilities
3000–3999	Equity
4000–4999	Income
5000–5999	Sales, cost of goods sold, or expenses
6000–7999	Expenses or other income
8000–8999	Expenses or other expenses
9000–9999	Other expenses

Note: Most types of businesses use the same account-numbering scheme up until the number 4999. After that, things can differ because some companies require more income accounts, but in most businesses, expense accounts are the most numerous.

Account numbering conventions don’t just carve number ranges up for account types. If you read annual reports as a hobby, you know that companies further compartmentalize their finances. For example, assets and liabilities get split into *current* and *long-term* categories. Current means something is expected to happen with it in the next 12 months, such as a loan that’s due in 3 months; long-term is anything beyond 12 months. Typically, companies show assets and liabilities progressing from the shortest to the longest term, and the asset and liability account numbers follow suit. Here’s one way to allocate account numbers for current and progressively longer-term assets:

- **1000–1099.** Immediately available cash, such as a checking account, savings account, or petty cash.
- **1100–1499.** Assets you can convert into cash within a few months to a year, including accounts receivable, inventory assets, and other current assets.
- **1500–1799.** Long-term assets, such as land, buildings, furniture, and other fixed assets.
- **1800–1999.** Other assets.

Companies also break expenses down into smaller categories. For example, many companies keep an eye on whether their sales team is doing its job by tracking sales expenses separately and monitoring the ratio of sales to sales expenses. Sales expenses often appear in the 5000–5999 range. QuickBooks reinforces this standard by automatically creating a “Cost of Goods Sold” account with the account number 5001. (In fact, you can create as many Cost of Goods Sold accounts as you need to

track expenses that relate directly to your income, such as the cost of purchasing products you sell as well as what you pay your salespeople.) Other companies assign overhead expenses to accounts in the 7000–7999 range, so they can assign a portion of those expenses to each job performed.

Tip: When you add new accounts to your chart of accounts, increment the account number by 5 or 10 to leave room in the numbering scheme for similar accounts that you might need in the future. For example, if your checking account number is 1000, assign 1010 or 1015 to your new savings account rather than 1001.

In QuickBooks, an account number can be up to seven digits long, but the program sorts numbers beginning with the leftmost digit. If you want to categorize in excruciating detail, slice your number ranges into sets of 10,000. For example, assets range from 10000 to 19999; income accounts span 40000 to 49999, and so on.

Note: QuickBooks sorts accounts by type and then by number, beginning with the leftmost digit. For example, account 4100020 appears before account 4101.

Standardizing Account Names

Your accounts should be unique in name and function because you don't need two accounts for the same type of income, expense, or financial bucket. For example, if you consider advertising and marketing two distinctly different activities, create an account for each. But if advertising and marketing blur in your mind, then create one account with a name like Marketing & Advertising.

QuickBooks does its part to enforce unique account names. Say you try to create a new expense account named Postage, but an account by that name already exists. QuickBooks displays the message “This name is already in use. Please use another name.” What QuickBooks *can't* do is ensure that each account represents a unique category of money. Without a naming standard, you could end up with multiple accounts with unique names, each representing the same category, as shown by the following names for an account used to track postage:

- Expense-postage
- Postage
- Postage and delivery
- Shipping

If you haven't used QuickBooks before, here are some rules you can apply to help make your account names consistent:

- **Word order.** If you include the account type in the name, append it to the end of the name. You'll spot Postage Expense more easily than Expense Postage.

- **Consistent punctuation.** Choose “and” or “&” for accounts that cover more than one item, like “Dues and Subscriptions.” And decide whether to include apostrophes, as in “Owners Draw” or “Owners’ Draw.”
- **Spaces.** Decide whether to include spaces for readability or to eliminate them for brevity; for example, “Dues & Subscriptions” vs. “Dues&Subscriptions.”
- **Abbreviation.** If you abbreviate words in account names, choose a standard abbreviation length. If you choose a four-letter abbreviation, for example, Postage would become “Post.” With a three-letter abbreviation, you might choose “Pst.”

Warning: QuickBooks won’t enforce your naming standards. So after you set the rules for account names, write them down so that you don’t forget what they are. A consistent written standard encourages everyone (yourself included) to trust and follow the naming rules. Also, urge everyone to display inactive accounts (page 56) and then scan the chart of accounts, looking for synonyms to see if such an account already exists, before creating a new one. These rules are easier to enforce if you limit the number of people who can create and edit accounts (page 652).

Creating Accounts and Subaccounts

Different types of accounts represent dramatically different financial animals, as described in the box on page 48. The good news is that every type of account in QuickBooks shares most of the same fields, so one procedure is all you have to learn to create accounts.

If you look closely at the chart of accounts list in Figure 3-1, you’ll notice that accounts fall into two main categories: those with balances and those without. If you’re really on your toes, you might also notice that accounts with balances are the ones that appear on the Balance Sheet report. Accounts without balances appear on the Profit & Loss report. (To learn more about financial statements and the accounts they reference, see Chapter 17.)

Viewing Account Names and Numbers

Perhaps it’s the nature of accounting, but financial professionals put great store in account numbers. You can earn the eternal gratitude of your bookkeeper or accountant by assigning and displaying account numbers in QuickBooks. To turn on account numbers, choose Edit→Preferences. On the left side of the Preferences dialog box, click the Accounting icon, and then on the right side, click the Company Preferences tab. Finally, turn on the “Use account numbers” checkbox.

With this setting turned on, account numbers appear in the Chart of Accounts window, account drop-down lists, and account fields. In addition, the Add New Account and Edit Account dialog boxes display the Number box, so you can add or modify an account’s number.

Note: Turning off the “Use account numbers” checkbox doesn’t remove account numbers you’ve already added, it simply hides them in the spots mentioned above. You can see them again by simply turning the checkbox back on. However, you can’t *add* account numbers to any accounts you create while the checkbox is turned off. If you create an account anyway, you can edit it (page 54) to add the account number.

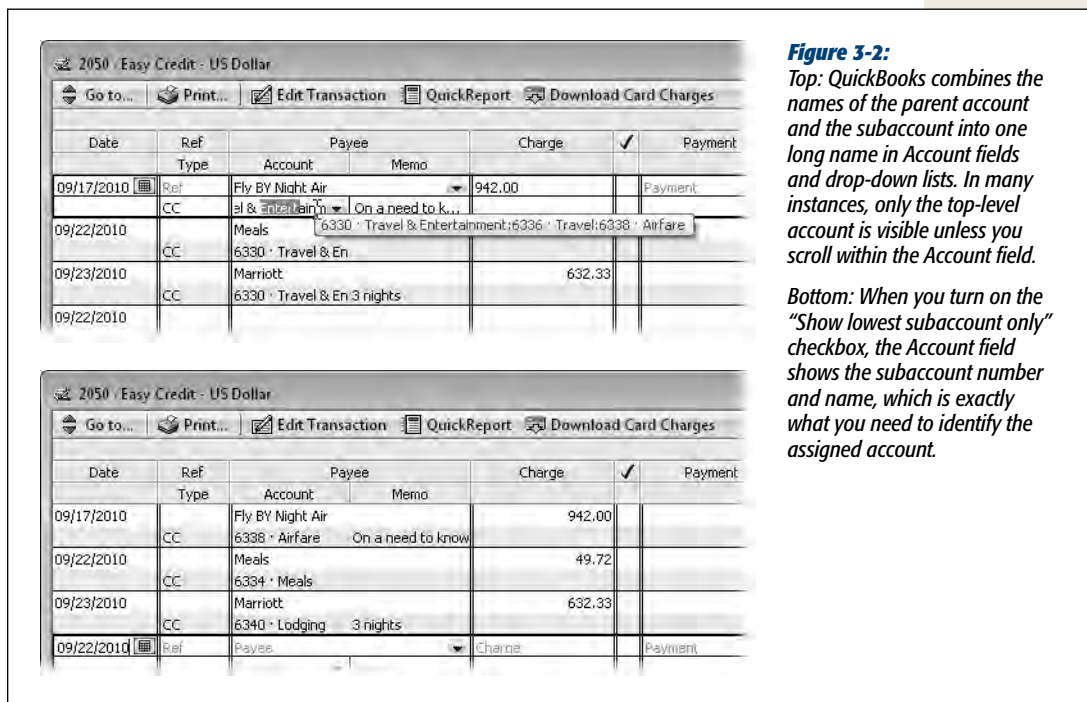
UP TO SPEED

Making Sense of Account Types

QuickBooks’ account types are standard ones used in finance. Here’s a quick introduction to the different types and what they represent:

- **Bank.** Accounts that you hold at a financial institution, such as a checking, savings, money market, or petty cash account.
- **Accounts Receivable.** The money that your customers owe you, like outstanding invoices and goods purchased on credit.
- **Other Current Asset.** Things you own that you’ll use or convert to cash within 12 months, such as prepaid expenses.
- **Fixed Asset.** Things your company owns that decrease in value over time (depreciate), like equipment that wears out or becomes obsolete.
- **Other Asset.** If you won’t convert an asset to cash in the next 12 months, and it isn’t a depreciable asset it’s—you guessed it—an other asset. A long-term note receivable is one example.
- **Accounts Payable.** This is a special type of current liability account (money you owe in the next 12 months) that represents what you owe to vendors.
- **Credit Card.** A credit card account.
- **Current Liability.** Money you owe in the next 12 months, such as sales tax and short-term loans.
- **Long-term Liability.** Money you owe *after* the next 12 months, like mortgage payments you’ll pay over several years.
- **Equity.** The owners’ equity in the company, including the original capital invested in the company and retained earnings. (Money that owners withdraw from the company also shows up in an equity account, but the values are negative.)
- **Other Income.** Money you receive from sources other than business operations, such as interest income.
- **Income.** The revenue you generate through your main business functions, like sales or consulting services.
- **Cost of Goods Sold.** The cost of products and materials that you held originally in inventory but then sold. You can also use this type of account to track other expenses related to your sales, such as commissions and what you pay subcontractors to do work for your customers.
- **Expense.** The money you spend to run your company.
- **Other Expense.** Money you pay out for things other than business operations, like interest.
- **Nonposting Account.** QuickBooks creates nonposting accounts automatically when you use features such as estimates and purchase orders. For example, when you create an estimate (page 282), you don’t want that money to appear on your financial reports, so QuickBooks stores those values in nonposting accounts.

When you use subaccounts (page 51), QuickBooks displays both the parent account’s name and the subaccount’s name in the Account fields found throughout the program, which often makes it impossible to tell which account a transaction uses, as Figure 3-2 shows. If you use account numbers and want to see only the lowest-level subaccount in Account fields, turn on the “Show lowest subaccount only” checkbox, which is on the same tab as the “Use account numbers” checkbox.



Creating an Account

After you’ve had your business for a while, you won’t add new accounts very often. However, you might need a new account if you start up a new line of income, take on a mortgage for your new office building, or want a new expense account for the emu infertility insurance you took out for your bird farm. Creating accounts in QuickBooks is simple, which is a refreshing change from many accounting tasks.

Before you can create an account, you have to open the Chart of Accounts window. Because the chart of accounts is central to accounting, QuickBooks gives you several ways to open this window:

- The easiest way is by pressing Ctrl+A (which you can do from anywhere in the program).
- At the top right of the Home page, in the Company panel, click Chart of Accounts.
- In the menu bar, choose Lists→Chart of Accounts.

The Chart of Accounts window works much like other list windows. For example, you can sort the account list by different columns or drag accounts in the list to a different location. See page 154 to learn how to sort and rearrange lists.

Tip: You can create accounts on the fly by clicking <Add New> in any Account drop-down list. Suppose you create a new service item (in the Item List window, press Ctrl+N) and want a new income account to track revenue for that service. In the New Item dialog box, scroll to the top of the Account drop-down list and choose <Add New>. Fill in the info and then click Save & Close. QuickBooks fills in the Account box with the new account, and you can finish creating your item.

Once you've opened the Chart of Accounts window, here's how to create an account:

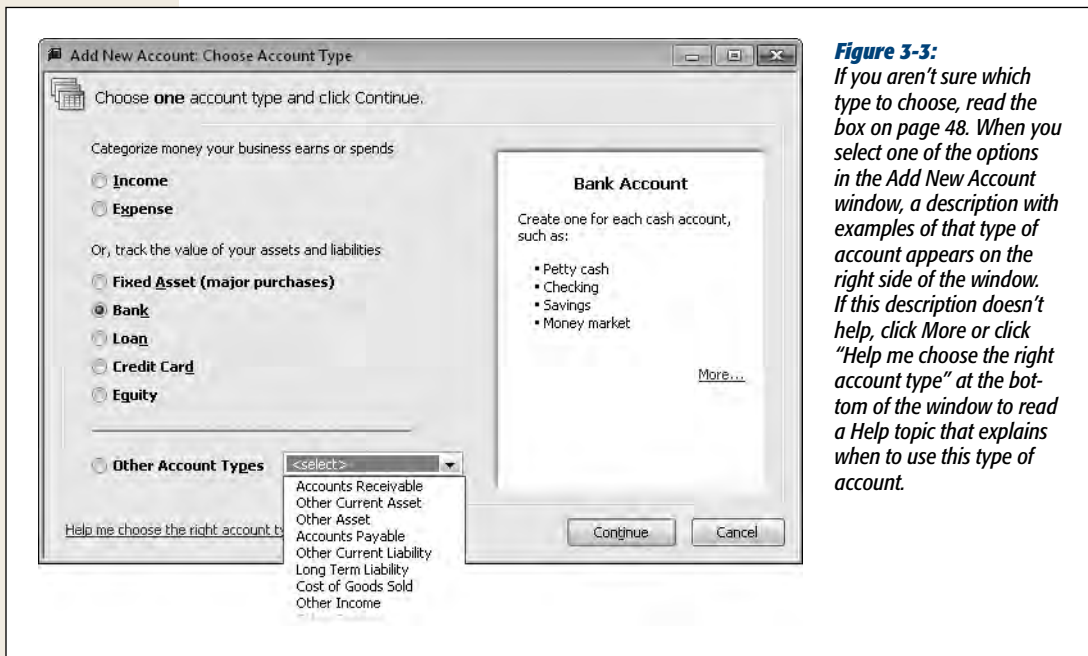
1. Press Ctrl+N to open the Add New Account: Choose Account Type window.

Alternatively, on the menu bar at the bottom of the Chart of Accounts window, you can click Account→New. Or, right-click anywhere in the Chart of Accounts window, and then choose New from the shortcut menu.

No matter which method you use, QuickBooks opens the Add New Account dialog box, shown in Figure 3-3.

2. Select the type of account you want to create, and then click Continue.

The Add New Account window lists the most common kinds of accounts. If you don't see the type you want—Other Current Liability, for example—select the Other Account Types option, and then choose from the drop-down menu (Figure 3-3).



3. In the Add New Account window's Number box (Figure 3-4), type the chart of accounts account number you want to use (if you don't see the Number box, flip to page 564 to learn how to display it.)

If you keep the Chart of Accounts window in view while you create new accounts, you can review the account numbers for similar types of accounts. That way, when you generate your new account number by incrementing an existing account number by 5 or 10, the new account snuggles in nicely with its compatriots in the chart of accounts.

4. In the Account Name box, type a name for the account.

See page 46 for tips on standardizing account names.

Note: If you create an account and don't see one of the fields mentioned here, it simply doesn't apply to that account type.

Figure 3-4:

The Bank account type includes every account field except for the Note field. It also includes one field that you won't find on any other account type: If you want QuickBooks to remind you to order checks, in the "Remind me to order checks when I reach check number" field, type the check number you want to use as a trigger. If you want the program to open a browser window to an Intuit site where you can order supplies, turn on the "Order checks I can print from QuickBooks" checkbox and save the account. If you get checks from somewhere else, just reorder checks the way you normally do.

5. If you want to turn an account into a subaccount, turn on the “Subaccount of” checkbox. Then, in the drop-down list, choose the account that you want to act as the parent.

Subaccounts are a good way to track your finances in more detail, as the box on page 52 explains. In the chart of accounts, subaccounts are indented below their parent accounts to make the hierarchy easy to see.

UP TO SPEED

Adding Detail with Subaccounts

Say your company’s travel expenses are sky-high and you want to start tracking what you spend on different types of travel, such as airfare, lodging, and limousine services. Subaccounts make it easy to track details like these. Subaccounts are nothing more than partitions within a higher-level account (called the parent account).

When you post transactions to subaccounts only (not the parent account), your reports show the subtotals for the subaccounts and a grand total for the parent account, such as the Travel account (number 6336, say) and its

subaccounts Airfare (6338), Lodging (6340), and Limousine (6342), for example.

Subaccounts also come in handy for assigning similar expenses to different lines on a tax form. For example, the IRS doesn’t treat all travel expenses the same: You can deduct only half of your meal and entertainment expenses, while other travel expenses are fully deductible. Meals and Entertainment are separate subaccounts from Travel for this very reason.

6. If you’ve turned on QuickBooks’ multiple currency preference, the Currency box appears below the “Subaccount of” checkbox. If the currency for the account is different from the one listed there, choose the right currency in the drop-down list.

If you do business in more than one currency, you can use multiple currencies in QuickBooks; page 582 explains how.

7. To add a description of the account, fill in the Description box.

For instance, you can define whether a bank account is linked to another account or give examples of the types of expenses that apply to a particular expense account. The Description field can hold only 256 characters, so be succinct.

8. If you see a field for an account number—such as Bank Acct. No., Credit Card Acct. No., or simply Account No.—type in the number for your real-world account at your financial institution (checking account, saving account, loan, and so on).

If the account type you chose in step 2 doesn’t include a field for an account number, you’ll see the Note field instead, which you can use to store any additional information you want to document about the account.

9. For a bank account, in the Routing Number box, type the routing number for your bank.

A routing number is a nine-digit number in funny-looking digits that's at the bottom of your checks.

10. To associate the account with a tax form and a specific line on that tax form, in the Tax-Line Mapping drop-down list, choose the entry for the appropriate tax form and tax line.

The Tax-Line Mapping field is set to *<Unassigned>* if you haven't specified the tax form that your company files with the IRS. See page 25 to learn how to choose a tax form for your company.

If QuickBooks hasn't assigned a tax line for you, you can scan the entries in the drop-down list for a likely match. If you don't find an entry that seems right, or if QuickBooks tells you the one you chose isn't compatible with the account type, your best bet is to call your accountant or the IRS. You can also get a hint for an appropriate tax line for the account you're creating by examining one of QuickBooks' sample files (page 20).

To remove a tax line from an account, in the drop-down list, choose *<Unassigned>*.

Note: Below the Tax-Line Mapping field, you may see the Enter Opening Balance button. It's easy to figure out the opening balance for a brand-new account—it's zero, so you can ignore this button. But if you're setting up QuickBooks with accounts that existed prior to your QuickBooks start date, those accounts *do* have opening balances. Even so, clicking the Enter Opening Balance button isn't the best way to specify an opening balance for an existing account. The box on page 54 explains how to specify opening balances for all your accounts in just a few steps.

11. Click the Save & New button to save the current account and create another one.

If you want to save the account you just created and close the Add New Account dialog box, then click Save & Close instead. Or click Cancel to discard the account in progress and close the Add New Account dialog box.

12. If the Set Up Online Services dialog box appears, click Yes if you want to set up a bank account for online services.

When you click Yes, QuickBooks' windows close while you go through the set-up. (See Chapter 22 to learn about online services and QuickBooks.) If you want to set up the account for online banking later—or never—click No.

FREQUENTLY ASKED QUESTION

Doing Opening Balances Right

When I add an account to my company file, can I just click the Enter Opening Balance button and type the balance I want to start with in the Opening Balance field? That seems the most logical place for it.

You can, but your accountant may not be too happy about it. Filling in the Opening Balance field from the Add New Account dialog box (or in the Edit Account dialog box, for that matter) automatically adds that balance to the Opening Bal Equity account, which accountants consider sloppy bookkeeping. Instead, they usually recommend creating a general journal entry from your trial balance for most of your accounts. The only exceptions are your Accounts Receivable (AR) and Accounts Payable (AP) accounts. Because QuickBooks requires customer names and vendor names in journal entries that contain AR and AP accounts, you're better off creating invoices and bills to define your AR and AP opening balances. If you work with an accountant, ask her how she'd like you to enter opening balances—or better yet, have her do it.

Whoa! What's a general journal entry? What's a trial balance?

Here's the deal: *General journal entries* (page 429) are mechanisms for moving money between accounts—on paper, that is. A *trial balance* (page 458) is a report that lists all your accounts with their balances in either the Debit or

Credit column. In the days of paper-based ledgers, bean counters totaled the Debit and Credit columns. If the totals weren't equal, the accountant had to track down the arithmetic error. Happily, QuickBooks' digital brain does the math for you, without errors. But it's up to you to set up the journal entry properly in the first place.

Your trial balance report (from your accountant or your old accounting system) shows account balances as debits or credits. If you look at the trial balance on the first day of your fiscal year, it's quite simple—it includes balances only for your balance sheet accounts, not income and expense accounts.

You can use these values to fill in a general journal entry to assign all your accounts' opening balances. Set the journal entry's date to the last day of the previous fiscal year. That way, you can start fresh for your current fiscal year. For each account, add a line in the general journal entry with the account name and the balance from your trial balance report in either the debit or credit column. Omit your AR and AP accounts in the general journal entry; instead, create invoices and bills to define the opening balances for those accounts.

To see this in action, you can download a sample company file that includes an opening balance general journal entry from www.missingmanuals.com/cds.

Modifying Accounts

If you stick to your account numbering and naming conventions, you'll have few reasons to edit accounts. But the Edit Account dialog box lets you tweak an account's name or description, adjust its number to make room for new accounts, or change its level in the chart of accounts hierarchy.

You're not likely to change an account's type unless you chose the wrong type when you created the account. If you do need to change the account type, back up your QuickBooks file first (see page 162), in case the change has effects that you didn't anticipate. Also, note that QuickBooks has several restrictions on changing account types. You can't change an account's type if:

- It has subaccounts.
- It's an Accounts Receivable or Accounts Payable account. (You also can't change other types of accounts to AR or AP accounts.)
- QuickBooks automatically created the account, like Undeposited Funds.

To modify an account, in the Chart of Accounts window, select the account you want to edit and then press Ctrl+E. (You can also open the Edit Account dialog box by clicking Account at the bottom of the Chart of Accounts window and then choosing Edit Account from the drop-down menu.) In the Edit Account dialog box that appears, make the changes you want, and then click OK.

Hiding and Deleting Accounts

If you create an account by mistake, you can delete it. However, because QuickBooks drops your financial transactions into account buckets and you don't want to throw away historical information, you'll usually want to hide accounts that you don't use anymore instead of deleting them. The records of past transactions are important, whether you want to review the amount of business you've received from a customer or the IRS is asking unsettling questions. For example, you wouldn't delete your Nutrition Service income account just because you've discontinued your nutrition consulting service to focus on selling your new book, *The See Food Diet*. The income you earned from that service in the past needs to stay in your records.

Hiding Accounts

Hiding accounts doesn't mean withholding key financial info from prying eyes. When you hide an account in QuickBooks, the account continues to hold your historical transactions, but it doesn't appear in account lists, so you can't choose it by mistake with a misplaced mouse click.

Hiding and reactivating accounts (Figure 3-5) also comes in handy when you use QuickBooks' predefined charts of accounts, explained on page 24. If QuickBooks overwhelms you with accounts you don't think you need, hide those accounts for the time being. That way, if you find yourself saying, "Gosh, I wish I had an account for the accumulated depreciation of vehicles," the solution might be as simple as reactivating a hidden account.

Deleting Accounts

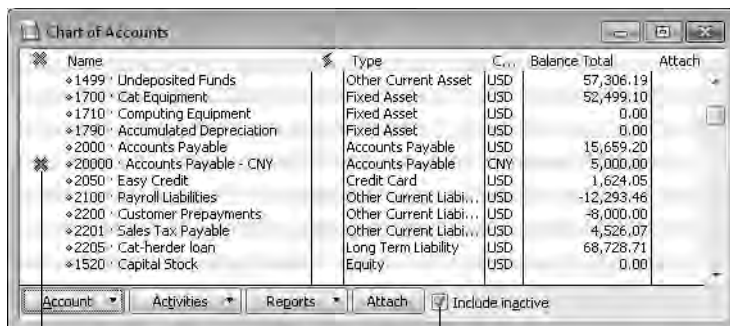
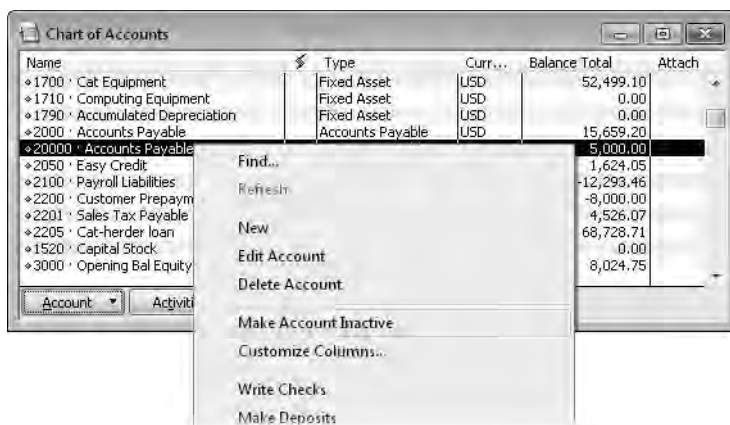
You can delete an account only if nothing in QuickBooks references it in any way. An account with references is a red flag that deleting it might not be the right choice. If you try to delete such an account, QuickBooks displays a message box telling you it can't delete the account and recommends making it inactive instead. If that red flag isn't enough to deter you, the sheer tedium of removing references to an account should nudge you toward hiding the account instead. If you insist on deleting an account, here are the conditions that prevent you from doing so and what you have to do to remove the constraints:

- **An item uses the account.** If you create any items that use the account as an income account, expense account, cost of goods sold account, or inventory asset account, you can't delete the account. You have to edit the items to use other accounts first, as described on page 124.
- **The account has subaccounts.** You have to delete all subaccounts before you can delete the parent account.
- **Payroll uses the account.** You can't delete an account if your payroll setup uses it. Chapter 14 explains how to modify your payroll and payroll liabilities accounts.
- **At least one transaction references the account.** If you create a transaction that uses the account, either edit that transaction to use a different account or hide the account if you want to keep the transaction the way it is.

Figure 3-5:

Top: To hide an account, in the Chart of Accounts window, right-click the account and choose Make Account Inactive from this shortcut menu. The account and any subaccounts disappear from the chart of accounts.

Bottom: To reactivate a hidden account, first display all your accounts by turning on the "Include inactive" checkbox at the bottom of the Chart of Accounts window. QuickBooks adds a column with an X in that column for every hidden account in the list. To unhide an account, click the X next to its name. If the account has subaccounts, QuickBooks displays the Activate Group dialog box; there, click Yes to reactivate the account and all its subaccounts.



Click to reactivate account

Click to show inactive accounts in the list

- **The account has a balance.** An account balance comes from either an opening balance transaction or other transactions that reference the account. You remove an account balance by deleting all the transactions in the account (or reassigning them to another account).

To delete transactions, in the Chart of Accounts window, double-click the account name. For accounts with balances, QuickBooks opens a register window where you can select a transaction and then press Ctrl+D to delete it. For accounts without balances, QuickBooks opens an Account QuickReport window. To delete a transaction that appears in the report, double-click the transaction. QuickBooks then opens a dialog box related to that transaction (for instance, the Write Checks dialog box appears if the transaction is a check). Choose Edit→Delete Check or the corresponding delete command for the type of transaction you chose.

After you've deleted all references to the account, in the Chart of Accounts window, select the account you want to delete, and then press Ctrl+D or, on the QuickBooks menu bar, choose Edit→Delete Account. QuickBooks asks you to confirm that you want to delete the account; click Yes.

Merging Accounts

Suppose you find multiple accounts for the same purpose—Postage and Mail Expense, say—lurking in your chart of accounts. Rather than punishing your employees for messing up, it's more productive to merge the accounts into one and then remind everyone who creates accounts in QuickBooks about your naming conventions. (If you haven't gotten around to setting up naming conventions, see page 46 for some guidelines.)

Tip: Before you merge accounts, see what your accountant thinks. There's no going back once you've merged two accounts—they're merged for good. And the QuickBooks audit trail (page 655) doesn't keep track of this kind of change.

When you merge accounts, QuickBooks sweeps all the transactions from the account you merge into the account that you keep. Each type of account has a distinct purpose, so you can merge accounts only if they're the same type. As an experienced manager, you can imagine the havoc that merging income and expense accounts would cause in your financial statements.

Note: If you find two accounts with similar names but different types, those accounts might not represent the same thing. For instance, a Telephone Ex. expense account probably represents your monthly telephone service, while the Telephone Eq. asset account might represent the big telephone switch that your mega-corporation owns. In this situation, the accounts should be separate, although more meaningful names and descriptions would help differentiate them.

Here's how to eliminate an extraneous account:

1. **Switch to single-user mode, as described on page 157.**

You have to be in single-user mode to merge accounts. Be nice to your fellow QuickBooks users by making these changes outside of working hours. If you have to merge accounts during the workday, remember to tell your coworkers they can log into the program after you've switched the company file back to multi-user mode.

2. **Press Ctrl+A to open the Chart of Accounts window. Then, in the chart of accounts list, select the name of the account that you want to eliminate and press Ctrl+E.**

The Edit Account dialog box opens.

3. **In the Edit Account dialog box, change the account number and name to match the values for the account you want to keep.**

As long as you get the letters and numbers right, QuickBooks takes care of matching uppercase and lowercase for you.

If you don't remember the number and name of the account you're keeping, drag the Chart of Accounts window and the Edit Account dialog box so you can see both at the same time. If QuickBooks won't let you do that, you might have the One Window preference set; see page 570 to learn how to change your window display to show multiple windows.

4. **Click OK, read the message informing you that the name is in use and asking if you want to merge the accounts, and then Click Yes.**

In the chart of accounts list, the account you renamed disappears and any transactions for that account now appear in the account you kept.

Setting Up Customers and Jobs

You may be fond of strutting around your sales department proclaiming, “Nothing happens until somebody *sells* something!” As it turns out, you can quote that tired adage in your accounting department, too. Whether you sell products or services, the first sale to a new customer can initiate a flurry of activity, including creating a new *customer* in QuickBooks, assigning a *job* for the work, and the ultimate goal of all this effort—*invoicing* your customer (sending a bill—a.k.a. invoice—for your services and products that states how much the customer owes) to collect some income.

The people who buy what you sell have plenty of nicknames: customers, clients, consumers, patrons, patients, purchasers, donors, members, shoppers, and so on. QuickBooks throws out the thesaurus and applies one term—customer—to every person or organization that buys from you. In QuickBooks, a *customer* is a record of information about your real-life customer. The program takes the data you enter about customers and fills in invoices and other sales forms with your customers’ names, addresses, payment terms, and other info. If you play it safe and define a credit limit, QuickBooks even reminds you when orders put customers over their limits.

Real-world customers are essential to your success, but do you need customers in QuickBooks? Even if you run a primarily cash business, creating customers in QuickBooks could still be a good idea. For example, setting up QuickBooks records for the repeat customers at your store saves you time by automatically filling in their information on each new sales receipt, so you have time to do more important things. (If you have a point-of-sale system, like QuickBooks POS, you can track customer sales there instead and leave customers out of QuickBooks completely.)

Making Customers Easy to Identify

In QuickBooks, the Customer Name field doesn't show the name that appears on invoices; it displays a code that uniquely identifies each of your customers so it's easy to tell them apart.

If you own a small company with only a few customers, you're not likely to mistakenly create multiple records for the same customer. Because your customer list is short, you know which ones you've created and you can see them without scrolling in the Customer Center (Figure 4-1). Even so, it's a good idea to define a standard for customer names. Perhaps you hide customers you haven't worked with in a while, or you have so many customers that it takes all day to scroll through the list.

Consistent naming can help you avoid having multiple records for the same customer by preventing you from creating slightly different values in the Customer Name field for that customer. For example, you could end up with three customers in QuickBooks all representing the same events organizer, such as Cales's Capers, Cales Capers, and CalesCapers.

QuickBooks doesn't enforce naming conventions. After you define rules that work for your business, you have to be disciplined and apply those rules each time you create a new customer. You're free to use alphanumeric characters and punctuation in customer names. Here are a few of the more common naming conventions:

- **The first few letters of the customer's company name followed by a unique numeric identifier.** This standard is easy to apply and differentiates customers as long as their names don't all begin with the same words. For example, if most of your customers

are wine stores with unimaginative owners, your customer names could end up as Wine001, Wine002, and Wine003. But if your customers are Zinfandels To Go, Merlot Mania, and Cabernet Cabinet, this system works nicely.

- **For individuals, the last name followed by the first name and a numeric ID to make the name unique.** Although unusual names such as Zaphod Beeblebrox render a numeric ID unnecessary, using this standard ensures that all customer names are unique.
- **The actual company name with any punctuation and spaces omitted.** Removing spaces and punctuation from company names helps eliminate multiple versions of the same name. If you choose this convention, using capital letters at the beginning of each word (called *camel caps*) make the name more readable. For instance, Icantbelieveitsyogurt is a headache waiting to happen, but ICantBelieveItsYogurt looks much like its spaced and punctuated counterpart.
- **A unique alphanumeric code.** Customer:Job drop-down menus (which you'll find throughout QuickBooks) and reports sort customers by the Customer Name field. Codes like X123Y4JQ use only a few characters to produce unique identifiers, but they're also so cryptic that they make it difficult to pick out the customer you want in drop-down lists, or to sort reports in a meaningful way. Stick with using part of the customer's name (at the beginning of the name, since names appear alphabetically) unless you have hundreds or thousands of customers.

If, on the other hand, your business revolves around projects, you can create a job in QuickBooks for each project you do for a customer. To QuickBooks, a *job* is a record of a real-life project that you agreed (or perhaps begged) to perform for a customer—remodeling a kitchen, designing an ad campaign, or whatever. Suppose you're a plumber and you regularly do work for a general contractor. You could create several

jobs, one for each place you plumb: Smith house, Jones house, and Winfrey house. In QuickBooks, you can then track income and expenses by job and gauge each one's profitability. However, some organizations don't track jobs, and if your company is one of those, you don't have to create jobs in QuickBooks. For example, retail stores sell products, not projects. If you don't need jobs, you can simply create your customers in QuickBooks and then move on to invoicing them or creating sales receipts for their purchases.

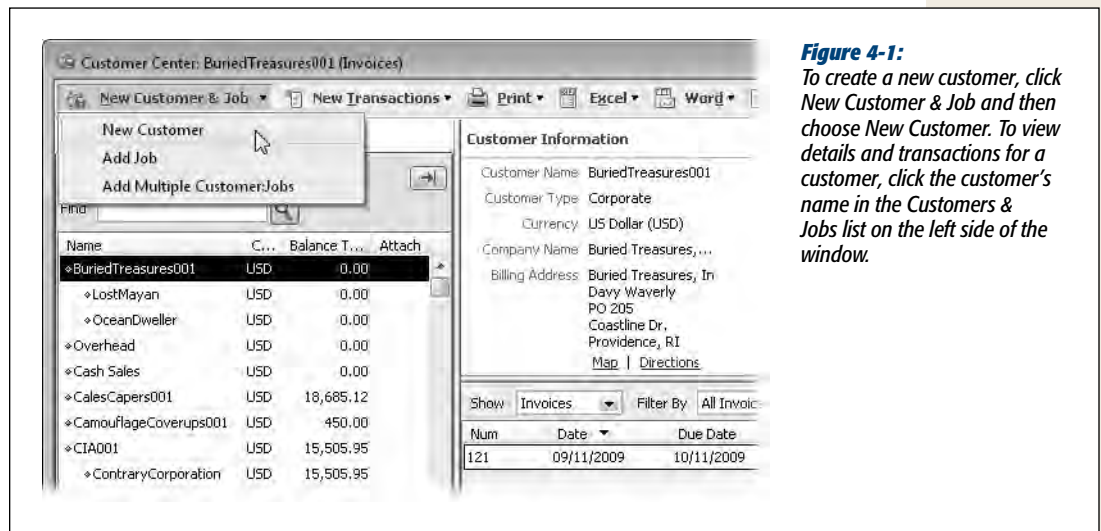
This chapter guides you through customer and job creation. It also helps you decide how to apply QuickBooks' customer and job fields in your business.

Creating Customers in QuickBooks

Alas, you still have to convince customers to work with your company. But once you've cleared *that* hurdle, creating those customers in QuickBooks is easy. The box on page 60 provides some hints on keeping customers straight in QuickBooks.

The Customer Center (Figure 4-1) is your starting point for creating, modifying, and viewing customers and jobs. QuickBooks gives you four easy ways to open the Customer Center window:

- From anywhere in the program, press Ctrl+J.
- On the left side of the QuickBooks Home page, click Customers.
- On the icon bar, click Customer Center. (If you don't see a Customer Center item on the icon bar, see page 622 to learn how to add it.)
- On the QuickBooks menu bar, choose Customers→Customer Center.



Creating a New Customer

QuickBooks is quite accommodating when it comes to creating customers. If you run a mom-and-pop shop and don't add customers very often, you can create a customer when you create that customer's first invoice. The handy <Add New> menu command in every drop-down list of customers and jobs is your ticket to just-in-time customer and job type creation.

If you sign new customers up all the time or you want to copy customer data into QuickBooks in a jiffy, creating customers in batches is much more efficient. With the Add/Edit Multiple List Entries feature (page 70), you can paste data from Microsoft Excel or copy values from customer to customer. The New Customer dialog box also lets you create several customer records in one session without closing the dialog box in between each customer creation.

Tip: QuickBooks doesn't care if you create customers and jobs without any forethought, but it pays to take the time to set them up properly. For example, you can create customers and jobs without classifying them in any way. However, you might want to categorize your customers and jobs so you can send customized communications to each type or determine which types are the most profitable. If you want to categorize your customers from the get-go, turn to page 83 to learn how to set up customer and job types and different ways to use them.

Here's the short and sweet method to creating a customer in QuickBooks:

1. **In the Customer Center toolbar, click New Customer & Job→New Customer.**

The New Customer dialog box opens (Figure 4-2).

2. **In the Customer Name field, type a unique name or code for this customer, following the customer naming convention you've chosen, as described in the box on page 60.**

The Customer Name field is the only field you *have* to fill in—the rest are optional.

3. **To save that customer's record and create another one, click Next.**

To save that customer and close the New Customer dialog box, click OK instead.

Tip: To create a job for a customer, you have to close the New Customer dialog box and open the New Job dialog box. So unless opening and closing the New Customer and New Job dialog boxes gives you a feeling of accomplishment, create all your customers first and *then* add the jobs for each one.

The box on page 63 tells you how to prevent your QuickBooks' customer list from growing out of control.

Figure 4-2:

Although the Opening Balance box beckons from below the Customer Name field in the New Customer dialog box, it's better to leave it blank. The box on page 64 explains the best way to define a customer's opening balance.

TROUBLESHOOTING MOMENT

How Many Names?

If you're a big fish in the small business pond, limitations on the number of names you can add to QuickBooks can cause problems. In QuickBooks Pro and Premier Editions, the maximum number of total names you can have (including customers, vendors, employees, and other names) is 14,500, and the maximum number of customer names is 10,000. Here are a few techniques you can use to avoid maxing out the customer list:

- **Conserve customer names.** You can be frugal with names by creating one customer to represent many individual sales. For example, you can aggregate all your cash sales under a single customer named Cash Sales. Mind you, by doing so, you can't produce sales reports by individual customer names. However, you

can add the buyer's name to the Bill To field in sales forms so you and the buyer have a record of their purchase.

- **Keep an eye on how many names you have.** Press F2 anytime to call up the Product Information window so you can view the number of entries you have in each list. They appear in the List Information box on the right side of the window.
- **Upgrade.** If there's no getting around your company's gluttony for names, QuickBooks Enterprise Solutions 7.0 and more recent versions let you add up to a *million* names, although Intuit warns you that the program might not run as quickly if you approach this limit.

FREQUENTLY ASKED QUESTION

Opening Act

Should I add an opening balance for new customers?

Since the Opening Balance and “as of” fields are always visible at the top of the New Customer dialog box (Figure 4-2), you might think you should fill in these fields. But you’re actually better off skipping them altogether.

Entering an opening balance as of a specific date is a shortcut that eliminates having to create the invoices that generate the customer’s current balance. But that shortcut comes at a price: If customers haven’t paid, then you might have a hard time collecting the money, especially if you can’t tell them what services and products you delivered, how

much they cost, the invoice numbers, and when the invoices were due. In addition, when your customers *do* pay, you can’t accept those payments against specific invoices to track your accounts receivable.

The best way to record your customer’s balance is to create QuickBooks invoices for their open invoices (the ones the customer hasn’t paid yet). That way, you’ll have complete documentation about those sales and the corresponding balance in your Accounts Receivable account. Also, you can then apply the payments that come in to settle those invoices.

If you turn on QuickBooks’ multiple currency option (page 582), the Currency box appears below the Customer Name box. QuickBooks automatically fills in this box with your home currency, so you usually don’t have to change this value. If the customer pays in a foreign currency, choose it in the Currency drop-down list. QuickBooks creates a separate Accounts Receivable account (page 48) for each currency you use.

Entering contact information

If you plan to bill your customers, ship them products, or call them to make them feel appreciated, address and contact information is important. You record this info on the New Customer dialog box’s Address Info tab. Here’s a guide to the tab’s fields and what they’re good for:

- **Company Name.** Unlike Customer Name, which acts as an identifier, the Company Name field is nothing more than the customer’s name as you want it to appear on invoices and other forms you create. QuickBooks automatically copies what you type here into the Bill To box below.
- **Contact.** To address invoices, letters, and other company communications, enter the primary contact’s salutation or title, first name, middle initial, and last name in the appropriate fields. QuickBooks automatically copies the salutation and name you type in these fields into the Bill To and Contact boxes.

Tip: Your primary contact may not be the go-to person who reliably gets things done. If this turns out to be the case, you can always make this dependable resource your primary contact (by entering her info in the First Name and Last Name fields) and make the figurehead your alternate contact (by entering his name in the Alt. Contact field).

- **Bill To address.** To complete the address for invoices, click the Edit button below the Bill To field, and then type the street address, city, state, country, and postal code, or copy that info from another program (page 70). In the Edit Address Information dialog box, QuickBooks automatically turns on the “Show this window again when address is incomplete or unclear” checkbox, which tells the program to notify you when you forget a field like the city or when the address is ambiguous. For example, if the address of your biggest toy customer is Santa Claus, North Pole, QuickBooks opens the Edit Address Information dialog box so you can flesh out the address with a street, city, and arctic postal code.

Tip: You can enter addresses and contact info for all your customers more quickly by importing data from another program (page 74) or using QuickBooks’ Add/Edit Multiple List Entries command (page 70).

- **Ship To address.** If you don’t ship products to this customer, you can skip the Ship To field altogether. If the billing and shipping addresses are the same, click “Copy>>” to replicate the contents of the Bill To field in the Ship To field. (The greater-than symbols on the button indicate the direction that QuickBooks copies the address—left to right.) Otherwise, click Add New and fill in the Add Shipping Address Information dialog box.

Tip: You can define more than one Ship To address for a single customer, which is perfect if that customer has multiple locations. To add another Ship To address, click the Add New button below the Ship To box and fill in the boxes. Once you’ve added shipping addresses, you can choose the one you want in the Ship To drop-down list. When the shipping address you use most often is visible, turn on the “Default shipping address” checkbox to tell QuickBooks to pick that address automatically. Click the Edit or Delete buttons to modify or remove a shipping address, respectively.

- **Other contact information.** QuickBooks gets you started by copying the contents of the First Name and Last Name fields into the Contact field. If you plan to look up info like phone numbers and email addresses in QuickBooks rather than in a contact program (Outlook, for example), fill in the other fields on the Address Info tab to specify the contact’s phone, fax, and alternate phone numbers, email address, and an email address to carbon copy.

Specifying additional customer information

The New Customer dialog box’s Additional Info tab (Figure 4-3) serves up several fields that categorize your customers and simplify your bookkeeping. Although they’re optional, some of these fields speed up entering transactions down the road by storing the values you use most frequently. Other fields appear or disappear depending on the preferences you choose (preferences are the topic of Chapter 23). For example, if you charge sales tax, you need to turn on QuickBooks’ Sales Tax preferences if you want the Additional Info tab to include the Tax Code, Tax Item, and Resale Number fields.

New Customer

Customer Name: TekTurner

Currency: US Dollar

Opening Balance: as of 08/04/2010 How do I determine the opening balance?

Address Info | **Additional Info** | Payment Info | Job Info

Categorizing and Defaults

Type: Corporate

Terms: Net 30

Rep: DZ

Preferred Send Method: E-mail

Sales Tax Information

Tax Code: Tax

Tax Item: California State

Resale Number:

Price Level:

Custom Fields

Region:

Branch:

Technician:

Define Fields

Figure 4-3:

Most of the fields on the Additional Info tab use QuickBooks' lists. To jump directly to the entry you want in long lists, in any text box with a drop-down list, type the first few characters of that entry. QuickBooks selects the first entry that matches the characters you've typed and continues to reselect the best match as you continue typing. You can also scroll to the entry in the list and click to select it. If the entry you want doesn't exist, click <Add New> to create it.

Here are the fields you might see on the Additional Info tab and some ways you can use them:

- **Type.** Categorize this customer (see page 83) by choosing from the Type drop-down list, which displays the entries from your Customer Type List, such as government, health insurance, or private pay, if you run a healthcare company.
- **Terms.** What you select here represents the payment terms the customer has agreed to. The entries you see in this drop-down menu come from the Terms List (page 143), which QuickBooks uses for both payment terms for your customers *and* the ones you accept from your vendors. QuickBooks lists several of the most common payment terms, such as “Due on receipt” and Net 30, but you can choose <Add New> at the top of the drop-down list to define additional payment terms in the Terms List. If you leave this field blank in a customer's record, you have to choose the payment terms every time you create an invoice for that customer.
- **Rep.** Choosing a name in this field links a customer to a sales representative, which is helpful if you want to track sales reps' results. But reps don't have to be sales representatives: One of the best ways to provide good customer service is to assign a customer service rep to a customer. When you choose <Add New> to create a new Rep entry (page 141), you can select existing names from the Employee List, Vendor List, and the Other Names List, or even add a new name to one of those lists to use as a rep.

- **Preferred Send Method.** Choose E-mail, Mail, or None to identify the method that your customer prefers for receiving information. If you choose E-mail, QuickBooks automatically turns on the E-mail checkbox when you create forms (such as invoices) for this customer. The Mail method uses an add-on QuickBooks service to mail invoices. Choose None if you typically print documents and mail them the old-fashioned way. You can't add a new entry to the Preferred Send Method list, so if you use carrier pigeons to correspond with your incarcerated customers, you'll just have to remember that preference.
- **Sales Tax Information.** The Sales Tax Information section appears only if you turn on the Sales Tax preference (page 591). If the customer pays sales tax, choose an entry in the Tax Item drop-down list, which specifies the tax rate percentage. See page 120 for instructions on setting up sales tax items and page 262 for the full scoop on charging sales tax.

Customers who buy products for resale usually don't pay sales tax because that would tax the products twice. (Who says tax authorities don't have hearts?) To bypass the sales tax, choose Non (for "nontaxable sales") in the Tax Code drop-down list, and then type the customer's resale number in the Resale Number field. That way, if tax auditors pay you a visit, the resale number tells them where the sales-tax burden should fall.

- **Price Level.** More often than not, customers pay different prices for the same product. Consider the labyrinth of pricing options for seats on airplanes. In QuickBooks, price levels represent discounts or markups that you apply to transactions. For example, you might have one price level called Top20, which applies a 20 percent discount for your best customers, and another price level called AuntMabel that extends a 50 percent discount to your Aunt Mabel because she fronted you the money to start your business. See page 137 to learn how to define price levels.
- **Custom Fields.** QuickBooks offers 15 custom fields, which you can use to store important info that QuickBooks didn't see fit to give you out of the box. Because custom fields don't use drop-down lists, you have to type your entries and take care to enter values consistently. Page 152 has more about custom fields.

Entering payment information

That's right: The New Customer dialog box has still more fields for storing customer information—but you can skip them if you want. The Payment Info tab, shown in Figure 4-4 is the place to indicate how the customer pays and how much credit you're willing to extend.

You can use the following fields to specify the customer's payment info:

- **Account No.** Account numbers are optional in QuickBooks. Large accounting programs often assign unique account numbers to customers, which greatly reduce the time it takes to locate a customer's record. In QuickBooks, the Customer Name field works like an identifier, so you're best off reserving the Account No. field for an account number generated by one of your other business systems.

The screenshot shows the 'New Customer' window with the 'Payment Info' tab selected. The 'Preferred Payment Method' is set to 'Visa'. The 'Credit Limit' is set to 'USD'. The 'Can I save the Card Security Code?' checkbox is checked.

Figure 4-4:

On the *Payment Info* tab, only the *Preferred Payment Method* field has a drop-down menu of commonly used values, which come from the *Payment Method List* (page 145). You have to type the values you want in all the other fields.

- **Credit Limit.** You can specify a dollar value of credit that you're willing to extend to the customer. If you do, QuickBooks warns you when an order or invoice exceeds this customer's credit limit, but that's as far as it goes—it's up to you to reject the order or ship your products COD. If you don't plan to enforce the credit limits you assign, don't bother entering a value in this field.
- **Preferred Payment Method.** Choose the payment method that the customer uses most frequently. The drop-down list includes several common methods such as Cash, Check, and Visa, but you can add others by choosing <Add New>. The payment method you specify appears automatically in the Receive Payments window (page 338) when you choose this customer. If a regular customer forgets her checkbook and pays with cash, you can simply replace Check with Cash as you create the sales receipt in QuickBooks.
- **Credit card information.** For credit card payments (see page 618 to learn about QuickBooks' credit card processing service), you can specify the customer's credit card number, the name that appears on the card, the billing address for the card, the Zip/postal code, and the expiration date. (You can enter only one credit card number for each customer.) But before you enter this sensitive and valuable information into QuickBooks, check for government and merchant card provider restrictions on storing credit card numbers. For example, QuickBooks doesn't let you store the card's security code (the three-digit code on the back of the card) as a security precaution. Even if you can legally store the numbers, consider whether your security procedures are sufficient to protect your customers' credit card information.

ALTERNATE REALITY

Tracking Donors for Nonprofits

For nonprofit organizations, any individual or organization that sends money is a *donor*, but the term “donor” doesn’t appear in most QuickBooks editions. The Premier Nonprofit Edition of QuickBooks mentions donors, pledges, and other nonprofit terms, but QuickBooks Pro and other Premier editions focus single-mindedly on customers, so you may have to get used to thinking “donor” whenever you see “customer” in QuickBooks.

Likewise, a job in QuickBooks is the equivalent of a contract or grant. If you need to report on a grant or contract, add a separate job for it to the customer (er, donor) who donated the funds.

Entering members or individual donors as separate customers can max out QuickBooks’ customer name limit or increase your company data file to a size that makes QuickBooks’ run super slowly. The Enterprise Solutions Edition of QuickBooks can handle a larger number of customers, but most nonprofits would choke at that edition’s price tag.

To solve this dilemma, create customers in QuickBooks to represent generic pools, such as donors and members, reserving the details of your membership and donor names for a separate database or spreadsheet. For example, create a customer called Unrestricted and then post all unrestricted donations to that customer.

Note: The New Customer window includes a Job Info tab, which (not surprisingly) has fields for job-related information. If you don’t track jobs, you could use the Job Status field to store the overall status of your work for the customer, although a contact-management or project-management program is probably more useful. And if a customer hires you to do more than one job, skip the Job Info tab, since you’ll create separate jobs to track their info, as described on page 79.

Customer Data Entry Shortcuts

If you frequently add or edit more than one customer a time, filling in the New Customer dialog box isn’t only mind-numbingly tedious, it also wastes time you should spend on more important tasks like selling, managing cash flow, or finding out who has the incriminating pictures from the Christmas party.

Chances are you store customer info in programs other than QuickBooks, such as a customer relationship management (CRM) program that tracks customer interactions or a word-processing program where you create mailing labels. (Page 3 tells you where to learn more about Intuit’s CRM product.) If your other programs can create *Excel-compatible files* or *delimited text files*, you can avoid data entry grunt work by transferring data to or from QuickBooks. (Delimited text files are nothing more than files that separate each piece of data with a comma, space, tab, or other character.) In both types of files, the same kind of info appears in the same position in each line or row, so QuickBooks (as well as other programs) can pull the information into the right places.

In many cases, you'll want to add (or edit) more than one record, but less than a gazillion. QuickBooks 2010 introduced the perfect tool for that: the Add/Edit Multiple List Entries command. When you're creating customers, vendors, or items, you can use the Add/Edit Multiple List Entries dialog box to paste data from Excel into QuickBooks. Or, to edit existing records, you can filter or search the list to show just the customers (or vendors or items) you want to update and then paste Excel data, type in values, or use shortcut commands to copy values between records.

When you want to transfer a *ton* of customer information between QuickBooks and other programs, importing and exporting is the way to go. By mapping QuickBooks fields to the fields in the other program, you can quickly transfer hundreds, even thousands, of records in no time.

This section covers it all: working with multiple entries, importing, and exporting.

Adding and Editing Multiple Customer Records

The Add/Edit Multiple List Entries command lets you add or update values in the customer, vendor, and item lists by pasting information from an Excel spreadsheet directly into a table in the Add/Edit Multiple List Entries dialog box. Other commands, for copying or duplicating values between records, make short work of changes like updating the new billing address for a customer who sends you job after job. Typing values into cells works, too, if you notice a typo in one of the records in the list. And you can customize the table in the dialog box to show only the customers you want to edit and the fields you want to modify.

This command goes by different names depending on where you find it in QuickBooks. Choose it in any of these locations to open the Add/Edit Multiple List Entries dialog box to the customer list:

- On the Lists menu, choose Add/Edit Multiple List Entries.
- In the Customer Center toolbar, click New Customer & Job, and then choose Add Multiple Customer:Jobs.
- In the Customer Center toolbar, click Excel, and then choose "Paste from Excel".

Selecting a list to work with

QuickBooks automatically selects Customers in the Add/Edit Multiple List Entries dialog box's List drop-down menu (unless you open the dialog box from the Vendor Center or the Item List window). You can switch lists by choosing Customers, Vendors, or Items from this menu.

Tip: If you set up jobs for customers, the Add/Edit Multiple List Entries dialog box's table includes rows for both customers and jobs. The Name column contains the customer's name for a customer row and the job's name for a job row. Usually, you can spot job rows by looking at the Company Name field, since all jobs for that customer will have the same thing listed here.

To make it easier to edit existing list entries, you can display only the entries you want to edit. Here are some ways to control which customers appear in the table:

- **Filter the entries.** The View drop-down list includes several choices for filtering the customer list. Choose Active Customers if you want to make changes to only active customers in your company file. Inactive Customers displays customers that you've changed to inactive status (page 90).

To filter the customer list to your exact specifications, choose Custom Filter and fill in the dialog box shown in Figure 4-5. For example, if you want to divide your government customers into local, state, and federal customers, you can filter the list to show only records with Government in their customer fields. Note that QuickBooks only displays list entries that exactly match what you filter for. For example, if you type (555) to look for the 555 area code, records that don't have parentheses around the area code won't show up.

Because QuickBooks doesn't save the changes you make in the Add/Edit Multiple List Entries dialog box until you click Save Changes, you can select Unsaved Customers to see all the entries you've edited but not yet saved. Choosing "Customers with errors" displays entries that contain invalid values, like a customer type or tax code that doesn't exist in your company file. In fact, if you click Save Changes when there are records with errors, the dialog box automatically filters the list to the "Customer with errors" view, so you can see what you need to correct before you can save your changes. See page 74 to learn how to spot and fix errors.

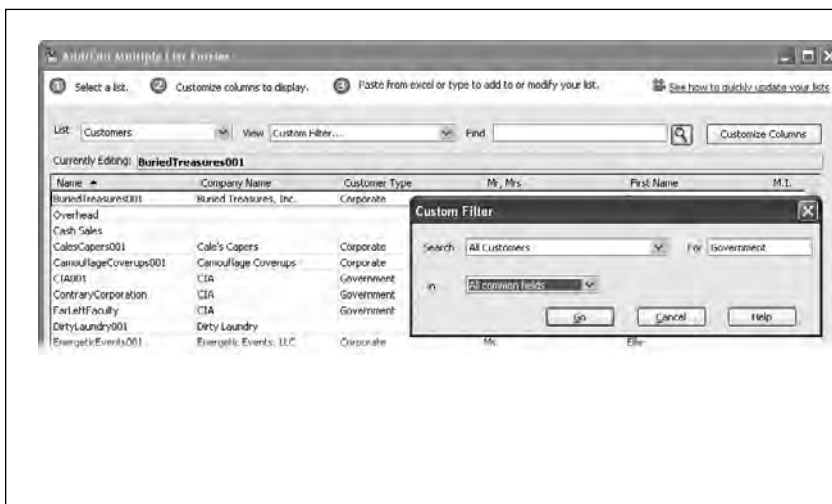


Figure 4-5: In the Custom Filter dialog box, you can type a word, value, or phrase to look for, and specify the fields you want QuickBooks to search. For example, type Government in the For field, and search common fields (all the fields listed in the "in" drop-down list) to find customers with the Government customer type.

- **Find entries.** Typing a word, value, or phrase in the Find box is similar to applying a custom filter to the list, except that QuickBooks searches *all* fields. For example, if you type 555 in the Find box and then click the Search button (which looks like a magnifying glass), QuickBooks will display records that contain 555 anywhere in the record, whether it's in the company name, telephone number, address, or account number field.

Note: QuickBooks is quite literal in its searches, so the entries you see in your search results exactly match what you typed in the Find box. For example, if you type *New York*, QuickBooks displays customer records that contain that exact phrase, but not ones that use the abbreviation NY.

- **Customize the columns that appear in the table.** To paste data from Excel in a jiffy, you can customize the table's columns to match your Excel spreadsheet. (If you're an Excel whiz, you may prefer to rearrange the columns in your spreadsheet before pasting data.) Click Customize Columns to open the Customize Columns dialog box. The tools for customizing columns are straightforward, as Figure 4-6 illustrates. To add a column, select the field you want in the Available Columns list and then click Add. To remove a column, select it in the Chosen Columns list and then click Remove.
- **Sort the list entries.** To sort the entries in the table, click the column heading for the field you want to sort by, and QuickBooks sorts the records in ascending order (from A to Z or from low to high numbers). Click again to sort in descending order.

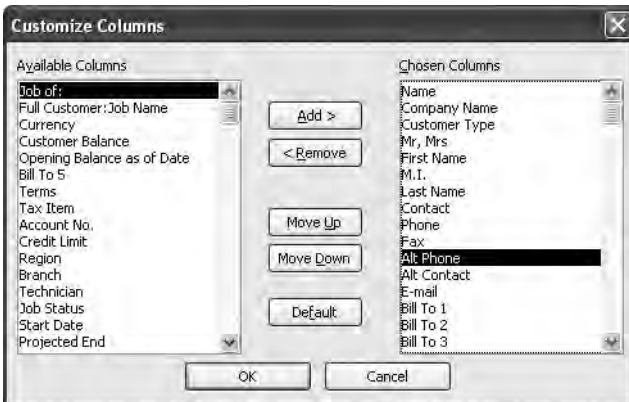


Figure 4-6:

In addition to adding and removing columns, you can change the position of a column by selecting it in the Chosen Columns list and then clicking Move Up or Move Down. If you completely mangle the columns, click Default to restore the preset columns.

Adding or editing list entries

Whether you want to add new entries or edit existing ones, you can paste data from Excel, type in values, or use commands like Copy Down to copy values between records. (When you want to add a new record, you have to click the first empty row at the bottom of the list before you can enter any data.) Here are the various ways to enter values in records:

- **Type values in cells.** This method is straightforward: Click a cell and make your changes. Click within text to select the text up to where you clicked. Click a second time to position the cursor at that location. Click the right end of a cell to select all the text in it. Drag over text to select part of an entry.

- **Copy and paste values.** If you're a fan of copying and pasting (and who isn't?), you can copy data from an Excel spreadsheet (a single cell, a range of cells, one or more rows, or one or more columns) and paste it into the table. The only requirement is that the rows and columns in the table and in the spreadsheet have to contain the same information in the same order. You can rearrange the rows and columns either in the dialog box or in the spreadsheet, whichever you prefer. When you paste Excel data into existing records in the Add/Edit Multiple List Entries dialog box, QuickBooks overwrites the existing values in the cells. To paste Excel data into *new* records, be sure to select the first empty row in the Add/Edit Multiple List Entries dialog box before pasting the data.

Tip: You can copy and paste data from one cell in the table to another. For example, if a customer with several jobs has relocated its main office, you can copy values from Bill To cells and paste them into the cells for the customer's jobs. When you copy and paste data within the table, you can copy only one cell at a time. If you want to copy several cells, it's quicker to make the change in your Excel spreadsheet and then paste the data from Excel into the Add/Edit Multiple List Entries table.

- **Duplicate a row.** To create a new record that has many of the same values as an existing record, right-click the row you want to duplicate and then choose Duplicate Row from the shortcut menu. The new record appears in the row below the original and contains all the same values as the original record, except that the value in the first field begins with "DUP" to differentiate it from the original. Edit the cells in the row that have different values. Then, edit the Name cell to reflect the new customer or job's name.
- **Copy values down a column.** You can quickly fill in several cells in a column using the Copy Down command. Because this command copies data into all cells below the cell you select, it's important to filter the list (page 71) to show only the records you want to change. Then, right-click the cell you want to copy down the column and choose Copy Down from the shortcut menu. QuickBooks copies the value in the selected cell to all the cells below it in the column, overwriting any existing data. For example, if you want to change the contact name for all the jobs for a particular customer, filter the list to show all the records for that customer (in the Find box, type the customer's name, and then click the magnifying glass icon). Next, type the new contact into the first Contact cell. Then, right-click the cell and choose Copy Down.
- **Insert line.** If you want to insert a blank line in the table (to create a new job for a customer, for example), right-click the record where you want the blank line, and then choose Insert Line from the shortcut menu (or press Ctrl+Ins).
- **Delete line.** If you created a record by mistake, you can get rid of it by right-clicking anywhere in its row and then choosing Delete Line.
- **Clear column.** If you want to clear all the values in a column, right-click in the column and then choose Clear Column from the shortcut menu.

Saving changes

After you've completed the additions and modifications you want, click Save Changes to save those list entries. QuickBooks saves all the entries that have no errors and tells you how many records it saved. If it finds any errors, like a value that doesn't exist in the Terms list, it displays those entries in the table in the Add/Edit Multiple List Entries dialog box and changes the incorrect values to red text. Click a cell to see a hint about the error. If the problem is a list entry that doesn't exist, the "<list name> Not Found" dialog box opens, where "<list name>" is a list like Terms. Click Set Up to add the entry to the list. Fix the errors and then click Save Changes again.

Tip: If you don't know what the problem is, you can select the incorrect value and delete it by pressing Delete or Backspace. When you figure out what the value should be, you can edit that record in the Edit Customer or Add/Edit Multiple List Entries dialog box.

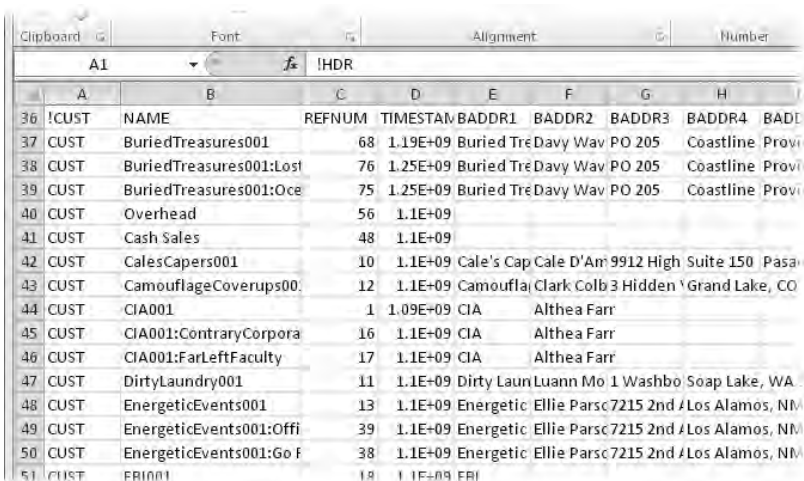
Importing Customer Information

If you have hundreds of customer records to stuff into QuickBooks, even copying and pasting can be tedious. If you can produce a delimited text file or a spreadsheet of customer info in the other program (page 616), then you can match up your source data with QuickBooks fields and import all your customer records in one fell swoop.

Delimited files and spreadsheets compartmentalize data by separating each piece of info with a comma or tab, or by cubbyholing them into columns and rows in a spreadsheet file. An exported delimited file isn't necessarily ready to import into QuickBooks, though. Headings in the delimited file or spreadsheet might identify the field names in the program that originally held the information, but QuickBooks has no way of knowing the correlation between those fields and its own.

But don't worry: You can help QuickBooks understand the data you're importing. QuickBooks looks for keywords in the file you're importing to figure out what to do, as shown in Figure 4-7. So, you'll need to rename some headings to transform the file produced by the other program into an import file that QuickBooks can read. QuickBooks' customer keywords and the fields they represent are listed in Table 4-1. Fortunately, Excel and other spreadsheet programs make it easy to edit headings. When your exported file looks something like the file in Figure 4-7, save it in Excel 2010 by clicking that program's File tab and then choosing Save (if you're using Excel 2007, click the Office button and then choose Save). The box on page 77 describes how to use spreadsheets for other data task

Tip: To see how QuickBooks wants a delimited file to look, export your current QuickBooks customer list to an .jif file (page 79) and then open it in Excel and check out the field names it uses.



	A	B	C	D	E	F	G	H	I
36	!CUST	NAME	REFNUM	TIMESTAMP	BADDR1	BADDR2	BADDR3	BADDR4	BADDR5
37	CUST	BuriedTreasures001	68	1.19E+09	Buried Tre	Davy Wav	PO 205	Coastline	Provi
38	CUST	BuriedTreasures001:Lost	76	1.25E+09	Buried Tre	Davy Wav	PO 205	Coastline	Provi
39	CUST	BuriedTreasures001:Oce	75	1.25E+09	Buried Tre	Davy Wav	PO 205	Coastline	Provi
40	CUST	Overhead	56	1.1E+09					
41	CUST	Cash Sales	48	1.1E+09					
42	CUST	CalesCapers001	10	1.1E+09	Cale's Cap	Cale D'Am	9912 High	Suite 150	Pasa
43	CUST	CamouflageCoverups00	12	1.1E+09	Camoufla	Clark Colb	3 Hidden	Grand Lake	CO
44	CUST	CIA001	1	1.09E+09	CIA	Althea Farr			
45	CUST	CIA001:ContraryCorpora	16	1.1E+09	CIA	Althea Farr			
46	CUST	CIA001:FarLeftFaculty	17	1.1E+09	CIA	Althea Farr			
47	CUST	DirtyLaundry001	11	1.1E+09	Dirty Laun	Luann Mo	1 Washbo	Soap Lake	WA
48	CUST	EnergeticEvents001	13	1.1E+09	Energetic	Ellie Parsc	7215 2nd	# Los Alamos	NM
49	CUST	EnergeticEvents001:Offi	39	1.1E+09	Energetic	Ellie Parsc	7215 2nd	# Los Alamos	NM
50	CUST	EnergeticEvents001:Go F	38	1.1E+09	Energetic	Ellie Parsc	7215 2nd	# Los Alamos	NM
51	CUST	FBI001	18	1.1E+09	FBI				

Figure 4-7:

A file you import has to use field names that match QuickBooks'. For example, replace a *Last_Name* heading with **LASTNAME**, which is the keyword for the last name field in QuickBooks. The first column has to include the keywords QuickBooks uses to identify customer records. And the first cell in the first row of a customer import file has to contain the text **"!CUST"**.

Table 4-1. Customer keywords and their respective fields

Keyword	Field contents
NAME	(Required) The Customer Name field, which specifies the name or code that you use to identify the customer.
BADDR1 – BADDR5	Up to five lines of the customer's billing address.
SADDR1 – SADDR5	Up to five lines of the customer's shipping address.
PHONE1	The number stored in the Phone Number field.
PHONE2	The customer's alternate phone number.
FAXNUM	The customer's fax number.
EMAIL	The customer's email address.
NOTE	Despite its confusing keyword, this field is the name or number of the account stored in the Account No. field. (To set up a customer as an online payee, you have to assign it an account number.) The NOTEPAD keyword (later in this table), on the other hand, represents the notes you enter about a customer.
CONT1	The name of the primary contact for the customer.
CONT2	The name of an alternate contact for the customer.
CTYPE	The customer type category. If you import a customer type that doesn't exist in your Customer Type List, QuickBooks adds the new customer type to the list.
TERMS	The payment terms by which the customer abides.
TAXABLE	Y or N in this field indicates whether you charge the customer sales tax.

SALESTAXCODE	The code that identifies the type of sales tax to charge.
LIMIT	The dollar amount of the customer's credit limit with your company.
RESALENUM	The customer's resale number.
REP	The representative who works with the customer. The format for a rep entry is <i>name:list ID:initials</i> , such as "Saul Lafite:2:SEL." <i>Name</i> represents the rep's name; <i>list ID</i> equals 1 if the rep's name belongs to the Vendor List, 2 for the Employee List, or 3 for the Other Names List; and <i>initials</i> are the rep's initials.
TAXITEM	The name of the type of tax you charge this customer. What you enter has to correspond to one of the sales tax items on your Item list (on page 122).
NOTEPAD	This field is where you can wax poetic about your customer's merits or simply document details you want to remember. To see this imported data in QuickBooks, in the Customer Center, select the customer's name, and then click the Edit Notes button on the window's right side.
SALUTATION	The title to include before the contact's name, such as Mr., Ms., or Dr.
COMPANYNAME	The name of the customer's company as you want it to appear on invoices or other documents.
FIRSTNAME	The primary contact's first name.
MIDINIT	The primary contact's middle initial.
LASTNAME	The primary contact's last name.
CUSTFLD1-CUSTFLD15	Custom field entries for the customer, if you've defined any. To learn how to create custom fields, see page 152.
HIDDEN	This field is set to N if the customer is active in your QuickBooks file, or Y if he's inactive.
PRICELEVEL	The customer's price level (page 67).

Note: QuickBooks also exports the fields for job information into six columns with the keywords JOBDESC, JOBTYP, JOBSTATUS, JOBSTART, JOBPROJEND, and JOBEND.

Exporting Customer Information

QuickBooks lets you do lots of cool things with customer info, but say you have a mail merge already set up in FileMaker Pro, or you want to transfer all of your customer records to Access to track product support. You have to export your customer data out of QuickBooks into a file that the other program can read and import.

POWER USERS' CLINIC

The Easy Way to View Data

Data is easier to examine when you view an export or import file with a spreadsheet program like Excel, as described in Chapter 24. Most programs can open or import delimited text files, but Excel is a master at reading the records stored in these text files and displaying them clearly. When you export data to a delimited text file and then open it in Excel, the program puts the data into cells in a spreadsheet. Because records and fields appear in neat rows and columns, respectively, you can quickly identify, select, and edit the data you want. Furthermore, you can eliminate entire rows or columns with a few deft clicks or keystrokes.

Here's how to open a delimited text file with Excel:

1. In Excel 2010, click the File tab and then choose Open. In Excel 2007, click the Office button and then choose Open.
2. The delimited text files won't appear in the Open dialog box at first because they're not Excel files. Delimited text files come with a range of file extensions (the three characters that follow the last period in the filename), so choose All Files in the "Files of type" drop-down list to make sure you'll see your delimited file listed.
3. To open the file, navigate to the folder that contains the delimited text file, and then double-click the file's name. The Text Import Wizard dialog box appears. (A wizard is a series of question-and-answer screens that walk you through a particular process.)
4. As you tell the wizard which characters act as delimiters and what type of data appears in each column, it shows you what the data will look like after it's imported into Excel. When its interpretation of the data is correct, click Finish.
5. Now, you can use Excel to rename column headings or delete the columns or rows you don't want to import.

To extract customer info from QuickBooks, you have three choices:

- **Export your customer information directly to Excel** if you're not sure what info you need and you'd rather delete and rearrange columns in a spreadsheet program. QuickBooks exports every customer field. Then, you can edit the spreadsheet all you want and transfer the data to yet another program when you're done. (The one downside to this approach is that the spreadsheet includes blank columns between each data-filled column.)
- **Create a report** when you want control over exactly which fields QuickBooks exports. By creating a customized version of the Customer Contact List report, for example, you can export the same set of records repeatedly, creating delimited files, spreadsheets, and so on. (Chapter 21 covers QuickBooks' reports in detail.)
- **Export a text file** of your customer data if you need a delimited text file to load into another program. The delimited file lists each customer in its own row with each field separated by tabs.

The following sections explain all your options.

Exporting to Excel

In QuickBooks, exporting the Customer List to Excel is a snap. To export all the customer data stored in QuickBooks to an Excel file, in the Customer Center toolbar, click Excel, and then choose Export Customer List to open the Export dialog box (Figure 4-8). The Excel menu also contains commands for exporting transactions and for importing and pasting spreadsheet data into QuickBooks.

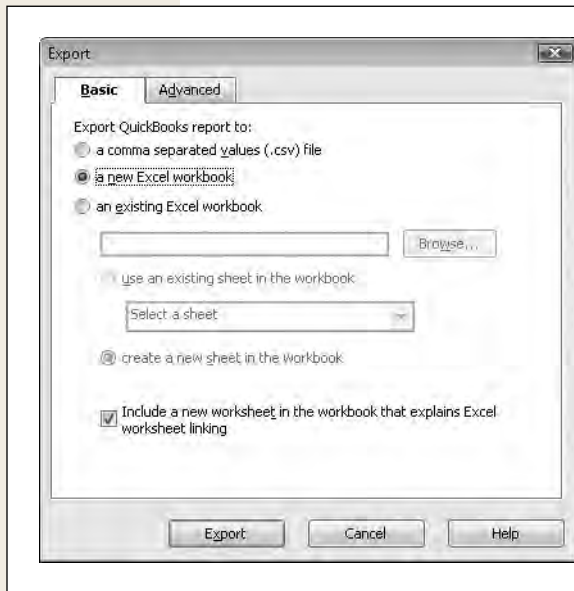


Figure 4-8:

The Export dialog box that appears is already set up to create a new spreadsheet. Click the Export button and you'll be looking at the Customer List in Excel in mere seconds. If you'd rather give QuickBooks more guidance on creating the spreadsheet, click the Advanced tab and then adjust options like Autofit (which sets the column width so you can see all your data) before clicking Export.

Customized exports using the Contact List report

By modifying the Contact List report's settings, you can export exactly the fields you want for specific customers. For example, storing email addresses in QuickBooks is perfect when you email invoices to customers, but you probably also want them in your email program so you can communicate with customers about the work you're doing for them. Exporting the entire Customer List is overkill when all you want is the contact name and email address; that's where exporting a report shines.

Out of the box, QuickBooks' Customer Contact List report includes the Customer Name, Bill To address, Contact, Phone, FAX, and Balance fields. Here's how you transform this report into an export tool:

1. **Choose Reports→Customers & Receivables→Customer Contact List.**

The Customer Contact List report window opens.

2. **In the report window's toolbar, click Modify Report.**

The "Modify Report: Customer Contact List" dialog box that appears lets you customize the report to filter the data that you export. (See page 519 to learn about other ways to customize reports.)

3. Click the **Display** tab (if you're not already on it) and, in the **Columns** section, choose the fields you want to export.

The Customer, Contact, Phone, and Fax fields might be good ones to export. Then again, they might not. You can add or remove whichever fields you want by clicking a field's in the Columns list to toggle that field on or off. If there's a checkmark in front of the field's name, the report will include a column for that field; if there's no checkmark, it won't.

4. To produce a report for only the customers you want, click the **Filters** tab. In the **Filter** list, choose **Customer**. In the **Customer** drop-down list that appears, choose "Multiple customers/jobs" to select the customers you want to export.

QuickBooks displays the **Select Customer:Job** dialog box, with the **Manual** option selected; that's what you want. In the list of customer names on the right side of the **Select Customer:Job** dialog box, click each customer you want to export, and then click **OK**. Then, in the **Modify Report** dialog box, click **OK**.

You see the report with the modifications you've made.

5. In the **Customer Contact List** window's toolbar, click **Export**.

The **Export Report** dialog box opens. To create a new Excel workbook, simply click **Export**. Your computer launches Excel and displays the report in a workbook.

Tip: Saving the modified report reduces the number of steps you have to take the next time you export. Page 531 explains how to memorize a report.

Exporting a text file

To create a delimited text file of the entire Customers & Jobs List (or any other QuickBooks list), choose **File**→**Utilities**→**Export**→"Lists to IIF Files". The first **Export** dialog box that appears includes checkboxes for each QuickBooks list, described in detail on page 610. Turn on the checkboxes for the lists you want to export, and then click **OK**.

Tip: If you want to export *only* customer names and addresses to a tab-delimited file, choose **File**→**Utilities**→**Export**→"Addresses to Text File".

Creating Jobs in QuickBooks

Project-based work means that your current effort for a customer has a beginning and an end, even if it sometimes seems like the project will last forever. Whether you build custom software programs or apartment buildings, you can use QuickBooks' job-tracking features to analyze financial performance by project.

If you sell products and don't give a hoot about job tracking, you can simply invoice customers for the products you sell without ever creating a job in QuickBooks. On the other hand, suppose you want to know whether you're making more money on the mansion you're building or on the bungalow remodel, and the percentage of profit you made on each project. QuickBooks can tell you these financial measures as long as you create jobs for each project you want to track.

In QuickBooks, jobs cling to customers like baby possums to their mothers. A QuickBooks job *always* belongs to a customer. In fact, if you try to choose the Add Job command before you create a customer, you'll see a message box telling you to create a customer first. Both the New Customer dialog box and the Edit Customer dialog box include tabs for customer info *and* job info. So when you create a customer, in effect, you create one job automatically, but you can add as many as you need.

Creating a New Job

Because jobs belong to customers, you have to create a customer (page 62) before you can create any of that customer's jobs. Once the customer exists, follow these steps to add a job to the customer's record:

1. **In the Customer Center, right-click the customer you want, and then choose Add Job from the shortcut menu.**

You can also select the customer in the Customers & Jobs tab, and then, in the Customer Center toolbar, choose New Customer & Job→Add Job. Either way, the New Job dialog box appears.

2. **In the Job Name box, type a name for the job.**

This name will appear on invoices and other customer documents. You can type up to 41 characters in the box. The best names are short but easily recognizable by both you *and* the customer.

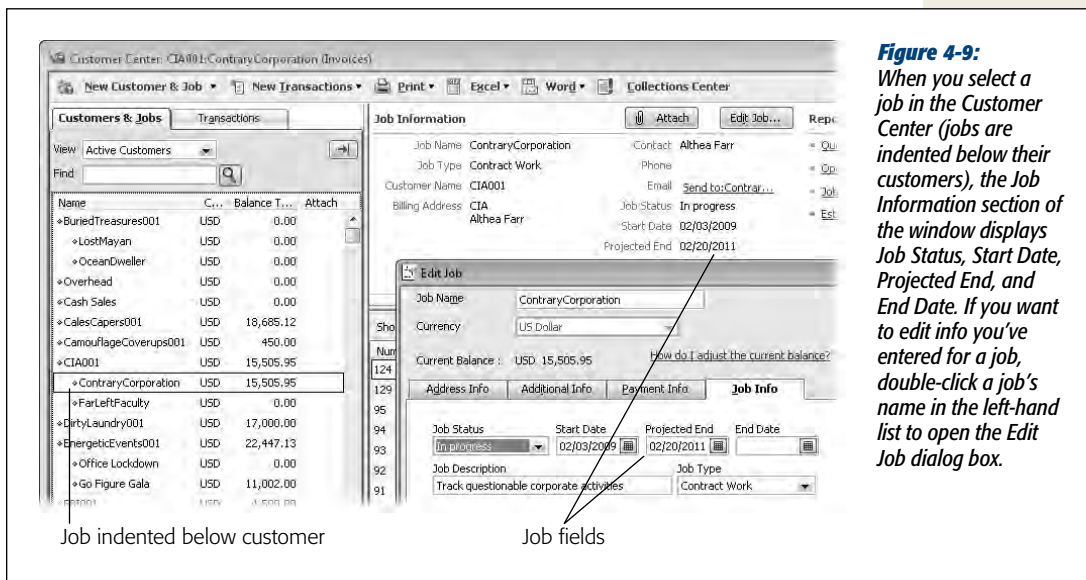
QuickBooks fills in most of the remaining job fields with the information you entered for the customer associated with this job. You can skip the fields on the Address Info, Additional Info, and Payment Info tabs unless the information on these tabs is different for this job. For example, if materials for the job go to a different shipping address than the customer's, type the address in the fields on the Address Info tab.

3. **If you want to add info about the job type, dates, or status, click the Job Info tab and enter values in the appropriate fields.**

If you add job types (page 143), you can analyze jobs with similar characteristics, no matter which customer hired you to do the work. Filling in the Job Status field lets you see what's going on by scanning the Customer Center, as shown in Figure 4-9. If you want to see whether you're going to finish the work on schedule, you can document your estimated and actual dates for the job in the Date fields (the box on page 81 has more about these fields).

Note: To change the values you can choose in the Job Status field, modify the status text in Preferences (see page 581).

- After you've filled in the job fields, click **Next** to create another job for the same customer, or click **OK** to save the job and close the New Job dialog box.



POWER USERS' CLINIC

Specifying Job Information

The fields on the New Job dialog box's Job Info tab are optional—you can invoice a customer even if every one is blank. However, the Job Status and Job Type fields can both help you analyze your business performance, past and future. You don't even have to use the terms that QuickBooks provides in the Job Status drop-down list; you can customize the list by adjusting the Jobs and Estimates preferences described on page 581.

Here's a guide to the Job Info tab's fields and how you can put them to use:

- Job status.** This field can indicate trends in your business. If several jobs are set to Pending status, for example, a resource crunch might be in your future.
- Start date.** Set this field to the date you started the job.
- Projected end.** If you've estimated when you'll complete the job, select that date here.
- End date.** When you complete the job, set this field to the date you actually finished up. By comparing the actual end date with your projection, you can improve future estimates or change how you work in order to finish jobs on time.
- Description.** Here's where you can type a detailed description of the job to remind you about the work in case the job's name doesn't ring any bells.
- Job type.** If you categorize your jobs, choose the job type (page 143) from this drop-down menu.

Modifying Customer and Job Information

As long as you enter a customer name when you create a new customer, it's fine to leave all the other customer fields blank. You can edit a customer's record at any time to add more data or change what's already there. Similarly, you can create a job with only the job name and come back later to edit it or add details.

QuickBooks gives you a few ways to open the Edit Customer or Edit Job dialog box when the Customer Center window is open:

- On the Customers & Jobs tab, double-click the customer or job you want to tweak.
- Select the customer or job you want to edit on the Customers & Jobs tab and then press Ctrl+E.
- On the Customers & Jobs tab, right-click the customer or job and then choose Edit Customer:Job from the shortcut menu.
- After you select a customer or job, on the right side of the Customer Center, click Edit Customer (or Edit Job).

Note: You can also modify multiple customer and job records at once, as described on page 70.

In the Edit Customer dialog box, you can make changes to all the fields—except Current Balance. QuickBooks pulls the customer's balance from the opening balance (if you provide one) and shows any unpaid invoices for that customer. Once a customer exists, creating invoices (page 252) is your only way of reproducing the customer's current balance.

Similarly, all the fields in the Edit Job dialog box are editable except for Current Balance. Remember that the changes you make to fields on the Address Info, Additional Info, Payment Info, and Job Info tabs apply only to that job, not to the customer.

You can't change the currency assigned to a customer if you've recorded a transaction for that customer. So if the customer moves from Florida to France and starts using euros, you'll need to close that customer's current balance (by receiving payments for outstanding invoices). Then, you can create a new customer in QuickBooks and assign the new currency to it. After the customer's new record is ready to go, you can make the old record inactive (page 90).

Warning: Unless you've revamped your naming standard for customers (page 60), don't edit the value in a customer's Customer Name field. Why? Because doing so can mess up things like customized reports you've created that are filtered by a specific customer name. Such reports aren't smart enough to automatically use the new customer name. If you do modify a Customer Name field, make sure to modify any customization to use the new name.

Categorizing Customers and Jobs

If you want to report and analyze your financial performance to see where your business comes from and which type is most profitable, categorizing your QuickBooks customers and jobs is the way to go. For example, customer and job types can help you produce a report of kitchen remodel jobs that you're working on for residential customers. With that report, you can order catered dinners to treat those clients to customer service they'll brag about to their friends. If you run a construction company, knowing that your commercial customers cause fewer headaches *and* that doing work for them is more profitable than residential jobs is a strong motivator to focus your future marketing efforts on commercial work. The box on page 83 explains how you can analyze your business in even more detail.

If you take the time to plan your customers and jobs in QuickBooks in advance, you'll save yourself hours of effort later, when you need information about your business. You can add customer and job *types* (as well as customers and jobs) anytime. If you don't have time to add types now, come back to this section when you're ready to learn how.

GEM IN THE ROUGH

Categorizing with Classes

The Class Tracking feature explained on page 135 is a powerful and often misunderstood way to categorize business. When you turn on Class Tracking, *classes* appear in an additional field in your transactions so you can classify your business in various ways.

Classes are powerful because of their ability to cross income, customer, and job boundaries. Say you want to track how much each sales region actually sells to figure out who gets to host your annual sales shindig. Your income accounts show sales by products and services, even if each region sells all those items. Customer types won't help if some large customers buy products from several regions. The same goes if a job requires a smorgasbord of what you sell. To solve this sales-by-region dilemma, you can create a class for each region.

When you turn on Class Tracking, every transaction includes a Class field. Unlike the Customer Type and Job Type fields, which you assign when you create a customer or job, a transaction's Class field starts out blank. For each invoice, sales receipt, and so on, simply choose the class for the region that made the sale. That way, you can produce a report sorted by class that shows each region's productivity.

As you'll learn on page 135, classes can track information that spans multiple customers and jobs, such as business unit, company division, and office location. But don't expect miracles—classes work best when you stick to using them to track only one thing. For example, mixing business unit and location classes tend to render the classes useless.

Understanding Customer Types

Business owners often like to look at the performance of different segments of their business. Say your building-supply company has expanded over the years to include sales to homeowners, and you want to know how much you sell to homeowners versus professional contractors. In that case, you can use customer types to designate

each customer as a homeowner or contractor to make this comparison, and then total sales by Customer Type, as shown in Figure 4-10. As you'll learn on page 66, categorizing a customer is as easy as choosing a customer type from the aptly named Customer Types list.

Customer types are yours to mold into whatever categories help you analyze your business. A healthcare provider might classify customers by their insurance, because reimbursement levels depend on whether a patient has Medicare, major medical insurance, or pays privately. A clothing maker might classify customers as custom, retail, or wholesale, because the markup percentages are different for each. And a training company could categorize customers by how they learned about the company's services.

Note: As you'll see throughout this book, QuickBooks' lists make it easy to fill in information in most QuickBooks dialog boxes by choosing from a list instead of typing.

Figure 4-10:
The “Sales by Customer Detail” report initially totals income by customer. To subtotal income by customer type (corporate vs. government customers, in this example), click *Modify Report*. On the *Display* tab of the dialog box that appears, choose “Customer type” in the “Total by” drop-down list (circled), and then click *OK*.

When you create your company file using an industry-specific edition of QuickBooks or the EasyStep Interview (page 17), QuickBooks fills in the Customer Type List with a few types of customers that are typical for your industry. If your business

sense is eccentric, you can delete QuickBooks' suggestions and replace them with your own entries. If you're a landscaper, you might include customer types such as Lethal, Means Well, and Green Thumb, so you can decide whether Astroturf, cacti, or orchids are most appropriate.

Tip: A common mistake is creating customer types that don't relate to customer characteristics. For example, if you provide consulting services in several areas—like financial forecasting, investment advice, and reading fortunes—your customers might hire you to perform any or all of those services. So if you classify your customers by the services you offer, you'll wonder which customer type to choose when someone hires you for two different services. Instead, go with types that are more useful, like Homeowner, Contractor, General Contractor, and Commercial Construction.

Here are some suggestions for using customer types and other QuickBooks features to analyze your business in different ways:

- **Customer business type.** Use customer types to classify your customers by their business sector, such as corporate, government, and small business.
- **Nonprofit “customers.”** For nonprofit organizations, customer types such as Member, Individual, Corporation, Foundation, and Government Agency can help you target fundraising efforts.
- **Location or region.** Customer types or classes can help track business performance if your company spans multiple regions, offices, or business units.
- **Services.** To track how much business you do for each service you offer, set up separate income accounts in your Chart of Accounts, as outlined on page 49.
- **Products.** To track product sales, create one or more income accounts in your Chart of Accounts.
- **Marketing.** To identify the income you earned based on how customers learned about your services, create classes such as Referral, Web, Newspaper, and Blimp, or enter text in a custom field (page 67). That way, you can create a report that shows the revenue you've earned from different marketing efforts—and figure out whether each one is worth the money.
- **Customer support.** You may find it handy to use classes to categorize customers by their headache factor, such as High Maintenance, Average, and Easy To Please (as long as you're careful to keep the class designation off of the invoices you send out).

Creating a Customer Type

You can create customer types when you set up your QuickBooks company file or at any time after setup. Here's how:

1. **Choose Lists→Customer & Vendor Profile Lists→Customer Type List.**

The Customer Type List window opens, displaying the existing customer types.

2. To add a new type, press Ctrl+N or, at the bottom of the Customer Type List window, click Customer Type, and then choose New.

The New Customer Type dialog box, shown in Figure 4-11, opens.

3. Type a name for the new type in the Customer Type box and then click OK.

If you want, you can set up a customer type as a subtype of another type. Figure 4-11 explains how.

4. To create another customer type, click Next.

Lather, rinse, and repeat. When you're done, click OK.

When you close the New Customer Type dialog box, the new types appear in the Customer Types list.



Figure 4-11:

To define a customer type as a subtype of another, turn on the “Subtype of” checkbox as shown here. Then, in the drop-down list, choose the top-level customer type. For example, if you sell to different levels of government, the top-level customer type could be Government and contain subtypes Federal, State, County, and Local.

Categorizing Jobs

Jobs are optional in QuickBooks, so job types matter only if you track your work by job. So if your sole source of income is selling organic chicken fat ripple ice cream to health-obsessed carnivores, jobs and job types don't matter—your relationship with your customers is one long run of selling and delivering products. But for project-based businesses, job types add another level of filtering to the reports you produce. If you're a writer, then you can use job types to track the kinds of documents you produce (Manual, White Paper, and Marketing Propaganda, for instance) and filter the Job Profitability Report by job type to see which forms of writing are the most lucrative.

Creating a job type is similar to creating a customer type (described in the previous section): Choose Lists→Customer & Vendor Profile Lists→Job Type List. When the Job Type List window opens, press Ctrl+N to open the New Job Type window, and then enter a name for the job type. If you want to create a subtype, turn on the “Subtype of” checkbox and choose the job type this subtype belongs to.

Adding Notes About Customers

Attention to detail. Follow-through. These are a couple of the things that keep customers coming back for more. Following up on promises or calling if you can't make your meeting is good business. But sending reorder brochures after customers have made purchases can just make them mad. If you use another program for managing customer relationships, you can track these types of details there. But if you prefer to use as few programs as possible, QuickBooks' notes can help you stay in customers' good graces by tracking personal info and customer to-do lists.

To add a note to a customer or job record, follow these steps:

1. In the Customers & Jobs tab on the left side of the Customer Center, select the customer or job to which you want to add a note.

The customer's or job's information appears in the right pane of the Customer Center.

2. In the right pane, click the Edit Notes button.

The Notepad window (Figure 4-12) appears and displays all the notes you've added for the selected customer or job, with the insertion point at the beginning of the text box, ready for you to type.

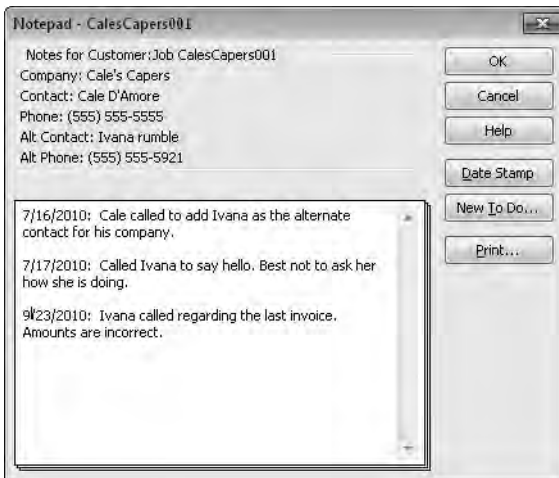


Figure 4-12:

To add a reminder of what you want to do for a customer and when, in the Notepad window, click New To Do. In the New To Do dialog box, type your reminder and choose a date in the "Remind me on" box, and then click OK. The to-do item shows up on the QuickBooks Reminder List (page 585) on the date you picked. Of course, QuickBooks reminders work only if you open QuickBooks on that day and you remember to look at the Reminders List.

3. To keep track of when conversations happen, click Date Stamp before typing a note.

If you're adding a note about something that happened on a day other than today, you have to type in the date.

4. **Type the note you want to add.**

To add information somewhere other than the very beginning of the text field, first click to position the insertion point where you want it.

5. **When you've added the note, click OK.**

QuickBooks adds the note to the Notes area in the Customer Information (or Job Information) pane on the right side of the Customer Center window.

Merging Customer Records

Suppose you remodeled buildings for two companies run by brothers: Morey's City Diner and Les' Exercise Studio. Morey and Les conclude that their businesses have a lot of synergy—people are either eating or trying to lose weight, and usually doing both. To smooth out their cash flow, they decide to merge their companies into More or Less Body Building and All You Can Eat Buffet. Your challenge: How to create one customer in QuickBooks from the two businesses, while retaining the jobs, invoices, and other transactions that they created when the companies were separate. The solution: QuickBooks' merge feature.

Here's another instance when merging can come in handy: If you don't use a standard naming convention as recommended on page 60, you could end up with multiple customer records representing one real-life customer, such as Les's Exercise Studio and LesEx. You can merge these doppelgangers into one customer just as you can merge two truly separate companies into one.

When you merge customer records in QuickBooks, one customer retains the entire transaction history for the two original customers. In other words, you don't so much merge two customers as turn one customer's records into those of another's.

Merging customers in QuickBooks won't win any awards for Most Intuitive Process. The basic procedure is to rename one customer to the same name as another. Sounds simple, right? But there's a catch: The customer you rename can't have any jobs associated with it. So if the customer you want to rename has jobs associated with it, you have to move all those jobs to the customer you intend to keep *before* you start the merge. Your best bet: Subsume the customer with fewer jobs so you don't have to move very many. If you don't use jobs, then subsume whichever customer you want.

Note: If you work in multi-user mode, you have to switch to single-user mode for the duration of the merging operation. See page 157 to learn how to switch to single-user mode and back again after the merge is complete.

To merge customers with a minimum of angry outbursts, follow these steps:

1. **Open the Customer Center.**

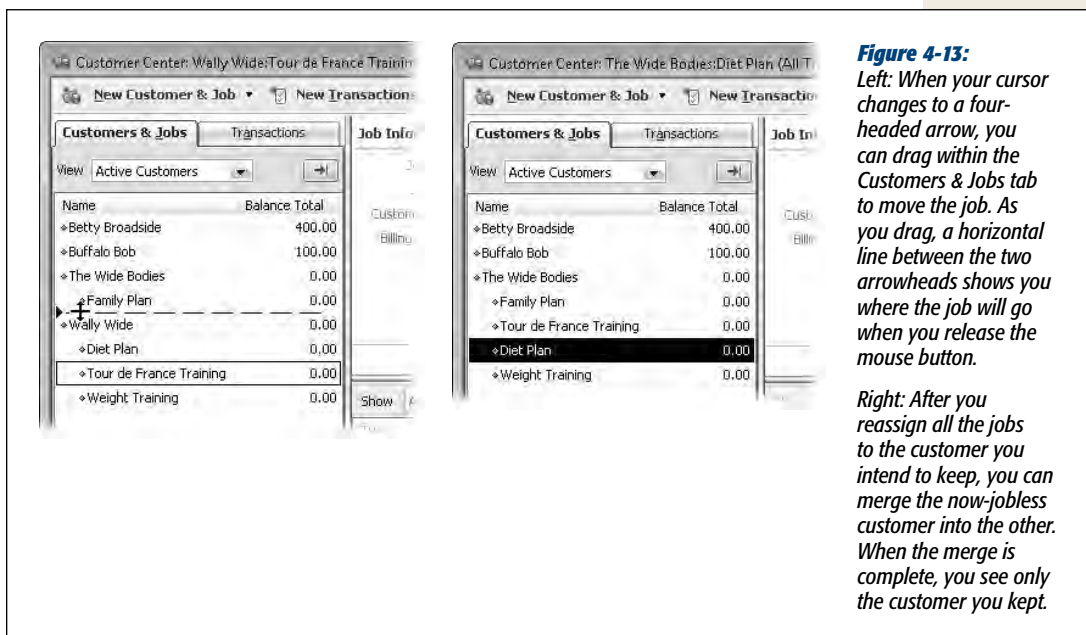
In the QuickBooks icon bar, click Customer Center or, on the left side of the QuickBooks Home page, click Customers.

2. If the customer you're going to merge has jobs associated with it, on the Customers & Jobs tab, position your cursor over the diamond to the left of the job you want to reassign.

Jobs appear indented beneath the customer to which they belong. If you have hundreds of jobs for the customer, moving them is tedious at best—but move them you must.

3. When the cursor changes to a four-headed arrow, drag the job under the customer you plan to keep, as shown in Figure 4-13, left.

Repeat steps 2 and 3 for each job that belongs to the customer you're going to subsume.



4. On the Customers & Jobs tab, right-click the name of the customer you're going to merge and, on the shortcut menu, choose Edit Customer:Job.

You can also edit the customer by selecting the customer's name on the Customer & Jobs tab and then, when the customer's info appears on the right side of the Customer Center, clicking the Edit Customer button. Either way, the Edit Customer dialog box opens.

5. In the Edit Customer dialog box, edit the Customer Name field to match the name of the customer you intend to keep. Then click OK.

QuickBooks displays a message letting you know that the name is in use and asking if you want to merge the customers.

6. Click Yes to merge the customers.

In the Customer Center, the customer you renamed disappears and any customer balances now belong to the remaining customer, as shown in Figure 4-13, right.

Hiding and Deleting Customers

Hiding customers isn't about secreting them away when the competition shows up to talk to you. Because QuickBooks lets you delete customers only in very limited circumstances, hiding customers helps keep your list of customers manageable and your financial history intact. This section explains your options.

Deleting Customers

You can delete a customer only if there's no activity for that customer in your QuickBooks file. If you try to delete a customer that has even one transaction, QuickBooks tells you that you can't delete that record.

If you create a customer by mistake, you can remove it, as long as you first remove any associated transactions—which are likely to be mistakes as well. But QuickBooks doesn't tell you which transactions are preventing you from deleting this customer. To delete transactions that prevent you from deleting a customer:

1. View all the transactions for the customer by selecting that customer in the Customer Center, and then setting the Show box to All Transactions and the Date box to All, as shown in Figure 4-14.

You can also view transactions by running the "Transaction List by Customer" report (Reports→Customers & Receivables→Transaction List by Customer).

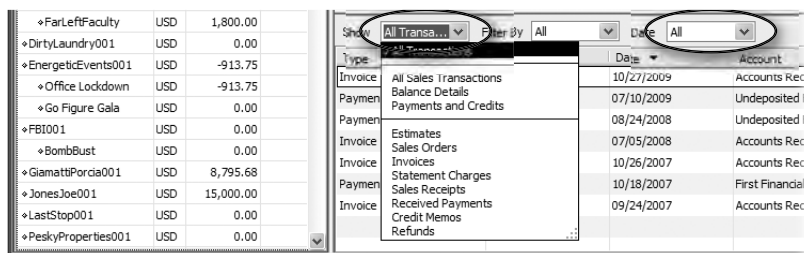


Figure 4-14: When you select a customer in the Customer Center, the transaction pane in the lower-right shows that customer's transactions. To see them all, in the Show drop-down list, choose All Transactions, and in the Date drop-down list, choose All.

2. In the Customer Center or the report, open the transaction you want to delete by double-clicking it.

The Create Invoices window (or the corresponding transaction window) opens to the transaction you double-clicked.

3. Choose **Edit→Delete Invoice** (or **Edit→Delete Check**, or the corresponding delete command).

In the message box that appears, click OK to confirm that you want to delete the transaction. Repeat steps 2 and 3 for every transaction for that customer.

4. **Back on the Customers & Jobs tab, select the customer you want to delete, and then press Ctrl+D or choose Edit→Delete Customer:Job.**

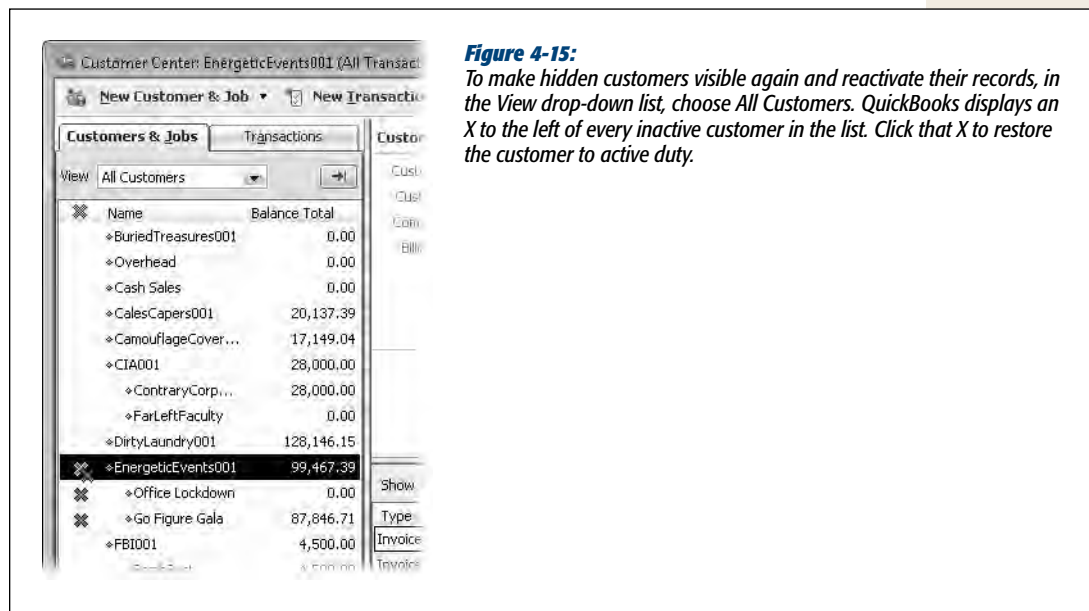
If the customer has no transactions, QuickBooks asks you to confirm that you want to delete the customer. Click Yes.

If you see a message telling you that you can't delete the customer, go back to steps 2 and 3 to delete any remaining transactions.

Hiding and Restoring Customers

Although your work with a customer might be at an end, you still have to keep records about your past relationship. But old customers can clutter up your Customer Center, making it difficult to select active customers. Hiding such customers is a better solution than deleting them, because QuickBooks retains the historical transactions for that customer, so you can reactivate them if they decide to work with you again. And hiding removes customer names from all the lists that appear in transaction windows so you can't select them by mistake.

To hide a customer, in the Customer Center, right-click the customer and then, from the shortcut menu, choose **Make Customer:Job Inactive**. The customer and any associated jobs disappear from the list. Figure 4-15 shows you how to unhide (reactivate) customers.



Setting Up Invoice Items

Whether you build houses, sell gardening tools, or tell fortunes on the Internet, you'll probably use *items* in QuickBooks to represent the products and services you sell. But to QuickBooks, things like subtotals, discounts, and sales tax are items, too. In fact, *nothing* appears in the body of a QuickBooks sales form (such as an invoice) unless it's an item.

Put another way, when you want to create invoices in QuickBooks (which you'll learn how to do in Chapter 10), you need customers *and* items to do so. So, now that you've got your chart of accounts and your customers set up, it's time to dive into items.

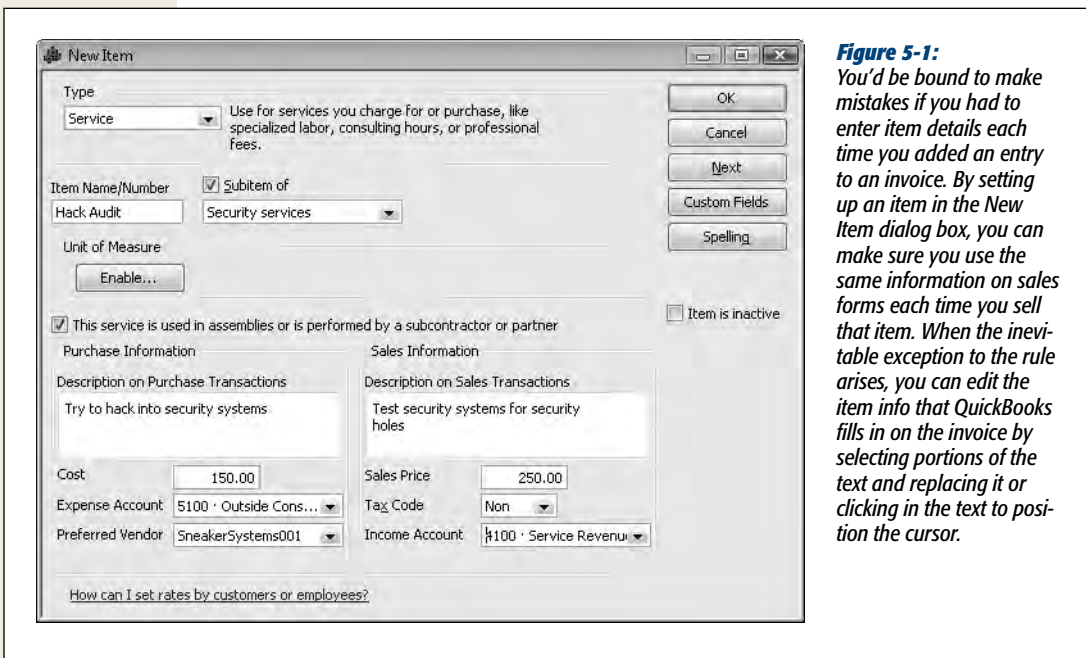
This chapter begins by helping you decide whether your business is one of the few that doesn't need items at all. But if your organization is like most and uses business forms like invoices, sales receipts, and so on, the rest of the chapter will teach you how to create, name, edit, and manage the items you add to forms. You'll learn how to use items in invoices and other forms in the remaining chapters of this book.

What Items Do

For your day-to-day work with QuickBooks, items save time and increase consistency on your sales forms. Here's the deal: Items form the link between what you sell (and buy) and the income, expense, and other types of accounts in your chart of accounts. When you create an item, you specify what the item is, how much you pay for it, how much you sell it for, and the accounts to which you post the corresponding income, expense, cost of goods sold, and asset value. For example, say you charge \$75 an hour for the bookkeeping service you provide, and you want that income to show up in your Financial Services income account. So if you create a bookkeeping

item and then add it to a sales form, QuickBooks automatically multiplies the price per hour by the number of hours to calculate the full charge, and posts the income to your Financial Services account. You also create items for other stuff you add to invoices, like discounts, shipping charges, and subtotals.

You can work out which accounts to assign items to on your own or with the help of your accountant (a good idea if you're new to bookkeeping), and then specify the accounts in your items, as shown in Figure 5-1. QuickBooks remembers these assignments from then on.



When it's time to analyze how your business is doing, items shine. QuickBooks has built-in reports based on items, which show the dollar value of sales or the number of units of inventory you've sold. To learn how to use inventory reports, see page 479. Other item-based reports are described throughout this book.

When You Don't Need Items

Without items, you can't create any type of sales form in QuickBooks, which includes invoices, statements, sales receipts, credit memos, and estimates. Conversely, if you don't use sales forms, you don't need items. Not many organizations operate without sales forms, but here are a few examples of ones that do:

- Old Stuff Antiques sells junk—er, antiques—on consignment. Kate, the owner, doesn't pay for the pieces; she just displays them in her store. When she sells a consignment item, she writes paper sales receipts. When she receives her cut from the seller, she deposits the money in her checking account.

- Tony owns a tattoo parlor specializing in gang insignias. He doesn't care how many tattoos he creates and—for safety's sake—he doesn't want to know his customers' names. All Tony does is deposit the cash he receives upon completing each masterpiece.
- Dominic keeps the books for his charity for icebergless penguins. The charity accepts donations of money and fish, and it doesn't sell any products or perform services to earn additional income. He deposits the monetary donations into the charity's checking account and enters the checking account deposit in QuickBooks. Dominic does keep track of the donors' contributions and fish inventory in a spreadsheet.

Should You Track Inventory with Items?

If your business is based solely on selling services, you can skip this section entirely. But if you sell products, it'll help you understand your options. You can handle products in two ways: by stocking and tracking inventory or by buying products only when work for your customers requires them. The system you use affects the types of items you create in QuickBooks.

When you buy products specifically for customers, you need items, but you don't have to track the quantity on hand. In this case, you can create *Non-inventory Part items*, which you'll learn about shortly. For example, general contractors rarely work on the same type of project twice, so they usually purchase the materials they need for a job and charge the customer for those materials. Because general contractors don't keep materials in stock, they don't have to track inventory and can use Non-inventory Part items.

On the other hand, specialized contractors like plumbers install the same kinds of pipes and fittings over and over. These contractors often purchase parts and store them in a warehouse, selling them to their customers as they perform jobs. These warehoused parts should be set up as *Inventory Part items* in QuickBooks. When you use QuickBooks' inventory feature, the program keeps track of how many products you have on hand, increasing the number as you purchase them and decreasing the number when you sell them to customers.

Because tracking inventory requires more effort than buying only the materials you need, use the following questions to determine whether your business should track inventory:

- **Do you keep products in stock to resell to customers?** If your company stocks faux pony bar stools to resell to customers, those stools are inventory. By tracking inventory, you know how many units you have on hand, how much they're worth, and how much money you made on the stools you've sold.

On the other hand, the faux pony mouse pads you keep in the storage closet for your employees are business supplies. Most companies don't bother tracking inventory for supplies like these, which they consume in the course of their business.

- **Do you want to know when to reorder products so you don't run out?** If you sell the same items over and over, keeping your shelves stocked means more sales (because the products are ready to ship out as soon as an order comes in). QuickBooks can remind you when it's time to reorder a product.
- **Do you purchase products specifically for jobs or customers?** If you special order products for customers or buy products for specific jobs, you don't need to track inventory. After you deliver the special order or complete the job, your customer has taken and paid for products, and you simply have to account for the income and expenses you incurred.
- **Do you rent equipment to customers?** If you rent or lease equipment, you receive income for the rental or lease of assets you own. In this case, you can show the value of the for-rent products as an asset in QuickBooks and the rental income as a Service item (page 104), so you don't need Inventory items (page 111).

Your business model might dictate that you track inventory. However, QuickBooks' inventory-tracking feature has some limitations. For example, it only lets you store up to 14,500 items. If you answer yes to any of the following questions, QuickBooks isn't the program to use to handle the products you sell:

- **Do you sell products that are unique?** In the business world, tracking inventory is meant for businesses that sell commodity products, such as electronic equipment, and stock numerous units of each product. If you sell unique items, such as fine art or compromising Polaroid photos, you'd eventually hit QuickBooks' 14,500 item limit. For such items, consider using a spreadsheet to track the products you have on hand. (If you still want to use QuickBooks, here's one way to do it: When you sell your unique handicrafts, you can record your sales in QuickBooks by using generic non-inventory part items. For example, use an item called Oil Painting on the sales receipts for the artwork you sell and fill in more specific information about the painting in the sales receipt's Description field.)
- **Do you manufacture the products you sell out of raw materials?** QuickBooks inventory can't follow materials as they wend through a manufacturing process or track inventory in various stages of completion.

Note: QuickBooks Premier and Enterprise editions can track inventory for products that require *some* assembly. For instance, if you create Wines from Around the World gift baskets using the wine bottles in your store, you can build an Inventory Assembly item out of wine and basket Inventory items. The box on page 111 explains another way to track assembled inventory.

- **Do you value your inventory by a method other than average cost?** QuickBooks calculates inventory value by average cost. If you want to use other methods, like last in, first out (LIFO) or first in, first out (FIFO), you can export inventory data to a spreadsheet and then calculate inventory cost in a program other than QuickBooks (page 488).

- **Do you use a point-of-sale system to track inventory?** Point-of-sale inventory systems often blow QuickBooks' inventory tracking out of the water. If you forego QuickBooks' inventory feature, you can periodically update your QuickBooks file with the value of your inventory from the point-of-sale system.

Note: If you like the point-of-sale idea but don't have a system yet, consider Intuit's QuickBooks Point of Sale, an integrated, add-on product for retail operations that tracks store sales, customer info, and inventory.

You don't have to use QuickBooks' inventory feature at all if you don't want to. For example, if you perform light manufacturing, you can track the value of your manufactured inventory in a database or other program. Periodically, you can then add journal entries (page 429) to QuickBooks to show the value of in-progress and completed inventory.

Tip: The answer to your inventory dilemma could be an add-on program that tracks inventory *and* keeps QuickBooks informed. One of the best is FishBowl Inventory (www.fishbowlinventory.com).

Planning Your Items

Setting up items in QuickBooks is a lot like shopping at a grocery store. If you need only a few things, you can shop without a list. Similarly, if you use just a few QuickBooks items, you don't need to write them down before you start creating items. But if you use dozens or even hundreds of items, planning your item list can save you lots of frustration.

If you jumped straight to this section, now's the time to go back and read "Should You Track Inventory with Items?" on page 95, which helps you with your first decision: whether to use items that represent services, inventory, or non-inventory products.

By deciding how to name and organize your items before you create them, you won't waste time editing and reworking existing items to fit your new naming scheme. Read on to learn what you should consider before creating items in QuickBooks.

Generic or Specific?

Conservation can be as important with QuickBooks' items as it is for the environment. QuickBooks Pro and Premier can hold no more than 14,500 items, which is a problem if you sell unique products, such as antiques, or products that change frequently, such as the current clothing styles for teenagers. Once you use an item in a transaction, you can't delete that item, so you could end up with lots of items you no longer use (see page 125). By planning how specific your items will be, you can keep your item list lean.

For instance, a generic item such as Top can represent a girl's black Goth t-shirt one season and a white, poplin button-down shirt the next. Generic items have their limitations, though, so use them only if necessary. For example, you can't track inventory properly when you use generic items. QuickBooks might show that you have 100 tops in stock, but that doesn't help when your customers are clamoring for white button-downs and you have 97 black Goth t-shirts. In addition, the information you store with a generic item won't match the specifics of each product you sell. So, when you add generic items to an invoice or sales form, you'll have to edit a few fields, such as Description or Price, as shown in Figure 5-2.

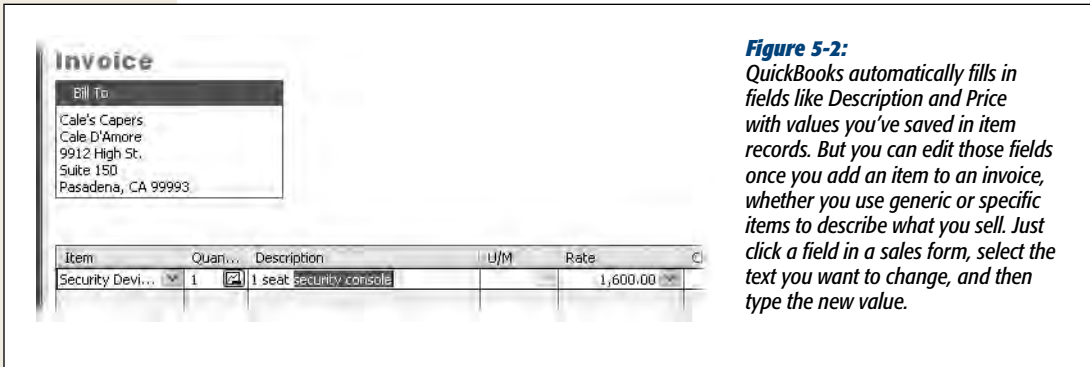


Figure 5-2: QuickBooks automatically fills in fields like Description and Price with values you've saved in item records. But you can edit those fields once you add an item to an invoice, whether you use generic or specific items to describe what you sell. Just click a field in a sales form, select the text you want to change, and then type the new value.

Naming Items

Brevity and recognizability are equally desirable characteristics in item names. On the one hand, short names are easier to type and manage, but they can be unintelligible. Longer names take more effort to type and manage, but are easier to decipher. Decide ahead of time which type of name you prefer and stick with it as you create items.

QuickBooks encourages brevity by allowing no more than 31 characters in an item's name. If you sell only a handful of services, you can name your items the same things you call them. For instance, for a tree service company, names like Cut, Limb, Trim, Chip, and Haul work just fine. But if your item list runs into the hundreds or thousands, some planning is in order. Here are some factors to consider when naming items:

- **Abbreviation.** If you have to compress a great deal of information into an item name, you'll have to abbreviate. For example, suppose you want to convey all the things you do when you install a carpet, including installing tack strips, padding, and carpet; trimming carpet; vacuuming; and hauling waste. That's more than the 31 characters you have to work with. Poetic won't describe it, but something like "inst tkst, pad, cpt, trim, vac, haul" says it all in very few characters. The box on page 99 suggests two other ways to identify complicated items.
- **Aliases.** Create a pseudonym to represent the item. For the carpet job example, "Install, standard" could represent the installation with vacuuming and hauling waste, while "Install, deluxe" could include the standard installation *plus* moving and replacing furniture. You can include the details in the item description.

- **Sort order.** In the Item List window (on the Home page, click Items & Services to open it), QuickBooks sorts items first by type and then in alphabetical order. If you want your items to appear in some logical order on drop-down lists (like an invoice item table, for instance), pay attention to the order of characteristics in your item names. Other Service items beginning with the intervening letters of the alphabet would separate “Deluxe install” and “Standard install.” By naming your installation items “Install, deluxe” and “Install, standard” instead, they’ll show up in your item list one after the other.

POWER USERS’ CLINIC

Other Ways to Identify Items

If you want to keep item names lean but still include detailed information, look to these two item features:

- **Descriptions.** Items have fields for both names and descriptions. When you create an invoice, you choose the item’s name from a drop-down list, but the invoice that the customer sees shows the item’s description. You can keep your item names brief by putting the details in the Description field, which, for all practical purposes, can hold an unlimited amount of text.
- **Group.** Instead of creating one item that represents several phases of a job, you can create separate items for each phase and then create a *Group item* (page 116) to include those phases on an invoice. For instance, create one item for installing the tack strips, padding, and carpet, and then create additional items for vacuuming, hauling, and moving and replacing the furniture. Create a Group item that contains all the individual service items you use as a package. Then, when you add a Group item to the invoice, QuickBooks adds each item to a line in the invoice.

Note: Construction companies in particular can forego long hours of item data entry by using third-party estimating programs. Construction-estimating programs usually include thousands of entries for standard construction services and products. If you build an estimate with a program that integrates with QuickBooks, you can import that estimate into QuickBooks and then sit back and watch as it automatically adds all the items in the estimate to your item list. To find such programs that integrate with QuickBooks, go to <http://marketplace.intuit.com>. On the menu bar, click Find Software→Find Solutions by Industry. Then, on the By Industry tab, choose Construction/Contractors.

Subitems

If you keep all your personal papers in one big stack, you probably have a hard time finding everything from birth certificates to tax forms to bills and receipts. If you’ve got one big list of items in QuickBooks, you’re in no better shape. To locate items more easily, consider designing a hierarchy of higher-level items (*parents*) and one or more levels of subitems, as shown in Figure 5-3. The box on page 100 explains how to make sure you have items for every purpose.

For example, a landscaping business might create top-level items for trees, shrubbery, cacti, and flower bulbs. Within the top-level tree item, the landscaper might

create items for several species: maple, oak, elm, sycamore, and dogwood. Additional levels of subitems can represent categories such as size (seedling, established, and mature, for example).

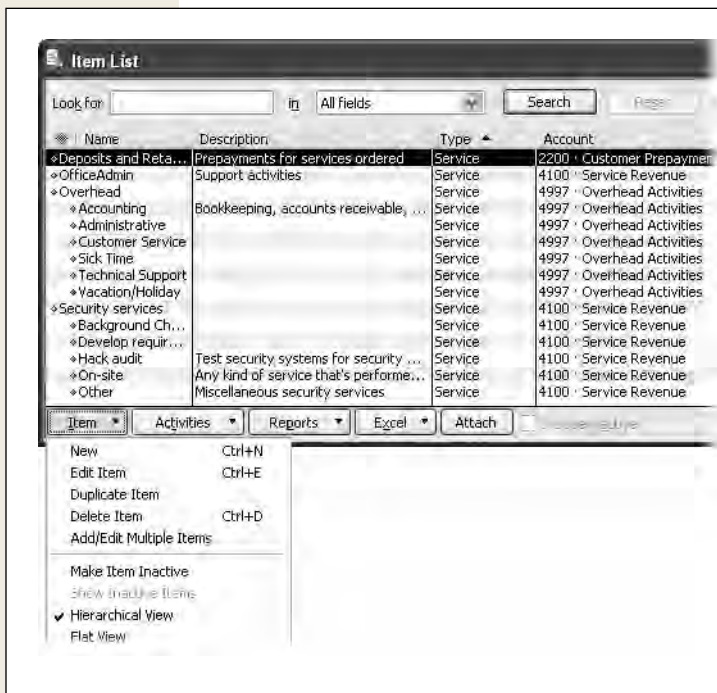


Figure 5-3:

In the Item List window, Hierarchical view indents subitems, making it easy to differentiate the items that you use to categorize the list from the items you actually sell. To check which view you're seeing, click the Item button at the bottom of the window to display the menu shown here.

If you work with long lists of subitems, the parent item might end up off the screen. To keep the hierarchy of items visible at all times, click the Item button and then choose Flat View. In Flat view, QuickBooks uses colons to separate the names of each level of item and subitem.

WORD TO THE WISE

Catchall Items

When you develop a hierarchy of parent items and subitems, eventually someone in your company will run across a service or product that doesn't fit any of the existing subitems. The solution? For every parent item, create a catchall subitem to give these outcasts a home. "Other" is a popular (if not very creative) name for these catch basins. For example, if you have a parent item called Security Services, be sure to add a subitem like Security Services-Other.

Catchall items also act as holding pens while you figure out which item you should use. For instance, you can create a transaction using the Security Services-Other item, and then change the item in the transaction later (page 296) when you've identified (or created) the correct item.

Creating Items

The best time to create items is *after* you've created your accounts but *before* you start billing customers. Each item links to an account in your chart of accounts, so creating items goes quicker if you don't have to stop to create an account as well.

Similarly, you can create items while you're in the midst of creating an invoice, but you'll find that creating items goes much faster when you create several items at once. How long it takes to create items depends on how many items you need. If you sell only a few services, a few minutes should do it. On the other hand, construction companies that need thousands of items often forego hours of data entry by importing items from third-party programs (page 609).

Creating Multiple Items

Introduced in QuickBooks 2010, the Add/Edit Multiple List Entries feature is a real time-saver when you want to populate your Item List. If you're comfortable working with Excel, you can set up an Excel spreadsheet and fill in values for all your items using that program's features and shortcuts. Then, you can paste data from Excel into the table in the Add/Edit Multiple List Entries window. This feature works for customer, vendor, and item lists; page 70 gives you the full scoop on how to use it.

Here's how you get started with using Add/Edit Multiple List Entries to fill in items:

1. **On the QuickBooks Home page, in the Company panel, click Items & Services.**

The Item List window opens.

2. **Right-click the Item List window, and then choose Add/Edit Multiple Items on the shortcut menu. (Alternatively, at the bottom of the window, click Item→Add/Edit Multiple Items.)**

The Add/Edit Multiple List Entries window opens. The List box is set to Service Items or the type of item you selected the last time you used this feature. The window's table initially displays the active items for the selected type in the List box, which makes sense because you typically want to add or edit items that you're currently using. If you want to filter the list to show specific kinds of items, in the View drop-down list, choose the view you want.

3. **If you want to work with a different type of item, in the List drop-down menu, choose Service Items, Inventory Parts, or Non-inventory Parts.**

The columns that you see in the table vary depending on the type of item you select, as Figure 5-4 shows. For example, for Service items, the table includes Item Name, "Subitem of", Sales Price, Income Account, and Sales Tax Code columns. If you choose Inventory Parts, you see a COGS Account column, among others.

4. **Switch to Excel and copy the data you want from your spreadsheet.**

The order of the fields in the Add/Edit Multiple List Entries table and your Excel spreadsheet have to match or you'll see errors when you paste the data (which you'll do in the next step). To fix that, you can reorder your columns in either Excel or QuickBooks.

5. **Click the Customize Columns button to insert or remove columns in the table, or change their order to match the columns in your Excel spreadsheet.**

See page 72 to learn how.

Tip: If you want to copy parent and subitems into the Add/Edit Multiple List Entries table, copy the top-level items first, followed by a separate copy pass for each subsequent level of your item list. That way, the parent items you need will already exist so the new entries will copy in without errors.

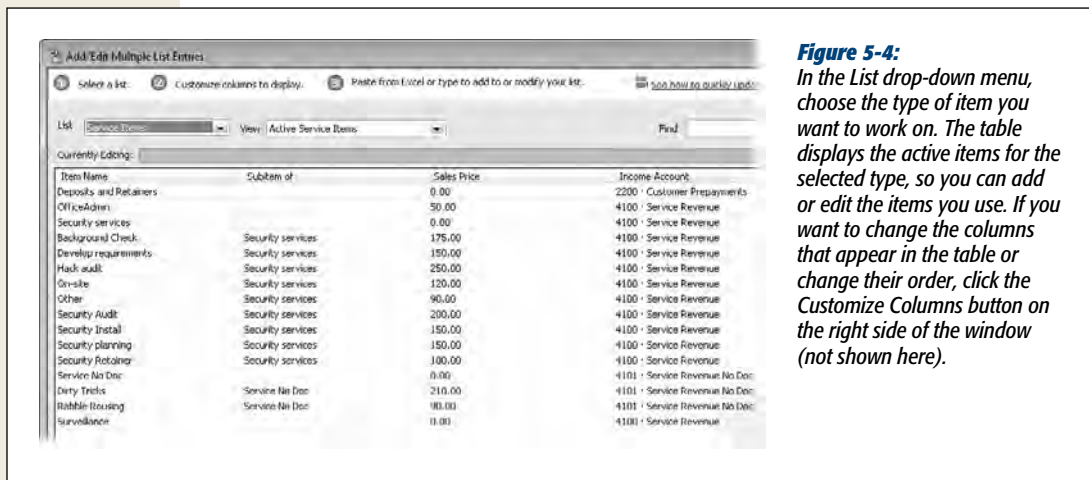


Figure 5-4:

In the List drop-down menu, choose the type of item you want to work on. The table displays the active items for the selected type, so you can add or edit the items you use. If you want to change the columns that appear in the table or change their order, click the Customize Columns button on the right side of the window (not shown here).

6. Back in the Add/Edit Multiple List Entries window, click the first blank Item Name cell and then right-click and choose Paste (or press Ctrl+V).

QuickBooks pastes the copied data in the cells to the right of and below the Item Name cell you selected. Cells that contain data with errors, such as invalid values or list entries that don't exist in QuickBooks, appear in red text. See page 74 to learn how to correct these errors.

Creating Individual Items

Each type of item has its own assortment of fields, but the overall process for creating an item is the same for every type. With the following procedure under your belt, you'll find that you can create many of your items without further instruction. If you *do* need help with fields for a specific type of item, read the sections that follow to learn what each field does.

1. On the QuickBooks Home page, click Items & Services (or, choose Lists→Item List) to open the Item List window.

When you first display the Item List, QuickBooks sorts the entries by type. The sort order for the item types isn't alphabetical—it's the order that types appear in the Type drop-down list, as shown in Figure 5-5. You can change the sort order of the list by clicking a column header.

2. Open the New Item dialog box by pressing Ctrl+N or, on the menu bar at the bottom of the window, clicking Item→New.

QuickBooks opens the New Item dialog box and highlights the Service item type (page 104) in the Type drop-down list.



Figure 5-5:

QuickBooks lists items in alphabetical order within each item type. You can change the sort order of the list by clicking a column heading. If you click it again, QuickBooks toggles the list between ascending and descending order. To return the list to being sorted by item type, click the diamond to the left of the column headings (which appears any time the list is sorted by a column other than Type).

3. To create a Service item, just press Tab to proceed with naming the item. If you want to create any other type of item, choose it in the Type drop-down list.

Some item types won't appear in the list if you haven't turned on the corresponding feature. For example, the Inventory Item type doesn't appear if you haven't turned on inventory tracking, as described on page 579.

4. In the Item Name/Number box, type a unique identifier for the item.

For example, if you opt for long and meaningful names, you might type *Install carpet and vacuum*. For a short name, you might type *Inst Carpet*. See page 98 for guidelines on naming items.

5. To make this item a subitem, turn on the "Subitem of" checkbox and choose the item that you want to act as the parent.

You can create the parent item while you're creating a subitem, but creating the parent first reduces the strain on your brain. If the parent item already exists, simply choose it from the "Subitem of" drop-down list. To create the parent *while* creating the subitem, choose <Add New> on the "Subitem of" list, and

then jump to step 3 to begin the parent creation process. Subitems and parents have to be the same type; also, you can't create subitems for Subtotal, Group, or Payment items.

6. **Complete the other fields as described in the following sections for the type of item that you're creating (page 104, page 111, and so on).**

QuickBooks will use the info you enter to fill in fields on sales forms. For example, QuickBooks uses the sales price you enter on an invoice when you sell some units. If the sales price changes each time, simply leave the item's Sales Price field at zero. That way, QuickBooks doesn't fill in the price, so you can type in the price each time you sell the item. (Even if you set up a value for an item, you can overwrite it whenever you use the item on a sales form.)

You have to assign an account to every item, whether it's a parent or not.

7. **When you have additional items to create, simply click Next to save the current item and start another. If you want to save the item you just created and close the New Item dialog box, click OK.**

If you've made mistakes in several fields or need more information before you can complete an item, click Cancel to throw away the current item and close the New Item dialog box.

Service Items

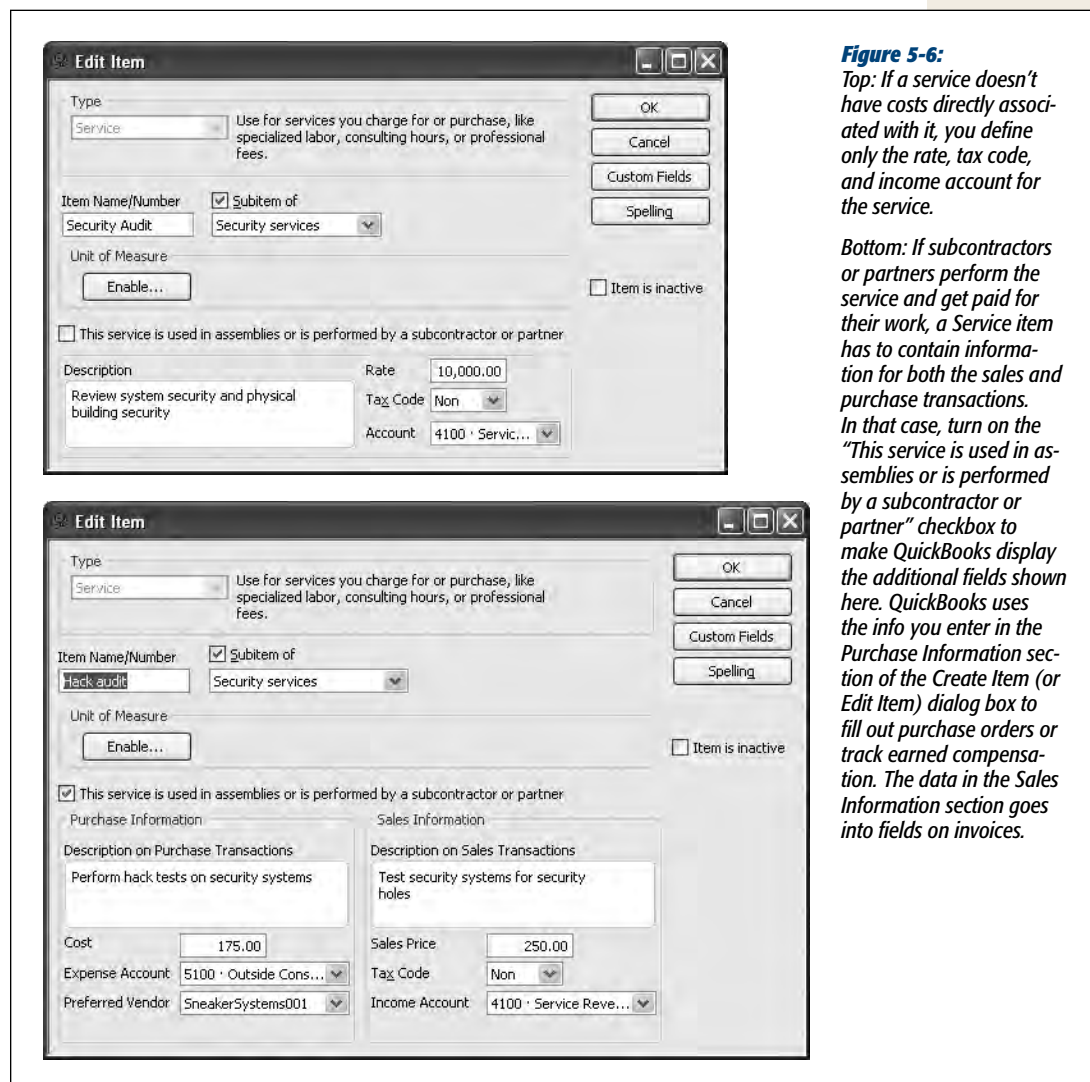
Services are intangible things that you sell, like time or the output of your brain. For example, you might sell consulting services, Internet connection time, haircuts, or Tarot card readings. In construction, services represent phases of construction, which makes it easy to bill customers based on progress and to compare actual values to estimates.

Suppose you provide a telephone answering service. You earn income when your customers pay you for the service. You pay salaries to the people who answer the phones, regardless of whether you have 2 service contracts or 20. For this business, you earn income with your service, but your costs don't link to the income from specific customers or jobs.

In some companies, such as law practices, the partners get paid based on the hours they bill, so the partners' compensation is an expense associated directly with the firm's income. Services that you farm out to a subcontractor work similarly. If you offer a 900 number for gardening advice, you might have a group of freelancers who field the calls and whom you pay only for their time on the phone. You still earn income for the service you sell, but you also have to pay the law-practice partners or the subcontractors to do the work. The partners' or subcontractors' cost relates to the income for that service. Conveniently, QuickBooks displays different fields depending on whether a service has costs associated with income.

The mighty Service item single-handedly manages all types of services, whether you charge by the hour or by the service, with associated expenses or without. This section describes the fields you fill in when you create Service items.

The “This service is used in assemblies or is performed by a subcontractor or partner” checkbox, shown in Figure 5-6, is the key to displaying the fields you need when you purchase services from someone else.



Service Items Without Associated Costs

Here's how the fields in the New Item (or Edit Item) dialog box work when you're creating a Service item that doesn't include purchasing services from someone else (that is, when you turn off the “This service is used in assemblies or is performed by a subcontractor or partner” checkbox):

- **Description.** Type a detailed explanation of the service in this box. This description appears on invoices and sales forms, so use terms your customers can understand.
- **Rate.** Type how much you charge your customers for the service. You can enter a flat fee or a charge per unit of time. For example, you might charge \$9.95 for unlimited gardening advice per call, or charge by the minute instead.

When you add the item to an invoice, QuickBooks multiplies the quantity by the sales price to calculate the total charge. If the cost varies, type *0* in the Rate or Sales Price field; you can then enter the price when you create an invoice or other sales form. If the rate or price is often the same, fill in the most common rate. Then, when you add the item to an invoice, you can modify the rate whenever you want to use a different amount. For services that carry a flat fee, use a quantity of *1* on your invoices.

Note: QuickBooks multiplies the cost and sales prices by the quantities you add to sales forms. Be sure to define the cost and sales price in the same units so that QuickBooks calculates your income and expenses correctly.

- **Tax Code.** Most Service items are nontaxable, so you'll choose *Non* here more often than not. (This field appears only if you've turned on the sales tax feature, as described on page 591.)
- **Account.** Choose the income account to which you want to post the income for this service, whether it's a catch-all income account for all services or one you create specifically for the service.

Service Items with Associated Costs

If you purchase services from someone else and have associated costs, you have to tell QuickBooks about your purchase from the other party and your sales transaction. In addition to the basics like Item Name and "Subitem of", here are the service fields you fill in when you *do* have associated costs for an item (turn on the "This service is used in assemblies or is performed by a subcontractor or partner" checkbox to see these extra fields):

- **Description on Purchase Transactions.** Type in the description that you want to appear on the purchase orders you issue to subcontractors.
- **Cost.** Enter what you pay for the service, which can be an hourly rate or a flat fee. For example, if a subcontractor performs the service and receives \$100 for each hour of work, type *100* in this field. If the cost varies, leave this field set to *0*. You can then enter the actual cost when you create a purchase order.

- **Expense Account.** Choose the account to which you want to post what you pay for the service. If a subcontractor does the work, choose a Cost of Goods Sold account or an expense account for subcontractor or outside consultants' fees. If a partner or owner performs the work, choose a Cost of Goods Sold or an expense account for service-related costs.
- **Preferred Vendor.** If you choose a vendor in this drop-down list, QuickBooks selects that vendor for a purchase order when you add this Service item. This behavior isn't that helpful because you usually choose the vendor for the purchase order before you add items to it.
- **Description on Sales Transactions.** QuickBooks copies the text from the "Description on Purchase Transactions" box into this box. However, if your vendors use technical jargon that your customers wouldn't recognize, you can change the text in this box to something more meaningful.
- **Sales Price.** Type in how much you charge your customers for the service, as you would in the Rate field for a Service item that you don't purchase from someone else.
- **Tax Code.** Most Service items are nontaxable, so you'll choose *Non* here most of the time. (This field appears only if you've turned on the sales tax feature, as described on page 591.)
- **Income Account.** Choose the income account to which you want to post the income for this service, whether it's a catchall income account for all services or one you create specifically for the service.

Product Items

Products you sell to customers fall into three categories: ones you keep in inventory, ones you special order, and ones you assemble. QuickBooks can handle inventory as long as your company passes the tests on page 95. Likewise, products you purchase specifically for customers or jobs are no problem. As explained on page 110, QuickBooks can handle lightly assembled products like gift baskets or gizmos made from widgets—but you'll need QuickBooks Premier Edition to do even that.

In QuickBooks, choose one of these three item types for the products you sell:

- **Inventory Part.** Use this type for products you purchase and keep in stock for resale. Retailers and wholesalers are the obvious examples of inventory-based businesses, but other types of companies like building contractors may track inventory, too. You can create Inventory Part items only if you turn on the inventory feature as described on page 579. With inventory parts, you can track how many you have, how much they're worth, and when you should reorder. The box on page 109 explains how you account for all these details.

- **Non-inventory Part.** If you purchase products specifically for a job or a customer and don't track how many products you have on hand, use Non-inventory Part items. Unlike an Inventory Part item, this type of item has at most two account fields: one for income you receive when you sell the part, and another for the expense of purchasing the part in the first place.
- **Inventory Assembly.** This item type (available only in QuickBooks Premier and Enterprise editions) is perfect when you sell products built from your inventory items. For example, say you stock wine bottles and related products like corkscrews and glasses, and you assemble them into gift baskets. With an Inventory Assembly item, you can track the number of gift baskets you have on hand as well as the individual inventory items. You can also assign a different price for the gift basket than the total of the individual products, as described in the box on page 110. (The box on page 111 describes an even easier way to track products you build from other items.)

ALTERNATE REALITY

Subitems for Nonprofits

Service items are the workhorses of nonprofit organizations. Donations, dues, grants, and money donated in exchange for services all fall into the Service-item bucket. The only time you'll need another type of item is if you raise money by selling products from inventory (calendars and note cards, for instance).

For nonprofits without heavy reporting requirements, you can make do with one item for each type of revenue you receive (grants, donations, dues, fundraising campaigns), with a link to the corresponding income account. For example, a Service subitem called Donation would link to an income account called Donations.

But subitems also come in handy for categorizing the money you receive for different types of services, particularly when donors give money and want to see detailed financial reports in return. You don't make the big subitem-related decision yourself—the organizations that contribute do. If your organization receives money from

the government or a foundation with specific reporting requirements, you can set up subitems and classes (see page 135) to track the details you need for the reports they require. Here's an example of an item list that differentiates type of income and different donors:

- Grant*
 - Government
 - Corporate
- Donation*
 - Regular
 - Matching
- Membership Dues*
 - Individual
 - Corporate
 - Contributing
 - Platinum Circle

ACCOUNTING CONCEPTS

Following the Inventory Money Trail

Inventory Part items are the most complicated items because, in accounting, the cost of inventory moves from place to place as you purchase, store, and finally sell your products. Table 5-1 and the following steps show the path that the inventory money trail takes:

1. You spend money to purchase faux pony chairs to sell in your store. Your checking or credit card account shows the money you pay going out the door.
2. Because you spent money to purchase inventory, which has value, it represents an asset of your company. Hence, the value of the purchased inventory appears in an inventory asset account in your chart of accounts.
3. When you sell some chairs, QuickBooks posts the sale to an income account (such as Product Sales) and the money your customer owes you shows up in Accounts Receivable.

4. The chairs leave inventory, so QuickBooks deducts the cost of the chairs you sold from the inventory asset account. The cost of the sold chairs has to go somewhere, so QuickBooks posts it to a *cost of goods sold account*.

In the financial reports you create, the gross profit of your company represents your income minus the cost of goods sold. As soon as you turn on QuickBooks' preference for tracking inventory (page 579), the program adds cost of goods sold and inventory asset accounts to your chart of accounts.

Table 5-1. Following inventory money through accounts.

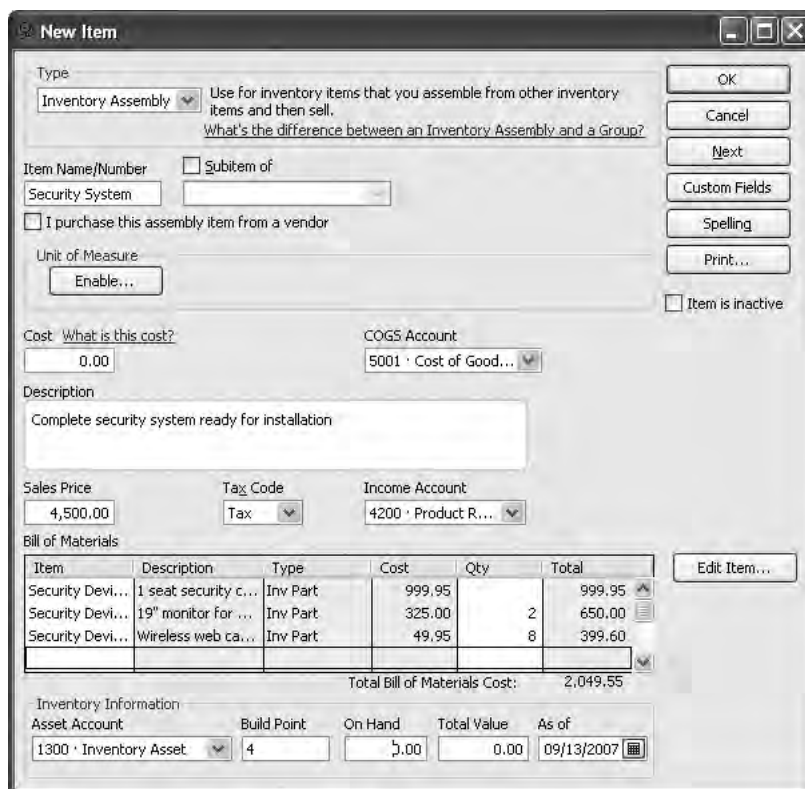
Transaction	Account	Debit	Credit
Buy inventory	Checking Account		\$500
Buy inventory	Inventory Asset	\$500	
Sell inventory	Product Income		\$1,000
Sell inventory	Accounts Receivable	\$1,000	
Sell inventory	Inventory Asset		\$500
Sell inventory	Cost of Goods Sold	\$500	

Tip: Many companies don't bother with purchase orders—forms that record what you order from a vendor—to buy office supplies. But if you want to track whether you receive the supplies you bought, you can create purchase orders for them (page 209). Then use Non-inventory Part items for supplies you add to purchase orders but don't track as inventory.

Assembling Products

In the Premier and Enterprise editions of QuickBooks, you can create an Inventory Assembly item that gathers Inventory Part items into a new item that you sell as a whole. As shown in Figure 5-7 the New Item dialog box for an assembled item is similar to the one for an Inventory Part.

The main difference is that you select other inventory items or Inventory Assembly items as the building blocks of your new item. In the Bill of Materials section, you specify the components and the quantity of each, and QuickBooks then calculates the total cost of the bill of materials. You set the price you charge for the entire ball of wax in the Sales Price field, regardless of the cost of the individual pieces.



New Item

Type: **Inventory Assembly** Use for inventory items that you assemble from other inventory items and then sell.
What's the difference between an Inventory Assembly and a Group?

Item Name/Number: ☐ Subitem of

☐ I purchase this assembly item from a vendor

Unit of Measure:

Cost: What is this cost? COGS Account:

Description:

Sales Price: Tax Code: Income Account:

Bill of Materials

Item	Description	Type	Cost	Qty	Total
Security Devi...	1 seat security c...	Inv Part	999.95		999.95
Security Devi...	19" monitor for ...	Inv Part	325.00	2	650.00
Security Devi...	Wireless web ca...	Inv Part	49.95	8	399.60
Total Bill of Materials Cost:					2,049.55

Inventory Information

Asset Account	Build Point	On Hand	Total Value	As of
1300 - Inventory Asset	4	0.00	0.00	09/13/2007

Buttons: OK, Cancel, Next, Custom Fields, Spelling, Print..., Item is inactive, Edit Item...

Figure 5-7: The New Item (or Edit Item) dialog box for an Inventory Assembly item includes a Build Point field instead of the Reorder Point field that Inventory items have. The reorder point for Inventory items tells QuickBooks when to remind you to reorder individual Inventory items. As you build Inventory Assembly items, QuickBooks keeps track of how many individual Inventory items you use, which can trigger a reorder reminder. Because you assemble this type of item, you fill in the Build Point field with the minimum number of inventory assemblies you want on hand to tell QuickBooks when to remind you to build more.

WORKAROUND WORKSHOP

Turning Parts into Products

Inventory Assembly items are a bit clunky to use, since they doesn't reflect the way many manufacturers treat assembled items. Manufacturers and distributors often pool manufacturing costs and then assign a value to the resulting batch of products that goes into inventory. To use this approach in QuickBooks, you track the parts you use to build products (Non-inventory items) as *assets* instead of Inventory Assembly items. Here's how it works:

1. As you buy ingredients for a batch, assign the costs (via bills and so on) to an asset account specifically for inventory you build (such inventory is often referred to as WIP for "work in progress").
2. When the batch is complete, make an inventory adjustment to add the items you made to inventory. Choose Vendors→Inventory Activities→Adjust Quantity/Value on Hand.
3. In the "Adjust Quantity/Value on Hand" dialog box, in the Adjustment Type drop-down list, choose "Quantity and Total Value".
4. In the Adjustment Account drop-down list, choose the asset account for your work in progress.

5. In the New Quantity box, type the number of items you built from your pool of parts. In the New Value box, type the value of the parts you used.
6. Click Save & Close to save the adjustment, which places the value of the new inventory in your inventory asset account. Because the inventory value matches what you paid for parts, the value adjustment also reduces the work-in-progress asset account's balance to zero, in effect moving the value of your parts from the work-in-progress asset account to your inventory asset account.

You have to know how many units you got out of the parts pool, so this approach works only if you build products in batches. If you constantly manufacture products, you need a program other than QuickBooks to track your inventory. To find one, go to <http://marketplace.intuit.com>. On the menu bar, click Find Software and then choose Find Solutions by Industry on the drop-down menu. Then, on the By Business Need tab, click Manufacturing. Finally, in the Select Business Need drop-down menu, choose Inventory.

Inventory Part Fields

As described in the box on page 109, money moves between accounts as you buy and sell inventory. Here's how you can use the fields for an Inventory Part item (shown in Figure 5-8) to define your company's inventory money trail and, at the same time, keep track of how much inventory you have:

- **Manufacturer's Part Number.** If you want your purchase orders to include the manufacturer's part number or unique identifier for the product, enter it here.

Note: You'll only see the "Unit of Measure" section shown in Figure 5-8 if you use QuickBooks Premier or QuickBooks Enterprise. Click the Enable button, and then, you can specify the units the inventory parts come in (bottles, cases, tons, and so on) and those units will appear on invoices, sales forms, and reports.



Edit Item

Type: **Inventory Part** (Use for goods you purchase, track as inventory, and resell.)

Item Name/Number: **LockNoPick** Subitem of: **Security Devices** Manufacturer's Part Number:

Unit of Measure: **Enable...**

Purchase Information

Description on Purchase Transactions: **Lock with hardened case**

Cost: **39.99**

COGS Account: **5001 · Cost of Good...**

Preferred Vendor:

Sales Information

Description on Sales Transactions: **Unpickable door lock**

Sales Price: **75.00**

Tax Code: **Tax**

Income Account: **4200 · Product Rev...**

Inventory Information

Asset Account	Reorder Point	On Hand	Avg. Cost	On P.O.	On Sales Order
1300 · Inventory Asset	30	30	39.99	0	0

Figure 5-8:

When you create a new Inventory Part item, QuickBooks includes fields for purchasing and selling that item. The fields in the Purchase Information section show up on purchase orders. The Sales Information section sets the values you see on sales forms, such as invoices and sales receipts. The program simplifies building your initial inventory by letting you type the quantity you have on hand and its value.

- **Description on Purchase Transactions.** Whatever you type here appears on the purchase orders you issue to buy inventory items. Describe the product in terms that the vendor or manufacturer understands, because you can use a different and more customer-friendly description for the invoices that customers see.
- **Cost.** Enter what you pay for one unit of the product. QuickBooks assumes you sell products in the same units that you buy them. So, for example, if you purchase four cases of merlot but sell wine by the bottle, enter the price you pay per bottle in this field.
- **COGS Account.** Choose the account to which you want to post the costs *when you sell the product*. (COGS stands for “cost of goods sold,” which is an account for tracking the underlying costs of the things you sell in order to calculate your gross profit.)

Note: If you don't have a cost-of-goods-sold account in your chart of accounts, QuickBooks creates one for you as soon as you type the name of your first inventory item in the New Item dialog box.

- **Preferred Vendor.** If you choose a vendor in this drop-down list, QuickBooks selects that vendor when you add this Inventory Part item to a purchase order.
- **Description on Sales Transactions.** QuickBooks automatically copies what you typed in the “Description on Purchase Transactions” field into this box. If your customers wouldn’t recognize that description, type a more customer-friendly one here.
- **Sales Price.** Type in how much you charge for the product, and make sure that the Cost field uses the same units. For example, if you sell a bottle of merlot for \$15, type *15* in this field and type the price you pay *per bottle* in the Cost field.
- **Tax Code.** When you add an item to an invoice, QuickBooks checks this field to see whether the item is taxable. (QuickBooks comes with two tax codes: *Non* for nontaxable items and *Tax* for taxable items.) Most products are taxable, although groceries are a common exception.
- **Income Account.** This drop-down list includes all the accounts in your chart of accounts. Choose the *income* account for the money you receive when you sell one of these products.
- **Asset Account.** Choose the asset account for the value of the inventory you buy. Suppose you buy 100 bottles of merlot, which are worth the \$8 a bottle you paid. QuickBooks posts \$800 into your inventory asset account. When you sell a bottle, QuickBooks deducts \$8 from the inventory asset account and adds that \$8 to the COGS Account.
- **Reorder Point.** Type the quantity on hand that would prompt you to order more. When your inventory hits that number, QuickBooks adds a reminder to reorder the product to the Reminders List (page 585).

Tip: If you can receive products quickly, use a lower reorder point to reduce the money tied up in inventory and prevent write-offs due to obsolete inventory. If products take a while to arrive, set the reorder point higher. Start with your best guess and edit this field as business conditions change.

- **On Hand.** If you already have some of the product in inventory, type the quantity in this field. From then on, if you use QuickBooks’ inventory feature (Chapter 19) to record inventory you receive, you can rely on it to accurately post inventory values in your accounts.
- **Total Value.** If you filled in the On Hand field, fill in *this* field with the total value of the quantity on hand. QuickBooks increases the value of your inventory asset account accordingly.
- **As of.** The program uses this date for the transaction it creates in the inventory asset account.

Note: You can enter values for the last three fields listed above only when you create a new item. From then on, QuickBooks calculates how many you have on hand based on the number you’ve sold and the number you’ve received.

Non-Inventory Part Fields

You'll need Non-inventory Part items if you use purchase orders to buy supplies or other products that you don't track as inventory. For example, suppose you're a general contractor and you purchase materials for a job. When you use Non-inventory Part items, QuickBooks posts the cost of the products to an expense account and the income from selling the products to an income account. You don't have to bother with the inventory asset account because you transfer ownership of these products to the customer almost immediately. (See page 275 to learn how to charge your customer for these reimbursable expenses.)

The good news about Non-inventory Part items is that they use all the same fields as Service items (page 104). The bad news is the few subtle differences you need to know. Take the following disparities into account when you create Non-inventory Part items:

- **“This item is used in assemblies or is purchased for a specific customer:job” checkbox.** This checkbox goes by a different name than the one in Service items, but its effect is the same. Turn it on when you want to use different values on purchase and sales transactions for items you resell. If the Non-inventory Part item is for office supplies you want to place on a purchase order, turn this checkbox off because you won't have sales values.

When this checkbox is on, QuickBooks displays Income Account and Expense Account fields, like the ones you saw in Figure 5-6 (bottom). For Non-inventory Part items, the accounts that you choose are income and expense accounts specifically for products. Read the next bullet point to find out what happens when you turn this checkbox off.

- **Account.** If you don't resell this product, turn off the “This item is used in assemblies or is purchased for a specific customer:job” checkbox and you'll see only one Account field. QuickBooks considers the account in this field an expense account for the purchase.
- **Tax Code.** This works exactly the same way as it does for a Service item. Choose Non if the products are nontaxable (like groceries), and Tax if they're taxable.

Other Types of Items

If a line on a sales form isn't a service or a product, read this section to figure out the type of item you need.

Other Charge

The Other Charge item is aptly named because you use it for any charge that isn't quite a service or a product, like shipping charges, finance charges, or bounced check charges. Other Charge items can be percentages or fixed amounts. For example, you can set up shipping charges as the actual cost of shipping, or estimate shipping as a percentage of the product cost.

If a customer holds back a percentage of your charges until you complete the job satisfactorily, create an Other Charge item for the *retainer* (the portion of your invoice that the customer doesn't pay initially). Then, when you create the invoice, enter a negative percentage so QuickBooks deducts the retainer from the invoice total. When your customer approves the job, create another invoice, this time using another Other Charge item, called Retention, to charge the customer for the amount she withheld.

Tip: Progress invoices (page 288) are another way to invoice customers for a portion of a job. They're ideal if you invoice the customer based on the percentage of the job you've completed or on the parts of the job that are complete.

For Other Charge items, the checkbox for hiding or showing cost fields is labeled "This item is used in assemblies or is a reimbursable charge". Turn on this checkbox when you want to set the Cost field to what you pay and set the Sales Price field to what you charge your customers. You'll see the same sets of fields for purchases and sales as you do for Service and Non-inventory Part items.

Alternatively, you can create charges that don't link directly to expenses by turning off the "This is used in assemblies or is a reimbursable charge" checkbox. You can then create a percentage, which is useful for calculating shipping based on the value of the products being shipped, as shown in Figure 5-9. When you turn off the checkbox, the Cost and Sales Price fields disappear, and the "Amount or %" field takes their place. If you want to create a dollar charge (like the dollar value for a country club's one-time initiation fee), type a whole or decimal number in this field.

The screenshot shows the 'New Item' window in QuickBooks. The 'Type' dropdown is set to 'Other Charge'. Below it, a text box explains: 'Use for miscellaneous labor, material, or part charges, such as delivery charges, setup fees, and service charges.' The 'Item Name/Number' field contains 'Shipping'. There is a 'Subitem of' dropdown which is currently empty. A checkbox labeled 'This item is used in assemblies or is a reimbursable charge' is unchecked. The 'Description' field is empty. To the right of the description, there are three fields: 'Amount or %' with the value '8.00', 'Tax Code' with a dropdown set to 'Tax', and 'Account' with a dropdown set to '4210 - Product Shippin'. At the bottom right, there is an unchecked checkbox for 'Item is inactive'. On the far right, there are five buttons: 'OK', 'Cancel', 'Next', 'Custom Fields', and 'Spelling'.

Figure 5-9: To create a percentage-based charge, type a number followed by % in the "Amount or %" field. To set a dollar value, type a number as shown here.

Note: When you add a percentage-based Other Charge item to an invoice, such as shipping, QuickBooks applies the percentage to the previous line in the invoice. If you want to apply the Other Charge percentage to several items, add a Subtotal item (explained next) to the invoice before the Other Charge item.

Subtotal

You'll need Subtotal items if you charge sales tax on the products you sell, or if you discount only some of the items on a sales form. You need to create only one Subtotal item, because a Subtotal item does just one thing: it totals all the amounts for the preceding lines up to the last subtotal or the beginning of the invoice. That means you can have more than one subtotal on an invoice. For example, you can use one Subtotal item to add up the services you sell before applying a preferred-customer discount and a second Subtotal item for product sales when you have to calculate shipping. Because you can't change a Subtotal item's behavior, Subtotal items have just two fields: Item Name/Number and Description. You can type any name and description you wish in these fields, but in practically every case, Subtotal says it all.

Group

Group items are great timesavers, and they're indispensable if you tend to forget things. As the name implies, a Group item represents several related items you often buy or sell together. Create a Group item that contains items that always appear together, such as each service you provide for a landscaping job. That way, when you add the Landscaping Group item to an invoice, QuickBooks automatically adds the Service items for phases, such as Excavation, Grading, Planting, and Cleanup. As shown in Figure 5-10 you can show or suppress the individual items that a Group item contains.

You can also use a Group item to *hide* the underlying items, which is useful mainly when you create fixed-price invoices (page 264) and you don't want the customer to know how much profit you're making. Here's how you set up a Group item to do these things:

- **Group Name/Number.** Type a name for the group that gives a sense of the individual items within it, such as Landscaping Project.
- **Print items in group.** To show all the underlying items on your invoice, turn on the "Print items in group" checkbox. Figure 5-10 shows examples of both showing and hiding the items within a group.
- **Item.** To add an item to a group, click a blank cell in the Item column, shown in Figure 5-11, and then choose the item you want. You can also create a new item by choosing <Add New> on the drop-down list.

Invoice

Bill To
Pesky Properties, LLC
25 1st Ave. Suite 10
Peoria, IL
61601

Date: 07/13/2010 Invoice #: 88

P.O. No. Terms
2% 10 Net...

Item	Quantity	Description	Rate	Amount	Tax
Security Package					
Security services...	1	Review system security and physical building security	12,000.00	12,000.00	Non
Security services...	8	Install custom-designed security system	180.00	1,440.00	Non
Security Devices:...	1	1 seat security console	2,400.00	2,400.00	Tax
Security Devices:...	2	19" monitor for security console	660.00	1,320.00	Tax
Security Devices:...	5	Wireless web camera	119.94	599.70	Tax
Customer Message		Tax Colorado Sal...	(3.8%)	164.15	
		Total		17,923.85	

Bill To
Pesky Properties, LLC
25 1st Ave. Suite 10
Peoria, IL
61601

P.O. No.	Terms	Project
	2% 10 Net 30	

Quantity	Description	Rate	Amount
	Full package for security including audit, install, basic equipment		17,759.70
	Sales Tax	3.80%	164.15

Figure 5-10:
Top: When you add a Group item (Security Package, in this example) to an invoice, QuickBooks adds all the individual items it contains, along with their prices, descriptions, and whatever else you've defined. To show these items on the invoice you send to your customer, turn on the "Print items in group" checkbox when you create the Group item.

Bottom: For fixed-price invoices (which you use when you charge the customer a set amount regardless of how much or little it costs you to deliver) you don't want to show the underlying price of each item. If you turn off the "Print items in group" checkbox when you create the Group item, you'll see the individual items in the Create Invoices window, but the invoice you print to send to the customer will list only the Group item itself, along with the total price for all the items in the Group, as shown here.

- **Qty.** When you create a Group item, you can include different quantities of items, just like a box of note cards usually includes a few more envelopes than cards. For each item, type how many you typically sell as a group. If the quantity of each item varies, type 0 in the Qty cells. You can then specify the quantities on your invoices after you add the Group item.

Item	Description	Q...	U/M
Security services:Sec...	Review system security and physical...	1	
Security services:Sec...	Install custom-designed security sys...	8	
Security Devices:Sec...	1 seat security console	1	
Security Devices:Moni...	19" monitor for security console	2	
Security Devices:Web...	Wireless web camera	5	

Figure 5-11:

In the New Item or Edit Item dialog box, when you work on a group item, the background of the Description column is a different color to indicate that you can't edit these cells. That's because QuickBooks fills in the Description cells with the contents of each individual item's Description field.

Discount

A discount is an amount you deduct from the standard price you charge. Volume discounts, customer-loyalty discounts, and sale discounts are examples, and QuickBooks' Discount item calculates deductions like these. By using both Subtotal and Discount items, you can apply discounts to some or all of the charges on a sales form.

Discount items deduct either a dollar amount or a percentage for discounts you apply at the time of sale, such as volume discounts, damaged-goods discounts, or the discount you apply because your customer has incriminating pictures of you.

Note: Early payment discounts don't appear on sales forms because you won't know that a customer pays early until long after the sales form is complete. You apply early payment discounts in the Receive Payments window, described on page 338.

The fields for a Discount item are similar to those of an Other Charge item with a few small differences:

- **Amount or %.** This field is always visible for a Discount item. To deduct a dollar amount, type a positive number (whole or decimal) in this field. To deduct a percentage, type a whole or decimal number followed by %, like 5.5%.
- **Account.** Choose the account to which you want to post the discounts you apply. You can post discounts to either income accounts or expense accounts.

When you post discounts to an income account, they appear as negative income, so your gross profit reflects what you actually earned after deducting discounts. Posting discounts to expense accounts, on the other hand, makes your income look better than it actually is. The discounts increase the amounts in your expense accounts, so your net profit is the same no matter which approach you use.

- **Tax Code.** If you choose a taxable code in this field, QuickBooks applies the discount before it calculates sales tax. For instance, if customers buy products on sale, they pay sales tax on the sale price, not the original price. If you choose a nontaxable code in this field, QuickBooks applies the discount after it calculates sales tax. (You'll rarely want to do this because you'll collect less sales tax from customers than you have to send to the tax agencies.)

Payment

When customers send you payments, you can record them in your QuickBooks file using the Receive Payments command (page 338). But if you're in the middle of creating invoices when the checks arrive, it's easier to record those payments by adding a Payment item to the customers' sales forms. Payment items do more than reduce the amount owed on the invoice, as Figure 5-12 explains.

Beyond the Type, Item Name/Number, and Descriptions fields, the Payment item boasts fields unlike those for other items. These fields tell QuickBooks the method of payment that a customer uses and whether you deposit the funds to a specific bank account or group them with other undeposited funds. For example, you group payments with other undeposited funds if your customers send checks and you save them up so you can make one trip to deposit them all in your bank. For credit card payments, banks sometimes transfer them into a bank account individually and sometimes group all the charges for the same day.

Here's what the payment fields do:

- **Payment Method.** Choose the payment method, such as cash, check, or brand of credit card. In the Make Deposits window (page 361), you can filter pending deposits by this payment method.
- **Group with other undeposited funds.** Choose this option if you want to add the payment to other payments you received. That way, when you add this Payment item to a sales form, QuickBooks adds the payment to the list of undeposited funds. To actually complete the deposit of all your payments, choose Banking→Make Deposits (page 361).
- **Deposit To.** If payments flow into an account without any action on your part, such as credit card or electronic payments, choose this option and then choose the bank account in the drop-down list.

Create Invoices

Customer: Job [Service Plan] Class: Template: [Print Preview]
 BuriedTreasures00... [USD] DT Service

Invoice

Date: 08/10/2010 Invoice #: 135

Bill To:
 Buried Treasures, Inc.
 Davy Waverly
 PO 205
 Coastline Dr.
 Providence, RI

P.O. No.: Terms: Net 30

Item	Quantity	Description	Rate	Class	Amount	Tax
Security service...	100	Miscellaneous security services	76.50		7,650.00	Non
Payment-check		Payment applied to balance			-5,000.00	

Customer: Message Tax: Colorado Sal... (2.9%) USD 0.00
 Exchange Rate 1 USD = 1 USD
 Total USD 2,650.00

☐ To be printed USD 0.00

Figure 5-12:
 A Payment item (here, a check) reduces the balance on an invoice by the amount the customer paid and executes the equivalent of a Receive Payments command: It deposits the funds into a bank account, or groups the payment with other undeposited funds.

Setting Up Sales Tax

If you don't have to collect and remit sales tax, skip this section and give thanks. Sales taxes aren't much more fun in QuickBooks than they are in real life. Confusingly, QuickBooks has two features for dealing with sales tax: *codes* and *items*. If you sell taxable and nontaxable products or services, Sales Tax codes specify whether or not an invoice item is taxable. Sales Tax items, on the other hand, let you calculate and organize sales taxes charged by state and local authorities for the items on your invoices or other sales forms. This section describes both features and how to use them. If you sell products in a place burdened with multiple sales taxes (state, city, and local, say), you can use a Sales Tax Group item to calculate the total sales tax you have to charge. Your sales form shows only the total, but QuickBooks keeps track of what you owe to each agency.

Note: Before you can dive into the details of setting up sales tax, you need to turn on QuickBooks' sales tax feature. Page 591 explains how.

For most product sales in most areas, you have to keep track of the sales taxes you collect and then send them to the appropriate tax agencies. Labor usually isn't taxable, whereas products usually are. Creating separate items for labor and materials makes it easy to apply sales tax to the right items or subtotals on your invoices.

Separating the items you've identified as taxable or nontaxable can help you decide whether you need one or more items for a particular service or product. You can then assign sales tax codes to the items you create for services and products. As you'll learn in the next section, QuickBooks has two built-in tax codes: Tax and Non.

Sales Tax Codes

Sales tax codes are QuickBooks' way of letting you specify whether to apply sales tax. Out of the box, the Sales Tax Code List comes with two self-explanatory options: Tax and Non. If you'd like to further refine taxable status, for example, to specify why a sale isn't taxable, you can add more choices as explained on page 121. You can apply tax codes in two places: to customers or to individual sales items.

Assigning tax codes to customers

Nonprofit organizations and government agencies are usually tax-exempt (Non). To tell QuickBooks whether a customer pays sales tax, open the Edit Customer dialog box (page 82) and click the Additional Info tab. Here's how QuickBooks interprets a customer's tax-exempt status:

- **Nontaxable customer.** When you assign Non or another nontaxable sales tax code to customers (page 67), QuickBooks doesn't calculate sales tax on *any* items you sell to them.
- **Taxable customer.** When you assign Tax or any taxable sales tax code to a customer, the program calculates sales tax only on the taxable items on their invoices.

Assigning tax codes to items

Some items aren't taxable whether or not a customer pays sales tax. For example, most services and non-luxury goods like food don't get taxed in most states. If you look carefully at the top invoice in Figure 5-10, you'll notice Non or Tax to the right of some of the amounts, which indicates nontaxable and taxable items, respectively. QuickBooks applies the sales tax only to taxable items to calculate the sales taxes on the invoice.

Items include a Tax Code field so you can designate them as taxable or nontaxable. In the Create Item or Edit Item dialog box (page 102), choose a code in the Tax Code drop-down list.

Note: Taxable and nontaxable items can live together peacefully assigned to the same income account. QuickBooks figures out what to do with sales taxes based on tax codes, tax items, and whether a customer has to pay sales tax.

Creating additional sales tax codes

Built-in tax codes aren't QuickBooks' most powerful feature: They let you mark customers and items as either taxable or nontaxable, and that's it. Those two built-in options pretty much cover all possibilities, but you may want to create additional sales

tax codes to classify nontaxable customers by their *reason* for exemption (nonprofit, government, wholesaler, out-of-state, and so on). If that's the case, here's how to create additional sales tax codes in QuickBooks:

1. **Choose Lists→Sales Tax Code List.**

QuickBooks opens the Sales Tax Code List window.

2. **To create a new code, press Ctrl+N or, at the bottom of the window, click Sales Tax Code→New.**

The New Sales Tax Code dialog box opens.

3. **In the Sales Tax Code box, type a one- to three-character code.**

For example, type *Gov* for a nontaxable sales tax code for government agencies, *Whl* for wholesalers who resell your products, or *Oos* for out-of-state customers, and so on.

4. **In the Description box, add some helpful details about the code.**

For example, type a description that explains the purpose for the code, like *Government* for *Gov*.

5. **Choose the Taxable or Non-taxable option.**

Sales tax codes are limited to taxable or nontaxable status.

6. **Click Next if you want to add another code.**

The code you created appears in the Sales Tax Code List window.

7. **When you've added all the codes you want, click OK to close the New Sales Tax Code dialog box.**

As you can see, QuickBooks' sales tax codes sport only a three-code ID, a description, and a taxable or nontaxable setting. They don't let you specify a sales tax percentage or note which tax office to send the collected sales taxes. That's where Sales Tax items (described next) come to the rescue.

Sales Tax Items

QuickBooks' built-in sales tax codes are fine for designating taxable status, but you also have to tell QuickBooks the rate and which tax authority levies the tax. If you sell products in more than one state, Sales Tax items are the way to deal with varying tax regulations. Like the IRS, each tax agency wants to receive the taxes it's due. To track the taxes you owe to each agency, create a Sales Tax item for *each* agency. Also, if you sell products through direct mail, you'll need a Sales Tax item for each state you ship to.

For example, suppose *both* local and state taxes apply to products you sell in your store. For customers to whom you ship goods in *other* states, sales taxes for those other states apply. You can create separate Sales Tax items for your local tax and the state sales taxes for each state in which you do business. Or, if one tax authority collects several sales taxes, QuickBooks has a Sales Tax Group feature (page 124) to help you collect them all in one shot.

Unlike sales tax codes, which can apply to both customers and products, Sales Tax items apply only to customers, which makes sense when you think about it, since sales tax rates usually depend on the customer's location. If the customer is in the boonies, you might assign the state Sales Tax item because the customer pays only that one tax. Alternatively, a customer smack in the middle of downtown might have to pay state tax, city tax, and a special district tax. If you assign Sales Tax items to customers (page 67), QuickBooks automatically fills in the Sales Tax item on your invoices to show the customer the sales taxes they pay.

To create a Sales Tax item, in the New Item dialog box (page 102), from the Type drop-down list, choose Sales Tax Item. Then fill in the fields (shown in Figure 5-13) as follows:

Figure 5-13:

You can fit up to 31 characters in the Tax Name field—more than enough to use the 4- or 5-digit codes that many states use for sales taxes. The Tax Rate (%) field sets the percentage of the sales tax. The Tax Agency drop-down list shows the vendors you've set up, so you can choose the tax agency to which you remit the taxes. If a tax authority collects the sales taxes for several government entities, a Sales Tax Group is the way to go (see the box on page 124).

- **Sales Tax Name.** Type in a name for the sales tax. You can use the identifiers that the tax authority uses, or a more meaningful name like Denver City Tax.
- **Description.** If you want QuickBooks to display a description of the tax on your invoices or sales forms, type it here.
- **Tax Rate (%).** In this box, type the percentage rate for the sales tax. QuickBooks automatically adds the percent sign, so simply type the decimal number—for example, 4.3 for a 4.3% tax rate.
- **Tax Agency.** In this drop-down list, choose the tax authority that collects the sales tax. If you haven't created the vendor for the tax authority yet, choose <Add New>.

Modifying Items

You can change information about an item even if you've already used the item in transactions. The changes you make don't affect existing transactions, but when you create *new* transactions using the item, QuickBooks grabs the updated information to fill in fields.

In the Item List window (click Items & Services in the QuickBooks Home page to open it), double-click the item you want to edit. QuickBooks opens the Edit Item dialog box. Simply make the changes you want and then click OK. If you want to modify several items at once, use the Add/Edit Multiple List Entries feature (page 70) instead.

Note: If you change an account associated with an item (like the income account to which sales post), the Account Change dialog box appears when you save the edited item. This dialog box tells you that all future transactions for that item will use the new account. If you also want to change the account on all *existing* transactions using the item, click Yes. Click No to keep the old account on existing transactions using the item.

Be particularly attentive if you decide to change the Type field. You can change only Non-inventory Part or Other Charge items to other item types, and they can morph into only certain item types: Service, Non-inventory Part, Other Charge, Inventory Part, or Inventory Assembly (this last type is available only in QuickBooks Premier and Enterprise). If you conclude from this that you can't change a Non-inventory Part item back once you change it to an Inventory part, you're absolutely correct. To prevent type-change disasters, back up your QuickBooks file (see page 162) before switching item types.

Tip: Parts that you keep in inventory have value that shows up as an asset of your company, but non-inventory parts show up simply as expenses. If you change an item from a Non-inventory Part to an Inventory Part, be sure to choose a date in the "As of" field that's *after* the date of the last transaction using the item in its Non-inventory Part guise.

GEM IN THE ROUGH

Sales Tax Groups

A Sales Tax Group item calculates the total sales tax for multiple Sales Tax items—perfect when you sell goods in an area rife with state, city, and local sales taxes. The customer sees only the total sales tax, but QuickBooks tracks how much you owe to each agency. This item works the same way as the Group item, except that you add Sales Tax items to cells instead of items such as Service, Inventory, and Other Charges.

As shown in Figure 5-14, a Sales Tax Group item applies several Sales Tax items at once. QuickBooks totals the individual tax rates into a total rate for the group, which is what the customer sees on the invoice. For example, businesses in Denver charge a combined sales tax of 7.6%, which is made up of a Denver sales tax, the Colorado sales tax, an RTD tax, and a few special district taxes.

Edit Item

Type: Sales Tax Group. Use to calculate and individually track two or more sales tax items that apply to the same sale. The customer sees only the total sales tax.

Group Name/Number: CO State and Denver City Taxes

Description: Sales Tax

☐ Item is inactive

Enter each individual sales tax you need to charge in this district. QuickBooks will collect tax for these items as a group, but will report on each one individually.

Tax Item	Rate	Tax Agency	Description
Colorado Sales Tax	2.9%	Colorado Dept of ...	Sales Tax
Denver City Tax	3.5%	Colorado Depart...	Sales Tax
Group Rate		6.4%	

Figure 5-14:

Before you can create a sales tax group, you first need to create each of the Sales Tax items that you plan to include. After you type the name or number of the sales tax group and a description, click the Tax Item drop-down list to choose one of the individual Sales Tax items to include in the group. QuickBooks fills in the rate, tax agency, and description from the Sales Tax item.

UP TO SPEED**Assigning Sales Tax Items to Customers**

Once you've created Sales Tax items, you associate them with customers. To do so, follow these steps:

1. In the New Customer or Edit Customer dialog box, click the Additional Info tab.
2. In the Tax Code box, choose a sales tax code (page 121).
3. In the Tax Item box, choose the appropriate Sales Tax item or Sales Tax Group item.

If you prefer to assign Sales Tax items as you go, on an invoice or other sales form, choose the Sales Tax item or group you want to assign to the customer. When you save the form, QuickBooks asks if you want to change the customer record to use that item. Click Yes, and QuickBooks adds the Sales Tax item or group to the customer's record, which means it'll automatically appear in the Tax box the next time you create an invoice or other sales transaction for that customer.

Hiding and Deleting Items

Deleting items and hiding them are two totally different actions, although the visible result is the same—QuickBooks doesn't display the items in the Item List window or item drop-down lists. The only time you'll delete an item is when you create it by mistake and want to eliminate it permanently from the Item List. As you might discover when you attempt to delete an item, you can only delete an item if you've never used it in a transaction.

Hiding items doesn't have the same restrictions as deleting them, and offers a couple of advantages to boot. First, when you hide items, they don't appear in your Item List, which

prevents you from selecting them accidentally. And unlike deleting, hiding is reversible: You can switch items back to active status if you start selling them again. Suppose you hid the item for bell-bottom hip-huggers in 1974. Decades later, when '70s retro becomes cool again, you can reactivate the item and use it on sales forms. (Of course, you'll probably want to edit the cost and sales price to reflect today's higher prices.)

Hiding Items

As mentioned above, if you've sold an item in the past, then the only way to remove it from the Item List is to hide it. Hiding items means that your Item List shows only the items you currently use, so you'll scroll less to find the items you want and you're less likely to pick the wrong item by mistake. If you start selling an item again, you can reactivate it so that it appears on the Item List once more.

If you're wondering how you make an item reappear if it isn't visible, here's a guide to hiding and reactivating items in your Item List:

- **Hide an item.** In the Item List, right-click the item and choose Make Item Inactive from the shortcut menu. The item disappears from the list.
- **View all items, active or inactive.** At the bottom of the Item List window, turn on the "Include inactive" checkbox. QuickBooks displays a column with an X as its heading and shows an X in that column for every inactive item in the list. (The "Include inactive" checkbox is grayed out when all the items are active.)
- **Reactivate an item.** First, turn on the "Include inactive" checkbox to display all items. Then, to reactivate a hidden item, click the X next to its name. When you click the X next to a *parent* item, QuickBooks opens the Activate Group dialog box. If you want to reactivate all the subitems as well as the parent, click Yes. Otherwise, click No.

If you find that you're constantly hiding items you no longer sell, your item list might be too specific for your constantly changing product list. For example, if you create 100 items for the clothes that are fashionable for teenagers in May, those items will be obsolete by June. So consider creating more generic items, such as pants, shorts, t-shirts, and bathing suits. You can then reuse these items season after season, year after year, without worrying about running out of room on the Item List, which is limited to 14,500 entries.

Tip: To see how many items you have, press F2 to open the Product Information window. Then, head to the List Information section on the right side of the window and look for Total Items.

Deleting Items

If you erroneously create an item and catch your mistake immediately, deleting the offender is no sweat. Use any one of these methods to delete an item:

- In the Item List window, select the item you want to delete and then press Ctrl+D.

- In the Item List window, right-click the item you want to delete and then choose Delete Item on the shortcut menu.
- In the Item List window, select the item, and then head to the main QuickBooks menu bar and choose Edit→Delete Item.
- At the bottom of the Item List window, click Item→Delete Item.

If you try to delete an item that's used in even one transaction, QuickBooks warns you that you can't delete it. Say you created an item by mistake and then compounded the problem by inadvertently adding the item to an invoice. When you realize your error and try to delete the item, QuickBooks refuses to oblige. If you used the item in one or two recent transactions, you can find those transactions and replace the item pretty easily: Open the Item List by choosing Lists→Item List. Then right-click the item and choose QuickReport on the shortcut menu, and QuickBooks displays a report with all the transactions using that item. When you've removed the item from all transactions, use one of the methods above to delete it.

If you added the erroneous item to a *bunch* of transactions, it's easier to find the transactions with the “Sales by Item Detail” report, which includes a heading for each item you sell, and groups transactions underneath each heading. If you sell lots of items, you probably want the report to show the transactions only for the item you want to delete. Here's how you modify the “Sales by Item Detail” report and then edit the transactions:

1. To create a “Sales by Item Detail” report, choose Reports→Sales→“Sales by Item Detail”.

QuickBooks opens the “Sales by Item Detail” report in its own window.

2. To modify the report, in the report window's menu bar, click Modify Report.

QuickBooks opens the “Modify Report: Sales by Item Detail” dialog box. To produce a report with transactions for one item, modify the date range and filter the report based on the item's name, as shown in Figure 5-15.

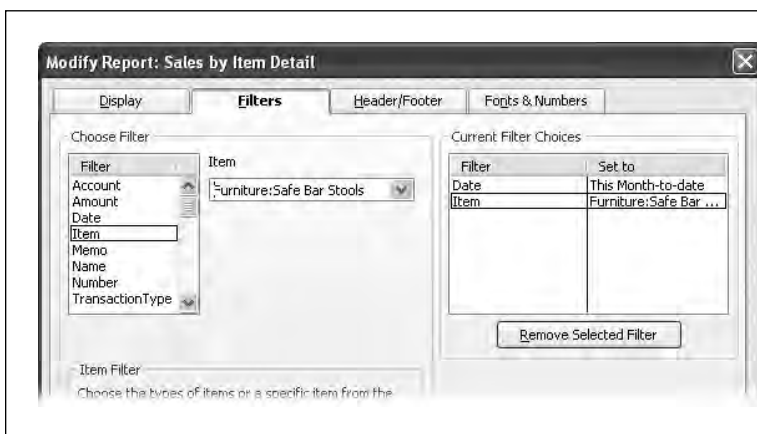


Figure 5-15:

To filter the report by an item's name, click the Filters tab. On that tab, in the Filter list, choose Item. Then, in the Item drop-down list, click the downward-pointing arrow and then select the item you want to delete. QuickBooks displays the changes to the report in the Current Filter Choices section. Give these settings the once-over, and if they look correct, click OK to revise the report.

If you know when you first used the item in a transaction, on the Filters tab, select Date from the Filter menu and then type or click that date in the From box. QuickBooks sets the date in the To box to today's date, which is perfect for this situation. Alternatively, in the Date drop-down list, choose a predefined date range, such as "This Fiscal Year-to-date". When everything looks good, click OK to update the report.

3. **To edit a transaction to remove an item, in the "Sales by Item Detail" report window, double-click the transaction.**

Based on the type of transaction you double-click, QuickBooks opens the corresponding dialog box or window. For example, if you double-click an invoice, QuickBooks opens the Create Invoices window and displays the invoice you chose. In the Create Invoices window, in the Item column, click the cell containing the item you want to delete, click the downward-pointing arrow in the cell, and then choose the replacement item from the Item drop-down list.

4. **To save the transaction with the revised item, click Save & Close.**

You'll know that you've successfully eliminated the item from all sales transactions when the report in the "Sales by Item Detail" window shows no transactions.

Tip: To be sure that you've removed all links to the item, in the menu bar at the top of the report window, click Refresh to update the report based on the current data in your QuickBooks file.

5. **Finally, back in the Item List window, select the item you want to delete and then press Ctrl+D. In the Delete Item message box, click Yes to confirm that you want to get rid of the item.**

The item disappears from your Item List for good.

6. **To close the report window, click the X button at the upper-right.**

The item is gone and you're ready to get back to work.

Setting Up Other QuickBooks Lists

Open any QuickBooks window, dialog box, or form, and you're bound to bump into at least one list. These drop-down lists make it easy to fill in transactions and forms. Creating an invoice? If you pick the customer and job from the Customer:Job List, QuickBooks fills in the customer's address, payment terms, and other fields for you. Selecting the payment terms from the Terms List tells QuickBooks how to calculate the due date for the invoice. If you choose an entry in the Price Level List, QuickBooks calculates the discount you extend to your customers for the goods they buy. Even the products and services you sell to your customers come from the Item List, which you learned about in Chapter 5.

In this chapter, you'll discover what the different lists actually do for you and whether you should bother setting them up for your business. Because some lists have their own unique fields (such as the Price Level Type for a Price Level entry), you'll also learn what the various fields do and how to fill them in. If you already know which lists and list entries you want, you can skip to "Creating and Editing List Entries" on page 148 to master the techniques that work for most lists in QuickBooks, such as adding and tweaking entries, hiding entries, and so on. Once you learn how to work with one QuickBooks list, the doors to almost every other list open, too.

Note: The Customer, Vendor, and Employee lists are the exceptions. Although you'll learn about the Vendor List in this chapter, here are the other chapters that provide instructions for working with a few other QuickBooks lists:

- The **Chart of Accounts**, which is a list of your bookkeeping accounts, is covered in Chapter 3.
- The **Customer:Job List**, which includes entries for both customers and their jobs, is the topic of Chapter 4.
- The **Item List** helps you fill in invoices and other sales forms with services and products you sell; it's described in Chapter 5.
- Although the **Sales Tax Code List** appears on the Lists menu, sales tax codes are inextricably linked to how you handle sales tax. Details for setting up this list are described in Chapter 5, on page 121.
- Chapter 12 shows you how to have QuickBooks **memorize transactions** so you can reuse them.
- If you turn on the payroll feature (page 583), the Lists menu includes the **Payroll Item List**, which covers the deposits and deductions on your payroll. Payroll Items are quite specialized, and QuickBooks has tools to help you set them up, which are explained in detail in Chapter 14 on page 374.
- Chapter 25 describes how to create and modify **templates** for your QuickBooks business forms.

The Vendor List

There's no way around it: You're going to work with vendors and pay them for their services and products. The telephone company, your accountant, and the subcontractor who installs Venetian plaster in your spec houses are all vendors. You can create vendors in QuickBooks one at a time, whenever you get the first bill from a new vendor. But if you already know who most of your vendors are, it's easier to create those entries all at once so you can write checks or enter bills without interruptions.

The Add/Edit Multiple List Entries feature lets you paste data from Microsoft Excel or copy values from vendor to vendor. It works the same way for customer, vendor, and item lists, and you can read how to use it on page 70.

Importing vendor information into QuickBooks is another fast way to create oodles of vendor records. After you create a map between QuickBooks' fields and fields in another program, you can transfer all your vendor info with one command. In this section, you'll see what fields QuickBooks uses for vendor information. Use the instructions on page 74 in conjunction with the vendor fields in Table 6-1 (page 133) to import vendor records into QuickBooks.

The Vendor Center makes creating, editing, and reviewing vendors in QuickBooks a breeze. Like the Customer Center (page 61), the Vendor Center lists the details of your vendors and their transactions in one easy-to-use dashboard. To open the Vendor Center window, use any of the following methods:

- Choose Vendors→Vendor Center.
- On the left side of the QuickBooks Home page, click Vendors.
- In the icon bar, click Vendor Center.

Creating a Vendor

You create a new vendor from the Vendor Center window by pressing Ctrl+N (or, in the Vendor Center menu bar, clicking New Vendor→New Vendor). The New Vendor dialog box opens.

Many of the fields you see should be familiar from creating customers in QuickBooks. For example, the Vendor Name field corresponds to the Customer Name field, which you might remember is actually more of a code than a name (page 62). Use the same sort of naming convention for vendors that you use for customers (see the box on page 60). As with customer records, you're better off leaving the Opening Balance field blank and building your current vendor balance by entering the invoices or bills they send.

The following sections explain how to fill out the rest of the fields in a vendor record.

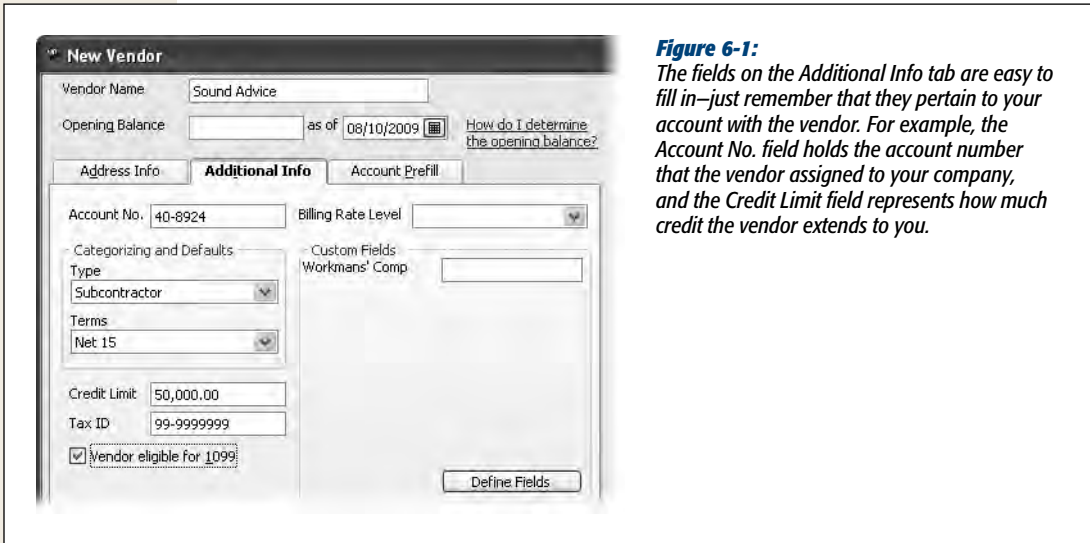
Entering Address Information

If you print checks and envelopes to pay your bills, you'll need address and contact information for your vendors. The Address Info tab in the New Vendor dialog box has fields for the vendor's address and contact info, which are almost identical to customer address and contact fields, so see page 64 if you need help filling them in. The one additional vendor field on the Address Info tab is "Print on Check as", which QuickBooks automatically fills in with the name you enter in the vendor's Company Name field. When you print checks, QuickBooks fills in the payee with the name in the "Print on Check as" field, so to use a different name, simply edit the name in this box.

Additional Info

The Additional Info tab, shown in Figure 6-1, has fields that are a bit different than the ones you see for customers. The following list describes what they are and what you can do with them.

- **Account No.** When you create customers, you can assign an account number to them. When it's your turn to be a customer, your vendors return the favor and assign an account number to *your* company. If you fill in this box with the account number that the vendor gave you, QuickBooks prints it in the memo field of the checks you print. Even if you don't print checks, keeping your account number in QuickBooks is handy if a question arises about one of your payments.
- **Type.** If you want to classify vendors or generate reports based on types of vendors, choose an entry in the Type drop-down list or create a new type in the Vendor Type List (page 143) by choosing <Add New>. For example, if you assign a Tax type to all the tax agencies you remit taxes to, you can easily prepare a report of your tax liabilities and payments.



- **Terms.** Choose the payment terms that the vendor extended to your company. The entries in the Terms drop-down list (page 143) are the same for both vendors and customers.
- **Credit Limit.** If the vendor has set a credit limit for your company (like \$30,000 from a building supply store), type that value in this box. That way, QuickBooks warns you when you create a purchase order that pushes your credit balance above your credit limit.
- **Tax ID.** You have to fill in this field with the vendor's Employer Identification Number (EIN) or Social Security number *only if* you're going to create a 1099 for the vendor.

Note: When you hire subcontractors to do work for you, you first ask them to fill out a W-9 form, which tells you the subcontractor's taxpayer identification number (Social Security number or Federal Employer Information Number, for example). Then, at the end of the year, you fill out a 1099 tax form that indicates how much you paid them, which they use to prepare their tax returns.

- **Vendor eligible for 1099.** Turn on this checkbox if you're going to create a 1099 for the vendor.
- **Billing Rate Level.** If you use the Contractor, Professional Services, or Accountant edition of QuickBooks, this is another list that lets you set up custom billing rates for employees and vendors. The Billing Rate Level list helps you price the *services* you sell the same way a Price Level helps you adjust the prices on products you sell. Say you have three carpenters: a newbie, an old timer, and a finish carpenter. You can set up a Billing Rate Level for each one based on their experience. Then, when you create an invoice for your carpenters' billable time, QuickBooks automatically applies the correct rate to each carpenter's hours.

- **Custom fields.** If you want to track vendor information that isn't handled by the fields that QuickBooks provides, you can include several custom fields (see the box on page 152). Say your subcontractors are supposed to have current certificates for workers' comp insurance, and you could be in big trouble if you hire a subcontractor whose certificate has expired. If you create a custom field to hold the expiration date for each subcontractor's certificate, you can generate a report of workers' comp expiration dates.

Importing Vendor Information

To import vendor data into QuickBooks, you first have to export a delimited text file or a spreadsheet from the other program (page 616) so that each piece of information is separated with commas or tabs, or into columns and rows in a spreadsheet file.

QuickBooks looks for keywords in the import file to tell it what to do, so you usually have to rename some headings to transform an export file produced by another program into an import file that QuickBooks can read. QuickBooks' vendor keywords and the fields they represent are listed in Table 6-1. Fortunately, Excel and other spreadsheet programs make it easy to edit the headings on columns.

Tip: To see how QuickBooks wants a delimited file to look, export your current QuickBooks vendor list to an .iif file (page 610) and then open it in Excel.

Table 6-1. Vendor keywords and their respective fields

Keyword	Field contents
NAME	(Required) The Vendor Name field, which specifies the name or code that you use to identify the vendor.
PRINTAS	The name you want to appear as the payee when you print a check to the vendor.
ADDR1 – ADDR5	Up to five lines of the vendor's billing address.
VTTYPE	The vendor type category. If you import a vendor type that doesn't exist in your Vendor Type List, QuickBooks adds the new type to the list.
CONT1	The name of the primary contact for the vendor.
CONT2	The name of an alternate contact for the vendor.
PHONE1	The number stored in the Phone Number field.
PHONE2	The vendor's alternate phone number.
FAXNUM	The vendor's fax number.
EMAIL	The vendor's email address.
NOTE	This mislabeled field is the name or number of the account, stored in the vendor's Account No. field. To set up a vendor as an online payee, you have to assign an account number.
TAXID	The vendor's tax ID, which you will need to produce a 1099 for the vendor at the end of the year.

LIMIT	The dollar amount of your credit limit with the vendor.
TERMS	The payment terms the vendor requires.
NOTEPAD	This field is your opportunity to document details you want to remember. The data you import into this field appears in the Notepad dialog box that opens when you click the Edit Notes button on the right side of the Vendor Center.
SALUTATION	The title that goes before the contact's name, such as Mr., Ms., or Dr.
COMPANYNAME	The name of the vendor's company as you want it to appear on documents and transactions.
FIRSTNAME	The primary contact's first name.
MIDINIT	The primary contact's middle initial.
LASTNAME	The primary contact's last name.
CUSTFLD1–CUSTFLD15	Custom field entries for the vendor, if you've defined any. To learn how to create custom fields, see page 152.
1099	Y or N to indicate whether you produce a 1099 for the vendor at the end of the year.
HIDDEN	This field is set to N if the vendor is active in your QuickBooks file; it's set to Y for inactive vendors.

Filling in Expense Accounts Automatically

When you write checks, record credit card charges, or enter bills for a vendor, you have to indicate the expense account to which you want to assign the payment. QuickBooks is happy to fill in these expense account names for you if you tell it which ones you typically use. Then all you do is type the amounts that go with each account. Here are the steps:

1. **In the New Vendor dialog box, click the Account Prefill tab.**

The Account Prefill tab includes three drop-down lists, so you can assign up to three expense accounts for each vendor. (Each drop-down list shows *all* the accounts in your chart of accounts, not just expense accounts.)

2. **In each drop-down list, choose the expense account you want.**

For example, if you get office equipment and supplies from one vendor, choose Office Equipment in the first drop-down list and Office Supplies in the second.

Tip: To remove the accounts you've assigned, click the Clear All button.

3. **Click OK to save the vendor's record.**

Now, when you choose that vendor's name in the Write Checks, Enter Credit Card Charges, or Enter Bills dialog box, QuickBooks fills in the Expenses tab with the expense accounts you assigned. If you record a transaction directly in the register, the

expense accounts appear automatically in the split transaction Account fields (if you assigned more than one expense account) as soon as you choose the vendor's name.

Note: You don't have to use the prefill accounts. Instead, you can simply click an Account field and choose a different account or leave the amounts blank and add new accounts below the prefilled entries.

Categorizing with Classes

Classes are the only solution if you want to classify income and expenses by categories that span multiple accounts in your chart of accounts or multiple types of customers, jobs, and vendors. For example, classes help you categorize by business unit, department, location, partner, or consultant. They also come in handy for tracking the Allocation of Functional Expenses that nonprofit organizations have to show on financial statements. Not everyone needs classes, so don't feel that you *have* to use them; the box on page 136 can help you decide whether they're right for you.

Tip: Before you decide to turn on classes, use QuickBooks without them for a few weeks or months. If it turns out that you can generate all the reports you need without classes, don't burden yourself with another field to fill in. If you work *without* classes and then decide to use them after all, you can go back and edit past transactions to assign classes to them, or just start using classes at the beginning of a new fiscal period.

If you choose to work with classes, be sure to follow these guidelines to get the most out of them:

- **Pick one use for classes.** QuickBooks has only one list of classes, so every class should represent the same type of classification. Moreover, you can assign just one class to a transaction, so classes add only one additional way to categorize your transactions. For example, once you assign a class for a business unit to a transaction, there's no way to assign another class—to identify the office branch, say—to the same transaction.
- **Use classes consistently.** Make sure to use classes on *every* transaction. Otherwise, your class-based reports won't be accurate.

Tip: QuickBooks can remind you to enter a class for a transaction if you forget. Choose Edit→Preferences→Accounting, click the Company Preferences tab, and then turn on the "Prompt to assign classes" checkbox. That way, if you try to save a transaction without an entry in the Class field, QuickBooks gives you a chance to add the class (or save the transaction without one).

- **Create a catch-all class.** Set up a class like Other so that you can still classify transactions even if they don't fit into any of the specific classes you've defined.

Do You Need Classes?

You can call on several QuickBooks features to help you track your business. Each tracking feature has its advantages, so how do you decide which one(s) to use to evaluate your performance? Here's a brief description of each feature and the best time to use it:

- **Accounts.** You can use accounts to segregate income and expenses in several ways. For instance, keep income from your physical store separate from your website sales by creating two separate income accounts. Accounts are the fastest way to see performance because QuickBooks' built-in Profit & Loss reports (page 445) automatically include results by account.
- **Customer, job, and vendor types.** To analyze income by wholesale, retail, online, and other types of customers, use customer types to classify your customers. When you assign customer types, you can filter the reports you generate to show results for a specific type of customer. However, types are more limited in scope than accounts—for example, customer types apply only to customers (page 83). Likewise, job types and vendor types (page 143) help you categorize only by job and vendor, respectively.
- **Classes.** Classes cut across accounts, customers, jobs, *and* vendors because you assign a class to an individual transaction, such as a check, bill, or invoice. So classes are perfect for categories that span accounts and types. Suppose the partners in your company help customers implement technology and tighten their security. You've decided to use separate income accounts to track technology sales and security sales, and you use customer types to track work for the government versus the private sector. You also want to track income and expenses by partner, but each partner works on all types of service for all types of customers. Happily, you can create classes to track partners' sales and expenses, regardless of which service they deliver or the type of customer. A Profit & Loss report by class (page 448) will then tell you how each partner is performing.

Here's how to set up classes:

1. Turn on the class-tracking feature.

First, you need to check whether class tracking is turned on. To do that, in the main QuickBooks menu bar, click Lists. If the class-tracking feature is turned off, you won't see the Class List command in the menu.

To turn on class tracking, you need to be a QuickBooks administrator, because classes affect everyone in your organization who uses the program. (If you aren't a QuickBooks administrator, you'll have to convince someone who is to turn on classes.) To do so, choose Edit→Preferences→Accounting, click the Company Preferences tab, and then turn on the "Use class tracking" checkbox. When you do, QuickBooks automatically turns on the "Prompt to assign classes" checkbox (explained in the Tip on page 135); turn it off if you don't want to be reminded to assign classes. Click OK to close the Preferences window.

2. In the main QuickBooks menu bar, choose Lists→Class List.

The Class List window opens.

3. In the Class List window, press Ctrl+N (or click Class and then choose New on the drop-down menu).

The New Class dialog box opens.

4. In the Class Name box, type the name of the class.

If you want to create a class that's the subclasses to a parent (to set up subclasses for each region within a business unit, say), turn on the "Subclass of" checkbox. Then, in the drop-down list, choose the parent class you want.

Tip: You can create all of your classes at once by filling in the fields for one class and then clicking Next to create another one.

5. Click Next to create another class, or click OK to close the New Class dialog box.

If you realize you need another class while working on a transaction, you can create an entry by choosing <Add New> in the Class drop-down list, as you can see in Figure 6-2.

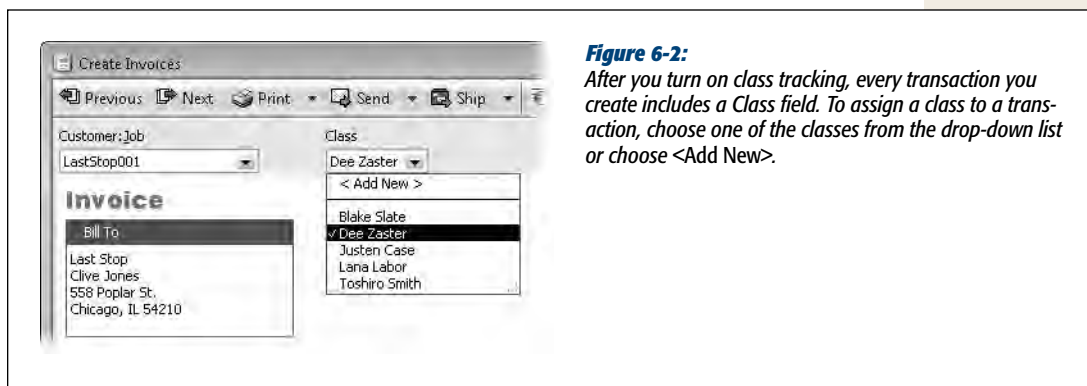


Figure 6-2:

After you turn on class tracking, every transaction you create includes a Class field. To assign a class to a transaction, choose one of the classes from the drop-down list or choose <Add New>.

Price Levels

Whether you give your favorite customers price breaks or increase other customers' charges because they keep asking for "just one more thing," you can apply discounts and markups when you create invoices. But remembering who gets discounts and what percentage you apply is tough when you have a lot of customers, and it's bad form to mark up a favorite customer's prices by mistake.

Say hello to QuickBooks' Price Level List. When you define price levels and assign them to customers, QuickBooks takes care of adjusting the prices on every invoice you create. You can also apply a price level to specific lines on invoices to mark up or discount individual items.

Creating a Price Level

To create a price level, do the following:

1. If the Price Level preference isn't already on, turn it on.

If QuickBooks' Price Level preference is turned off, you won't see the Price Level List command in the Lists menu. To turn it on, choose Edit→Preferences→Sales & Customers, and then click the Company Preferences tab. Turn on the "Use price levels" checkbox, and then click OK.

2. Choose Lists→Price Level List.

The Price Level List window opens.

3. In the Price Level List window, press Ctrl+N or click Price Level→New.

The New Price Level dialog box, shown in Figure 6-3, opens.

4. In the Price Level Name box, type a name for the level.

If you have a fixed set of discounts, you might name the various levels by the percentage, like Discount 10 and Discount 20, for example. An alternative is to name them by their purpose, like Customer Loyalty or User Group Discount. That way, it's easy to change the discount amount without changing the price level's name.

5. In the "This price level will" box, choose "increase" or "decrease" based on whether you want the price level to mark up or discount items, and then enter the percentage.

In QuickBooks Pro, the Price Level Type box is automatically set to Fixed % because you can create price levels only with fixed-percentage increases or decreases, which (not surprisingly) increase or decrease prices by a fixed percentage.

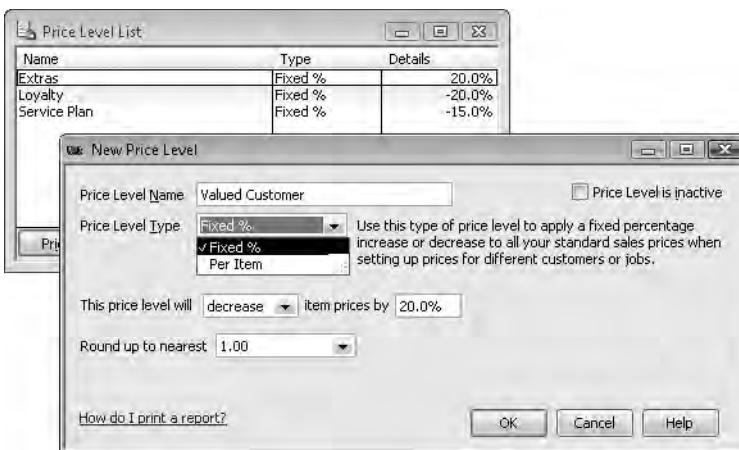


Figure 6-3:

Think of fixed-percentage price levels as standard discounts or markups. For example, you can create a price level called Extras to boost prices by 20 percent. Then, assign that price level in the customer record (page 67) for every nitpicker you work for. (Although price level names don't appear on your customer invoices, it's still a good idea to choose names that are meaningful without being rude.)

In QuickBooks Premier and Enterprise, you can create price levels that apply to individual items in your Item List. To do that, in the Price Level Type drop-down list shown in Figure 6-3, choose Per Item. The New Price Level dialog box then displays a table containing all your items. In the Custom Price column, type the price for an item at that price level. For example, suppose you sell calendars to retail stores for \$5 each. The Standard Price column would show 5.00 for the calendar item. If you're creating a price level for nonprofit organizations, you could type 3.50 in the item's Custom Price cell so that a nonprofit would pay only \$3.50 for a calendar.

If you want to apply percentages to several items in the list, there's a shortcut for calculating custom prices: Turn on the checkboxes for the items that use the same percentage increase or decrease. Then, in the "Adjust price of marked items to be" box, type the percentage, and in the drop-down list next to it, choose "lower" or "higher". You can then use the "than its" drop-down list to tell QuickBooks to calculate the price level based on the standard price, the cost, or the current custom price. When you click the Adjust button, QuickBooks fills in the Custom Price cells for the marked items with the new custom prices. To apply different percentages to another set of items, clear any checkmarks and then select the next set of items and repeat the steps to define the percentage adjustment.

Note: If you work with more than one currency and use QuickBooks Premier or Enterprise, you can create price levels for individual items to set their prices in different currencies. Here's how: In the New Price Level dialog box, choose the currency in the Currency drop-down list. Then, in the Custom Price cell, type the price for the item in the foreign currency. After that, when you add the item to an invoice, choose the currency price level in the Rate drop-down list and QuickBooks recalculates the price.

6. For percentage price levels, in the "Round up to nearest" drop-down list, choose the type of rounding you want to apply.

The "Round up to nearest" feature is handy if the percentages you apply result in fractions of pennies or amounts too small to bother with. This setting lets you round discounts to pennies, nickels, dimes, quarters, 50 cents, and even whole dollars (if you *really* hate making change). The box on page 140 explains other, fancier rounding you can apply.

7. Click OK to close the New Price Level dialog box.

To create another price level, repeat steps 3–7.

Note: You can't create price levels on the fly while you're creating an invoice. The easiest solution to a missing price level is to adjust the price on the invoice manually. Then, after the invoice is done, add the price level to your Price Level List.

Applying Price Levels

You can apply price levels to invoices in two ways:

- **Applying a price level to a customer record** (page 67) tells QuickBooks to automatically adjust all the prices on a new invoice for that customer by that price level percentage (page 258).
- You can **apply a price level to line items in an invoice** whether or not a customer has a standard price level. To do so, in the Create Invoices dialog box, click an item's Rate cell, click the down arrow that appears, and then choose the price level you want from the drop-down list.

POWER USERS' CLINIC

Rounding Price Level Values

When you use percentages to calculate markups and discounts, the resulting values may not be what you want. The basic choices in the New Price Level dialog box's "Round up to nearest" drop-down list take care of the most common rounding—to the nearest penny, dime, quarter, dollar, and so on. Other entries on the list let you give QuickBooks more complex rounding instructions, which can come in handy.

The seven entries that include the word "minus" help you position prices at magic marketing prices like \$29.99 or \$1.95. For example, the ".10 minus .01" entry ensures that the price always ends in 9. With this rounding choice, if the discounted price comes out to \$8.74, QuickBooks rounds up to the nearest 10 cents (\$8.80) and then subtracts 1 cent, so the rounded value is \$8.79.

If you like to undercut your competitors with unusual price points, in the "Round up to nearest" drop-down menu,

choose "user defined". QuickBooks displays several boxes and options for defining your own rounding:

- **The "nearest" drop-down menu.** In the unlabeled drop-down menu below "user defined", you can choose "to nearest", "up to nearest", or "down to nearest". "To nearest" rounds in whichever direction is closest (for example, rounding from 1.73 to 1.70 or from 1.77 to 1.80).
- **The first \$ box.** Type the value you want to round to like .01, .25, or 1.00.
- **Plus or Minus and the second \$ box.** Select the Plus or Minus option if you want to add or subtract money after you've rounded the value. In the \$ box, type the amount you want to add or subtract from the rounded value.

Customer and Vendor Profile Lists

Filling in fields goes much faster when you can choose info from drop-down lists instead of typing values. The lists that appear on the Customer & Vendor Profile Lists submenu (choose Lists→Customer & Vendor Profile Lists to see it) pop up regularly, whether you're creating an invoice, paying a bill, or generating a report. For example, when you create an invoice, QuickBooks fills in the Payment Terms field with the terms you assigned to the customer's record (page 66), but you can choose different terms from the drop-down list to urge your customer to pay more quickly.

For many of these lists, creating entries requires no more than typing the entry's name and specifying whether that entry is a subentry of another. This section describes how to add to entries to each list and how to put these lists to work for you.

Sales Rep List

If you pay sales reps on commission or want to assign employees as points of contact for your customers, you can assign people as sales reps to your customers (page 66) and then generate reports by sales rep (page 522). But first you have to add the names of your sales reps and contacts to the Sales Rep List.

Note: You can use the Intuit Commissions Center, an add-on service for QuickBooks, to calculate commissions for your sales reps. When you use this feature, you can flag items that don't pay commissions and assign commissions as percentages or dollar amounts. To learn more, go to <http://workplace.intuit.com/appcenter>, click All Apps, and then click Intuit Commissions Manager. Alternatively, to find a third-party program for sales commissions, go to <http://marketplace.intuit.com>. In the Find Apps box, type *sales commission* and then press Enter.

To add a name to the Sales Rep List:

1. **Choose Lists→Customer & Vendor Profile Lists→Sales Rep List. In the Sales Rep List window that opens, press Ctrl+N or click Sales Rep→New.**

The New Sales Rep List dialog box opens.

2. **In the Sales Rep Name drop-down list, choose a name; in the Sales Rep Initials box, type the person's initials.**

When you create a sales rep entry, you can choose names from the Employee List (page 377), the Vendor List (page 131), and the Other Names List (page 142). If the name you want doesn't exist, choose <Add New> at the top of the drop-down list.

QuickBooks automatically fills in the Sales Rep Type field with Employee, Vendor, or Other Name, depending on which list the name came from (or, if you just added the name, the type you assigned when you added that person). The box on page 142 gives hints about when to use the Other Names List.

3. **Click Next to add another sales rep, or click OK to close the New Sales Rep dialog box.**

If you select a name and realize that it's misspelled, you can edit the name from the New Sales Rep dialog box. Click Edit Name, and QuickBooks opens the Edit Employee, Edit Vendor, or Edit Name dialog box so you can change the name.

Customer Type List

Customer types help you analyze your income and expenses by customer category (page 522). For example, a healthcare provider might create Govt and Private customer types to see how much a change in government reimbursement might hurt revenue.

GEM IN THE ROUGH

When to Use the Other Names List

If you have more than a few names on your Other Names List, you're probably not getting the most out of QuickBooks. In fact, unless you're a sole proprietor or several partners share ownership of your company, you can run QuickBooks without *any* names on the Other Names List.

The problem with Other Names is that QuickBooks doesn't track activity for them. For example, you can't invoice someone or enter a bill for what you owe to someone if they're on that list. Sure, the entries on the Other Names List show up in the drop-down menus for a few types of transactions, such as checks and credit card charges (page 238). But they're conspicuously absent when you create invoices, purchase orders, sales receipts, or any other type of transaction.

So what are Other Names good for? Perfect entries for the Other Names List are *your* name as sole proprietor or the names of company partners. That way, when you write owners' draw checks to pay partners, you can choose their names from the Other Names List.

To create an entry on the Other Names List:

1. Choose Lists→Other Names List.
2. In the Other Names List window, press Ctrl+N.
3. Fill in the fields in the New Name dialog box, which are similar to the ones in the New Customer dialog box (page 62).

The Other Names List can also serve as a holding tank. If you aren't sure which list to put someone on, you can add someone to the Other Names List temporarily. Then, when you figure out which list the person should go on, you can move her. Because QuickBooks needs to close all open windows to do this, it's best to save this task for a lull in your work day. When you're ready, open the Other Names List window, click Activities at the bottom of the window) and then choose Change Other Name Types. In the Change Name Types dialog box, find the person's name and then click the cell in the appropriate column (Customer, Vendor, or Employee) to assign that type. Click OK to complete the makeovers.

You first create customer types in the Customer Type List and then assign one of those types in each customer's record. Creating all your customer types up front is fast—as long as you already know what your entries you want to create:

1. **Choose Lists→Customer & Vendor Profile Lists→Customer Type List. In the Customer Type List dialog box that opens, press Ctrl+N.**

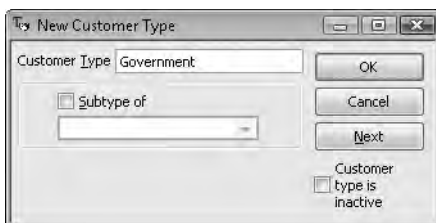
The New Customer Type dialog box (Figure 6-4) opens.

2. **Create the customer type.**

Enter a name in the Customer Type field and indicate whether the customer type is a subtype of another.

3. **After you create one type, click Next to create another or click OK if you're done.**

You can also create entries as you work: If you're creating or modifying a customer in the New Customer or Edit Customer dialog box, click the Additional Info tab. In the Type drop-down list, choose <Add New>, which opens the New Customer Type dialog box. Then, you can create a new customer type, as shown in Figure 6-4.

**Figure 6-4:**

In the New Customer Type dialog box, the only thing you have to provide is a name in the Customer Type field. If this type represents a portion of a larger customer category, turn on the “Subtype of” checkbox and choose the parent type. For example, if you have a Utilities customer type, you might create subtypes like Water Utility, Electric Utility, Gas Utility, and so on.

Vendor Type List

Vendor types work similarly to customer types—you can filter reports or subtotal your expenses by different types of vendors. For example, if you create a Communications vendor type, you could generate a report showing the expenses you’ve paid to your telephone, Internet, and satellite communications providers.

You create Vendor Type entries the way you create Customer Type entries. Choose Lists→Customer & Vendor Profile Lists→Vendor Type List, and then press Ctrl+N to open the New Vendor Type dialog box.

Tip: To create a new vendor type while you’re creating a vendor, in the New Vendor dialog box, click the Additional Info tab; in the Type drop-down list, choose <Add New> to open the New Vendor Type dialog box.

Job Type List

Job types also follow the customer-type lead. For instance, you can filter a Profit & Loss report to show how profitable your spec house projects are compared to your remodeling contracts. You create Job Type entries the way you create Customer Type entries (page 85). Open the Job Type List window by choosing Lists→Customer & Vendor Profile Lists→Job Type List.

Terms List

The Terms List (Lists→Customer & Vendor Profile Lists→Terms List) includes both the payment terms you require of your customers and the payment terms your vendors ask of you. If you assign terms in a customer’s record, then QuickBooks automatically fills in the Terms box on the invoices you create for that customer. Likewise, filling in terms in a vendor record means that QuickBooks fills in the Terms box on bills you create.

The fields that you fill in to create terms (Figure 6-5) are different from those in other Customer & Vendor Profile lists. To add a new term, open the Terms List window, and then press Ctrl+N.

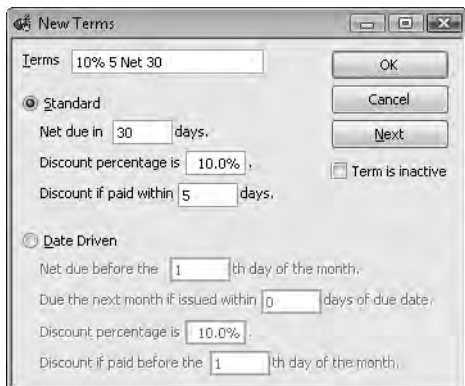


Figure 6-5:

Because payment terms apply to both vendors and customers, consider using generic names that say something about the payment terms themselves. For example, the “10% 5 Net 30” entry is an enticement for early payments because it means that the amount is due 30 days from the invoice date, but you can deduct 10 percent from your bill if you pay within 5 days.

Setting up terms using elapsed time

The New Terms dialog box’s Standard option is ideal when the due date is a specific number of days after the invoice date (or the date you receive a bill, if you’re the customer). If you send invoices whenever you complete a sale, choose the Standard option so that payment is due within a number of days of the invoice date. Here’s what the Standard option fields do:

- **Net due in _ days.** Type the maximum number of days after the invoice date that you or a customer can pay. For example, if you type 30, customers have up to 30 days to pay an invoice or you have up to 30 days to pay a bill. If you charge penalties for late payments, QuickBooks can figure out when customer payments are late, so you can assess finance charges (page 354).
- **Discount percentage is.** If you or your vendor offer a discount for early payments, type the discount percentage in this box.
- **Discount if paid within _ days.** Type the number of days after the invoice date within which you or a customer has to pay to receive the early payment discount.

Note: When terms reduce a customer’s bill for early payments, QuickBooks deducts these discounts in the Receive Payments window (page 338), which is how the program can tell if the customer paid early. If a vendor offers discounts for early payments, you can take advantage of those in the Pay Bills window (page 222).

Setting up date-driven terms

The Date Driven option sets up terms for payments that are due on a specific date, regardless of the date on the invoice. This option is handy if you send invoices on a schedule—say, on the last day of the month. For example, home mortgages often assess a late fee if payments arrive after the 15th of the month.

Here's what the New Terms dialog box's Date Driven option fields do:

- **Net due before the _th day of the month.** Type the day that the payment is due. For example, if a payment is due before the 15th of the month, no matter what date appears on your statement, type *15* in the box.
- **Due the next month if issued within _ days of due date.** Your customers might get annoyed if you require payment by the 15th of the month and send out your invoices on the 14th. They would have no way of paying on time, unless they camped out in your billing department.

You can type a number of days in this box to automatically push the due date to the following month when you issue invoices too close to the due date. Suppose payments are due on the 15th of each month and you type 5 in this box. For invoices you create between August 10th and August 15th, QuickBooks automatically changes the due date to September 15th.

- **Discount percentage is.** If you extend a discount for early payments, type the discount percentage in this box.
- **Discount if paid before the _th day of the month.** Type the day of the month before which a customer has to pay to receive the early payment discount.

Customer Message List

When you create an invoice, you can add a short message to it, such as “If you like the service we deliver, tell your friends. If you don’t like our service, tell us.” To save time and prevent embarrassing typos, add your stock messages to the Customer Message List (Lists→Customer & Vendor Profile Lists→Customer Message List).

The New Customer Message dialog box (which you open by pressing Ctrl+N while the Customer Message List window is open) has only one field—the Message field—which can hold up to 101 characters (including spaces).

Don’t use the Customer Message List for notes that change with every invoice (like one that specifies the date range that an invoice covers) because you’ll fill the list with unique messages and won’t be able to add any more. If you want to include unique information, do so in the cover letter (or email) that accompanies your invoice.

Payment Method List

Categorizing payments by the method the customer uses can be handy. For instance, when you select Banking→Make Deposits (page 361), you can choose to process all the payments you’ve received via a specific payment method: You can deposit all the checks and cash you received into your checking account, say, but deposit the payments you receive via credit cards to a dedicated merchant account.

You categorize payments using the entries on the Payment Method List. QuickBooks starts the list for you with entries for cash, check, and credit cards (such as American Express and Visa). To add another payment method—for payments through PayPal,

for example—choose Lists→Customer & Vendor Profile Lists→Payment Method List, and then press Ctrl+N. In the New Payment Method dialog box, type a name for the payment method, and then choose a payment type. For instance, if you use two Visa credit cards, you can create two entries with the Visa payment type. Other payment types include Discover, Debit Card, Gift Card, and E-Check.

Ship Via List

When your invoices include the shipping method that you use, your customers know whether to watch for the mailman or the UPS truck. QuickBooks creates several shipping methods for you, including DHL, Federal Express, UPS, and U.S. Mail. If you use another shipping method, like a bike messenger in New York City or your own delivery truck, simply create additional entries in the Ship Via List window (Lists→Customer & Vendor Profile Lists→Ship Via List) by pressing Ctrl+N. In the Shipping Method field (the only field in the New Ship Method dialog box), type a name for the method and then click OK.

Tip: If you use one ship method most of the time, you can have QuickBooks fill in the Shipping Method field on invoices with that entry automatically. See page 591 to learn about the Usual Shipping Method preference and the “Usual Free on Board” location.

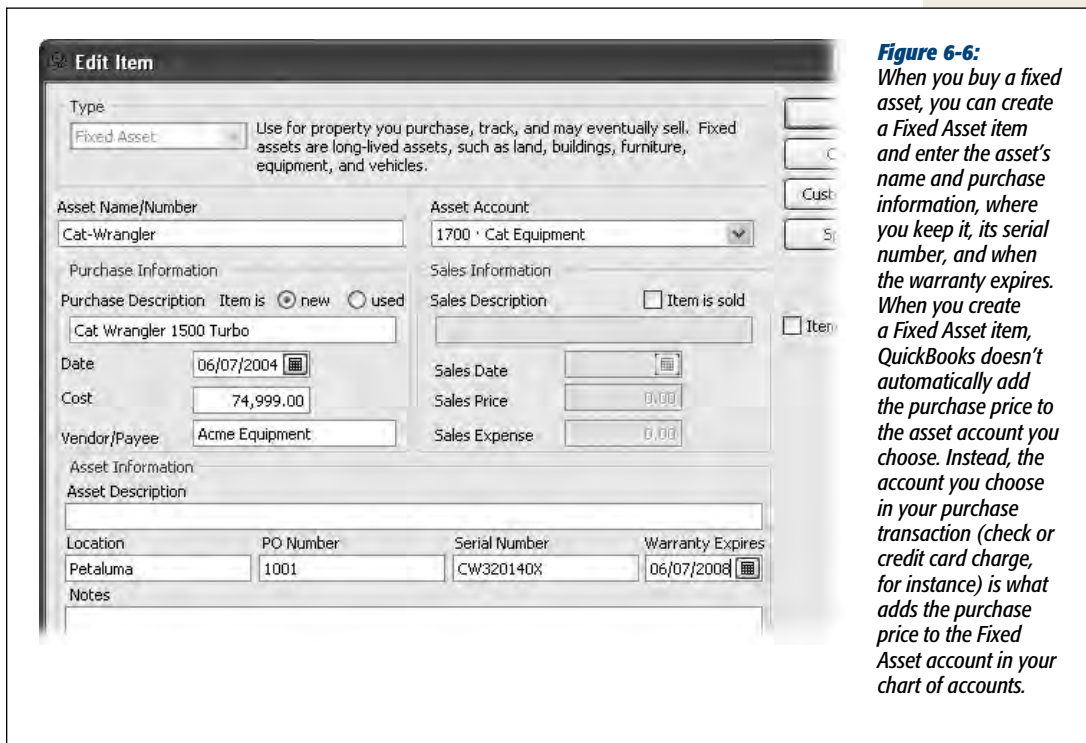
Vehicle List

If you want to track mileage (page 194) on the vehicles you use for your business, create entries for your cars and trucks in the Vehicle List (Lists→Customer & Vendor Profile Lists→Vehicle List). Use the Vehicle box to name the vehicle: *Ford Prefect 1982 Red*, for example. The Description field holds up to 256 characters, so you can use it to store the VIN, license plate, and even the insurance policy number.

Tip: If you want to charge your customers for your mileage, see page 273.

Fixed Asset Items

Assets that you can't convert to cash quickly—such as backhoes, buildings, and supercomputers—are called *fixed assets*. If you track information about your fixed assets in another program or have only a few fixed assets, there's no reason to bother with the Fixed Asset Item List. As you can see in Figure 6-6, Fixed Asset items track info such as when you bought the asset and how much you paid. But in QuickBooks, *you* have to calculate depreciation (see the box on page 148) for each asset at the end of the year and create journal entries to adjust the values in your asset accounts.

**Figure 6-6:**

When you buy a fixed asset, you can create a Fixed Asset item and enter the asset's name and purchase information, where you keep it, its serial number, and when the warranty expires. When you create a Fixed Asset item, QuickBooks doesn't automatically add the purchase price to the asset account you choose. Instead, the account you choose in your purchase transaction (check or credit card charge, for instance) is what adds the purchase price to the Fixed Asset account in your chart of accounts.

When you sell an asset, open the Edit Item dialog box (choose Lists→Fixed Asset Item List, and then press Ctrl+E) and turn on the “Item is sold” checkbox. When you do that, the sales fields come to life so you can specify when you sold the asset, how much you sold it for, and any costs associated with the sale.

Note: QuickBooks Premier Accountant Edition and QuickBooks Enterprise Edition include the Fixed Asset Manager, which not only figures out the depreciation on your assets, but also posts depreciation to QuickBooks with a click of the mouse.

If you decide to track the details about your fixed assets outside QuickBooks, you still need to include the *value* of those assets in your financial reports. Simply create Fixed Asset accounts (page 48) to hold the value of your assets. Then each year, you'll add a general journal entry to each Fixed Asset account (page 438) to reduce the asset's value by the amount of depreciation.

UP TO SPEED

How Depreciation Works

When your company depreciates assets, you add dollars here, subtract dollars there, and none of the dollars are real. Sounds like funny money, but depreciation is nothing more than an accounting concept that presents a more realistic picture of financial performance. To see how it works, here's an example of what happens when a company depreciates a large purchase.

Suppose your company buys a Deep Thought supercomputer for \$500,000. You spent \$500,000, and you now own an asset worth \$500,000. Your company's balance sheet moves that money from your bank account to an asset account, but your total assets remain the same.

The problem arises when you sell the computer, perhaps 10 years later when it would make a fabulous boat anchor. If you don't depreciate the computer, the moment you sell it, its value plummets from \$500,000 to your selling price—say \$1,000. The drop in value shows up as an expense, putting a huge dent in your profits for the 10th year. Shareholders don't like it when profits change dramatically from year to year—up *or* down. With depreciation, though, you can spread the cost of a big purchase over several years, which does a better job of matching revenue and expenses. As a result, shareholders can see how well you use assets to generate income.

Depreciation calculations come in several flavors: straight-line, sum of the years' digits, and double declining balance. Straight-line depreciation is the easiest and most common.

To calculate annual straight-line depreciation over the life of the asset, subtract the *salvage* value (how much the asset will be worth when you sell it) from the purchase price, and then divide by the number of years of useful life, like so:

- Purchase price: \$500,000
- Expected salvage value after 10 years: \$1,000
- Useful life: the 10 years you expect to run the computer
- Annual depreciation: \$499,000 divided by 10, which equals \$49,900

Every year, you use the computer to make money for your business, and you show \$49,900 as that income's associated equipment expense. On your books, the value of the Deep Thought computer drops by another \$49,900 each year, until the balance reaches the \$1,000 salvage value at the end of the last year. This decrease in value each year keeps your balance sheet (page 448) more accurate and avoids the sudden drop in asset value in year 10.

The other, more complex methods depreciate your assets faster in the first few years (called *accelerated depreciation*), making for big tax write-offs in a hurry. Page 438 explains how to record journal entries for depreciation, but your best bet is to ask your accountant how to post depreciation in your QuickBooks accounts.

Creating and Editing List Entries

Every list in QuickBooks responds to the same set of commands. As your business changes, you can add new entries, edit existing ones, hide entries that you no longer use, and (in some lists) merge two entries into one. If you make a mistake creating an entry, you can delete it. You can also print your QuickBooks lists to produce a price list of the products you sell, for example. With the following techniques, you'll be able to do what you want with any list or entry you might need.

Creating Entries

If you're setting up QuickBooks, creating all the entries for a list at the same time is fast and efficient. Open the New dialog box for the type of list entry you want (New Vendor, for example), and you'll soon get into a rhythm creating one entry after another.

You can also add new list entries in the middle of bookkeeping tasks without too much of an interruption. If you launch a new line of business selling moose repellent, for example, you can add a customer type for burly men in the middle of creating an invoice. But don't rely on this approach to add every entry to every list—you'll spend so much time jumping from dialog box to dialog box that you'll never get to your bookkeeping.

Each list has its own collection of fields, but the overall procedure for creating entries in lists is the same:

1. Open the window for the list you want to work on by choosing Lists and then selecting the list you want on the submenu.

For example, to open the Class List window, choose Lists→Class List. Several lists are tucked away one level deeper on the Lists menu. For lists that include characteristics of your customers or vendors, such as Vendor Type or Terms, choose Lists→Customer & Vendor Profile Lists, and then choose the list you want, as shown in Figure 6-7.

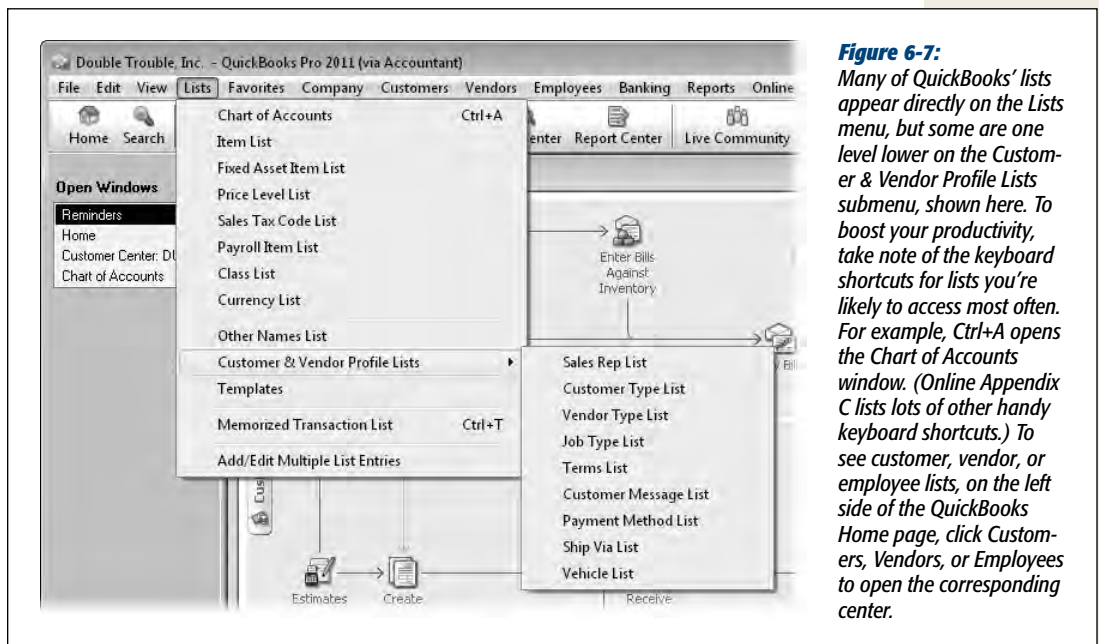


Figure 6-7: Many of QuickBooks' lists appear directly on the Lists menu, but some are one level lower on the Customer & Vendor Profile Lists submenu, shown here. To boost your productivity, take note of the keyboard shortcuts for lists you're likely to access most often. For example, Ctrl+A opens the Chart of Accounts window. (Online Appendix C lists lots of other handy keyboard shortcuts.) To see customer, vendor, or employee lists, on the left side of the QuickBooks Home page, click Customers, Vendors, or Employees to open the corresponding center.

2. To create a new entry, press Ctrl+N or, at the bottom of the list window, click the button with the list's name on it, and then choose New.

For instance, to create an entry in the Class List, make sure that the Class List window is active and then press Ctrl+N. Or, at the bottom of the Class List window, click Class→New. Either way, QuickBooks opens the New Class dialog box.

A few of the lists on the Customer & Vendor Profile Lists menu can include subentries, as shown in Figure 6-8.

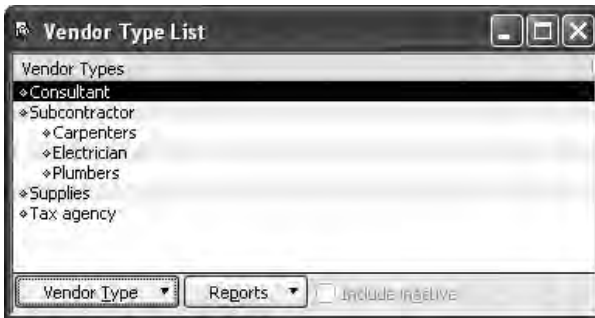


Figure 6-8:

You can create multiple levels of entries in the Customer Type, Job Type, and Vendor Type lists. For example, you might create top-level types for vendors who require 1099 forms and those that don't. Then, you can create subentries for types such as electricians, plumbers, and carpenters.

3. After you've completed one entry, simply click Next to save the current entry and begin another. To save the entry you just created and close the dialog box, click OK.

To toss an entry that you botched, click Cancel to throw it away and close the dialog box.

Note: Unlike all the other New dialog boxes for lists, the New Price Level dialog box doesn't include a Next button.

Editing Entries

To modify a list entry, open the window for that list. Then, select the entry you want to edit and press Ctrl+E (or double-click the entry). When the Edit dialog box opens, make the changes you want, and then click OK.

Merging List Entries

You can merge entries on only two of the lists discussed in this chapter: the Vendor List and the Other Names List. (Merging accounts in your chart of accounts is described on page 57; merging customers is covered on page 88.) You can't undo a merge, so make sure merging is really what you want to do. The alternative is to

change one of the two entries to inactive, as described on page 151, and then use the other entry for all future transactions.

When you merge entries, QuickBooks puts all the transactions from both entries into the one that you keep. For example, if you merge Financial Finesse into Fugged-aboutit Financial, all your payments to Financial Finesse become payments to Fuggedaboutit Financial.

Here's how to merge two entries, using the Vendor List as an example:

1. **Switch to single-user mode.**

If you work in multi-user mode, choose File→“Switch to Single-user Mode”. (When you're done, be sure to switch back to multi-user mode and tell your colleagues they can work in QuickBooks again.)

2. **Open the Vendor Center.**

On the QuickBooks Home page, click Vendors, or choose Vendors→Vendor Center. (If you want to merge names on the Other Names List, choose Lists→Other Names List.)

3. **On the Vendors tab, right-click the name of the vendor you're going to merge and, on the shortcut menu, choose Edit Vendor.**

The Edit Vendor dialog box opens.

4. **In the Edit Vendor dialog box, change the name in the Vendor Name field to match the name of the vendor you intend to keep, and then click OK.**

QuickBooks displays a message warning you that the name is in use and asks if you want to merge the vendors.

5. **Click Yes to merge the vendors.**

In the Vendor Center, the vendor you renamed disappears and any balances it had now belong to the remaining vendor.

Don't forget to switch back to multi-user mode so your coworkers can use QuickBooks again.

Hiding and Deleting List Entries

Deleting entries is only for discarding entries that you create by mistake. If you've already used list entries in transactions, hide the entries you don't use anymore so your historical records are complete. For example, you wouldn't delete the “Net 30” payment term just because you're lucky enough to have only Net 15 clients right now; you may still extend Net 30 terms to some clients in the future.

Hiding Entries

Hiding list entries that you no longer use does two things:

- Your previous transactions still use the entries you've hidden, so your historical records don't change.

- When you create new transactions, the hidden entries don't appear in drop-down lists, so you can't choose an old entry by mistake.

The methods for hiding and reactivating list entries are exactly the same regardless of which list you're working on:

- **Hide an entry.** In the list's window or the list in the Vendor Center, right-click the entry and choose "Make <list name> Inactive" from the shortcut menu, where <list name> is the list that you're editing. The entry disappears from the list.
- **View all the entries in a list.** At the bottom of the list's window, turn on the "Include inactive" checkbox so you can see both active and hidden entries. (In the Vendor Center, in the View drop-down list, choose All Vendors.) QuickBooks adds a column with an X as its heading and displays an X in that column for every inactive entry in the list.
- **Reactivate an entry.** First, view all the entries, and then click the X next to the entry that you want to reactivate. If the entry has subentries, in the Activate Group dialog box that appears, click Yes to reactivate the entry *and* all its subentries.

GEM IN THE ROUGH

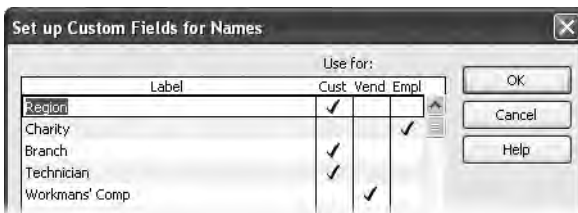
Defining Custom Fields for Lists

QuickBooks' customer, vendor, employee, and item records include lots of fields you can fill in, but those fields may not cover all the information you need. For example, you might add a custom field for the branch office that services a customer. Or for employees, you could set up a custom field to track whether they make charitable contributions that your company matches.

QuickBooks' answer to this issue is custom fields. Unfortunately, these fields are pretty feeble compared to some of the built-in fields. After you create a custom field and apply it to a list, QuickBooks does nothing more than add the custom field's label and a text box to the Additional Info tab (see Figure 4-3 on page 66). You have to type your entries each time; there's no drop-down list or even a way to compare it to text you entered in other records. It's up to you to make sure that your data entry is correct and consistent.

If you still want to set up a custom field, follow these steps:

1. In the New or Edit dialog box (New Customer or Edit Vendor, for example), click the Additional Info tab.
2. Click the Define Fields button. The "Set up Custom Fields for Names" dialog box, shown in Figure 6-9, opens.
3. In one of the 15 Label boxes, type a name for the field.
4. If you're associating a custom field with a customer, vendor, or employee record, click the cell for the appropriate list (Cust, Vend, or Empl) and QuickBooks puts a checkmark there. For example, the Region custom field could apply to both the Customer:Job List and the Vendors List, so you'd want checkmarks in both the Cust and Vend columns.

**Figure 6-9:**

When you edit an item in the Items List, click **Custom Fields** in the **Edit Item** dialog box. In the **Custom Fields** dialog box, click **Define Fields** to create labels for up to five custom fields for your items. Unlike names in name lists, which can have up to 15 custom fields, items can have only 5 custom fields.

Deleting Entries

You can delete a list entry only if nothing in QuickBooks references it in any way. So if you create a list entry by mistake, your only hope at getting rid of it is to catch it quickly. To delete a list entry, open the appropriate list window and select the entry you want to delete, and then press Ctrl+D or choose **Edit→Delete <list name>**. If you haven't used the entry in any records or transactions, QuickBooks asks you to confirm that you want to delete the entry; click **Yes**.

Finding List Entries in Transactions

If QuickBooks won't let you delete a list entry because a transaction is still using it, don't worry—it's easy to find transactions that use a specific list entry. Here's how:

1. Open the list that contains the entry you want to find. In the list's window, select the entry.
2. At the bottom of the list window, click the button labeled with the list's name and choose "Find in Transactions"; or right-click the entry and choose **Find** on the shortcut menu.

The Find dialog box opens already set up to search for transactions that use the list entry you selected.

3. Click **Find**.

The table at the bottom of the Find dialog box displays all the transactions that use that entry.

4. To modify the list entry a transaction uses, select the transaction in the table, and then click **Go To**.

QuickBooks opens the window or dialog box that corresponds to the type of transaction. If you're trying to eliminate references to a list entry so you can delete it, choose a different list entry and then save the transaction.

Sorting Lists

QuickBooks sorts lists alphabetically by name, which is usually what you want. The only reason to sort a list another way is if you're having trouble finding the entry you want to edit. For example, if you want to find equipment you bought within the last few years, you could sort the Fixed Asset List by purchase date to find the machines that you're still depreciating. Figure 6-10 shows you how to change the sort order—and how to change it back.

Note: Sorting in the list window doesn't change the order that entries appear in drop-down lists.

Name	FAM Number	Purchase Date	Purchase Description	Account	Cost
◊ Cat Herder		06/08/2004	Cat Herder 2000	1700 * C...	25,000.00
◊ Cat Wrangler		06/07/2004	Cat Wrangler 1500 Turbo	1700 * C...	74,999.00
◊ Deep Thought su...		02/04/2004	Deep Thought 5 Terahertz co...	1710 * C...	500,000.00

Figure 6-10:

To sort a list by a column, click the column's heading, such as Purchase Date. The first time you click the heading, QuickBooks sorts the list in ascending order. To toggle between ascending and descending order, click the heading again. The small black triangle in the heading points up when the list is in ascending order and down when it's in descending order.

Note: If you use a different column to sort a list, QuickBooks displays a gray diamond to the left of the column heading that it used to sort the list initially. For example, the Fixed Asset Item List shows items in alphabetical order by Name. If you sort the list by Purchase Date instead, a gray diamond appears to the left of the Name heading, as shown in Figure 6-10. To return the list to the order that QuickBooks uses, click the diamond.

Printing Lists

After you spend all that time building lists in QuickBooks, you'll be happy to know that it's much easier to get those lists out of the program than it was to put them in. For instance, suppose you want to print a price list of all the items you sell, or you

want a text file of your customer information to import into your email program. QuickBooks makes short work of printing your lists or turning them into files that you can use in other programs.

Blasting Out a Quick List

Here's the fastest way to produce a list, albeit one that doesn't give you any control over the report's appearance:

1. **At the bottom of a list's window, click the button labeled with the list's name—like Price Level, for example—and then, in the drop-down menu, choose Print List (or press Ctrl+P).**

QuickBooks might display a message box telling you to try list reports if you want to customize or format your reports. That method is covered in the next section. For now, in the message box, click OK. The Print Lists dialog box opens.

Note: To print customer, vendor, or employee lists, in the Customer Center, Vendor Center, or Employee Center toolbar, click Print and then choose Customer & Job List, Vendor List, or Employee List, respectively.

2. **To print the list, select the “Printer” option and then choose the printer in the drop-down list. If you want to output the list to a file, choose the File option and then select the file format you want.**

If you go with the Printer option, you can specify printer settings, as you can in many other programs. Choose landscape or portrait orientation, the pages to print, and the number of copies.

If you choose File, you can create ASCII text files, comma-delimited files, or tab-delimited files (page 610).

3. **Click Print.**

QuickBooks prints the report or creates the type of file you selected.

Customizing a Printed List

If the Print List command described in the previous section scatters fields over the page or produces a comma-delimited file that doesn't play well with your email program, you'll be happy to know that QuickBooks might offer a report closer to what you have in mind. For example, a vendor phone list and employee contact list are only two clicks away.

To access the reports that come with QuickBooks, choose Reports→List and then choose the report you want. If these reports fall short, you can modify them to change the fields and records they include, or format them in a variety of ways.

Chapter 21 explains how to customize reports, but if you click Modify Report in a report window's toolbar, you can make the following changes to a list report before

you print the list or create a file containing the list's info. In the Modify Report window that appears, you can:

- **Choose fields.** On the Display tab, the Columns box includes every field for a list entry. When you click a field, QuickBooks adds a checkmark before its name and adds that field to the report.
- **Sort records.** On the Display tab, choose the field you want to sort by and whether you want the report sorted in ascending or descending order.
- **Filter the report.** You can use the settings on the Filters tab to limit the records in a report. For example, you can produce an employee report for active employees, which refers to their employment status—not the level of effort they devote to their jobs. You can also filter by employee name or by values in other fields.
- **Set up the report header and footer.** On the Header/Footer tab, you can choose the information that you want to show in the report's title and in the footer at the bottom of each page. A report's title identifies the data in the report, and the footer can include the date the report was prepared so you know whether it's current.
- **Format text and numbers.** On the Fonts & Numbers tab, you can choose the font that QuickBooks uses for different parts of the report. For instance, labels should be larger than the lines in the report. You can also choose how to display negative numbers: The In Bright Red checkbox controls whether red ink truly applies to your financial reports. If you like, turn on the Divide By 1,000 checkbox to make QuickBooks remove three zeroes from the end of each number before displaying it in the report so it's easier to differentiate thousands from millions.

Managing QuickBooks Files

When company ledgers were made of paper, you had to be careful not to tear the pages or spill coffee on them. Today's electronic books require their own sort of care and feeding. Protecting your QuickBooks files is essential, not only because they tell the financial story of your company, but also because computers are notorious for chewing up data in all sorts of ways.

QuickBooks files have a few advantages over their paper-based relatives. Most importantly, you can make copies of them for safekeeping. (QuickBooks can also create a *special* copy of your company file so you and your accountant can both work on it at the end of the year; see page 463 to learn how.) If several people work on your QuickBooks file simultaneously, you'll learn when and how to switch from multi-user mode to single-user mode so you can perform the housekeeping tasks that require dedicated access. This chapter focuses on the most important things you can do with your QuickBooks files: back up and copy them. It also explains why and how to verify, condense, and delete your files, which you'll do less often—if ever.

Switching Between Multi- and Single-User Mode

In QuickBooks, some maintenance tasks require that only one person have access to the company file. If you tell QuickBooks to set up your company file in multi-user mode when you create it, you have to change to *single-user mode* for these tasks. You have to be in single-user mode to merge or delete accounts and items, export data from a company file, and save or open an accountant's copy of your company file. Single-user mode can also speed up time-consuming tasks like running humongous reports.

Tip: To see which mode the file is in, display QuickBooks' File menu. If you see "Switch to Multi-user Mode" on the menu, you know the file is in single-user mode. If the file is in multi-user mode, the menu includes the command "Switch to Single-user Mode" Instead.

Some tasks that required single-user mode in QuickBooks 2008 and earlier versions, such as backups, now run contentedly while several people work in a company file. You can verify data (page 175) while a company file is in multi-user mode, but others can't work on the file, and the verification isn't as thorough as one you perform while in single-user mode.

The good news is that you don't have to remember which tasks demand single-user mode; QuickBooks reminds you to switch modes if you try to perform a single-user-mode task when the company file is chugging away in multi-user mode. Because everyone else has to close the company file before you can switch it to single-user mode, you may find it easiest to wait until no one else is working on the company file (early in the morning or after business hours, say).

Here's how you switch from multi-user mode to single-user mode:

1. **If your single-user task can't wait until off hours, ask everyone else to close the company file you want to work on.**

They can choose File→Close/Logoff or simply exit QuickBooks to close the company file.

2. **When everyone else has closed the company file, open it in QuickBooks by choosing File→Open Previous File, and then selecting the company file in the submenu.**

If the company file doesn't appear on the Open Previous File submenu, choose File→“Open or Restore Company”. In the “Open or Restore Company” dialog box, select the “Open a company file” option, and then click Next. In the “Open a Company” dialog box, navigate to the folder where you store the company file, and then double-click the filename.

3. **Choose File→“Switch to Single-user Mode”. In the message box that appears telling you the file is in single-user mode, click OK.**

QuickBooks closes all open windows before it switches to single-user mode. After you click OK, it reopens the windows and you're ready to work solo on the company file.

4. **After you finish your single-user task, switch back to multi-user mode by choosing File→“Switch to Multi-user Mode”. When the message box appears telling you the file is in multi-user mode, click OK.**

You'll see all the windows in QuickBooks close. After you click OK, they reappear and the company file is back in multi-user mode.

5. **Don't forget to tell your colleagues that they can log back into the company file.**

Backing Up Files

If you already have a backup procedure for *all* your company data, QuickBooks' Backup command might seem about as useful as your appendix. Your companywide backups regularly squirrel your data files away in a safe place, ready to rescue you should disaster strike. Still, QuickBooks' Backup command can complement even

the most robust backup plan. And if you run a mom-and-pop business, online backups let you back up all of your data without hiring an IT staff. Here are some ways you can put QuickBooks' Backup command to work:

- **Backing up one QuickBooks company file.** Before you experiment with a new QuickBooks feature, you don't want to back up *all* your data—just the company file. That way, if the experiment goes terribly wrong, you can restore your backup and try a different approach. You can also call on the QuickBooks' Backup command when you've worked hard on your company file (pasting hundreds of inventory items into the file from Excel [page 70], say) and the thought of losing that work makes you queasy. In both these situations, running a QuickBooks *manual backup* creates a backup file immediately.
- **Scheduling backups of your QuickBooks data.** If you have trouble remembering to back up your work, QuickBooks' automatic backups have your back. You can set the program up to automatically back up a company file after you've opened it a certain number of times. Then, if you mangle your data or it gets corrupted in some way, you can use one of these backups to recover. The program can also create company-file backups automatically according to the schedule you specify. For example, QuickBooks can automatically back up your company file Tuesdays through Saturdays at 2:00 a.m.
- **Backing up your data online.** Online backups are a handy alternative to setting up your own backup plan—scheduling regular backups, rotating backup media, storing backups offsite, and so on. You can select which data you want to back up and when. That way, when QuickBooks creates the backups, your backup files are encrypted and stored at secure data centers managed by IT professionals. If you don't have IT staff to back up your data and keep it secure, this method may be worth every penny. See the box on page 163 to learn more.

Note: QuickBooks backup files aren't merely copies of your company files—they're compressed files that take up less space. QuickBooks 2011 packs more backup into smaller files than earlier versions of the program. Even so, backup files still aren't much smaller than company files—only 20 to 25 percent smaller, depending on what you store in your company file.

Whether you want to set up options for your backups, schedule backups, or run a backup immediately, open the QuickBooks Backup dialog box using any of the following methods:

- **Choose File→Create Backup.**
- **On the icon bar, click Backup.** If you don't see the Backup icon, which looks like a floppy disk, click the double arrows (>>) on the right end of the icon bar, and then choose Backup on the drop-down menu that appears. If the Backup command isn't on the icon bar, see page 622 to learn how to add commands to the icon bar.
- **Choose File→Create Copy, select the "Backup copy" option, and then click Next.** This method actually opens the "Save Copy or Backup" dialog box instead, but QuickBooks still displays the "Online backup" and "Local backup" options and the Options button, which are what you want.

Note: What and how often you back up are up to you (or your company's system administrators). It depends on what information you can't afford to lose and how much data you're willing to recreate in case of a disaster.

Choosing Standard Settings for Your Backups

For each company file that you back up, you can choose settings for when, where, and how many backups QuickBooks creates. These standard settings are great time-savers and make for consistent backups. For example, you can tell QuickBooks to ask you about backing up your data after you've closed the company file a specific number of times, or have it automatically append the date and time that you run the backup to the name of the backup file. You simply choose these settings once for each company file and QuickBooks uses them for every backup of that file—until you change the settings, of course.

Here's how you choose your backup settings:

1. **Choose File→Create Backup.**

The Create Backup dialog box opens.

2. **Select the “Local backup” option, and then click Options.**

The Backup Options dialog box, shown in Figure 7-1, lays out your choices for backing up the current company file.

3. **In the “Tell us where to save your backup copies (required)” box, click Browse. In the “Browse for Folder” dialog box, choose where you want to save it, and then click OK to get back to the Backup Options dialog box.**

To protect your data from human error and hardware failure, back up your file to a different hard drive or to removable media like a CD, DVD, or USB thumb drive.

Saving a backup file to the same hard drive where your company file is stored won't help you if your hard disk crashes. So if you choose a backup location that's the same as where you store your company file, QuickBooks displays a dialog box with two buttons. When a company-wide backup transfers data to removable media every night, backing up your company file to a hard drive is fine for protection during the day; in that case, click “Use this location”. To choose another location, click Change Location, which sends you back to the Backup Options dialog box so you can click Browse again.

Note: The “Browse for Folder” dialog box doesn't let you create a new folder. So if you want to save your backups in a folder that doesn't exist yet, click Cancel and create the new folder in Windows Explorer. Then, in the Backup Options dialog box, click Browse.



Figure 7-1:

The top section of the Backup Options dialog box includes settings that apply only to local backups, like the location and the number of backup copies you want to save. The settings in the “Online and local backup” section, on the other hand, apply whether you create a backup on your computer or use one of Intuit’s online backup services (page 163). For example, you can specify how thoroughly you want the program to verify that your data isn’t corrupted.

4. To make sure that you never overwrite a backup file, turn on the “Add the date and time of the backup to the file name (recommended)” checkbox.

With this setting turned on, when QuickBooks creates the backup file, it tacks a timestamp onto the end of the filename prefix so that the name looks something like *Double Trouble, Inc (Backup Sep 25, 2011 11 30 PM).qbb*. So unless you make multiple backups within a minute of each other, you can be sure that your filenames are unique.

5. To cap the number of backup copies you save, turn on the “Limit the number of backup copies in this folder to” checkbox and type a number.

If you turn on this setting, QuickBooks takes care of deleting older backup files. If you back up your files to an insatiable hard disk, you can save as many as 99 backups before QuickBooks starts deleting older ones. If you use a full-fledged backup program to back up all your data including your company files, you can limit the number of backup copies to two or three. Otherwise, choose the number that makes you feel comfortable.

6. To have QuickBooks nudge you to back up your file every so often, in the “Online and local backup” section, turn on the “Remind me to back up when I close my company file every _ times” checkbox.

That way, when you’ve closed the company file that number of times, QuickBooks displays the Automatic Backup message box. If you decide to bypass this automatic backup, click No in the message box. To create a backup of your company file, click Yes instead, which takes you to the QuickBooks Backup dialog box so you can run a manual backup.

Note: The “Remind me to back up when I close my company file every _ times” checkbox in the Backup Options dialog box *sounds* a lot like the “Save backup copy automatically when I close my company file every _ times” checkbox for scheduled backups (page 165), but the two do different things. The checkbox in the Backup Options dialog box tells QuickBooks to *ask* you if you want to back up your file after you’ve closed it that many times, whereas, the checkbox for scheduled backups tells QuickBooks to *create* a back up automatically—without asking—after you close the file that many times.

7. Select a verification option.

QuickBooks automatically selects the “Complete verification (recommended)” option, which scrutinizes your backup file to make sure that the data you save isn’t corrupt. To speed up the verification process (at the risk of letting some corrupted data slip through), select the “Quicker verification” option. At the other extreme, for high speed—and higher risk—select “No verification”.

8. When all the settings look good, click OK to close the Backup Options dialog box.

Backing Up Manually

If you just spent 4 hours of tedious typing to create a few dozen new customers in QuickBooks, you definitely want to save that work. To run a backup right away, here’s what you do:

1. If you want to back up your file to removable media like a CD, DVD, or tape, put the disc or tape in the drive now.

You don’t *have* to put the media in until just before you click Save, but you may as well do it now so you don’t forget.

2. Choose File→Create Backup.

The Create Backup dialog box opens with options for creating an online or local backup.

3. Decide where you want to back up your file (locally—on your computer—or online) and then click Next.

To save the file to your computer, select the “Local backup” option and then click Next. To create an online backup, select (you guessed it) the “Online backup” option. QuickBooks’ online backup service isn’t free, but it has its advantages, as the box on page 163 explains.

4. On the “When do you want to save your backup copy?” screen, select the “Save it now” option, and then click Next.

The Save Backup Copy dialog box opens, with the folder you specified in QuickBooks’ backup options (page 160) selected, as Figure 7-2 shows. If you want to save the file somewhere else, browse to the folder.

5. Click Save.

The Working message box shows QuickBooks’ progress as it verifies the data and creates the backup.

POWER USERS’ CLINIC

Backing Up Online

Intuit now offers two online backup services: QuickBooks Online Backup and its new Intuit Data Protect service. Both cost money, but as long as your Internet connection is relatively fast, an online backup service may be a worthwhile investment. If you pay for such a service, you can use it to back up your company files, databases, documents, email—all your data, not just stuff that’s in QuickBooks. That way, your backups reside in a data center managed by IT experts who live, eat, and breathe effective backup procedures.

QuickBooks Online Backup works with all versions of QuickBooks. Intuit Data Protect, on the other hand, only works with QuickBooks 2011. This new service is integrated with QuickBooks 2011, so you can see your backup status and launch the service from the Backup Status section on the right side of the QuickBooks Home page. Both services automatically back up the files you specify online. Intuit Data Protect automatically runs backups in the background every day so they don’t interrupt your work—even if you have your company file open.

Intuit’s QuickBooks Online Backup service (http://quickbooks.intuit.com/product/add_ons/online_data_backup.jsp) offers three plans: You can back up 1 GB (for \$4.95 a month or \$49.95 a year), 25 GB (for \$14.95 a month or \$149.95 a year), or 75 GB (for \$24.95 a month or \$219.95 a year). Intuit Data Protect costs \$4.95 a month to back up one QuickBooks company file or \$9.95 a month to back up your entire PC. You can check either service out with a

30-day free trial. Intuit support plans (page 675) provide a subscription to Online Backup Service or Intuit Data Protect as part of the deal.

However, Intuit’s backup services aren’t the only game in town. If the benefits of backing up online sound good, look at other services before you make your decision. Carbonite (www.carbonite.com) is a popular one that gives unlimited storage space for \$54.95 a year. Dropbox (www.getdropbox.com) is a backup and synchronization service, perfect for financial professionals on the go. When you store files in a special folder on your computer, Dropbox copies them to your online account. If you hit the road with your laptop, Dropbox downloads the files onto your laptop when you go online. You get 2 GB of storage for free; 50 GB or 100 GB of data costs \$9.99 or \$19.99 a month, respectively. Mozy (www.mozy.com) also offers 2 GB of storage for free. After that, you pay \$4.95 per month for unlimited storage.

Another option with a different approach is CrashPlan (www.crashplan.com). With this service, you can back up your files to the destination of your choice: another hard disk on your computer, from your laptop to your desktop computer, a computer in another location, even from a Mac to a PC. CrashPlan compresses your files, so backups take no time at all. You can download CrashPlan software at no charge, or purchase its online backup service for \$4.50 a month or \$54 a year.

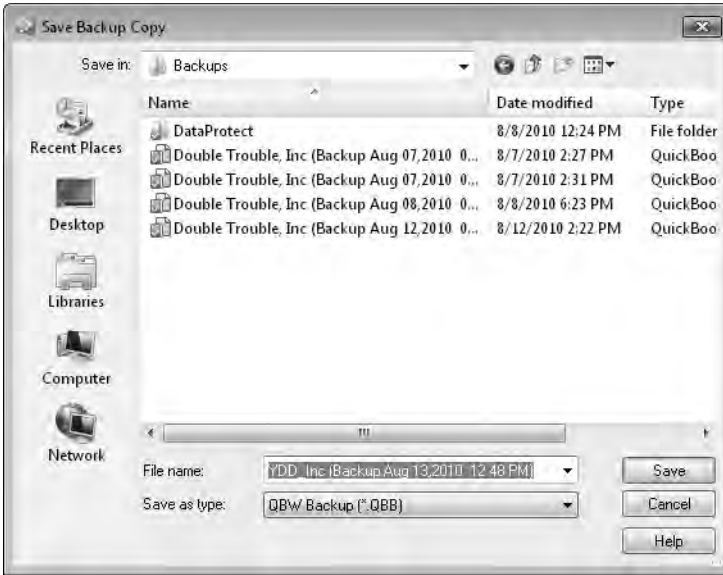


Figure 7-2: QuickBooks automatically fills in the “File name” box with the same filename prefix as your company file and adds a timestamp to show when you made the backup—unless you told it not to (see step 4 on page 161). For example, if you’re backing up your DoubleTrouble.qbw file, the backup file prefix is something like “DoubleTrouble (Backup Aug 09,2010 05 28 PM)”. In the “Save as type” box, the program automatically selects “QBW Backup (*.QBB)”.

Automated Backups

QuickBooks can back up your data without your help in two different ways:

- **Automatic backup.** This kind of backup runs after you close a company file a specific number of times, which is great for protecting the work you do in a few back-to-back QuickBooks sessions. You simply close the company file at the end of a session and QuickBooks immediately creates a backup if this session hit the magic number.
- **Scheduled backups.** You can also schedule backups to run at a specific date and time (typically when you aren’t around). A scheduled backup for a single company file is ideal when your QuickBooks data is the *only* data on your computer or you want to back up your books more often than your other data. Otherwise, you’re better off using your operating system’s backup feature (or an online backup service—see the box on page 163) to schedule a backup that captures *all* your data.

This section explains the differences and how you set each one up.

Setting up automatic backups

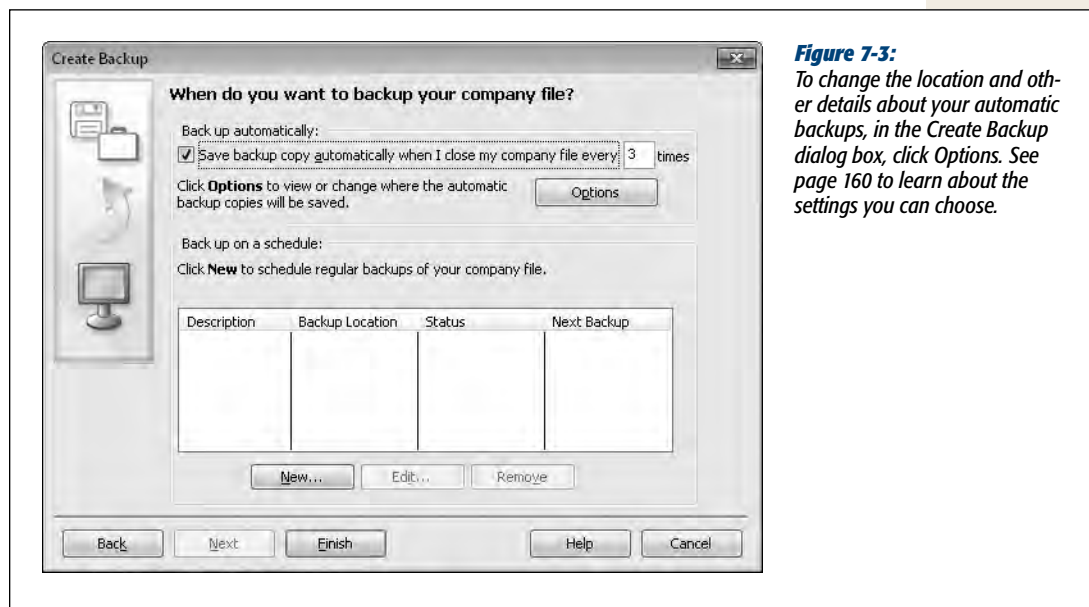
Automatic backups require a bit of setup up front. You tell QuickBooks where you want to store the backup files and the number of sessions between backups, and from then on, they spawn themselves quietly in the background. Here's how you set this up:

1. Choose File→Create Backup. In the Create Backup dialog box, select the “Local backup” option, and then click Next.

The “When do you want to save your backup copy?” screen appears.

2. To define a backup schedule, select the “Only schedule future backups” option, and then click Next.

QuickBooks displays the settings you can use to define both automatic backups and scheduled backups, as shown in Figure 7-3.



3. Turn on the “Save backup copy automatically when I close my company file every _ times” checkbox. In the text box, type the number of sessions you want in between automatic backups.

For example, if you type 5, QuickBooks creates an automatic backup when you close the company file the fifth time since the last backup.

4. Click Finish.

QuickBooks starts counting. After you've completed the number of sessions you specified for the company file, the QuickBooks Automatic Backup message box appears telling you that it's creating the automatic backup as promised.

The file-naming convention that QuickBooks uses for automatic backup files is:

ABU_0_<company name> <date stamp> <time stamp>

For example, the first automatic backup file might be *ABU_0_Double Trouble, Inc Mar 13,2011 05 17 PM* (ABU stands for “automatic backup”). However, when QuickBooks creates the next automatic backup, QuickBooks renames the file that begins with ABU_0 to start with ABU_1, (*ABU_1_Double Trouble, Inc Mar 13,2011 05 17 PM*, for example) and renames the ABU_1 file to start with ABU_2, and so on. With this system, you always know that the file that starts with ABU_0 is the most recent automatic backup.

Scheduling backups for a single company file

Although most companies back up all their computers on a regular schedule, you can set up a scheduled backup for your QuickBooks company file for an extra layer of safety. If you back up your data every other day, for example, you may want to back up your company file every night, and a QuickBooks scheduled backup is the ideal way to do it. Here’s how you schedule backups:

1. **Choose File→Create Backup. In the Create Backup dialog box, select the “Local backup” option, and then click Next.**

The “When do you want to save your backup copy?” screen appears.

2. **To set a backup schedule, select the “Only schedule future backups” option, and then click Next.**

If you want to make a backup right away as well as set up the schedule, select the “Save it now and schedule future backups” option instead. Either way, the screen that appears includes a table showing scheduled backups you’ve already set up, plus each backup’s description, location, status, and next occurrence.

3. **To set up a schedule, below the table, click New.**

QuickBooks opens the Schedule Backup dialog box (Figure 7-4) with all the options you need to set up a regularly scheduled backup.

4. **In the Description box, type a meaningful name for the scheduled backup, like *Monthly Offsite*.**

When you finish defining the schedule, the description will appear in the table in the Create Backup dialog box. Consider including the frequency of the backup and where to find the backup (such as the network drive or offsite location) in the name.

5. **Click Browse to specify the backup location.**

QuickBooks opens the “Browse for Folder” dialog box. To choose a folder, hard drive, or other location on your computer, expand the Computer or My Computer entry (depending on your operating system), and then choose the location you want. If you want to store the backup on another computer on your network, expand the Network or My Network Places entry instead, and then choose a location. Click OK when you’re done.

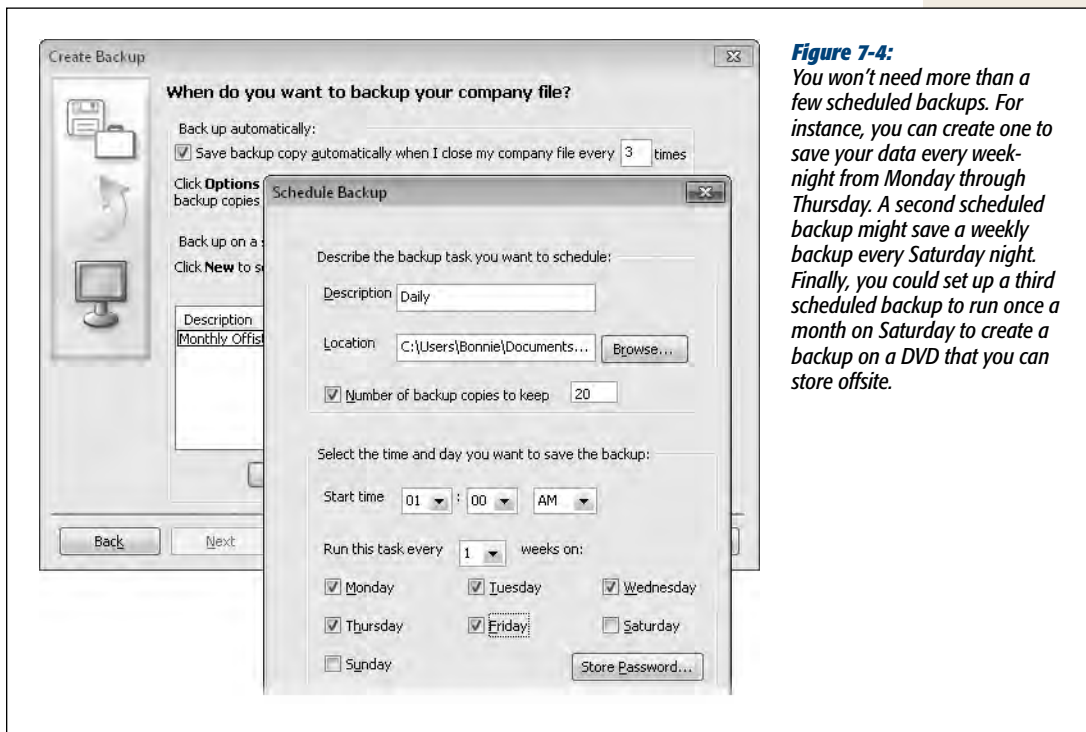


Figure 7-4:

You won't need more than a few scheduled backups. For instance, you can create one to save your data every week-night from Monday through Thursday. A second scheduled backup might save a weekly backup every Saturday night. Finally, you could set up a third scheduled backup to run once a month on Saturday to create a backup on a DVD that you can store offsite.

Warning: If you've scheduled backups, don't turn off your computer when you go home, or your backup won't work. And if you back up to a hard drive on another computer, you have to leave that computer running, too. If you back up to any kind of removable media, be sure to place a blank disk or tape in the drive before you leave the office.

6. If you back up your company file to a hard drive and don't want to overwrite your previous backup each time the scheduled backup runs, turn on the "Number of backups to keep" checkbox and, in the box to the right of the label, type the number of previous backups you want to keep.

When you turn on this checkbox, QuickBooks uses the filename `SBU_0_<company name> <date stamp> <time stamp>`. For example, a scheduled backup file might be `SBU_0_Double Trouble, Inc Sep 24,2010 01 00 AM` (SBU stands for "scheduled backup"). Each time QuickBooks creates a new scheduled backup file, it renames the previous backups to the next number in the list, and then replaces the SBU_0 file with the new backup. For example, if you keep four backups, the SBU_2 backup becomes the SBU_3 file; the SBU_1 file becomes the SBU_2 file; the SBU_0 backup file becomes the SBU_1 file; and the new backup becomes the new SBU_0 file. The most recent backup always starts with "SBU_0."

7. In the “Start time” boxes, choose when you want the backup to run.

The “Start time” boxes work on a 12-hour clock, so you specify the hour, minute, and a.m. or p.m.

Tip: It’s easy to confuse midnight and noon on a 12-hour clock (midnight is 12 a.m., noon is 12 p.m.). Avoid this gotcha by running your scheduled backups at 11 p.m., 1 a.m., or later.

8. To set the frequency of the backup, in the “Run this task every _ weeks on” box, select the number of weeks that you want between backups, and then turn on the checkboxes for each day of the week on which you want the backup to happen.

For example, for daily backups, in the “Run this task every _ weeks on” box, choose 1, and then turn on the checkbox for each weekday.

9. Click Store Password, and then type your Windows user name and password.

QuickBooks needs your user name and password so it can log into the computer to run the backup.

10. When you’re done, click OK.

QuickBooks adds the backup to your list of scheduled backups.

Restoring Backups

Having backup files can reduce your adrenaline level in a number of situations:

- You merge two customers by mistake or commit some other major faux pas that you want to undo.
- Your company file won’t open, which can happen if it’s been damaged by a power outage or power surge.
- Your hard disk crashes and takes all your data with it.
- You recently assigned a password to your administrator login and can’t remember what it is.

Warning: Hard disk crashes used to be dramatic events accompanied by impressive grinding noises. With today’s smaller, faster hard disks, crashes can be deceptively quiet. If you hear any odd sounds emanating from your computer—little chirps or squeaks, for instance—stop what you’re doing immediately. Take it to a computer repair shop to see if they can fix it or recover your data. If you shut down your computer and it won’t reboot because of a disk crash, a data-recovery company can sometimes salvage some of your data, but the price is usually in the thousands of dollars. If smoke wafts from your computer, don’t bother with shutting down—just pull the plug and get that puppy to a repair shop.

Note: QuickBooks 2011 can restore backup files to a format you can use in earlier versions of the program—if, for example, you decide to switch back to QuickBooks 2009 or an earlier version. The box below tells you why and how to use the Restore Backup File For Earlier QuickBooks Version command.

DON'T PANIC

Restoring to an Earlier QuickBooks Version

Since QuickBooks 2010, the QuickBooks backup command uses a new and improved method to compress backup files that doesn't play well with earlier versions of the program. But, as part of converting a company file to a new version, QuickBooks backs up your file so you can restore it in case you run into trouble. So if you switch back to an earlier version of the program, you can't restore a QuickBooks 2010 or 2011 backup file *directly* in that earlier version. Here's what to do instead:

1. In QuickBooks 2010 or 2011, choose File→Utilities→Restore Backup For Earlier QuickBooks Version.
2. In the "Select the backup file you want to restore" section, click the ellipsis button (...). The Open Backup Copy dialog box appears, displaying the contents of the folder where you last saved backup files.
3. Select the QuickBooks backup file you want to restore, and then click Open.

4. In the "Where do you want to save the restored file?" section, click the ellipsis button (...). The "Save Company File as" dialog box appears showing the contents of the backup folder.
5. Navigate to the folder where you want to save the restored company file; for example, you might choose the folder you use to store your company files (page 664).
6. In the "File name" box, type a unique name for the restored file, and then click Save.
7. Click OK. A message box appears telling you that the file has been restored and where it is. Click OK to close the message box.

Now, you can open the restored file as a regular company file in your earlier version of QuickBooks.

Here's how to restore a QuickBooks backup when you need to recover from a mistake or damaged data:

1. **If you backed up your data to removable media, put the disk containing your backup in the appropriate drive.**

If you backed up your data to another hard drive on your computer or on a network, make sure you have access to that drive.

2. **Choose File→Restore Previous Local Backup, and then choose the backup you want to restore on the drop-down menu.**

Alternatively, to restore a local or online backup, you can also choose File→"Open or Restore Company". In the "Open or Restore Company" dialog box, shown in Figure 7-5, select the "Restore a backup copy" option, and then click Next. Select "Local backup", and then click Next. In the Open Backup Copy dialog box, navigate to your backup file and double-click the name of the file you want to restore.

**Figure 7-5:**

Similar to when you create backups, you have to tell QuickBooks that you want to restore a backup file and where that file is. From this dialog box, you can open a regular company file, restore a backup, restore a portable file (page 28), or convert an accountant's copy (page 467).

3. In the “Open or Restore Company” dialog box, the “Where do you want to restore the file?” screen makes it clear that you need to choose the location carefully. Click Next and, in the “Save Company File as” dialog box, choose the folder where you want to restore the file.

If you restore the backup to your regular company-file folder, you run the risk of overwriting your existing company file. If that's what you want, fine. If it's not, that file may be gone for good.

4. In the “File name” box, type a new name, as shown in Figure 7-6.

The dialog box opens to the folder where you store your company files (page 21). QuickBooks fills in the “File name” box with the company file's name (minus the timestamp). If you want to replace a company file that's corrupt or has evidence of your big gaffe, you can use this filename. If that's not what you want to do, type a new name.

Tip: If you give a restored file a different name as a precaution—Double Trouble Copy, for example—you can trick QuickBooks into renaming the file after you're sure it's the one you want. To do that, create a manual backup of the file (page 162). Then, immediately restore it with the company filename you want (Double Trouble in this example).

5. Click Save.

If you're restoring a backup of a company file that already exists, QuickBooks warns you that you're about to overwrite an existing file. If the original file is corrupt or won't open for some reason, click Yes because that's exactly what you want to do. You'll also have to type Yes to confirm that you want to delete the file. It's better to take these precautions than to overwrite the wrong file and have to dig out yet another backup.

If the restored file has a password, you have to log in, just as you do in a regular company file. When you see a message that says your data has been restored successfully, click OK to open the company file and reenter any transactions that the backup doesn't have.

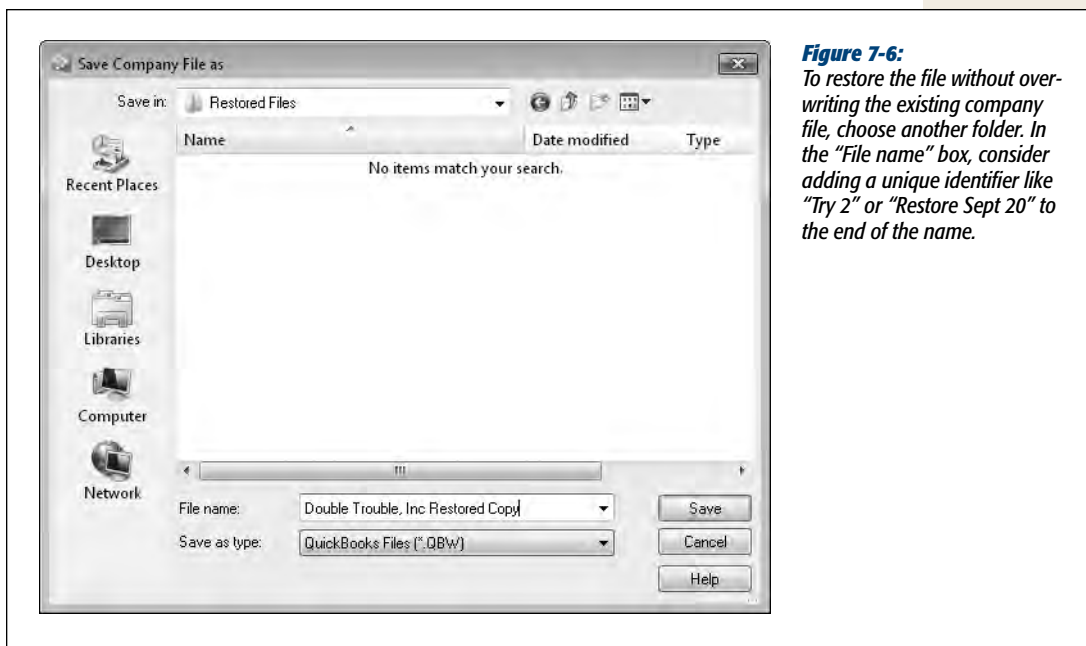


Figure 7-6: To restore the file without overwriting the existing company file, choose another folder. In the "File name" box, consider adding a unique identifier like "Try 2" or "Restore Sept 20" to the end of the name.

Note: If restoring a backup copy from removable media (CD, DVD, USB thumb drive, Zip disk, or floppy) doesn't work, try copying the contents of the backup media to your hard drive and restoring the backup file from there. If the restore *still* doesn't work, your backup file is probably damaged, try restoring the next most recent backup.

If none of your backups work, Intuit offers data-recovery services to extract data from your backup files. The service isn't free, but it might be cheaper than rebuilding your entire company file. To arrange for this service, choose Help→Support. On the QuickBooks Support web page, click Contact Us and then call the telephone number listed there.

Sending Company Files to Others

In the past, QuickBooks company files were unwieldy. To give a copy to your accountant, you needed a lightning-fast Internet connection, a CD or DVD—or a forklift. But QuickBooks now has *portable* company files, a slim format that flies through the email ether and slips effortlessly into removable media like USB thumb drives and CDs. You can email a portable company file to your accountant or transfer the file to a colleague before you head out on vacation.

Tip: If you intend to work on the company file at the same time as your accountant and want to merge her changes into your copy, create an Accountant's Copy (page 463) instead of a portable copy. But, before you transmit your file electronically, be sure you've added a password to it so nobody else can intercept it and access your financial data.

For example, a company file that's more than 10 MB in size turns into a portable company file of less than 1 MB. Portable company files have a .qbm file extension, but QuickBooks converts them to regular company files with a .qbw file extension when you open them.

Note: If the person you send the file to is going to make any changes and send the file back, she needs a login or the administrator password. Remember that this password lets her use any and every QuickBooks feature on your file, so don't give it out to just anybody.

Creating a Portable Company File

Creating a portable company file is just a wee bit more complicated than saving a file. Here are the steps:

- 1. Choose File→Create Copy.**

The QuickBooks 2011 File menu has separated the "Save Copy or Backup" command that appeared in earlier versions of the program into two entries: Create Backup and Create Copy. The Create Backup command, not surprisingly, lets you create a backup file. The Create Copy command lets you create a backup file, a portable company file, *or* an accountant's copy.

- 2. In the "Save Copy or Backup" dialog box, select the "Portable company file" option as shown in Figure 7-7, and then click Next.**

QuickBooks opens the Save Portable Company File dialog box. It automatically fills in the "File name" box with the name of your company file followed by "(Portable)", and sets the "Save as type" box to "QuickBooks Portable Company Files (*.QBM)".

- 3. If you want to use a different filename, change the name in the "File name" box, and then click Save.**

The "Close and reopen" dialog box tells you that you need to close and reopen your company file to create a portable file.

- 4. Click OK to create the file.**

A message box appears when QuickBooks finishes creating the portable company file. Click OK to reopen your company file in QuickBooks.

Feel free to view the portable company file in Windows Explorer and admire its sleek size.

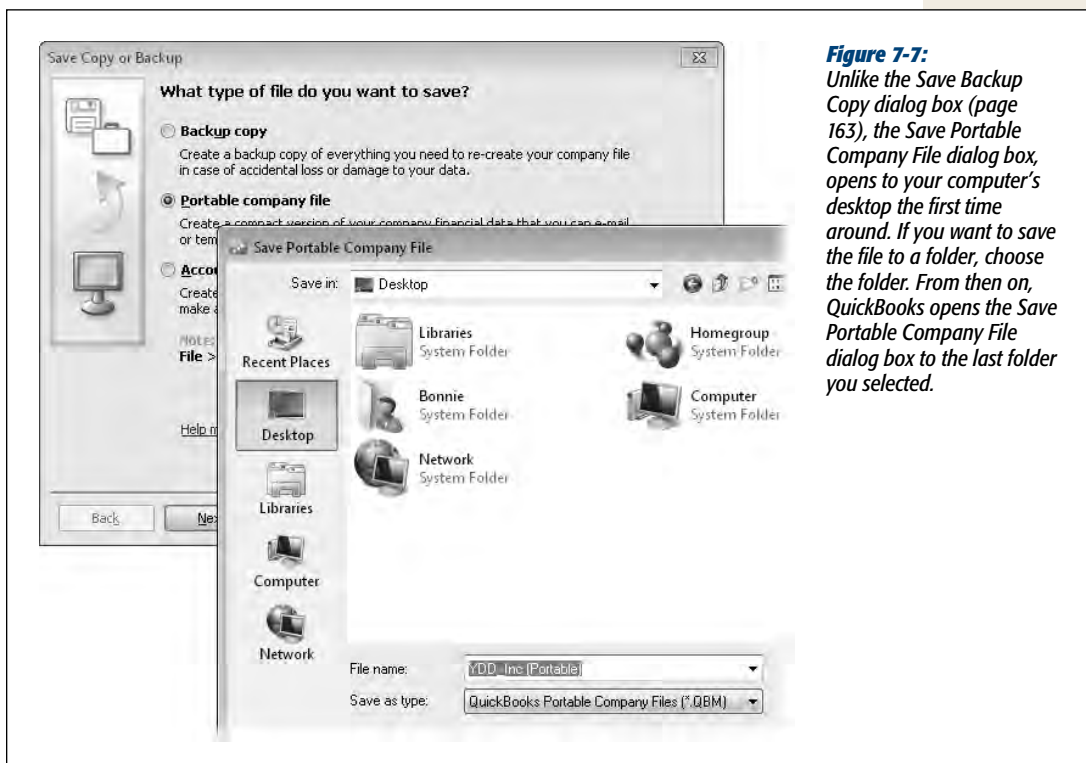


Figure 7-7: Unlike the *Save Backup Copy* dialog box (page 163), the *Save Portable Company File* dialog box, opens to your computer's desktop the first time around. If you want to save the file to a folder, choose the folder. From then on, QuickBooks opens the *Save Portable Company File* dialog box to the last folder you selected.

Opening a Portable Company File

Opening a portable company file is almost identical to restoring a backup file, except for a few different setting labels. QuickBooks essentially converts the portable format file into a full-size, bona fide company file. Here's what you do:

1. Choose **File**→**"Open or Restore Company"**.

If the *No Company Open* window is visible, you can click "Open or restore an existing company." Either method opens the "Open or Restore Company" dialog box.

2. In the "Open or Restore Company" dialog box, select the "Restore a portable file" option, and then click **Next**.

QuickBooks opens the *Open Portable Company File* dialog box to the last folder you selected for portable company files.

3. Double-click the portable file you want to restore (or select its filename and then click **Open**).

QuickBooks sets the "Files of type" box to "QuickBooks Portable Company Files (*.QBM)" so the dialog box's list shows only portable company files.

4. Back in the “Open or Restore Company” dialog box, the “Where do you want to restore the file?” screen makes it clear that you should choose the location carefully. Click Next.

If you restore the portable file to your regular company-file folder, you’ll overwrite your existing company file. If that’s what you want, fine. Otherwise, be sure to choose another folder or change the filename.

5. In the “Save Company File as” dialog box, choose the folder to which you want to restore the file. In the “File name” box, type a new name.

The dialog box opens to the folder you last chose for portable files. If you want to replace your company file, choose the folder that holds your everyday company file. QuickBooks fills in the “File name” box with the last restored filename you used.

6. Click Save.

If you’re restoring a portable file for a company file that already exists, QuickBooks warns you that you’re about to overwrite an existing file. If that’s what you want, click Yes, and then type *Yes* to confirm that you want to delete the existing file.

The Working message box shows its progress (restoring a portable file can take several minutes). When the file is ready, the QuickBooks Login dialog box appears or, if you don’t use a password, the file opens.

Verifying Your QuickBooks Data

QuickBooks files hiccup now and then. Perhaps you worked through a spectacular thunderstorm and a power spike zapped a bit of your company file, say. Fortunately, QuickBooks’ has a feature that can scan your company files and tell you whether the file has suffered any damage: the Verify Data utility. It’s a good idea to run the utility every so often, just to make sure that your company file is OK. How often you run this utility depends on how hard you work your company file, but monthly verifications are in order for most companies. The utility is indispensable, though, if you notice any of the following symptoms:

- **Invalid protection faults or fatal errors.** If these types of errors appear in message boxes when you run QuickBooks, you almost certainly have a damaged data file.
- **Discrepancies on reports.** Your Balance Sheet doesn’t show all your accounts, or transactions show negative values instead of positive ones.

Tip: If the totals in your reports don’t seem right, first check that the report dates are correct and that you’re using the right cash or accrual accounting setting (see page 589).

- **Missing transactions and names.** Transactions or names that you’re sure you entered don’t appear in reports or lists.

Running the Verify Data Utility

Whether you're just giving your company file a checkup or you see signs of problems, the Verify Data utility is easy to use. To run it, choose File→Utilities→Verify Data. (If any windows are open, click OK to give QuickBooks permission to close them.) When the utility is done working, you'll have one of two possible outcomes:

- If QuickBooks displays a message saying that it detected no problems with your data, congratulations—your file is healthy!
- If you see the message “Your data has lost integrity,” your company file has some problems. QuickBooks displays instructions for running the Rebuild Data utility, which tries to repair the damage. Read on to learn what to do.

Reviewing Problems

If your company file has “lost integrity,” the Verify Data utility writes down any errors it finds in a file named *QBWIN.log*. Before you run the Rebuild Data utility, it's a good idea to take a look at this log file and review your company file's problems. However, you'll need a map to find the log file. Fortunately, you can open the file with the Windows Notepad program. Here's how:

1. In Windows Explorer, go to the folder where QuickBooks stores *QBWIN.log*.

In Windows 7, it's *C:\Users\<your user name>\AppData\Local\Intuit\QuickBooks\log\21.0*.

In Windows XP, it's *C:\Documents and Settings\<your user name>\Local Settings\Application Data\Intuit\QuickBooks\log\21.0*.

Note: Windows initially hides application-data folders like the log folder you're looking for here. If you don't see the folder, in the Windows Explorer window's menu bar, choose Organize→“Folder and search options” (in Windows 7) or Tools→Folder Options (in Windows XP). Then click the View tab. In the “Advanced settings” list, under “Hidden files and folders”, select “Show hidden files, folders, and drives”.

2. To open the log file, double-click its name.

The file opens in Windows Notepad, and you can use Notepad commands to move around the file. (If the file doesn't open, launch Notepad, choose File→Open, and then double-click the *QBWIN.log* filename.) The most recent addition to the file is at the very end.

When you verify data, QuickBooks automatically renames the previous *QBWIN.log* file to *QBWIN.log.old1* so that the *QBWIN.log* file contains information for only the most recent verification. QuickBooks also renames other old files, changing *QBWIN.log.old1* to *QBWIN.log.old2*, and so on.

Running the Rebuild Data Utility

If your file is damaged, QuickBooks' Rebuild Data utility tries to fix it. Unfortunately, it can also make matters worse. Intuit recommends that you run the Rebuild Data utility *only if* an Intuit technical support person tells you to. *Always* make a backup of your company file before trying to rebuild it. Take extra care to prevent overwriting your previous backups—those files might be your only salvation if the rebuild doesn't work.

To run the Rebuild Data utility, choose File→Utilities→Rebuild Data. When the utility is done working, close your company file and reopen it; this refreshes the lists in your data file so you can see if the problems are gone. Then, run the Verify Data utility once more to see if any damage remains. If this second Verify Data run still shows errors, restore a recent backup of your company file (page 168).

Cleaning Up Data

As you add transactions and build lists in QuickBooks, your company file gets larger. Although larger company files aren't too big of a hassle, you might be alarmed when your company file reaches hundreds of megabytes. Plus, if you use CDs to back up your file, your backups will start to take up too much valuable time and storage space. Enter the Clean Up Company Data command, which creates an archive file and deletes obsolete list items and transactions prior to the date you choose.

Warning: The Clean Up Company Data wizard removes the audit trail information for transactions that the cleanup deletes. So if you're watching transaction activity, print an Audit Trail report *first*, and, as always, back up your company file.

When QuickBooks cleans up data, it replaces the detailed transactions prior to your specified date with general journal entries that summarize the deleted transactions by month. As a result, some of your financial details are no longer available for running reports, filing taxes, and other accounting activities. Still, there are a couple of compelling reasons to do a data cleanup:

- **You no longer refer to old transactions.** If you've used QuickBooks for years, you probably *don't* need the finer details from eight or more years ago. And if you ever do need details from the past, you can open an archive file to run reports.
- **You have obsolete list items.** Cleaning up a company file can remove list items that you don't use, like customers you no longer sell to. This option comes in handy if you're nearing the limit on the number of names (page 63).

Note: If the Clean Up Company Data command isn't the housekeeper you hoped for, you can always start a fresh company file. That way, you can export all the lists from your existing company file (page 610) and import them (page 616) into the new file, so you start with lists but no transactions. Set your accounts' opening balances (page 54) to the values for the start date of the new file.

An archive file created by the Clean Up wizard is a regular company file that contains all of your transactions, but it's *read-only*, meaning you can't add data to it or edit it, so you can't inadvertently enter new transactions. If QuickBooks runs into trouble cleaning up your file, it automatically pulls transaction details from the archive file. An archive copy is not a backup file, so you can't use it with the Restore command (page 168) to replace a corrupt company file. So even if you create an archive copy, you still need to back up your data.

If you decide to clean up your company file, here's what you can expect to find afterward:

- **General journal entries summarize deleted transactions.** QuickBooks replaces all the deleted transactions that happened during each month with one general journal entry. For example, instead of 20 separate invoices for the month of June, you'll see one journal entry transaction with the total income for June for each income account.

Note: If you see other transactions for the same month, QuickBooks wasn't able to delete those transactions for some reason. For instance, QuickBooks won't delete unpaid invoices or other transactions with an open balance, nor will it delete any transactions marked "To be printed" (page 227) or ones that you haven't reconciled (page 408).

- **Inventory adjustments reflect the average cost of items.** QuickBooks removes inventory transactions that are complete, such as invoices that have been paid in full. When QuickBooks finds an inventory transaction that it can't condense (perhaps because the payment is outstanding), it keeps all the inventory transactions from that date forward. Because inventory transactions use the average cost of inventory items, QuickBooks also adds an inventory adjustment to set the average cost of the items as of that date.
- **Reports might not include the details you want.** You can still generate summary reports using condensed data because QuickBooks can incorporate the info in the monthly general journal entries. Likewise, sales tax reports still include data about your sales tax liabilities. But detailed reports won't include transaction details before the cutoff date you choose for condensing the file (see page 178). And cash accounting reports (see page 7) won't be accurate because they need the dates for detailed transactions.
- **You still have payroll info for the current year.** QuickBooks keeps payroll transactions for the current year and the previous year regardless of the cutoff date you choose for condensing the file.
- **QuickBooks deletes estimates for closed jobs.** If a job has any status other than Closed, QuickBooks keeps the estimates for that job.
- **QuickBooks retains time data that you haven't billed.** QuickBooks keeps any time you've tracked that's billable but that you haven't yet billed to your customers. Also, if you pay employees by the time they work, QuickBooks keeps data about time for which you *haven't* compensated your employees.

Running the Clean Up Company File Utility

If you're ready to clean up your company file, first consider *when* to do it. The cleaning process can take several hours for a large company file, and a slow computer or a small amount of memory exacerbates the problem. You might want to clean your company file at the end of a workday so it can run overnight.

Here's how to condense a company file:

1. **Choose File→Utilities→Clean Up Company Data.**

If you've created budgets in QuickBooks, you'll see a message that the cleanup might remove budget data. You can export your budget before you clean up your data and then import the budget back into your company file after cleanup (page 501). If the loss of some budget data doesn't scare you, click Yes. The Clean Up Company Data dialog box opens.

2. **Select the "Remove transactions as of a specific date" option.**

This option deletes old transactions and things like unused accounts and items.

The "Remove ALL transactions" option removes transactions but keeps your preferences, lists, and service subscriptions—such as payroll—intact. You won't use this option often, but it comes in handy if, for example, you want to offer your clients a template company file that contains typical list entries, but without any transactions.

3. **In the "Remove closed transactions on or before" box, type or select the ending date for the period you want to condense, and then click Next.**

If you use a QuickBooks Payroll Service (page 373), you can't clean up data for the current year. Besides, QuickBooks won't let you clean up transactions that are later than the closing date on your company file (page 474). Choosing a date at least two years in the past ensures that you can compare detailed transactions for the current year and the previous year. For example, if it's March 1, 2011, consider using December 31, 2009 or earlier as your cutoff date.

4. **On the "Select Additional Criteria for Removing Transactions" screen, turn on the appropriate checkboxes if you want to remove transactions that the clean-up process would normally leave alone, and then click Next.**

Figure 7-8 shows your choices. Before you turn on these checkboxes, carefully review your company file to make sure you won't delete transactions that you want to keep.

5. **On the "Select Unused List Items To Remove" screen, turn on the appropriate checkboxes if you want QuickBooks to delete list items no longer referenced in the cleaned up file. Then click Next.**

Accounts, customers, vendors, other names, and invoice items might become orphans when you delete old transactions they're linked to. You can neaten your file by removing these list items, which now have no links to the transactions that still remain. But keep in mind that you might still work with one of these vendors or customers later.



Figure 7-8:
The Clean Up Company File utility includes settings to remove transactions that it would normally leave alone—like transactions marked “To be printed” that you don’t need to print. If you have very old, unreconciled transactions, invoices, or estimates marked “To be sent,” or transactions with unreimbursed costs, turn on these checkboxes to remove them during the cleanup.

If seeing all the To Do notes you’ve completed gives you a sense of accomplishment, leave the “Done” To Do notes” checkbox turned off. To keep only To Do notes that you *haven’t* completed, turn this checkbox on.

6. On the “Proceed with cleanup?” screen, click Begin Cleanup.

If you’re not sure of the options you chose, or if you have any doubts about cleaning up your file, click Back to return to a previous screen, or click Cancel to exit without running the cleanup.

When you click Begin Cleanup, QuickBooks tells you that it’ll back up your file before condensing the transactions. Click OK when you’re ready to back up *and* clean up your data. QuickBooks first creates a backup file of your data. Then, it creates the archive file (a QuickBooks company file, not a backup file; see page 177) in the same folder as your original company file. The filename for the archive copy has the format *Archive Copy mm-dd-yyyy <company name>.qbw*, where “mm” represents the month, “dd” the day, and “yyyy” the year that you created the file.

As QuickBooks proceeds with the cleanup process, it scans your data *three* times. You might see dialog boxes wink on and off in rapid succession; then again, you might not see anything happen for a while if your file is large. But if your hard disk is working, the cleanup process is still in progress. Be patient and resist clicking Cancel. When the cleanup is complete, QuickBooks displays a message telling you so.

Cleaning Up After Deleting Files

QuickBooks doesn’t give you a command for deleting company files. If you want to get rid of a practice file you no longer use, you can easily delete the file right in

Windows. But you'll still have some housekeeping to do to remove all references to that file from QuickBooks.

A deleted company file will still appear in QuickBooks' the list of previously opened files (page 26), but the program won't be able to find the file if you choose that entry. Here's how you eliminate those stale entries:

1. **In Windows Explorer, navigate to the folder where your QuickBooks company files are stored, and then right-click the company file you want to delete.**

What you look for depends on how you've set up your folder view. If your folder shows the full names of your files, look for a file with a .qbw file extension, such as *DoubleTrouble, Inc.qbw*. If the folder includes a Name column and a Type column, the type you want is QuickBooks Company File.

Files with .qbx extensions represent accountant's copies (page 463). Files with .qbb file extensions are backup copies of your company files. If you delete the company file, go ahead and delete the backup and accountant's copies as well.

2. **On the shortcut menu, choose Delete.**

Windows displays the Confirm File Delete message box. Click Yes to move the file to the Recycle Bin. If you have second thoughts, click No to keep the file.

3. **In QuickBooks, to eliminate the deleted company file from the list you see when you choose File→Open Previous Company, open another company file by choosing the filename for that company on the Open Previous Company menu.**

Alternatively, if QuickBooks' displays the No Company Open window, open the company file that you typically work with by double-clicking it.

4. **To clear out old files in the previously opened file list, reset the number of companies displayed in the No Company Open window by choosing File→Open Previous Company→“Set number of previous companies”.**

In the “How many companies do you want to list (1 to 20)?” box, type 1 and then click OK. Then, if you choose File→Open Previous Company again, you'll notice that only one company appears—the company file you opened last.

Note: In the No Company Open window, the “Select a company that you've previously opened and click Open” list still shows all the company files you've opened recently.

5. **Now that you've removed the deleted company file from the drop-down menu you can reset the number of previously opened companies. With a company file open, choose File→Open Previous Company→“Set number of previous companies”.**

In the “How many companies do you want to list (1 to 20)?” box, type the number of companies you'd like to see in the list, and then click OK.

As you open different company files, QuickBooks lists these files in the No Company Open window and on the Open Previous Company menu.

Tracking Time and Mileage

When customers pay for your services, they're really buying your knowledge of how to get the job done the best and fastest possible way. That's why a carpenter who can barely hit a nail on the head charges \$15 an hour, whereas a master who hammers faster and straighter than a nail gun charges \$80 an hour. When it comes right down to it, time is money, so you want to keep track of both with equal accuracy. Product-based companies track time, too. For example, companies that want to increase productivity often start by tracking the time that employees work and what they work on.

There are hordes of off-the-shelf and homegrown time-tracking programs out there, but if your time-tracking needs are fairly simple, you can record time directly in QuickBooks or use its companion Timer program, which you can provide to each person whose work hours you want to track. The advantage of QuickBooks' time tracking is that the hours you record are ready to attach to an invoice (see page 273) or payroll (see page 381). In this chapter, you'll learn how to record time in QuickBooks itself. Appendix D (online at www.missingmanuals.com/cds) explains the ins and outs of the stand-alone Timer program.

If you track billable hours for lots of employees or contractors, Intuit offers online time-tracking programs. Time Tracker is a for-a-fee online timesheet service. Intuit Time and Billing also tracks time, but it has features to help professional service companies track time, choose time to bill, and then create invoices for billable time in QuickBooks. Because these applications cost extra, this chapter simply tells you where to learn more about them.

Mileage is another commodity that many businesses track—or should. Whether your business hinges on driving or merely requires the occasional jaunt, the IRS lets

you deduct vehicle mileage, *but* it requires documentation of the miles you deduct. QuickBooks' mileage-tracking feature helps you track the mileage of company vehicles, which you can use not only for tax deductions, but also to charge customers for mileage.

Setting Up Time Tracking

For many businesses, *approximations* of time worked are fine. For example, employees who work on only one or two tasks each day can review the past week and log their hours in a weekly timesheet. But for people with deliciously high hourly rates, you want to capture every minute spent on an activity.

QuickBooks can help you track time whether you take a conscientious approach or a more cavalier one. In fact, you can choose from three different ways to record time in QuickBooks:

- **Enter time data in QuickBooks.** When QuickBooks is running, you can enter time for individual activities or fill in a weekly timesheet. If you enter time for a single activity, the Time/Enter Single Activity dialog box includes a stopwatch, so you can either time the task or simply type in the number of hours.
- **Use an online application and download online timesheets.** Intuit's online time-tracking applications let people fill out timesheets online. You review the submitted timesheets online and download time records into your company file. The box on page 191 tells you more.
- **Use the QuickBooks Timer stopwatch.** This program, which comes free on the QuickBooks CD, lets you time activities as you work so you can track your time to the second—as long as you remember to start and stop the Timer at the right moments. (If you forget to turn the Timer on or off, you can edit time entries to correct them.) The best thing about Timer is that you can use it to record time even when QuickBooks isn't running. Moreover, you can give a copy of Timer to all your employees and subcontractors so they can send you time data to import into QuickBooks.

No matter which technique you use to capture time, the setup is the same: You tell QuickBooks that you want to track time and then set up the people who have to track their time (employees and outside contractors alike). You use the customers and items you've set up in QuickBooks to identify the billable time you work. If you want to track nonbillable time, you need a few more entries in QuickBooks, which you'll learn about in the following sections.

Turning on Time Tracking

If you created your company file with the EasyStep Interview (page 17) and told QuickBooks that you want to track time, the preferences and features for tracking time should be ready to go. To see whether time tracking is turned on, choose Edit→Preferences→Time & Expenses, and then click the Company Preferences tab, shown in Figure 8-1. (Only a QuickBooks administrator can turn time tracking on or off, which is why time-tracking preferences are on the Company Preferences tab.)

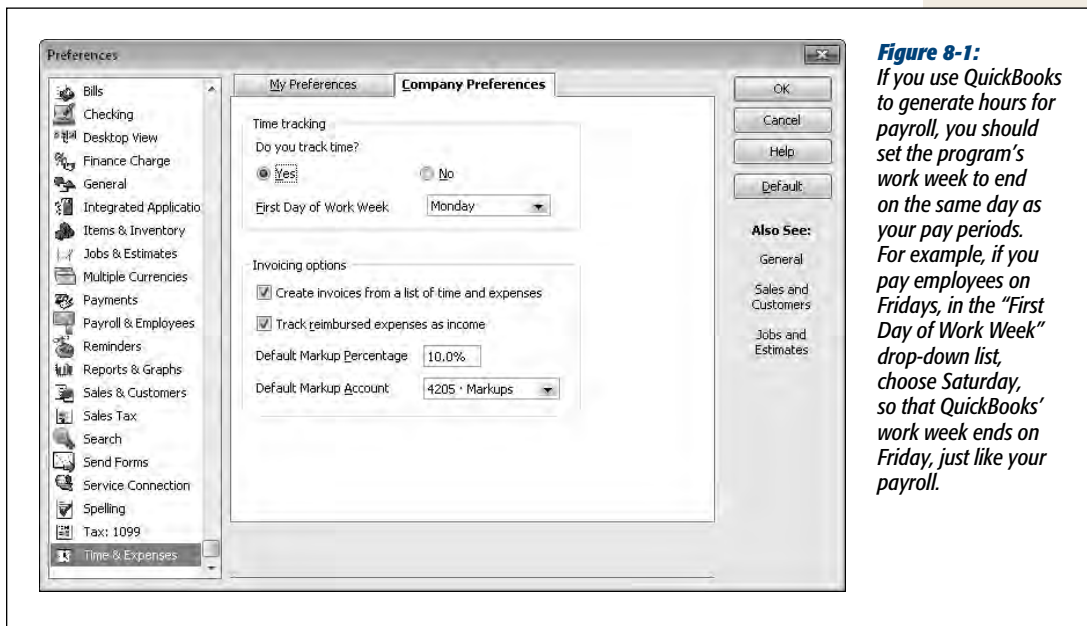


Figure 8-1: If you use QuickBooks to generate hours for payroll, you should set the program's work week to end on the same day as your pay periods. For example, if you pay employees on Fridays, in the "First Day of Work Week" drop-down list, choose Saturday, so that QuickBooks' work week ends on Friday, just like your payroll.

If the Yes option below "Do you track time?" isn't selected, click it. (If your company file is in multi-user mode, QuickBooks tells you that you have to switch to single-user mode [page 157] first.) The only other time-tracking preference is the first day of the work week. QuickBooks sets this preference to Monday to match the Monday-through-Friday work week of so many businesses. For round-the-clock services, self-employed people, and workaholics, choose whichever day of the week feels most like the beginning of the week. For example, many companies on a seven-day work week start the week on Sunday. To learn about time-related invoicing options, see page 595.

Setting Up the People Who Track Time

You can't enter or import people's time into QuickBooks unless their names appear in one of your name lists (the Employee List, Vendor List, or Other Name List). If someone whose time you want to track isn't on a name list yet, here's how you decide which list to use:

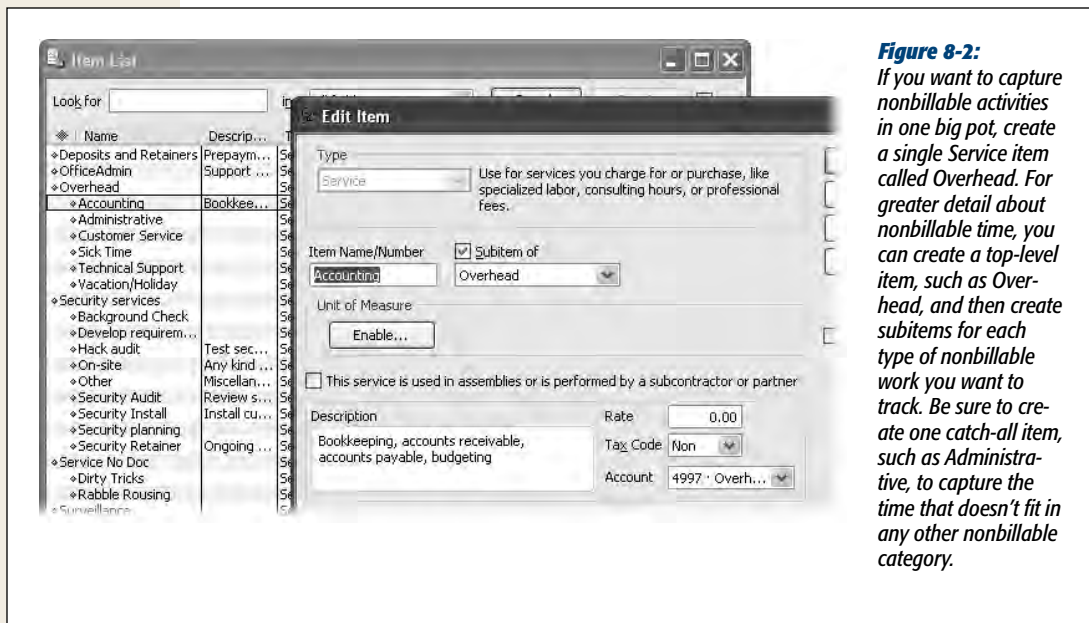
- **Employee List.** Use this list *only* for the people you pay using QuickBooks' payroll features.
- **Vendor List.** Add subcontractors and outside consultants (people or companies that send you bills for time) to this list, whether or not their time is billable to customers. (Their time is undoubtedly billable to you.)
- **Other Names List.** By process of elimination, anyone who isn't a vendor and isn't paid via QuickBooks' payroll belongs on the Other Names List. For example, employees you pay using a third-party payroll service or owners who take a draw instead of a paycheck (page 142) qualify for this list.

People who track time *directly* in QuickBooks (with a weekly timesheet or in the Time/Enter Single Activity dialog box, not with the standalone Timer program) need the program's permission to do so. When you set up QuickBooks users, you can set their permissions so they can enter time as described on page 653.

Setting Up Items and Customers for Time Tracking

The good news is that you don't have any additional item and customer setup to do to be able to bill time. The Service items (page 104) and customer records (page 62) you create for invoicing also work for tracking billable time. When you track time, you choose the Service item you're working on. Then, QuickBooks totals your hours and figures out how much to charge the customer based on the number of hours you worked and how much you charge per hour for the service.

The only reason you'd need additional items is if you track *all* the hours that people work, both billable and nonbillable. For example, if you're trying to reduce overhead costs, you might add items to track the time spent fixing software bugs, exchanging bad products, and holding meetings. The level of detail for nonbillable activities is up to you, as shown in Figure 8-2.



Here is how you fill in item fields when you create items to track time that you *don't* bill to a customer:

- **Type.** Use the Service item type (page 104) because that's the only one QuickBooks' time tracking recognizes.

- **Rate.** In the New Item or Edit Item dialog box, the Rate box is where you enter how much you charge for the service. Because no money changes hands for nonbillable time, leave this box set to 0.00.
- **Account.** You can't create an item without assigning it to an account. Go ahead and create an income account (page 49) and call it something like Nonbillable Work or Overhead. If you number accounts, assign a number that places the account near the end of your Income type accounts (like 4997, because QuickBooks uses 5000 for the first Cost of Goods Sold account [page 48]). Because nonbillable time doesn't bring in any income, the account balance remains zero no matter how much nonbillable time you assign to it.
- **This service is performed by a subcontractor, owner, or partner.** If a subcontractor performs nonbillable work for you, turn on this checkbox. That way, you can assign the subcontractor's costs to an expense account and use time tracking to make sure the subcontractor's bills are correct. For nonbillable items performed by owners and partners, leave this checkbox turned off.

Entering Time in QuickBooks

In QuickBooks, you can enter and view time for a single activity or for whole weeks. If you record time after the fact, a weekly timesheet is the fastest way to enter time. If you already have one timesheet filled out, you can copy it to speed up your data entry, as the box on page 188 explains. To time work as you perform it, the Time/Enter Single Activity dialog box (explained starting on page 188) is the way to go.

Filling in Weekly Timesheets

QuickBooks' weekly timesheet is the fastest way to enter time for several activities or work that spans several days. Here's what you do:

1. Choose Employees→Enter Time→Use Weekly Timesheet.

QuickBooks opens the Weekly Timesheet dialog box.

Note: Although you can track time for people other than employees, you still access time tracking from the Employees menu or the Employees panel of the Home page. On the Home page, click Enter Time and then, on the drop-down menu, choose Use Weekly Timesheet.

2. In the Name drop-down list, choose the person who performed the work.

Because time tracking is rarely limited to only the people with permission to run QuickBooks, you can enter time for yourself or anyone else. After you choose a name, the program displays a timesheet for the current week and shows any time already entered for the week, as shown in Figure 8-3.

Customer:Job	Service Item	Notes	Class	M 19	Tu 20	W 21	Th 22	F 23	Sa 24	Su 25	Total	Billable?
CalesCapers...	Security serv...			8:00							8:00	☒
CamouflageC...	Security serv...		Blake ...		8:00	1:00					9:00	☒
Camoufla...	Security serv...		Blak...			5:15					5:15	☒
	Security services:Hack audit											
Totals				8:00	8:00	6:15	0:00	0:00	0:00	0:00	22:15	

Figure 8-3:
The weekly timesheet doesn't provide much room to display customer names, job names, or more than a few letters of the Service item for the task performed. To see the full contents of a cell in a pop-up tooltip like the one shown here, position your cursor over the cell. You can also drag a corner of the window to resize it.

3. If you want to enter time for a different week, in the window's toolbar, click **Previous** or **Next** until the week you want appears.

To choose a week further in the past, click the calendar icon to the right of the week's date range. In the Set Date window that appears, click the arrows to the left or right of the month heading to move to a past or future month. Click any date during the week to choose that work week. For example, choosing 22 in the July 2011 calendar switches the timesheet to the week beginning July 18, 2011.

Tip: If an earlier timesheet has entries with customers and items that apply to the current timesheet, you can copy the earlier timesheet as described in the box on page 188.

4. In the first blank **Customer:Job** cell (the first column of the timesheet table), choose the customer or job associated with the work that was performed.

If the work is billable, choose the customer or job that pays for it. If the time isn't billable, you can leave the customer field blank or choose the customer you created to track nonbillable time. Depending on whether you keep your hands on the keyboard or the mouse, you can move to the **Service Item** cell by pressing **Tab** or clicking the **Service Item** cell.

5. In the **Service Item** cell, choose the item that represents the work the person performed.

If you use QuickBooks' payroll service and pay employees by the hours they work, in the **Payroll Item** that appears to the right of the **Service Item** column, you also fill in the payroll-related item (page 381) that applies to the time worked. For example, for billable work, choose a payroll item such as **Salary** or **Employee Income**. If the hours are for vacation or sick time, choose the payroll item you've created for that kind of time.

6. In the Notes cell, type any additional information about the work.

If your customers require details about the work performed, store that info in the Notes cell, which then appears on the invoices you create (see page 273).

Tip: To see the entire contents of Notes cells, turn on the “Wrap text in Notes field” checkbox at the bottom of the Weekly Timesheet window. With this setting turned on, each row in the Timesheet table takes up more space, but you won’t have to position your cursor over every Notes cell to see what it contains.

7. If you use classes to track income (page 135), in the Class column, choose one for the work.

For example, if you track income by partner, choose the class for the partner who handles that customer. If you use classes to track office branches, choose the class for the branch where the person works.

8. To enter time for a day during the week, click the cell for that day or press Tab until you reach the right day.

You can enter time in several ways. If you know the number of hours, type the hours as a decimal or as hours and minutes. For example, for seven and a half hours, type either 7.5 or 7:30. QuickBooks displays the hours in the timesheet based on the time preference you set (page 578). If you know the starting and ending time, QuickBooks can calculate the hours for you. For example, if you type 9-5 in a cell, the program transforms it into eight hours when you move to a different cell (by pressing Tab or clicking another cell).

As you enter time for each day of the week, the Total column on the *right side* of the table shows the total hours for each activity. The numbers in the Totals row *below* the table show the total hours for each day and for the entire week.

Note: Each row in a weekly timesheet represents one service item, one customer or job, and one note. If you perform the same type of work for two different customers, you have to enter that time in two separate rows. You also have to create another row if you want to record a different note for the same customer and the same service item. You might do this if, for example, you did web-development work for a customer, but want to differentiate the work you did on their online store web page and their marketing web pages.

9. If you aren’t billing the customer for the work, in the “Billable?” column, click the checkmark to turn it off.

QuickBooks adds a checkmark to the “Billable?” column automatically. When you click the billable cell, the checkmark disappears to indicate that the time isn’t billable.

Tip: Adding billable time to customer invoices is easy; it’s described in detail on page 273.

10. To save the timesheet, click Save & Close or Save & New.

If you enter time for a number of people, click Save & New to save the current timesheet and open a new blank one. Clicking Save & Close saves the timesheet and closes the Weekly Timesheet dialog box.

UP TO SPEED

Copying Timesheets

People often work on the same tasks from week to week. QuickBooks can reduce tedium and mistakes—and save you time—by copying entries from a person's previous timesheet. Here's how:

1. In the Weekly Timesheet dialog box's Name field, choose the person's name.
2. Display the weekly timesheet you want to copy *into* by clicking Previous or Next, or clicking the calendar icon.
3. At the bottom of the dialog box, click the Copy Last Sheet button. If the current timesheet is empty,

QuickBooks fills in all the rows with the entries from the person's last timesheet, including the customer, service item, class, notes, and hours. If the timesheet already has values, QuickBooks asks whether you want to replace the entries or add entries to the timesheet. Click Yes to replace the entries with the ones from the last timesheet you opened. Click No to append the entries from the last timesheet as additional rows in this week's timesheet. To keep the current timesheet just the way it is, click Cancel.

Entering Time for One Activity

Entering time in a weekly timesheet is quick, but the width of the columns makes it hard to see which customer and service item you're tracking. If you prefer readability to speed, the Time/Enter Single Activity window is a better choice. This window also includes a stopwatch you can use to time your work.

One drawback to the Time/Enter Single Activity window is that you have to fill in every field for every activity. If you grow tired of this form of time entry, in the window's toolbar, click Timesheet to switch to the Weekly Timesheet window. The weekly timesheet that appears is for the person you selected in the Time/Enter Single Activity window and the week that includes the selected day.

Here's how you enter time for one activity at a time:

- 1. Choose Employees→Enter Time→Time/Enter Single Activity.**

The Time/Enter Single Activity window opens to today's date.

- 2. If you want to record time for another day, in the Date field, click the Calendar icon and choose the date when the work took place.**

When you first open the Time/Enter Single Activity window, QuickBooks selects all the text in the Date box. You can replace the date by simply typing the new date, like 6/07/11.

3. In the Name drop-down list, select the person who performed the work.

This drop-down list includes vendors, employees, and names from the Other Names List. Employees and Other Names are near the end of the list. If you choose an employee who isn't set up for sending time data to payroll, QuickBooks asks whether you want to change the employee's setup (page 377). If you want to use the time entered to generate paycheck data—for instance, when employees are paid by the hour—click Yes, which links the employee's time records to paycheck data.

Note: When you open the Time/Enter Single Activity window, it may include the Payroll Item label and box. If you set up employees so that their time data generates the values on their paychecks (page 381), you can select the payroll item to which the time applies. However, if you choose the name of a person who isn't paid based on their time, the Payroll Item entry disappears. If you use classes, the Class label and box appear instead.

4. In the Customer:Job drop-down list, choose a customer or job.

If someone performs work for a real customer or job, choose that customer or job whether or not you bill the time. To track overhead time, choose the customer you created for nonbillable work (page 184).

5. If the hours aren't billable to a customer, turn off the Billable checkbox.

QuickBooks automatically turns on this checkbox (which is in the upper-right corner of the window), so you have to worry about it only if the hours *aren't* billable.

6. In the Service Item drop-down list, choose the item that represents the work performed.

Choose this item whether it's one you use to invoice customers or a nonbillable item you created to track overhead activities.

7. Press Tab to move to the Duration box. QuickBooks automatically selects the contents of the box, so you can simply type the hours worked. If you click the Duration box instead, drag to select its contents.

Enter hours as a decimal or as hours and minutes, such as 5.5 or 5:30. Or, if you know the starting and ending time, type the time range to have QuickBooks calculate the hours. For example, if you type 11-5 in a cell, the program fills in the box with 6:00 when you tab or click away from it.

If you work in QuickBooks almost all the time, you can also use the Time/Enter Single Activity window to time tasks, as shown in Figure 8-4.

Note: If you click Previous at the top of the Time/Enter Single Activity window to display another single activity for today and then click Start, the stopwatch feature starts adding additional time to what you've already recorded.

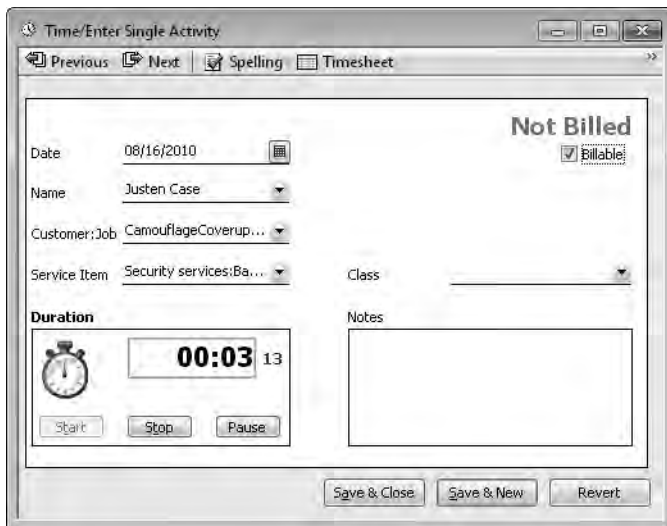


Figure 8-4:

To time your current activity, the Date field has to be set to today's date. (Unless you have special time-travel powers, you can't run a stopwatch for work performed on a different day.) To start the stopwatch, click the Start button, which is grayed out here. You'll see the seconds that are passing to the right of the Duration box (where it says "13" here) to show that it's timing your work. If you want to pause the stopwatch to take a break or a phone call, click Pause; simply click Start to start timing again. When you finish the task, click Stop. To edit the time, click Stop and then type the time you want.

8. If you track classes, in the Class field, choose the appropriate one. To add notes about the activity, type text in the Notes box.

These notes appear in the Notes column of the Weekly Timesheet window and, for billable work, appear on invoices you generate from time worked.

9. To save the transaction, click Save & New or Save & Close.

When you click Save & New, the saved activity represents time for only one day. To record time for another day's work even if it's for the same worker, customer, and Service item, you have to create a new activity.

Running Time Reports

Customers don't like being charged for too many hours, and workers are quick to complain if they're paid for too few. Before you use time records either for billing customers or feeding your payroll records, it's a good idea to generate reports to make sure your time data is correct. (Page 381 explains how to set up employees in QuickBooks so their reported time links to your QuickBooks payroll.)

To generate a time report in QuickBooks, choose Reports→"Jobs, Time & Mileage", and then select the report you want. Here are the ones you can choose from and what they're useful for:

POWER USERS' CLINIC

Tracking Time Online

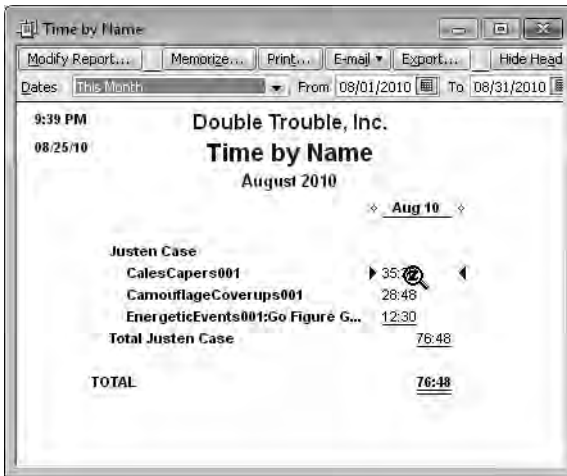
Time Tracker and Intuit Time and Billing are add-on services that work with QuickBooks. Anyone who you set up to track time with these services logs into a website, fills in a timesheet, and submits it to you—you don't have to do their data entry for them. And they can submit their time from any computer that has Internet access, so you don't have to wait for an employee to get back from a trip to fill in a timesheet. The services even remind people to submit their time. You can review submitted time online and then download time data into QuickBooks in one fell swoop.

The bad news is these services aren't free, although Intuit offers 30-day free trials. For Time Tracker, the price per month for a single person is \$10 (that's \$120 a year). For up to five employees, the price is \$25 per month. If you have more than 50 employees, the price jumps to \$150 per month.

To get the full details, choose Employees→Enter Time→Let Your Employees Enter Time. (Or, on the QuickBooks Home page, click Enter Time and then choose Let Employees Enter Time on the shortcut menu.)

For Intuit Time and Billing, it's \$14.95 a month for the time administrator account only, and \$24.95 a month for a time administrator and five users. If you have up to 50 users, the price goes up to \$99.95 a month. To learn more about this service, go to <http://workplace.intuit.com/appcenter>, click All Apps, and then in the Manage My Work section, click View Apps; finally, click Quick Books Time & Billing Manager.

- **Time by Job Summary.** If you bill by the job, this handy report shows hours by customer or job, summarized by Service items. Overly high or low hours—or Service items that don't belong on a job—are red flags for data entry errors. This report helps you review the total hours worked on a job during a period. Because of the high-level view in this report, it's perfect for spotting time charged to inappropriate Service items or hours that exceed job limits. If hours seem too high or low, you can drill down with the “Time by Job Detail” report to investigate.
- **Time by Job Detail.** Use this report to verify that hours were correctly set as billable or nonbillable. It's grouped first by customer/job and then by Service item, but each time entry shows the date the hours were worked, who performed the work, and whether the work is billable (the billing status is Unbilled for billable hours not yet invoiced, Billed for invoiced billable hours, or Not Billable).
- **Time by Name.** This report shows the hours people have worked on each customer or job, as shown in Figure 8-5. QuickBooks sets the date range to This Fiscal Year-to-Date, but if you want to check timesheets for accuracy, you can change it to Last Week or Last Month. If a person reports too many or too few hours for a period, use the Weekly Timesheet window (page 185) to look for signs of inaccurate or missing time reports.
- **Time by Item.** This report groups hours by Service item and then by customer or job. You can use this report to analyze how your billable and nonbillable time is spent, either to cut unproductive activities or to determine staffing needs.

**Figure 8-5:**

The “Time by Name” report summarizes the hours someone works for each customer or job. To see the dates and times of the work, hover your cursor over an hourly total. When the magnifying glass icon shown here appears, double-click the time to open a “Time by Name Detail” report.

Tracking Mileage

If you charge your customers for mileage, keeping track of the billable miles you drive helps you get all the reimbursements you’re due. But *all* business-related mileage is tax-deductible, so tracking nonbillable business mileage is important, too. Customers and the IRS alike want records of the miles you drive, and QuickBooks can help you produce that documentation.

The mileage tracking feature in QuickBooks tracks only the miles you drive using company vehicles, not other vehicle expenses, such as fuel or tolls. Likewise, you don’t use QuickBooks mileage tracking to record miles driven by employees, vendors, or subcontractors, which instead go straight to an expense account. For example, if a vendor bills you for mileage, when you enter the bill in QuickBooks (page 220), you assign that charge to an expense account, such as Travel-Mileage. When you write a check to reimburse an employee for mileage driven, you assign that reimbursement to the expense account for mileage.

Adding a Vehicle

To track mileage for a company vehicle, you first have to add the vehicle to the QuickBooks Vehicle List. Here’s how:

1. To open the Vehicle List window, choose Lists→Customer & Vendor Profile Lists→Vehicle List.

The Vehicle List window opens.

2. To add a new vehicle, press Ctrl+N or click Vehicle→New.

The New Vehicle dialog box (Figure 8-6) opens.

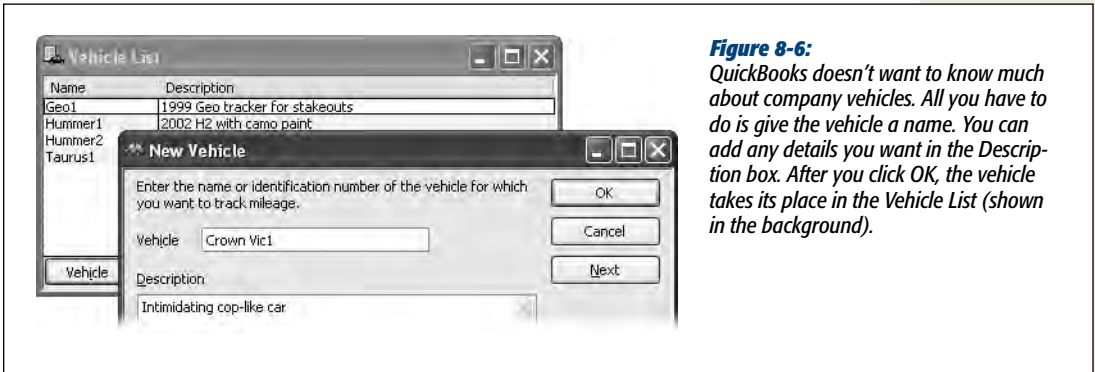


Figure 8-6:

QuickBooks doesn't want to know much about company vehicles. All you have to do is give the vehicle a name. You can add any details you want in the Description box. After you click OK, the vehicle takes its place in the Vehicle List (shown in the background).

3. In the Vehicle field, type a name for the vehicle.

To easily identify your company cars and trucks, include the type of vehicle and a way to differentiate it from others. For instance, if your company's cars are all white Jeeps, use the license plate number as the name rather than make and color.

4. In the Description box, type additional info such as the year, make, model, license plate number, or Vehicle Identification Number (VIN).

To change this information later, in the Vehicle List window, double-click the vehicle's name, and then, in the Edit Vehicle dialog box, edit the name or description.

5. Click OK.

That's it. The name and description appear in the Vehicle List window.

Setting the Mileage Rate

For tax purposes, you can deduct mileage expenses based on a standard rate or by tracking the actual costs of operating and maintaining your vehicles. Using a standard mileage rate is convenient—simply multiply the miles you drove by the rate to calculate your vehicle deduction.

If you own an expensive car with expensive maintenance needs, actual costs might provide a larger deduction. (You can deduct either the standard-rate amount *or* your actual costs, but not both.) But to deduct what you spend on gas, tires, repairs, insurance, and so on, you have to keep track of these expenses. As usual, the tax rules for deducting operating and maintenance costs are, well, taxing. So before you choose this approach, ask your accountant or the IRS if you can deduct actual costs and whether it's the best approach.

QuickBooks stores multiple mileage rates along with their effective dates, because standard mileage rates usually change at the beginning of each calendar year. Here's how you set a mileage rate:

1. Choose Company→Enter Vehicle Mileage.

The Enter Vehicle Mileage dialog box opens.

2. In the dialog box's toolbar, click Mileage Rates.

QuickBooks opens the Mileage Rates window shown in Figure 8-7.

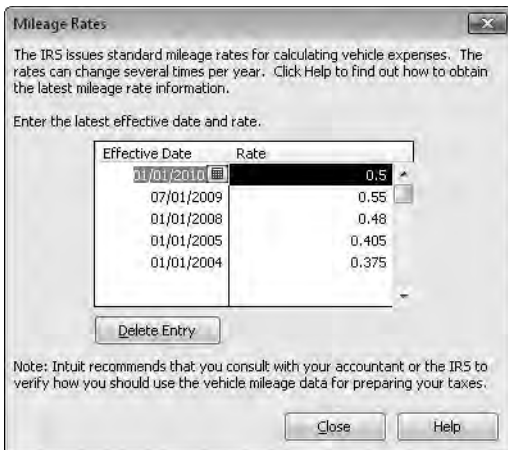


Figure 8-7:

QuickBooks displays the standard mileage rates with the most recent rate at the top and older rates below it.

3. To add a new rate, click the first blank Effective Date cell, and then choose the date that the new mileage rate becomes effective, such as 1/1/2010.

You can type the date or click the Calendar icon.

4. In the Rate cell, type the rate in dollars and cents, such as .50 for 50 cents.

The mileage rate is .50 per mile beginning January 1, 2010 as documented on the IRS website, www.irs.gov.

5. Click Close when you're done.

Recording Mileage Driven

Once you've added a vehicle to the Vehicle List, you're ready to record mileage. (You don't have to set the mileage rates to record the miles you drive, but you'll need that rate in place before you bill a customer for mileage.) Here's how you fill in the Enter Vehicle Mileage window to record billable and nonbillable miles you've driven:

1. Open the Enter Vehicle Mileage window (choose Company→Enter Vehicle Mileage). In the Vehicle box, choose the vehicle that you drove.

If you forgot to add the vehicle to the list, you can create it now by choosing <Add New> from the drop-down menu.

2. In the Trip Start Date and Trip End Date boxes, choose when you started and completed the trip, respectively.

If you're recording mileage for one day of onsite work, choose the same day in both boxes. On the other hand, if you used a company car to drive to another city for several days, the Trip Start Date is the day you headed out of town and the Trip End Date is the day you returned.

3. In the Odometer Start box and Odometer End boxes, type what the vehicle's mileage was before you began driving and what it was when you returned, respectively as shown in Figure 8-8.

QuickBooks automatically calculates the miles you drove and plops that number in the Total Miles box. You can also fill in the Total Miles box with the miles you drove.

Figure 8-8:

If you usually forget to check the starting mileage, you can ignore the Odometer Start and Odometer End boxes entirely. Instead, in the Total Miles box, type the mileage you drove, such as 72 for a 72-mile round-trip to your customer. You can type the mileage with or without commas (1,500 or 1500). The drawback to this approach is that your mileage record doesn't include the odometer readings that the IRS wants to see. But if every mile you drive is for business, you can prove your deduction by showing the IRS an odometer reading at the beginning of the year and one at the end of the year.

4. If your mileage is billable to a customer or job, turn on the Billable checkbox. Then, in the Customer:Job box, choose the customer or job to whom you want to assign the mileage.

If the mileage isn't billable to a customer, choose the faux customer you created to track time spent on administrative activities (page 184).

5. In the Item drop-down list, choose the item you created for mileage.

For tips on creating an item for mileage, see the box on page 196.

6. If you track classes, in the Class box, choose the appropriate one.

For example, if you use classes to track branch performance, choose the class for the branch. However, if you track partner income with classes and the mileage is nonbillable, you don't need a class assignment.

7. To further document the reason for the mileage, type details in the Notes box. Then, to save the mileage and close the dialog box, click Save & Close.

If you want to enter additional mileage for other customers and jobs, click Save & New.

FREQUENTLY ASKED QUESTION

Mileage Rates and Invoice Items

What if the IRS's rate is different than the rate I charge customers for mileage?

The rates you enter in the Mileage Rates dialog box (page 193) are the standard rates set by the IRS for tax purposes. The IRS doesn't care one whit what you charge your customers for miles, so you can charge them whatever you want.

For the reimbursable miles that you drive, you need to create a Service or Other Charge item in your Item List. (In the Enter Vehicle Mileage window, the Item drop-down list includes only these two types of items.) When you create

the item, you can assign the rate that you charge customers per mile or leave the rate at zero if you charge variable mileage rates.

For an Other Charge item, the "Amount or %" box is the place to enter the mileage rate, as shown in Figure 8-9. (For a Service type item, use the Rate box instead.) In the Account box, choose the income account you use for reimbursable mileage, whether it's specific to mileage or an overall reimbursable cost account.

The screenshot shows the 'Edit Item' dialog box. The 'Type' dropdown is set to 'Other Charge'. Below it, a note says 'Use for miscellaneous labor, material, or part charges, such as delivery charges, setup fees, and service charges.' The 'Item Name/Number' field contains 'Mileage'. There is a checkbox for 'Subitem of' which is unchecked. Below that is a checkbox for 'This item is used in assemblies or is a reimbursable charge' which is also unchecked. The 'Description' field contains 'Mileage driven for a customer or job, billable to customer or job'. To the right of the description are three fields: 'Amount or %' with the value '0.655', 'Tax Code' with a dropdown set to 'Non', and 'Account' with a dropdown set to '4900 - Reimbursed ...'. At the bottom right, there is a checkbox for 'Item is inactive' which is unchecked. On the right side of the dialog, there are buttons for 'OK', 'Cancel', 'Custom Fields', and 'Spelling'.

Figure 8-9: When you create an item for mileage, you can enter whatever rate per mile you want. When you add the mileage to an invoice, QuickBooks multiplies the number of billable miles driven by the rate you set in the mileage item.

Generating Mileage Reports

Mileage records come in handy when you prepare your taxes or if your customers question their mileage charges. These reports are simple, mainly because you don't track that much mileage information in QuickBooks. You can generate mileage reports by choosing Reports→"Jobs, Time & Mileage" and then selecting a report. Or, if you have the Enter Vehicle Mileage window open, in the window's toolbar, click the down arrow to the right of the Mileage Reports command.

Here are the reports you can choose and what they're useful for:

- **Mileage by Vehicle Summary.** For your tax backup, this report shows the total miles you drove each vehicle and the corresponding mileage expense (which QuickBooks calculates using the standard mileage rate in effect at the time). The date range is set initially to This Tax Year, which is perfect for generating the data you need for your tax return. If you wait until after January 1st to gather your tax documentation, in the Dates box, choose Last Tax Year.
- **Mileage by Vehicle Detail.** This report shows each trip that contributed to a vehicle's mileage. For each trip, the report includes the trip's end date, trip miles, mileage rate, and mileage expense. If you have questions about your deductions, double-click an entry to open the Enter Vehicle Mileage window for that transaction.
- **Mileage by Job Summary.** If you charge customers for mileage, run this report both for total miles driven and the billable mileage by customer and job.
- **Mileage by Job Detail.** If a customer has a question about mileage you charged, this report is the quickest way to find the charges in question. The report groups mileage by customer or job, but lists each trip in its own line. The report shows each trip's start date, end date, miles driven, billing status, mileage rate, and billable amount, so you can answer almost any mileage-related question a customer might have.

Paying for Expenses

Although most small business owners sift through the daily mail looking for envelopes containing checks, they usually find more containing *bills*. One frustrating aspect of running a business is that you often have to pay for the items you sell before you can invoice your customers for the goods.

If you want your financial records to be right, you have to tell QuickBooks about the expenses you've incurred. And, if you want your vendors to leave you alone, you have to pay the bills they send. But paying for expenses can take several forms. QuickBooks is up to the challenge and, aside from a few idiosyncrasies that drive accountants nuts, it succeeds.

This chapter explains your choices for paying bills (now or later) and describes how to enter bills and record your bill payments. If you pay bills right away, you'll learn how to write checks, use a debit or credit card, and pay with cash in QuickBooks, among other options. If you enter bills in QuickBooks for payment later, you'll learn how to handle the easy ones, such as rent, as well as reimbursable expenses and inventory.

QuickBooks is happy to help you through every step of the process: entering bills you receive if you want to pay later, setting up bill payments, and even printing checks you can mail to vendors. But for modest enterprises with few expenses, writing checks by hand and entering them in the program works just as well.

When to Pay Expenses

When it comes to handling expenses, QuickBooks gives you a choice—pay now or pay later. (You can choose to *not* pay bills, but QuickBooks can't help you with

collection agencies or represent your company in bankruptcy court.) If bills arrive about as often as shooting stars, go ahead and pay each one immediately, and you'll be sure your bills are paid on time. In QuickBooks, paying immediately means writing a check, entering a debit card or ATM transaction, entering a credit card charge, making an online payment, or using money from petty cash—all of which are described in this chapter.

But when bills arrive as steadily as coffee orders at the local Starbucks, you'll probably want to set aside time to pay bills all at once when it won't interfere with delivering services or selling products. What's more, most companies don't pay bills until just before they're due—unless there's a good reason. Setting up vendor bills for later payment is known as *using accounts payable* because you store your unpaid expenses in an Accounts Payable account.

In QuickBooks, entering bills for later payment delivers all the advantages of convenience and good cash management. You can tell the program when you want to pay bills—for instance, to take advantage of an early payment discount or the grace period that a vendor allows. Then, you can go about your business without distraction, knowing that QuickBooks will let you know when bills are on deck for payment.

Tip: For the eternally forgetful, QuickBooks can add bills to your Reminders List (page 585). Choose Edit→Preferences→Reminders, and then click the Company Preferences tab. Set the “Bills to Pay” option to Show Summary or Show List and then enter the number of days of lead time you want before bills are due.

Once you decide whether you're going to pay bills now or later, use that method consistently. Otherwise, you could pay for something twice by entering a bill in QuickBooks and then, a few days later, writing a paper check for the same expense. To prevent duplicate payments, always enter bills you receive in the mail (or email) as bills in QuickBooks and pay them using the Pay Bills command (page 222). In QuickBooks 2011, the Enter Bills window includes a list of recent transactions, shown in Figure 9-1, which you can use to look for payments you've already made.

Note: You can still charge expenses to your credit card and write checks by hand to pay for something immediately or when you're out of the office, and enter those transactions in QuickBooks without entering a corresponding bill.

Entering Bills

At first glance, entering bills in QuickBooks and then paying them later might *seem* like more work than just writing a check. But as you'll learn in this chapter, after you enter bills in QuickBooks, the program makes it incredibly easy to pay them.

To enter bills in QuickBooks, open the Enter Bills window using any of the following methods:

- On the Home page, click the Enter Bills icon (it's in the Vendors panel).
- Choose Vendors→Enter Bills.
- In the Vendor Center icon bar, click New Transactions→Enter Bills.

The fields on a vendor's bill are similar to the ones you see on the invoices you create. In fact, if your vendors use QuickBooks, the bills you receive are just another company's QuickBooks invoices (see Chapter 10) or statements (see Chapter 11).

With the Enter Bills window open, here's how to enter a bill in QuickBooks:

1. In the Vendor drop-down list, choose the vendor who billed you.

QuickBooks automatically chooses the Bill option so that you can record a vendor bill. (You'll learn about recording a credit from a vendor on page 240.) The program also turns on the Bill Received checkbox because you rarely enter a bill you haven't received. Turn off this checkbox only if you receive a shipment of inventory without a bill, which you'll learn about on page 215.

If you set up any pre-fill accounts in the vendor's record (page 134), QuickBooks automatically adds those accounts to the table on the Expenses tab near the bottom of the Enter Bills window.

2. In the Date box, type or select the date you received the bill.

If you set up payment terms in the vendor's record (page 132), QuickBooks figures out when the bill is due and fills in the Bill Due field, as you can see in Figure 9-1. For example, if the bill date is 8/12/2010 and the vendor's payment terms are Net 30, the bill is due 30 days (one month) after the bill date, which is 9/11/2010.

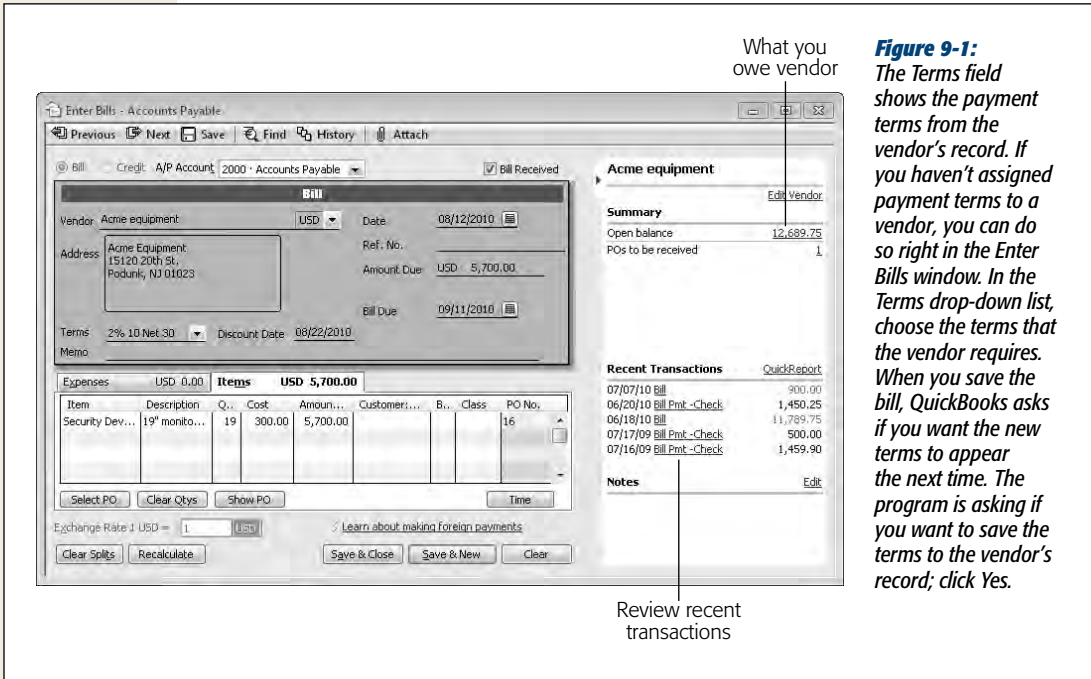
If QuickBooks fills in a date that doesn't match the due date on the bill you received, in the Bill Due field, enter the date printed on the vendor's bill—it's the one you want to go by.

Tip: In QuickBooks 2011, the right side of the Enter Bills window displays a summary of the vendor's info and your recent transactions with that vendor. For example, the Summary section shows what you owe the vendor and open purchase orders. Under Recent Transactions, you can see bills, bill payments, credits, and other transactions, which is a great way to catch that you already paid the bill you're about to enter or have a credit available. To open a transaction in its corresponding window, click a link, like the Bill Pmt-Check link shown in Figure 9-1. If you see any info you want to change, like the terms or address, click the Edit Vendor link to open the vendor's record in the Edit Vendor dialog box.

3. In the Ref. No. box, type the vendor's invoice number, statement date, or other identifying feature of the bill you're paying.

The Ref. No. box accepts any alphanumeric character, not just numbers, so you can type in things like "1242," "Invoice 1242," and "Statement 1/6/2011."

If you want to include additional notes about the bill, type them in the Memo box.



4. In the Amount Due box, type the total from the bill.

The only time you'd change the amount is when you take a discount that the vendor forgot to apply or deduct a portion of the bill because the goods were defective.

In the lower half of the Enter bills window, QuickBooks initially displays the Expenses tab, which is where you enter information about expenses such as utility bills, office supply bills, and your attorney's fees. If you assign only one pre-fill account (page 134) to the vendor, QuickBooks automatically fills in the first cell in the Amount column with the Amount Due value.

Note: The box on page 203 tells you what to do when you receive a bill from a vendor who uses a different currency.

5. In the first cell of the Expenses tab's Account column, choose the expense account from your chart of accounts that corresponds to the first expense on the bill.

When you click a cell in the Account column, a down arrow appears. Clicking the arrow displays a drop-down list of every account in your chart of accounts, but QuickBooks automatically highlights the first expense account in the list. To choose a different expense account—the account for your legal fees, say—scroll in the drop-down list and select the account you want.

FREQUENTLY ASKED QUESTION

Bills and Foreign Currencies

How do I enter a bill that has values in a foreign currency?

You have to turn on multiple currencies (page 582) before you can enter bills with values in foreign currencies. Then, the Enter Bills window shows currency in several places. The currency you apply to a vendor appears in the title bar and to the right of the vendor's name, as shown in Figure 9-2. The Amount Due box shows the foreign currency above the line, with the corresponding value in your home currency below the line. The Expenses and Items tabs both show the foreign currency, indicating that the values you enter are in that currency. (See page 456 to learn how to enter or download currencies into the Currency List.)

Here's how you fill out a bill a vendor submitted in a foreign currency:

1. In the Amount Due box, type the bill's value (in the foreign currency).
2. On the Expenses and Items tabs, type the amounts in the foreign currency.
3. Below the Expenses and Items tabs, in the "Exchange Rate 1 <currency> =" box, type the exchange rate from the foreign currency to your home currency (Chinese Yuan Renminbi to U.S. dollars in this example).
4. Click Recalculate to calculate the bill total in your home currency.

Figure 9-2 shows the 'Enter Bills - Accounts Payable - CNY (Editing Transaction...)' window. The window displays a bill for 'Dao Jones' with a date of '08/24/2011'. The 'Amount Due' is 'CNY 5,000.00' and 'USD 731.90'. The 'Bill Due' date is '09/30/2011'. The 'Exchange Rate 1 CNY =' is set to '.146379' with 'USD' selected. The 'Expenses' tab is active, showing a table with one entry: '6270 Professional...' for '5,000.00'. The 'Items' tab shows 'CNY 0.00'. The window has buttons for 'Previous', 'Next', 'Save', 'Find', 'History', 'Journal', 'Attach', 'Clear Splits', 'Recalculate', 'Save & Close', 'Save & New', and 'Clear'.

Figure 9-2:

You can't change a vendor's currency after you've recorded your first transaction for that vendor. To switch to a different currency, you have to create a new vendor record using the new currency. The alternative is to calculate the bill's values in your home currency based on the going exchange rate and enter the bill in QuickBooks with those converted values.

6. If the bill covers several types of expenses (such as airfare and your travel agent's fees), in the first Amount cell, type the amount that belongs to the expense account in the first row.

If you assign more than one pre-fill account to a vendor, QuickBooks doesn't make any assumptions about how the amount due should be divided; you have to type the amounts in each row's Amount cell.

Tip: You can increase or decrease the width of drop-down lists (to see the full names of the accounts in your chart of accounts, for example). When the drop-down list is open, position your cursor over the lower-right corner of the list. When it changes to a two-headed arrow, drag to adjust the list's width and height. In addition, you can change the width of the columns on the Expenses and Items tabs. Position your cursor over the vertical line between two column headings and drag to the left or right to respectively shrink or widen the column on the left.

7. If an expense relates to a job, in the Customer:Job column, choose the customer or job.

If you fill in the Customer:Job cell, QuickBooks puts a checkmark in the "Billable?" column. If you don't want to charge the customer for the expense, click the checkmark to turn it off.

Tip: If you're recording reimbursable expenses, which will eventually appear on a customer's invoice (page 273), be sure to type a meaningful description in each Memo cell. QuickBooks uses the text in the Memo cell as the description of the expense on your invoice. If there's no Memo text, your invoice includes charges without descriptions, which is bound to generate a call from the customer.

8. If you're tracking classes, choose the appropriate class for the expense.

The Class column appears only if you're using QuickBooks' classes (page 135).

9. If the bill you're entering includes different types of expenses, repeat steps 5 through 8 to add a row for each type of expense, as shown in Figure 9-3.

As soon as you finish one row in the table, QuickBooks fills in the Amount cell in the next row with the amount that's still unallocated. For the first through the next-to-last line, you have to edit the amount that the program fills in to match your expense. The amount QuickBooks enters in the last line should be correct if you haven't made any typos.

If the multiple accounts and amounts are hopelessly mangled, click the Clear Splits button to clear the table so you can start over.

10. Click Save & Close to save the bill and close the window.

Or, if you have other bills to enter, click Save & New to save the bill and then display a blank bill.

Bill Received

Bill

Vendor: Lefty's Legal USD Date: 08/13/2010

Address: Lefty's Legal Ref. No.

Amount Due: USD 1,260.75

Bill Due: 09/12/2010

Terms: Net 30 Discount Date:

Memo:

Expenses USD 1,260.75 Items USD 0.00

Account	Amount (USD)	Memo	Customer: Job	Billable?	Class
6276 · Legal Fees	1,040.00				
6265 · Printing and ...	48.70				
	172.05				

Exchange Rate 1 USD = 1 USD

Learn about making foreign payments

Clear Splits Recalculate Save & Close Save & New Clear

Figure 9-3:

If you change the value in the Amount Due box, QuickBooks doesn't automatically adjust the values on the Expenses and Items tabs to match. Click Recalculate to automatically modify the last entry amount so that the Amount Due and the total on the tabs are the same. If you change a value in one or more Amount cells, click Recalculate to update the Amount Due.

Automating Recurring Bills

Many of your bills are due the same time every month, and some are even the same *amount* every month. For example, your electric bill is due the 19th of the month, but the amount varies each time, whereas your rent check is due the first of every month and it's always \$1,000. Each time you reorder office supplies or inventory, the items you buy are often the same, but the quantities and cost totals are different. These sorts of bills are perfect for QuickBooks' memorized transactions.

QuickBooks can memorize bills and reuse them. You can even create a group of bills so that you can process all the bills due on the same day of the month. Even when some fields change, recalling a transaction with *most* of the fields filled in saves you time.

Tip: If you get the same bill only once in a blue moon, memorizing it might be overkill. Instead, you can create a duplicate whenever you need it. In the Vendor Center, on the Transactions tab, click Bills. Double-click the bill you want to reuse to open it in the Enter Bills window. Then, right-click in the Enter Bills window and choose Duplicate Bill from the shortcut menu. Make any changes you want, like the date and the amount, and then click Save & Close.

Memorizing a Bill

Here's how to make QuickBooks memorize a bill:

1. On the Home page, click Enter Bills (or choose Vendors→Enter Bills).

QuickBooks opens the Enter Bills window.

2. Fill in all the fields that will be the same on each bill, as shown in the background in Figure 9-4.

If a field changes for each bill, such as the Amount Due, simply leave that field blank (or set to 0.00 for amount fields). Later, when you use the memorized bill to enter a bill, fill in the empty fields with the values on the bill that your vendor sent.

3. When the bill is set up the way you want, press Ctrl+M to open the Memorize Transaction dialog box (shown in the foreground in Figure 9-4). In the Name box, type a name for the memorized bill.

QuickBooks automatically fills in the Name box with the vendor's name, but you can enter a more meaningful name if you like. For example, naming a memorized bill "Rent" is more helpful than using the landlord's name.

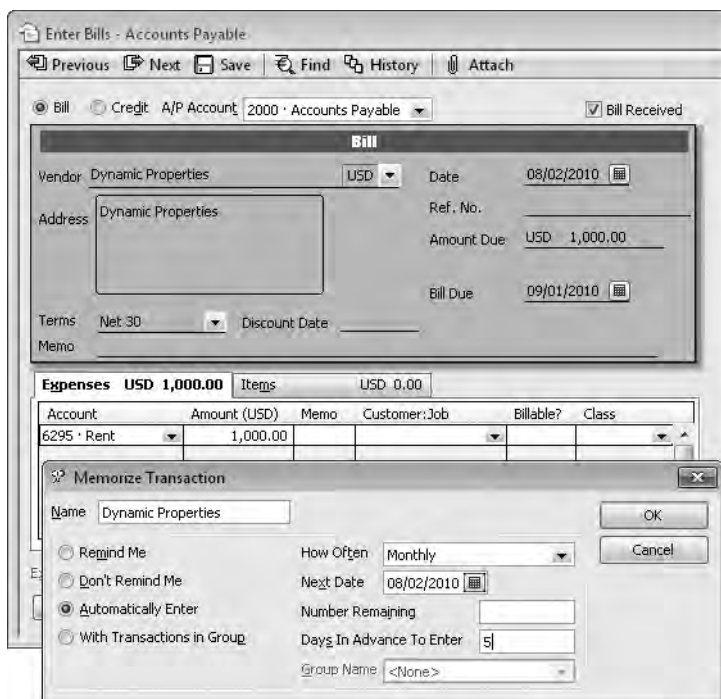


Figure 9-4:

For bills that are identical from month to month, such as rent, choose the Automatically Enter option in the Memorize Transaction dialog box. You can tell QuickBooks how many days before the due date to enter the bill, as shown here. When that date arrives, the program tacks the bill onto its list of bills waiting to be paid (see page 585). When you choose Automatically Enter, the Number Remaining box becomes active so you can type how many payments remain, which is ideal for loan payments that—thankfully—don't go on forever.

Note: If you've already memorized a bill for this vendor, the Replace Memorized Transaction message box appears instead. To replace the existing memorized bill, click Replace. To add a new memorized bill for the vendor, click Add. When you click Add, QuickBooks then opens the Memorize Transaction dialog box so you can specify a new name and options for the memorized transaction. If you change your mind about memorizing the bill, click Cancel.

4. If you want QuickBooks to remind you when it's time to pay the bill, choose the Remind Me option and tell the program when to remind you.

If bills don't arrive on a regular schedule (like ones for snowplowing), choose the Don't Remind Me option. Then, when you receive a bill, you can call up the memorized transaction as described on page 324.

For bills that you receive regularly, in the How Often box, choose the frequency, such as Monthly, and in the Next Date field, choose the next due date. For example, if the bill you're memorizing is set for 10/5/2011, choose 11/5/2011.

5. To memorize the bill, click OK.

QuickBooks adds the bill to the Memorized Transaction List, closes the Memorize Transaction dialog box, and returns to the Enter Bills window.

If you want to add the bill to the queue of bills to be paid, click Save & Close. If you created the bill *only* to memorize it, click the dialog box's Close button (the red X in the top-right corner), and then click No when QuickBooks asks if you want to save the transaction.

Using a Memorized Bill

How you generate a bill from a memorized transaction in QuickBooks depends on whether you've opted for total automation, a reminder, or no reminder:

- **Automatically Enter.** If you create a memorized bill with the Automatically Enter option, that's exactly what the program does: When the next scheduled date for the bill arrives, QuickBooks creates a new bill and adds it to the list of bills waiting to be paid.
- **Remind Me.** When you ask QuickBooks to remind you and the scheduled date arrives, the program adds the bill to the Reminders List (page 585). In the Reminders List, below the "Bills to Pay" heading, double-click a bill to open the Enter Bills window. The bill that you see contains only the memorized information. Make any changes you want, fill in the empty fields, and then click Save & Close.

Tip: For reminders that are hard to miss, tell QuickBooks to display the Reminders List each time you open the company file. That way, as soon as you log into the file, you'll see the tasks awaiting you. To set this up, choose Edit→Preferences→Reminders, and then click the My Preferences tab and turn on the only checkbox there: "Show Reminders List when opening a Company file".

- **Don't Remind Me.** When you memorize a bill that you use only occasionally or that occurs on an irregular schedule, choosing Don't Remind Me stores the bill in the Memorized Transaction List in case you need it. When you want to use that memorized bill, click it in the Memorized Transaction List (choose Lists→Memorized Transaction List or press Ctrl+T), and then click Enter Transaction.

Creating Memorized Groups of Bills

The first day of the month is the nemesis of bill payers everywhere because so many bills are due then. QuickBooks can't ease the pain of watching your money go out the door, but it can at least ease the burden of entering all those bills in your company file. Memorized bills are a start, but why enter individual memorized bills when you can enter several at once? You can set up memorized transaction *groups* that act like their individual memorized counterparts—to remind you about all the bills due on a specific day or enter all the recurring transactions automatically.

Most QuickBooks features let you create new list entries whenever you need them by choosing <Add New> from a drop-down list, but memorized groups break that mold. When you first open the Memorize Transaction dialog box (page 206), the “With Transactions in Group” option and the Group Name box are tantalizingly visible, but they stay grayed out no matter what you click. That's because, to add a memorized transaction to a group, you have to first create a *memorized group*. The steps are easy, once you know the right order:

1. **Press Ctrl+T to open the Memorized Transaction List.**

The Memorized Transaction List window opens.

2. **At the bottom of the window, click Memorized Transaction→New Group.**

QuickBooks opens the New Memorized Transaction Group dialog box—identical to the Memorize Transaction dialog box except that it doesn't include the “With Transactions in Group” option and Group Name box.

3. **Name the group something meaningful like Monthly Bills, and fill in the other fields as you would for a memorized transaction (page 207).**

Tell QuickBooks how and when you want to be reminded.

4. **Click OK to save the group.**

Now that the group exists, you can add individual transactions to it.

5. **To add an existing memorized transaction to the group, in the Memorized Transaction List window, select the transaction you want to add, and then press Ctrl+E to edit it.**

The Schedule Memorized Transaction dialog box opens.

6. **Select the “With Transactions in Group” option. In the Group Name box, choose the group you just created, and then click OK.**

When you add a memorized transaction to a group, QuickBooks tucks the transaction underneath the memorized group in the Memorized Transaction List, as shown in Figure 9-5.

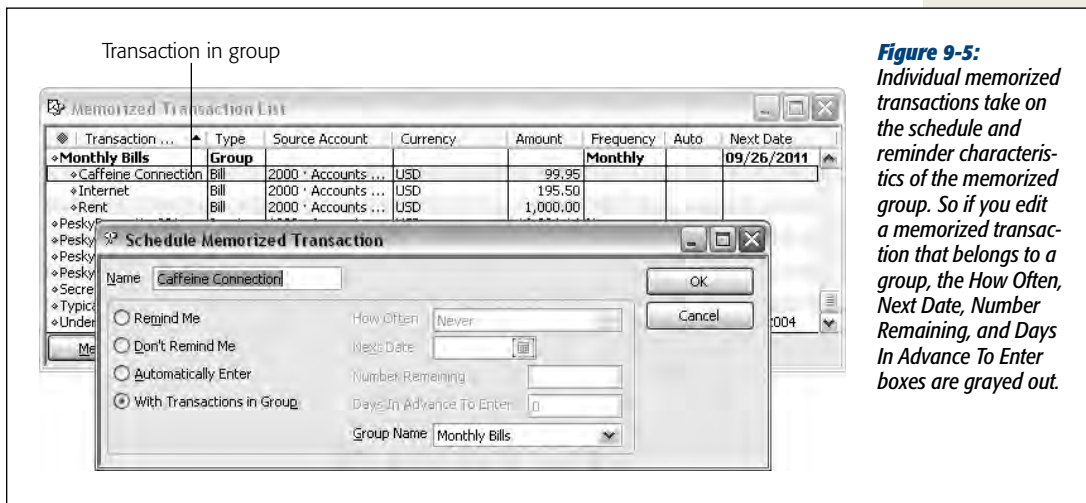


Figure 9-5: Individual memorized transactions take on the schedule and reminder characteristics of the memorized group. So if you edit a memorized transaction that belongs to a group, the How Often, Next Date, Number Remaining, and Days In Advance To Enter boxes are grayed out.

Tip: Create separate memorized groups for bills with consistent amounts and for ones whose amounts vary. That way, you can set up the unvarying memorized group with the Automatically Enter option, so QuickBooks simply adds all the bills to your list of bills to be paid without any intervention from you. Then, you can set the second memorized group to use the Remind Me option so you can go through each bill and fill in the amount before you record it.

Purchasing Inventory

Purchasing and paying for inventory items is *mostly* the same as paying for other expenses. But as you learned in Chapter 4, inventory always seems more complicated than the other things you sell.

Part of the problem with inventory is that you have to keep track of how much you have. As inventory wends its way from your warehouse to your customers, it also hops between accounts in your chart of accounts (see page 109): An income account tracks the money you make from selling inventory; a second account tracks the costs of the inventory you've sold; and a third asset account tracks the value of the inventory you still own.

Purchasing inventory involves three transactions in QuickBooks:

- Adding the inventory you purchase to a QuickBooks inventory asset account.
- Entering the bill you receive for the inventory you bought.
- Paying the bill for the inventory.

What's tricky is that you don't know whether the bill or the inventory will arrive first. In many cases, the bill arrives with or after the shipment. But Samurai Sam could email you a bill while you wait weeks for your swords to arrive. You don't want to

pay for products you haven't received—nor do you have to. (If you decide to prepay, see the box on page 210 to learn how to do so in QuickBooks.) In the following sections, you'll learn how to use QuickBooks' commands to handle any order of bill and inventory arrival.

If you want to track inventory in QuickBooks, your first task is turning on the preference for inventory and purchase orders (page 579) if you didn't do that during the EasyStep Interview (page 17). Although the program turns on purchase-order features as part of tracking inventory, you can skip purchase orders if you don't use them in your business.

As soon as you turn on inventory, the following appear in QuickBooks:

- Icons for purchase orders and inventory on the Home page.
- Inventory-related commands like Create Purchase Orders and Receive Items on the Vendors menu.
- A non-posting account called Purchase Orders in the chart of accounts.

WORKAROUND WORKSHOP

Paying for Inventory Before It Arrives

QuickBooks doesn't provide a command for paying for inventory before you receive it. In the business world, you don't *have to* pay bills for inventory you haven't received. But anything is possible in business, including prepaying for inventory that you order. Here's what you have to do to prepay for inventory:

1. Write a check to the vendor (page 228) or enter a credit card charge (page 238) to pay for the items. If you have an open purchase order for the inventory, QuickBooks displays a message box about it; click No because it's too early to use the purchase order.
2. In the Write Checks or Enter Credit Card Charges window, click the Expenses tab.
3. In the first Account cell, choose the Accounts Payable account.
4. Save the transaction. Now you have a credit for that vendor in Accounts Payable.
5. When you receive the inventory items, you can apply the vendor credit to the bill you receive (page 240).

Creating Purchase Orders

Before you get to receiving inventory and paying the corresponding bills, it's a good idea to make sure that the inventory you ordered actually arrives. If you ordered corsages for Mother's Day but the box that shows up contains corsets, the mistake is obvious. Remembering what you ordered is tougher when products and quantities vary. Most businesses address this problem by creating *purchase orders* for the inventory they buy. That way, when the order arrives, you can compare the shipment to the purchase order to confirm that the items and quantities are correct. Because purchase orders are typically the first step in purchasing, the QuickBooks Home page places the Purchase Orders icon in the pole position in the Vendors panel.

Note: You can create all the purchase orders you want without altering the balances in your income, expense, and asset accounts; and the purchase orders won't appear in your Profit & Loss or Balance Sheet reports. That's because purchase orders are known as *non-posting* transactions: No money changes hands (or accounts), so there's nothing to post in your chart of accounts. In QuickBooks, the first posting for purchased inventory happens when you receive either the inventory or the bill.

The Create Purchase Orders dialog box is like a mirror-image of the Create Invoices dialog box that you'll meet in Chapter 10. You choose a vendor instead of a customer, and the Ship To address is your company's address, as shown in Figure 9-6.

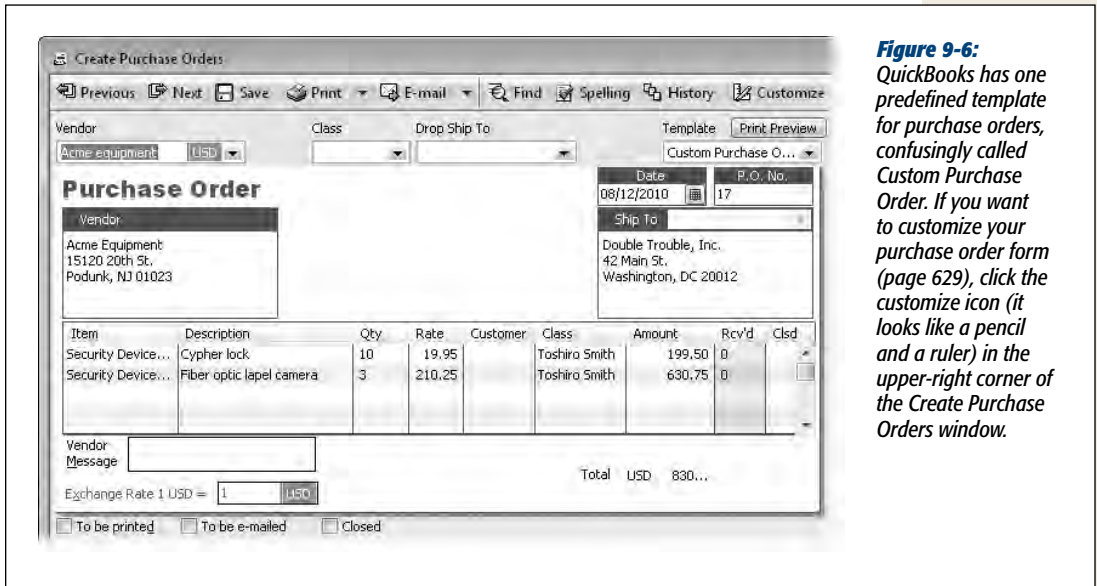


Figure 9-6: QuickBooks has one predefined template for purchase orders, confusingly called *Custom Purchase Order*. If you want to customize your purchase order form (page 629), click the customize icon (it looks like a pencil and a ruler) in the upper-right corner of the *Create Purchase Orders* window.

Here's how you create a purchase order:

1. On the Home page, click the Purchase Orders icon (or choose Vendors→Create Purchase Orders).

In the Create Purchase Orders window, QuickBooks fills in the current date, and there's no reason to change that because purchase orders are a paper trail of what you order.

2. In the Vendor box, choose the vendor you're ordering inventory from.

QuickBooks fills in the Vendor box in the header area with the vendor name and address (from the vendor record you created on page 131) as shown in Figure 9-6.

Note: If you use multiple currencies, the vendor's currency appears to the right of the vendor's name. The "Exchange Rate 1 <unit> =" box becomes active below the Item table if the vendor is set up to use a currency different from your home currency.

3. **If you use classes to categorize income and expenses (page 135), choose a class for the purchase order.**

If you use classes and skip this box, QuickBooks politely reminds you that the box is empty when you try to save the purchase order. If that happens, click Cancel to return to the purchase order so you can choose a class, or click Save Anyway to save the purchase order without a class.

4. **If you're ordering inventory that you want shipped directly to one of your customers, in the Ship To drop-down list, choose that customer (or job).**

QuickBooks changes the shipping address in the Ship To box from your company's address to the customer's or job's address.

5. **If you're creating your first purchase order, in the P.O. No. box, type the number that you want to start with.**

From then on, QuickBooks increments the number in the P.O. No. box by one. If you order your products over the phone or through an online system and the vendor asks for your purchase order number, give them this number.

6. **In the drop-down list for the first Item cell in the table, choose the item that corresponds to the first product you're purchasing.**

The Item drop-down list shows all the entries in your Item List, even though companies usually create purchase orders only for inventory items. (As you type the first few letters of an item's name, QuickBooks displays matching entries. You can keep typing or click the item you want as soon as you see it.)

When you choose an item, QuickBooks fills in other cells in the row with information from the item's record (see Chapter 4). The Description cell gets filled in with the item record's description, which you can keep or edit. The Rate cell grabs the value from the Cost field of the item's record (that's the price you pay for the item).

7. **In the cell in the Qty column, type the quantity you want to purchase.**

QuickBooks fills in the Amount cell with the total purchase price for the item: the quantity multiplied by the rate.

8. **If you're purchasing inventory specifically for a customer or job, choose the customer or job in the drop-down list in the Customer column.**

The Create Purchase Orders dialog box doesn't include a column for designating purchases as billable. Don't worry: You tell QuickBooks that an item is billable when you create a bill or receive the item into inventory.

9. **Repeat steps 6 through 8 for each product you're purchasing.**

You can insert and delete lines in a purchase order. To insert a line, right-click a line and then choose Insert Line from the shortcut menu. To delete the line, choose Delete Line from the shortcut menu.

10. At the bottom of the Create Purchase Orders dialog box, in the Memo box, type a summary of what you're ordering.

The contents of the Memo field show up when it's time to apply a purchase order to a bill (as you'll learn shortly), making it easy to identify the right purchase order.

11. If you have additional purchase orders to create, click Save & New to save the current purchase order and begin another.

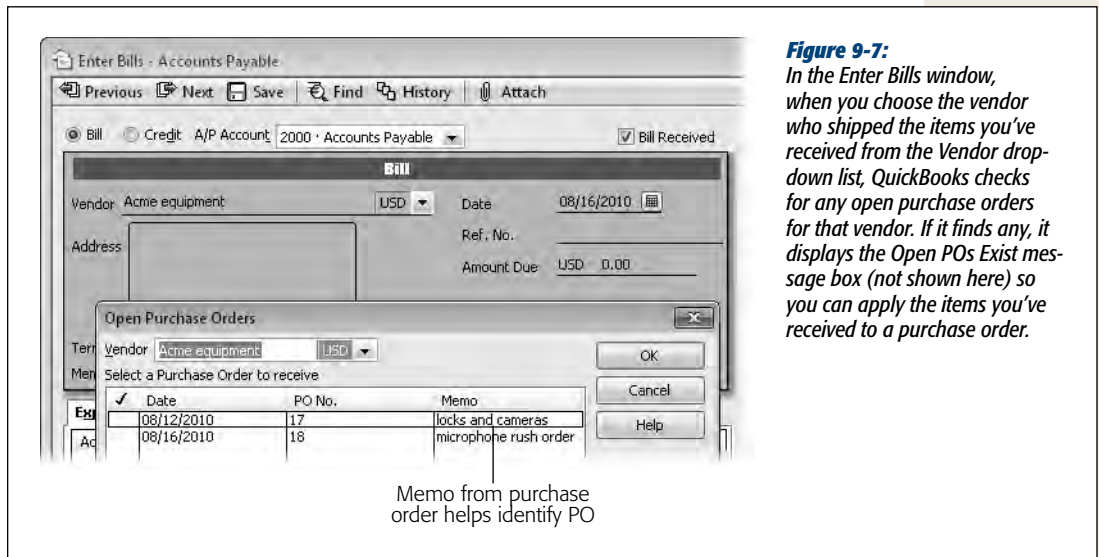
To save the purchase order you just created and close the Create Purchase Orders window, click Save & Close. Click Clear to throw out your choices or changes on the purchase order.

Receiving Inventory and Bills Simultaneously

For many orders, you'll find your bill tucked into one of the boxes of your shipment like a bonus gift. Although a bill isn't the most welcome of gifts, receiving a bill and inventory simultaneously *is* a bonus because you can record your inventory and the accompanying bill at the same time in QuickBooks. Here's how:

1. On the Home page, click Receive Inventory and then choose "Receive Inventory with Bill", or choose Vendors→"Receive Items and Enter Bill."

Either way, QuickBooks opens the Enter Bills window that you first met on page 200 and automatically turns on the Bill Received checkbox just as it does when you create a regular bill. The difference comes to light when you choose a vendor, as described in Figure 9-7.



2. In the Vendor drop-down list, choose the vendor who sent the bill.
QuickBooks looks for any open purchase orders for that vendor.
3. If there are any open purchase orders for that vendor and you want to apply the shipment you received to one of them, in the Open POs Exist message box, click Yes. (If the items you received don't go with any open purchase orders, click No and skip to step 5.)

QuickBooks opens the Open Purchase Orders dialog box (shown in the foreground in Figure 9-7). This dialog box lists only purchase order dates, purchase order numbers, and memos.

If the vendor's bill includes the purchase order number, picking the correct one is easy. Or, if you filled in the Memo box when you created the purchase order, that note may help you identify the purchase order. But if you don't know which one to pick, click Cancel to close the Open Purchase Orders dialog box. Then, to view a report of open purchase orders, choose Reports→Purchases→Open Purchase Orders. Double-click a purchase order to view its details, and then head back to the Open Purchase Orders dialog box once you know which one to select.

4. To apply the shipment to an existing purchase order, in the "Select a Purchase Order to receive" table, click the checkmark column (the first column) for the purchase order you want, and then click OK.

QuickBooks displays a checkmark in the purchase order's checkmark cell. When you click OK, the program closes the Open Purchase Orders dialog box and fills in the bill fields with purchase order info, like the amount and the items ordered, as shown in Figure 9-8.

Address: Acme Equipment
15120 20th St.
Podunk, NJ 01023

Ref. No.:
Amount Due: USD 830.25
Bill Due: 09/15/2010

Terms: 2% 10 Net 30
Discount Date: 08/26/2010

Memo:

Expenses		USD 0.00		Items		USD 830.25					
Item	Description	Q.	Cost	Amount	Customer	B.	Class	PO No.			
Security Dev...	Cypher lock	10	19.95	199.50			Toshir...	17			
Security Dev...	Fiber optic...	3	210.25	630.75			Toshir...	17			

Select PO Clear Q'tys Show PO Time

Exchange Rate 1 USD = 1 USD

Clear Splits Recalculate Save & Close Save & New Clear

Figure 9-8:

When you choose an open purchase order, QuickBooks uses the information from that purchase order to fill in fields in the Enter Bills window, such as the Amount Due field in the header and the Items tab with most of the information about the items you ordered. When you work from a purchase order, QuickBooks displays the order's number in the PO No. column. You can display the Open Purchase Orders dialog box by clicking the Select PO button (below the items table). To open the selected purchase order in the Create Purchase Orders dialog box, click Show PO.

Tip: It's always a good idea to compare the quantities you received in the shipment to the quantities on your purchase order. If you received fewer items than you ordered, in the Qty cell for the item, enter the number you actually received and adjust the amount due to match what you received.

5. In the Date box, fill in the date when you received the bill.

If you've already defined the payment terms in the vendor record (page 132), QuickBooks fills in the Terms box and automatically fills in the Bill Due box. If the bill you received shows different terms or a different due date, update the values in the Bill Due and Terms boxes to match the vendor's bill. (When you save the bill, the program offers to save the new terms in the vendor's record.)

6. If you didn't create a purchase order for the shipment you received, fill in the fields as you would for a regular bill.

In the Amount Due field, type the amount due from the vendor's bill. You'll also have to fill in the Items tab manually. For each item you received, in a blank line in the Items table, specify the item, quantity, customer or job, and class. QuickBooks fills in the Description and Cost cells using the values in the item's record (see Chapter 4) and then calculates the Amount by multiplying the quantity by the item's cost.

7. Click Save & New or Save & Close.

When you save a combination inventory/bill transaction, QuickBooks goes to work behind the scenes. For the inventory you received, the program debits your inventory account for the amount you paid for the items, and updates the quantity on hand for the item (page 482). It also increases the balance in your Accounts Payable account by the amount of the bill.

Tip: If you want to see how many of a particular product you have on hand, on the Home page, click Items & Services. In the Item List window, look at the Total Quantity On Hand column for the item you're interested in.

Receiving Inventory Before the Bill

When you receive inventory, you want to record it in QuickBooks so you know that it's available to sell. If you receive inventory without a bill, the best solution is to *pretend* that you received the bill. By creating the bill in QuickBooks, your Accounts Payable stays in sync with what you've purchased. Then you can simply edit the bill later to match the real one you receive.

Another approach is to record the received inventory in QuickBooks without a bill. (You can do this because the program has separate commands to receive inventory and enter bills when they arrive.) The box on page 216 explains how QuickBooks posts amounts to accounts when you receive inventory without a bill. The fields that you specify and the options at your disposal are the same as when you receive inventory with a bill (as described in the previous section), they just appear in different windows.

TROUBLESHOOTING MOMENT

Posting Inventory Received

When you receive inventory before the bill arrives, your accountant might squawk about how QuickBooks posts inventory to your accounts. In standard accounting practice, only bills show up as credits to the Accounts Payable account, but QuickBooks also credits the Accounts Payable account when you receive inventory items.

When you use Receive Items, QuickBooks adds an entry for the items you received to the Accounts Payable register. (To view the register, press Ctrl+A to open the Chart of Accounts window, and then double-click the Accounts Payable's account name.) The program fills in the Type cell with ITEM RCPT to indicate that the entry isn't a bill. Later,

when you enter the bill, QuickBooks overwrites the same transaction, replacing the ITEM RCPT type with BILL.

Although the result in your company file is correct after you both receive inventory and enter bills, accountants typically complain about incomplete audit trails when they see a transaction change without some kind of record. Unfortunately, there's no workaround for keeping track of items received without bills or bills received without shipments. If you want to track inventory, bills, and price differences between your purchase orders and the final bills, you'll have to do so outside of QuickBooks.

To receive inventory in your company file before the bill arrives:

1. **On the Home page, click the Receive Inventory icon and then choose “Receive Inventory without Bill”, or choose Vendors→Receive Items).**

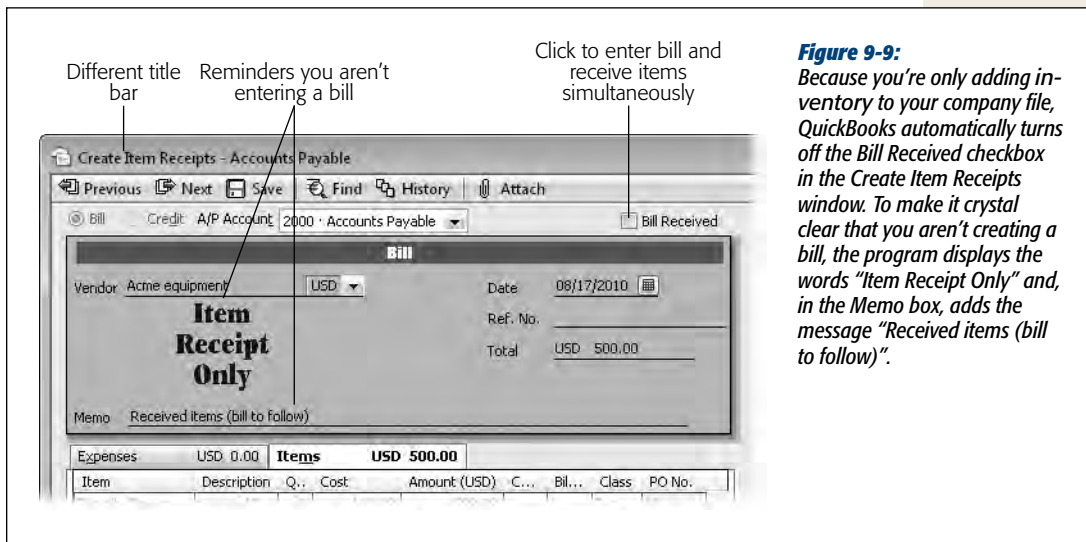
QuickBooks opens the Create Item Receipts window, which is a close relative to the Enter Bills window. In fact, other than the title of the dialog box, only three things are different, all of which are shown in Figure 9-9.

Tip: If you choose “Receive Inventory without Bill” (or Vendors→Receive Items) and then realize that you *do* have the bill, there's no need to close the window and choose a different command. Simply turn on the Bill Received checkbox in the top-right corner of the Create Item Receipts window. The window then changes to the Enter Bills window, so you can receive the items and create the bill at the same time (page 213).

Similar to what happens when you receive inventory and a bill at the same time (page 213), the Create Item Receipts window reminds you about open purchase orders that you can select to fill in the items received automatically. The rest of the fields behave like the ones in the Enter Bills window, explained on page 200.

2. **When you've added all the items you received and updated any quantities that differ from those on your purchase order, click Save & Close.**

QuickBooks records the inventory in your company file, as described in the box on page 216.

**Figure 9-9:**

Because you're only adding inventory to your company file, QuickBooks automatically turns off the Bill Received checkbox in the Create Item Receipts window. To make it crystal clear that you aren't creating a bill, the program displays the words "Item Receipt Only" and, in the Memo box, adds the message "Received items (bill to follow)".

Then, when the bill for the items you received finally arrives, here's what you do:

1. Choose Vendors→"Enter Bill for Received Items", or on the Home page, click the Enter Bills Against Inventory icon.

The box on page 217 tells you how to recover if you choose Vendors→Enter Bills by mistake.

TROUBLESHOOTING MOMENT

Double (Posting) Trouble

When you want to enter a bill for items you received earlier, be extra careful to choose Vendors→"Enter Bills for Received Items" (or click Enter Bills Against Inventory on the Home page). If you choose Vendors→Enter Bills instead, you'll end up with *two* postings for the same items in your Accounts Payable account. The first posting appears when you receive the items in QuickBooks (the one identified with the type ITEM RCPT); the second posting is for the bill.

If you accidentally create one of these double entries, here's how to correct the problem:

1. In the Chart of Accounts window, double-click the Accounts Payable account.
2. In the Accounts Payable register, select the bill and then choose Edit→Delete Bill or right-click the bill and then choose Delete Bill on the shortcut menu.
3. Recreate the bill using the "Enter Bills for Received Items" command.

Or, instead of deleting and recreating the bill, another option is to create a journal entry to reverse the second Accounts Payable entry (page 433).

2. In the Select Item Receipt dialog box, choose the vendor that sent the shipment; then choose the shipment that corresponds to the bill you just received and click OK.

QuickBooks opens the Enter Bills window and fills in the fields with info from your Receive Items transaction.

3. If the prices and quantities on the vendor's bill are different from those QuickBooks used, on the Items tab, update the prices and quantities.

When prices and quantities differ, don't take the vendor's bill as the final word—check your record to see where the discrepancy arose.

4. If the bill includes sales tax and shipping that you didn't include on your purchase order, click the Expenses tab, and then fill in additional lines for those charges.

If you changed anything on the Items or Expenses tab, click Recalculate to update the Amount Due field with the new total.

Tip: The Select Item Receipt dialog box's Ref. No. and Memo cells identify the shipments you've received. If those fields are blank, the Date cell won't be enough to select the right item receipt, so click Cancel and then choose Vendors→Receive Items. In the Create Item Receipts dialog box's menu bar, click Previous or Next to display the item receipt you want, and then fill in its Ref. No. field with the purchase order number for the shipment or the carrier's tracking number. After you save the item receipts with identifying reference numbers, choose Vendors→"Enter Bill for Received Items" once more.

5. Click Save & Close.

You'll see a message box asking if you want to save the changes you made—even if you didn't make any. QuickBooks asks this question because it has changed the item receipt transaction to a bill in your Accounts Payable account as the box on page 217 explains. Click Yes to save the changes.

Handling Reimbursable Expenses

Reimbursable expenses are costs you incur that a customer subsequently pays. For example, you've probably seen telephone and photocopy charges on your attorney's statements. Travel costs are another common type of reimbursable expense. Products you purchase specifically for a customer or a subcontractor you hire for a customer's job are all costs you pass on to your customers.

In QuickBooks, as in accounting, there are two ways to track reimbursable expenses:

- **As income.** With this method, QuickBooks posts the expenses on a bill you pay to the expense account you specify. When you invoice your customer, QuickBooks posts the reimbursement as income in a separate income account. Your income is higher this way, but it's offset by higher expenses. This approach is

popular because it lets you compare income from reimbursable expenses to the reimbursable expenses themselves to make sure that they match. (The box on page 219 describes the income accounts you need for tracking reimbursable expenses this way.)

- **As expenses.** Tracking reimbursements as expenses doesn't change the way QuickBooks handles bills—expenses still post to the expense accounts you specify. But, when your customer pays you for the reimbursable expenses, QuickBooks posts those reimbursements right back to the expense account, so the expense account balance looks as if you never incurred the expense in the first place.

Note: If you track reimbursable expenses as expenses, you don't have to do any special setup in QuickBooks. When you pay a bill, the expenses simply post to the expense account. When you invoice a customer, you add the reimbursable expenses to the invoice. When the customer pays the invoice, QuickBooks posts the reimbursements back to the same expense account.

WORKAROUND WORKSHOP

Accounts for Reimbursable Expenses

QuickBooks won't let you assign the same income account to more than one reimbursable expense account, so you have to create a separate income account (see Chapter 3) for each type of reimbursable expense.

To keep your chart of accounts neat, create a top-level income account called something like Reimbursed Expenses. Then create an income subaccount for each type of reimbursable expense. When you're done, your income accounts will look something like this:

- 4100 Service Revenue
- 4200 Product Revenue
- 4900 Reimbursed Expenses—Income

Subaccounts for account 4900:

- 4910 Reimbursed Telephone
- 4920 Reimbursed Postage
- 4930 Reimbursed Photocopies

Setting Up Reimbursements As Income

If you want to track your reimbursable expenses as income, you have to turn on the Track Reimbursed Expenses As Income preference. To do that, choose Edit→Preferences→Time & Expenses. Then, on the Company Preferences tab, turn on the “Track reimbursed expenses as income” checkbox.

With this preference turned on, whenever you create or edit an expense account (in the Add New Account or Edit Account windows), QuickBooks adds a “Track reimbursed expenses in Income Acct.” checkbox and drop-down list at the bottom of the dialog box, as shown in Figure 9-10.

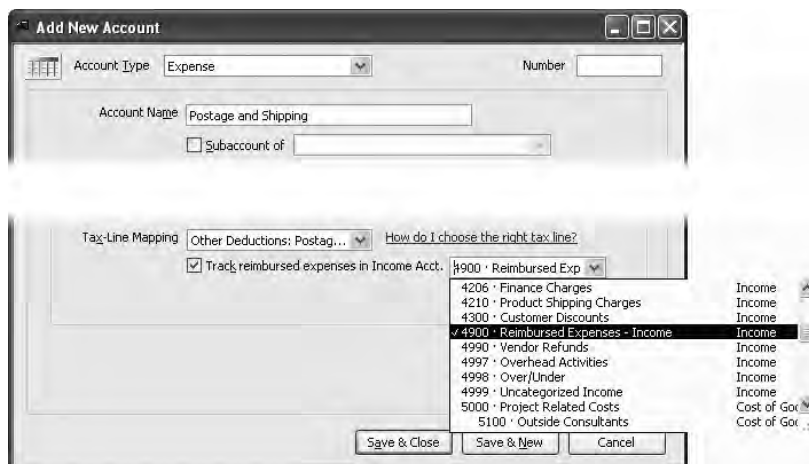


Figure 9-10:

To track the expense as reimbursable income, in the Edit Account window, turn on the “Track reimbursed expenses in Income Acct.” checkbox and then, in the drop-down list, choose the income account to use. Since you’ve already created your expense accounts, you’ll have to edit each expense account that’s reimbursable (travel, telephone, equipment rental, and so on) and add the income account as shown here.

Here’s what happens as you progress from paying your bills to invoicing your customers:

- When you assign an expense on a bill as reimbursable to a customer, QuickBooks posts the money to the expense account you specified.
- When you create an invoice for that customer, the program reminds you that you have reimbursable expenses.
- When you add the reimbursable expenses to the customer’s invoice, they post to the income account you specified for that type of expense. (See the box on page 219 to learn more about creating income accounts for reimbursable expenses.)

Recording Reimbursable Expenses

As you enter bills (page 200) or make immediate payments with checks or credit cards, you add designated expenses as reimbursable, as shown in Figure 9-11. When you choose a customer or job in the Customer:Job column, QuickBooks automatically adds a checkmark to the “Billable?” cell. Be sure to type a note in the Memo cell to identify the expense, because QuickBooks uses the text in the Memo field as the description of the reimbursable expense on your invoice.

Terms: 2% 10 Net 30 Discount Date: 08/26/2010

Memo:

Expenses: USD 4,000.00 Items: USD 0.00

Account	Amount	Memo	Customer:Job	Billable?	Class
6040 Subcont...	4,000.00		SiamattiPorcia	☒	

Exchange Rate: 1 USD = 1 USD

Learn about making foreign payments

Clear Splits Recalculate Save & Close Save & New Clear

Figure 9-11:

The tables in the Enter Bills, Write Checks, and Enter Credit Card Charges windows all include columns to designate reimbursable expenses and the customers or jobs to which they apply. (You can click Splits in an account register to access these columns.)

Note: Sometimes you want to track expenses associated with a customer or job, but you don't want the customer to reimburse you, like when you have a fixed-price contract. In that situation, click the "Billable?" cell for that expense to remove the checkmark.

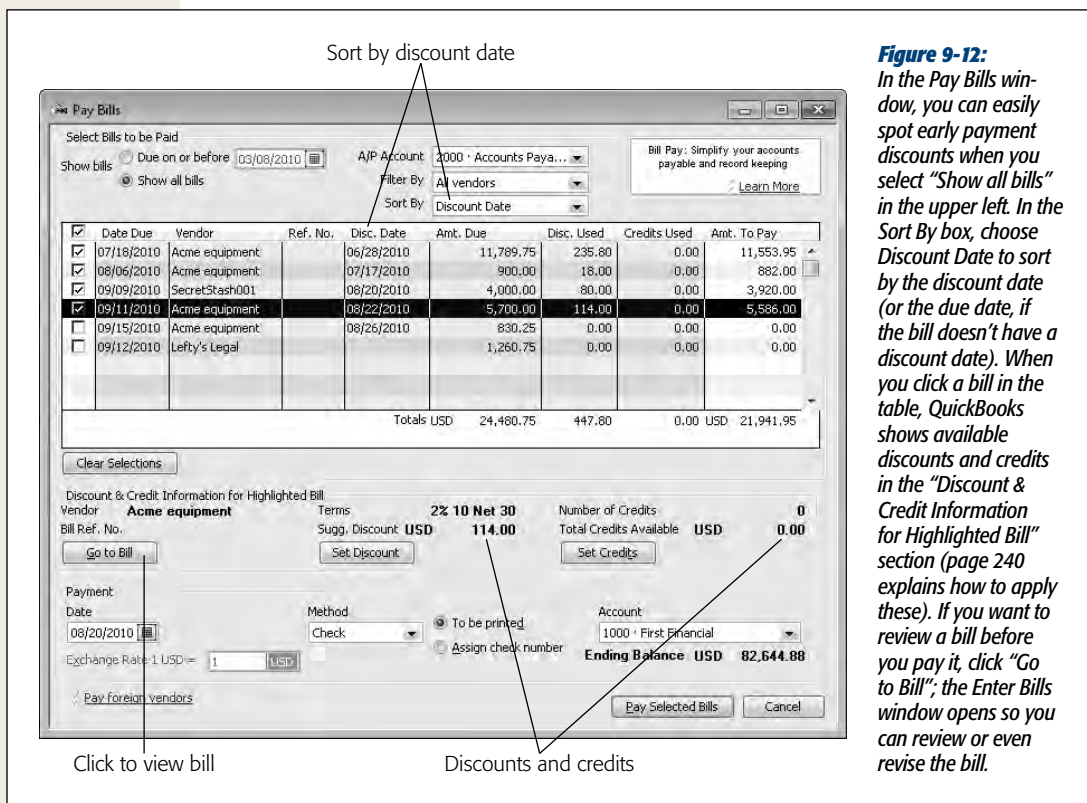
Paying Your Bills

Entering bills in QuickBooks isn't the same as *paying* bills. The bills you enter are a record of what you owe and when, but they do nothing to send money to your vendors. Pay Bills is the command that actually pushes your money out the door. With this command, you can select the bills you want to pay, how much to pay on each one, the payment method, the payment account, and the date for the payment. If you have credits or early payment discounts, you can include those, too.

Tip: If you want to evaluate all your unpaid bills before you pay them, the Unpaid Bills Detail report displays the bills due up to the current date, grouped by vendor.

Selecting Bills to Pay

You begin the payment process by choosing the bills you want to pay. When you choose Vendors→Pay Bills (or click the Pay Bills icon on the Home page), QuickBooks opens the Pay Bills window and shows the bills due within the next two weeks. As Figure 9-12 shows, you can change the bills that appear, view bill details, or apply credits and discounts.



Here are the ways you can select bills to pay in the Pay Bills window:

- **Clicking the Select All Bills button** below the table is the easiest way to select bills. QuickBooks selects all the bills displayed in the Pay Bills table and fills in the Amt. To Pay cells with the total due on each bill. You can choose individual bills for payment by turning on their checkboxes. (The button's label changes to Clear Selections when at least one bill is selected.)

Note: When you select more than one bill from the same vendor, QuickBooks automatically combines those bills onto one check when you pay them.

- **To use different payment methods** (check and credit card, for example), make two passes through the Pay Bills window. On the first pass, choose all the bills that you pay by check and, in the Payment section, in the Method box, choose Check. During the second pass, in the Method box, choose Credit Card.
- **To pay bills submitted in different currencies**, you have to make a pass through the Pay Bills window for each currency. QuickBooks creates an Accounts Payable account for each currency you assign to vendors. To pay bills from

vendors using a specific currency, choose the corresponding Accounts Payable account in the A/P Account drop-down list. The Pay Bills window then displays the bill amounts in the foreign currency, and the amount you have to pay in your home currency.

Modifying Payment Amounts

Whether you select individual bills or QuickBooks selects them for you, the program automatically fills in the Amt. To Pay cells with the total amounts that are due. Paying bills in full means you don't have to worry about the next due date or paying late fees, but making partial payments can stretch limited resources to appease more of your unpaid vendors, as the box on page 223 explains. To pay only part of a bill, in a bill's Amt. To Pay cell, type how much you want to pay.

UP TO SPEED

When Cash Is Tight

If your cash accounts are dwindling, you may face some tough decisions about whom you pay and when. To help keep your business afloat until the hard times pass, here are a few strategies to consider:

- Pay the vendors whose products or services are essential to your business.
- Make partial payments to all your vendors rather than full payments to some and no payments to others.
- If you want to pay small bills in full, in the Sort By box, choose Amount Due to see your outstanding bills sorted by dollar value.
- Pay government obligations (taxes and payroll withholdings) first. In the Sort By box, choose Vendor to make it easy to spot all your government bills.

Tip: If you keep your cash in an interest-bearing account until you need it, you'll want to know how much money you need to transfer to your checking account to pay the bills. In the Pay Bills window, the number at the bottom of the Amt. Due column is the total amount for all the bills displayed, and the number at the bottom of the Amt. To Pay column is the total for all the bills you've selected to pay. Initially, the two totals are the same, but if you change a value in an Amt. To Pay cell, click another cell to update the Amt. To Pay total.

Applying Discounts and Credits to Payments

Most companies like to use their discounts and credits as soon as possible. By far the easiest way to deal with discounts and credits you receive from vendors is to let QuickBooks automatically handle them. Here's how you delegate applying early payment discounts and available credits to QuickBooks:

1. Choose Edit→Preferences→Bills, and then click the Company Preferences tab.

The settings you choose here apply to every person who logs into your company file. Because the settings appear on the Company Preferences tab, you have to be a QuickBooks administrator to change them.

2. To make QuickBooks apply available credits automatically, turn on the “Automatically use credits” checkbox.

With this checkbox turned on, QuickBooks automatically deducts vendor credits from the corresponding vendor’s bills. If you’d rather choose when to apply credits, leave this checkbox turned off.

3. Turn on the “Automatically use discounts” checkbox and, in the Default Discount Account box, choose the account you use to track vendor discounts.

If you don’t have an account set up for vendor discounts yet, choose <Add New> at the top of the Default Discount Account drop-down list, and then create a new account (page 49) called something like Vendor Discounts.

Note: Whether you create an income account or expense account for vendor discounts is neither an accounting rule nor QuickBooks requirement, but a matter of how you view vendor discounts. If you think of them as expenses you’ve saved by paying early, create an expense account. If you view them as money you’ve made, create an income account instead. Either way, vendor discounts are different from discounts you extend to your customers. So, in the Default Discount Account box, choose an account specifically for vendor discounts, not your customer discount account.

As you’d expect, turning on these checkboxes tells QuickBooks to apply early payment discounts and available credits to bills without further instructions from you. The program uses your payment terms to figure out the discount you’ve earned, and it adds all available credits to their corresponding bills. Whether these checkboxes are on or off, you can still control the discounts and credits QuickBooks applies to your bills, as you’ll learn on the following pages. For example, you might want to delay a large credit until the following year to increase your expenses in the current year, which decreases this year’s taxable income.

Applying discounts manually

If you want to apply discounts manually or change the discount that QuickBooks added, here’s what you do:

1. Open the Pay Bills window.

On the Home page, click the Pay Bills icon, or choose Vendors→Pay Bills.

2. To select a bill that isn’t already selected for payment, turn on its checkbox in the table. If the checkbox is already turned on, select the bill by clicking anywhere in the bill’s row.

In the “Discount & Credit Information for Highlighted Bill” section, QuickBooks shows the discount and credits that are available for the bill. More importantly, the program activates the Set Discount and Set Credits buttons so you can click them to apply discounts and credits, respectively. (If the checkbox is turned off, QuickBooks shows the suggested discount and available credits, but the Set Discount and Set Credits buttons are dimmed.)

Tip: When you apply discounts manually, you can use the Disc. Date column to identify bills that qualify for early payment. If the date in a Disc. Date cell is in the future, the bill qualifies for an early payment discount.

3. To apply or modify a discount to the selected bill, click Set Discount.

QuickBooks opens the “Discount and Credits” dialog box (Figure 9-13). If you’ve turned on multiple currencies, the currency you set for the vendor appears to the left of the Suggested Discount label and in the “Amount of Discount” box.

Figure 9-13:

In the “Discount and Credits” dialog box, QuickBooks automatically selects the *Discount* tab and displays your payment terms, the discount date, and the amount of discount you deserve. If the suggested discount is worth an early separation from your money, click *Done* to deduct the discount from your bill. Otherwise, click *Cancel*. If you also want to work on credits (page 226), when you’re done modifying the discount, click the *Credits* tab.

4. In the “Amount of Discount” box, QuickBooks fills in the suggested discount. If you want to apply a different discount, type the new value.

Many companies try to save money by taking early payment discounts when they haven’t paid early. Some companies apply discounts regardless of what their payment terms are, and most vendors honor these undeserved discounts in the name of goodwill.

5. In the Discount Account drop-down list, choose the account you use to track your vendor discounts.

If you use an income account, discounts appear as positive numbers and increase the balance of the income account. If you use an expense account, discounts appear as negative numbers because they reduce how much you spend on expenses.

Tip: If you want to track discounts on inventory separately, create a Cost of Goods Sold account specifically for inventory discounts. For example, if QuickBooks created account 5000 for Cost of Goods Sold, you can create two subaccounts: 5005 for Cost of Inventory Sold and 5010 for Inventory Discounts. In your financial reports, the two subaccounts show your original cost and the discounts you receive. Account 5000 adds the two subaccounts together to show your net cost of goods sold.

6. If you track classes, choose the class for the discount.

Typically, you'll choose the same class for the discount that you used for the original expense.

7. Click Done.

QuickBooks closes the "Discount and Credits" dialog box. Back in the Pay Bills window, the program adds the discount you entered in the bill's Disc. Used cell and recalculates the value in the Amt. To Pay cell by subtracting the discount from the amount due.

Applying credits manually

When you select a bill in the Pay Bills window, the "Discount & Credit Information for Highlighted Bill" section shows the credits that are available for that bill. If the "Discount and Credits" dialog box is already open because you've applied a discount, just click the Credits tab and then continue with step 4. Otherwise, here's how to apply available credits to a bill or remove credits that QuickBooks applied for you:

1. On the Home page, click the Pay Bills icon, or choose Vendors→Pay Bills.

QuickBooks opens the Pay Bills window.

2. Select a bill by turning on its checkbox in the table.

In the "Discount & Credit Information for Highlighted Bill" section, QuickBooks shows the credits available for the vendor, if any. The program also turns on the Set Credits button.

3. To apply a credit to the selected bill, click Set Credits.

QuickBooks opens the "Discount and Credits" dialog box, and displays the Credits tab, shown in Figure 9-14. Credits that are already applied to the bill are checked.

4. Turn on the checkmark cell for each credit you want to apply, and then click Done.

QuickBooks closes the dialog box and applies the credits.

Discount and Credits

Bill
 Vendor AssuranceInsurance (USD)
 Ref. No.
 Date 07/14/2010
 Original Amt. 2,010.00

Amount Due 2,010.00
 Discount Used 40.20
 Credits Used 500.00
 Amt. To Pay 1,469.80

Credits

☒	Date	Ref. No.	Credit Amt.	Amt. To Use	Credit Balance
☒	07/14/2010		500.00	500.00	0.00
Totals USD			500.00	500.00	0.00

Clear

Done Cancel Help

Figure 9-14:

In the table section of the “Discount and Credits” dialog box, click a credit’s checkmark cell to toggle between applying the credit and removing it from the bill. QuickBooks updates the Credits Used value to show the amount of credit applied to the bill. The Amt. To Pay value is the amount you have to pay based on both applied discounts and credits.

Setting the Payment Method and Account

After you’ve selected the bills to pay and applied any discounts and credits, you still have to tell QuickBooks how and when you want to pay those bills. At the very bottom of the Pay Bills window, these settings are the last choices you have to make before paying your vendors:

- **Payment Date.** QuickBooks fills in the current date automatically. To predate or postdate your payments, choose a different date. Page 568 tells you how to get QuickBooks to date checks using the day you print your checks.
- **Payment Method.** In this drop-down list, choose how you want to pay the bills. You can select Check, Credit Card, or Online Bank Pmt (which you can use if you subscribe to QuickBooks’ online bill payment service).

If you pay bills by check and print your checks from QuickBooks, choose the “To be printed” option, and the program automatically adds the bills you selected to the queue of checks to be printed. You’ll learn about printing these checks on page 229.

If you write checks by hand, choose the “Assign check number” option. That way, when you click the Pay Selected Bills button (explained in a moment), the program opens the Assign Check Numbers dialog box. To assign check numbers starting with the next unused check number, choose the “Let QuickBooks assign check numbers” option. If you instead want to specify the check numbers for each check you write, choose the “Let me assign the check numbers below” option.

- **Payment Account.** If you specified a default account for the Pay Bills window to use (page 567), QuickBooks automatically fills in that account. To use a different account, in the Account drop-down list, choose the account you use to pay bills, such as a checking or credit card account.

Paying Selected Bills

When you're done setting up bills to pay, click the Pay Selected Bills button. When you do, QuickBooks closes the Pay Bills window, displays a Payment Summary dialog box showing the payments you've made, and adds those payments to your bank account register. Here are the actions you can take from the Payment Summary dialog box, depending on how you produce checks:

- **If you write paper checks for your bills,** click Done and your QuickBooks work is complete. But you still have to fill out and mail your paper checks, as described on page 228.
- **For checks you print in QuickBooks,** click Print Checks and see page 232 for details. If you aren't ready to print checks just yet, click Done.
- You can **create another batch of bill payments** (for example, to pay bills using another method) by clicking Pay More Bills in the Payment Summary dialog box.

Note: If you open the Enter Bills window, you'll see a PAID stamp on bills you've paid.

Producing Checks

When you use Check as the payment method for paying bills, your bank account register shows check transactions, but you still have to generate checks to send to your vendors. For companies that produce lots of checks, printing checks in QuickBooks can prevent carpal tunnel syndrome. But for a sole proprietorship that generates a few checks each month, writing checks by hand is easy enough. As this section explains, QuickBooks accepts either approach with equal aplomb.

Writing Checks by Hand

Handwriting checks doesn't require any work in QuickBooks, but you still have to keep your company file in sync with your paper checks. Whether you're writing checks for bills you've paid in QuickBooks or scratching out a spur-of-the-moment check to the fortune-teller for this week's corporate horoscope, you want to make sure that the check numbers in your bank account register match your paper checks.

If you already recorded your check transactions in QuickBooks by paying bills (page 221) or recording a check transaction for an immediate payment (page 233),

synchronizing check numbers is as easy as writing the paper checks in the same order as you entered them in QuickBooks. Simply open the checking account register window and use the check transactions to guide your paper check writing, as shown in Figure 9-15.

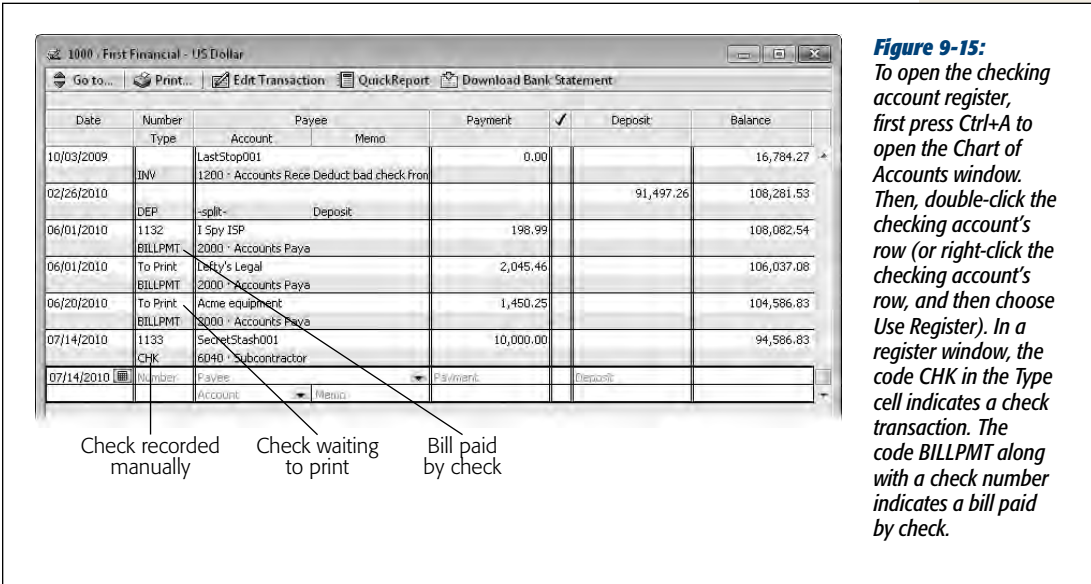


Figure 9-15: To open the checking account register, first press Ctrl+A to open the Chart of Accounts window. Then, double-click the checking account's row (or right-click the checking account's row, and then choose Use Register). In a register window, the code CHK in the Type cell indicates a check transaction. The code BILLPMT along with a check number indicates a bill paid by check.

Note: If the next check number in QuickBooks isn't the one on your next paper check, figure out why they don't match. The answer might be as simple as a voided check that you forgot to enter in QuickBooks or a check you wrote earlier that was out of sequence. But if someone is walking off with blank checks, you need to take action.

Until you find the reason for the mismatched check number, editing the check numbers that QuickBooks assigns in the checking account register is the easiest way to get checks into the mail. In the register window, simply double-click an incorrect check number, and then type the number that's on your paper check.

Setting Up QuickBooks to Print Checks

If you have scads of checks to generate, printing on preprinted computer checks is well worth the small amount of setup you have to do. And if you dedicate a printer to check printing and keep it stocked with checks, setup is truly a one-time event.

Tip: Lock up your preprinted checks and any printer stocked with them. Otherwise, you might discover checks missing, which can lead to money disappearing from your bank account.

The first step is telling QuickBooks which printer to print to and the type of checks you use. The program remembers these settings, so you need to go through this process just once. After you've specified your check-printing settings, QuickBooks fills them in automatically in the Print dialog box. (You can always change those options before you print.)

Here's how you set QuickBooks up to print checks:

1. **Open the "Printer setup" dialog box by choosing File→Printer Setup.**

In the Form Name drop-down list, select Check/Paycheck.

2. **In the "Printer name" drop-down list, choose the printer you want to use.**

If you choose a printer brand that QuickBooks recognizes (there are only a few it doesn't), the program automatically fills in the "Printer type" box. If you use a very old or very odd printer, you'll have to choose the type of printer. "Page-oriented (Single sheets)" refers to printers that feed one sheet at a time. Choose Continuous (Perforated Edge) if the printer feeds a roll of paper.

Note: If you print to checks on continuous-feed paper, properly aligning the paper in the printer is critical. You can save time and a lot of wasted checks by aligning the paper *before* you print batches of checks, as described on page 312.

3. **In the Check Style section, choose the option that represents the type of check you purchased. (The box on page 230 tells you where you can buy your checks.)**

The "Printer setup" dialog box displays examples of each check style it can deal with, making it easy to choose the right one, as shown in Figure 9-16. See the box on page 232 to learn how to tell QuickBooks how you want to print partial pages of checks.

FREQUENTLY ASKED QUESTION

Buying Preprinted Checks

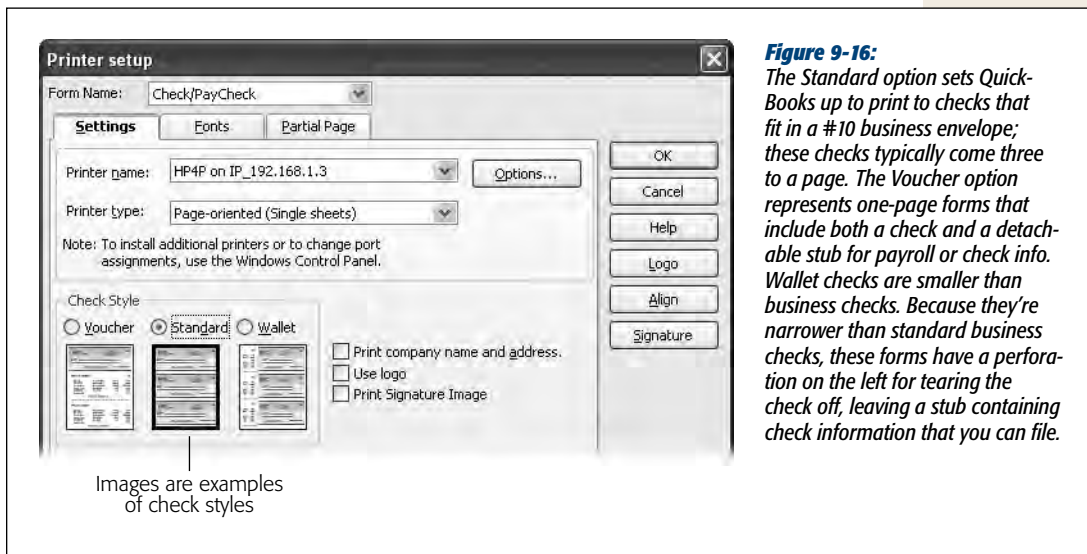
Do I have to order checks from Intuit?

The short answer is no, but there are compelling reasons to go with Intuit's checks. The company sells competitively priced preprinted checks that work with QuickBooks. The program keeps track of the checks you've used and tells you when to order more. It then automatically sends the correct bank account number with your order. Intuit guarantees that their preprinted checks work with your printer and are accepted by any financial institution in the U.S. If they don't, Intuit will reprint your order or refund what you paid for the checks.

To order Intuit checks, in the Write Checks window, click Order Checks. If you haven't ordered from Intuit before, select

the "Ordering from Intuit for the first time?" option. QuickBooks turns on the checkbox to use your company and bank account information to fill out your order form. Click Order Now to open the Checks webpage and set up your order.

However, you can purchase checks from your bank or a business-form company (such as Clarke American or Deluxe) just as easily. The checks have to be preprinted with your bank account number, bank routing number, and the check number, because QuickBooks prints only the payment information such as date, payee, and amount. If you order checks from a company other than Intuit, be sure to tell them that you use QuickBooks, since the checks need to have fields positioned to match where QuickBooks prints data.

**Figure 9-16:**

The Standard option sets QuickBooks up to print to checks that fit in a #10 business envelope; these checks typically come three to a page. The Voucher option represents one-page forms that include both a check and a detachable stub for payroll or check info. Wallet checks are smaller than business checks. Because they're narrower than standard business checks, these forms have a perforation on the left for tearing the check off, leaving a stub containing check information that you can file.

4. If the company you buy checks from wants too much money to print your company info and logo on the checks, turn on the “Print company name and address” and “Use logo” checkboxes.

Turning on the “Print company name and address” checkbox tells QuickBooks to print the company name and address you filled in when you created the company file (page 19). If you turn on the “Use logo” checkbox, the program opens the Logo dialog box. Click File and then, in the Open Logo File dialog box, select the file containing your logo. (QuickBooks can handle BMP, GIF, JPG, PNG, and TIFF formats.)

If your company info and logo are preprinted on your checks, leave these checkboxes turned off.

5. If you have an image of your signature saved on your computer, you can print it on your checks by turning on the Print Signature Image checkbox.

The program opens the Signature dialog box. Click File and then, in the Open Logo File dialog box, locate and double-click the file containing your signature. (One way to create a graphic file of your signature is by signing a piece of paper and scanning it to your computer.)

Note: If you want to change the fonts on the checks you print, click the Fonts tab. You can change the font for the entire check form (click Font) or designate a special font for the company name and address (click Address Font).

6. Click OK to save your check-printing settings.

The next section tells you how to actually print checks.

GEM IN THE ROUGH

Using Leftover Checks

When you print to single sheets of paper, you might print only one or two of the checks on the last sheet, leaving a leftover or two. Happily, QuickBooks includes a setting that lets you print on those orphaned checks. Here are the steps:

1. Choose File→Printer Setup, and then choose Check/ Paycheck in the Form Name drop-down list.
2. Click the Partial Page tab.
3. Choose the option (Side, Center, or Portrait) that corresponds to how your printer feeds envelopes, and then click OK to save the setting.

The Side and Portrait options are the most common methods. If you select Side, you insert the partial page of checks into the envelope feed sideways with the top of the first check lined up with the left side of the envelope feed. With the Portrait option, you feed the top of the first check straight into the envelope feed. (Whether you insert pages

face up or down depends on the type of printer you have. Print a sample page of checks to determine which direction you have to feed a page. Then, tape a note to the printer with instructions like “print side down, top edge in first” so you don’t misprint any pages in the future.)

Before you start printing, feed the pages with orphaned checks into the envelope feed on your printer. That way, QuickBooks prints to those orphaned checks before printing to the full pages of checks in the paper tray.

If you have an old dot-matrix printer taking up space in a junk closet, consider putting it to work printing checks. The continuous feed mechanism on a dot-matrix printer means you can stop printing anywhere and resume right where you left off, so you won’t need the Partial Page feature. An added bonus is that you don’t have to worry about printing reports on preprinted checks or printing checks to blank paper by mistake.

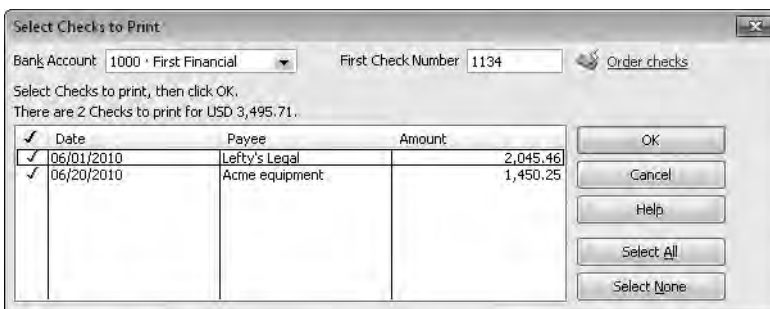
Printing Checks

In the Pay Bills window, if you choose the “To be printed” option, QuickBooks adds the checks you’ve selected for payment to a print queue when you click the Pay Selected Bills button. After you confirm that your preprinted checks are in the printer and that the checks are aligned properly, you can print checks by following these steps:

1. If the Payment Summary dialog box is open, click Print Checks. Otherwise, choose File→Print Forms→Checks.

QuickBooks opens the “Select Checks to Print” dialog box and selects all the unprinted checks, as shown in Figure 9-17.

Note: If you aren’t ready to print checks, click Done in the Payment Summary dialog box. You can print checks whenever convenient for you by choosing File→Print Forms→Checks. (The “Select Checks to Print” dialog box opens and you can continue with the next step.)

**Figure 9-17:**

The first time you print checks, QuickBooks sets the first check number to 1. If necessary, in the First Check Number box, type the number of the first check loaded in your printer.

2. If you don't want to print a check that's listed, turn off its checkbox. When only the checkmark cells for the checks you want to print are turned on, click OK.

QuickBooks opens the Print Checks dialog box, which looks much like the Printer Setup dialog box for checks (Figure 9-16).

3. If the first page of checks in your printer is a partial page, in the "Number of checks on first page" box, type how many checks there are.

In the Print Checks dialog box, the "Number of checks on first page" box lets you use leftover checks from previous print runs when you have a page-oriented printer. Type the number of leftover checks on the partial page and insert that page into your printer's envelope feed. After QuickBooks program prints checks to that page, it will begin feeding full sheets of checks from the paper tray.

4. Click Print.

Because of the problems that can happen during printing (paper jams, low toner, or an ill-timed margarita spill), QuickBooks opens the "Print Checks – Confirmation" dialog box after it prints checks.

5. If there was a problem, in the "Print Checks – Confirmation" dialog box, click the Reprint cell for each check that didn't print correctly.

If the whole batch is a loss, click Select All.

6. Click OK to reprint the checks.

In addition to printing the checks, QuickBooks also removes the words To Print from those checks in your checking account register, replacing them with the check numbers it used.

Writing Checks Without Entering Bills

You might enter bills in QuickBooks for the majority of your vendor transactions so you can take advantage of early payment discounts or pay bills just before they're due. But you're still likely to handwrite a quick check from time to time to pay for

an expense immediately. For example, when the person who plows your parking lot knocks on the door and asks for payment, he won't want to wait while you step through the bill entering and paying process in QuickBooks—he just wants his \$100. And if you write only a couple of checks a month, there's nothing wrong with writing checks to pay your vendors without entering a bill in QuickBooks.

When you first use QuickBooks and want some guidance, use the Write Checks dialog box to make sure you enter everything you need. In no time, you'll grow tired of all the clicking and handholding. At that point, you can switch to recording your checks in the QuickBooks checking account register. This section describes how to do both.

Note: Entering checks in the register is best reserved for paper checks that you write, but you can print checks you enter in the register: First, record the check. Then, right-click it and choose Edit Check to open the Write Checks window and, in the window's menu bar, click Print.

Using the Write Checks Window

The Write Checks window is like a trimmed-down Enter Bills window. Because you're paying immediately, there's no need for fields such as Bill Due or Terms. For a payment without a bill, you have to provide information about the expenses or items you're paying for, which is why the Write Checks window has the Expenses and Items tabs. QuickBooks fills in a few fields for you, and the rest of the fields are like the ones you've met already in the Enter Bills window (page 200).

Note: Don't use the Enter Bills window to write checks for sales tax, payroll, payroll taxes, and liabilities. See page 244 for how to pay sales tax. Chapter 14 explains how you pay employees, payroll taxes, and other payroll liabilities.

To write a check in the Write Checks window, follow these steps:

1. **Press Ctrl+W for fast access to the Write Checks window (or choose Banking→Write Checks).**

You can also click the Write Checks icon on the Home page. As you can see in Figure 9-18, QuickBooks tries to flatten the learning curve by making the first part of the Write Checks window look like a paper check. If you use multiple currencies, QuickBooks lists the currency for your checking account in the Bank Account box, the currency for the vendor on the right side of the "Pay to the Order of" box, and the currency for the check to the left of the check amount.

If you set up regular account preferences (page 567), such as the bank account to use when you open the Write Checks window, the program automatically chooses your bank account for you.

Write Checks - First Financial

Bank Account: 1000 First Financial USD Ending Balance: USD 94,586.83

Print As: Secrete Stash Security No. 1133
 Pay to the Order of: SecreteStash001 Date: 08/26/2010
 USD 1,625.00

One thousand six hundred twenty-five and 00/100 ***** USD

Address: Secrete Stash Security
 Mira Stepanek

Memo

Expenses: USD 0.00 Items: USD 1,625.00 To be printed

Item	Description	Q..	Cost	Amoun...	Customer:Job	B..	Class	PO No.
Security Dev...	19" monitor...	5	325.00	1,625.00				6

Select PO Clear Q'tys Show PO Time

Exchange Rate 1 USD = 1 USD

Clear Splits Recalculate Save & Close Save & New Clear

Figure 9-18: Choosing a name in the “Pay to the Order of” field fills in the Address box, which is perfect for printing checks for mailing in window envelopes. Even though the company name appears in the “Pay to the Order of” field, the Address box also displays the company name to show you what it prints on checks. If you include account numbers in your vendor records, QuickBooks adds the account number to the Memo field.

2. QuickBooks automatically fills in the No. box with the next check number for the selected bank account. If the number that the program fills in doesn't match the check you're writing by hand, type in the number on your paper check.

If you type a check number that's already been used, QuickBooks warns you about the duplicate number when you try to save the check. In the warning message box, click Cancel, and then, in the Write Checks window, edit the value in the No. field.

Tip: If you suspect that there's more than one check number awry, open the checking account register to review multiple checks at the same time. To renumber the checks in the register window, double-click a transaction's Number cell, type the new number, and then press Enter to save the change. It's perfectly acceptable to save a duplicate check number, as long as you keep editing check numbers until all the duplicates are gone.

3. In the “Pay to the Order of” drop-down list, choose who you want to pay.

The drop-down list includes customers, vendors, employees, and names from the Other Names list.

4. If you want to print the check, turn on the “To be printed” checkbox just above the right end of the Expenses table.

When you turn on this checkbox, the words “To Print” appear to the right of the No. label. This setting adds the checks you create to a print queue. When you print those checks (page 232), QuickBooks replaces To Print with check numbers. If you’re writing checks by hand, be sure to leave the “To be printed” checkbox turned off.

5. Add entries to the Expenses and Items tabs for the things the check is paying for, just like you do when you enter a bill (page 200).

QuickBooks calculates the check amount as you add entries on the Expenses and Items tabs. If you fill in the check amount and then start adding expenses and items, you’ll know that the check total and the posted amounts match when no unallocated dollars remain. If you’ve mangled the entries on the Expenses or Items tab, you can start over by clicking the Clear Splits button.

6. Click Save & Close to record the check.

To write another check, click Save & New. To throw away any values in the window and start over, click Revert.

Adding Checks to an Account Register

In QuickBooks, entering checks in a bank account register is fast, easy, and—for keyboard aficionados—addictive. By combining typing and keyboard shortcuts, such as tabbing from cell to cell, you can make short work of entering checks. Here’s how you create checks in a register window:

1. Press Ctrl+A to open the Chart of Accounts window and then double-click your bank account.

If you have only one bank account, you can open your register with one click: On the program’s main icon bar, click Reg to have QuickBooks open the account register window and position the cursor in the Date cell of the first blank transaction. (If you don’t see the Reg icon, see page 622 to learn how to add it.)

2. If you want to adjust the check’s date by a few days, press the plus key (+) or minus key (–) until the date is what you want.

See Appendix C (online at www.missingmanuals.com/cds) for more date-related keyboard shortcuts.

3. Press Tab to move to the Number cell.

QuickBooks automatically fills in the next check number for that bank account. If the number doesn’t match the paper check you want to write, press + or – until the number is correct or simply type the new number. The box on page 238 explains how to fill in the Number cell if you make a payment with a debit card, ATM card, electronic transaction, or another method.

4. Press Tab to move to the Payee cell, and then start typing the name of the payee.

QuickBooks scans the lists of names in your company file and selects the first one that matches all the letters you've typed so far. As soon as QuickBooks selects the one you want, press Tab to move to the Payment cell.

5. In the Payment cell, type the amount of the check.

After you fill in the amount, press Tab to jump past the Deposit cell to the Account cell.

6. If the check applies to only one expense account, in the Account drop-down list, choose the account you want.

You can also choose an account by typing the account number or the first few letters of the account's name. As you type, QuickBooks selects the first account that matches what you've typed. When the account is correct, press Tab to move to the Memo cell.

If your check covers more than one type of expense, you can allocate the payment among several accounts, as you can see in Figure 9-19.

The screenshot shows the 'Write Checks' window in QuickBooks. At the top, the check number is 1133, dated 07/17/2010, for \$10,000.00. Below this, a split check is shown for 08/20/2010, check number 1134, for \$1,721.75. The split is divided into two lines: Line 1 for 'Acme equipment' (Account: 6040 - Subcontractor, Amount: 1,721.75) and Line 2 for 'Acme equipment' (Account: 6040 - Subcontractor, Amount: 0.00). Below the split, a table shows the allocation of the \$1,721.75 payment to three accounts:

Account	Amount	Memo	Customer:Job	Billable?	Class
6250 - Office Equipm...	899.00	shred-o-matic floor model			
6310 - Office Supplies	72.75	invisible ink			
6304 - Equipment ...	750.00	cat-herder defurring	SalesCapers00	☒	

At the bottom of the window, the 'Ending balance' is USD 94,586.83. There are buttons for 'Close', 'Clear', 'Recalc', 'Splits', '1-Line', 'Sort by', 'Record', and 'Restore'.

Figure 9-19:

To allocate a check to multiple accounts or to specify a customer, job, or class in the check register, click the Splits button, which opens a panel where you can assign them. For each allocation, specify the account, amount, memo, customer, and class, and then click Close. If you modify the value in the Payment cell or any values in the allocation Amount cells, click Recalc to change the check payment amount to the total of the splits.

7. To add a reminder about the check, in the Memo cell, type your notes. When you've filled in all the fields you need, click Record to save the check.

Lather, rinse, repeat.

UP TO SPEED

Paying with a Debit Card

Paying with a debit card is like writing a check, because the transaction removes money from your bank account. For that reason, you use the Write Checks window to record debit card transactions. In fact, you can also use the Write Checks window to record ATM withdrawals, electronic funds transfers, and payments you make through PayPal.

Filling in the No. field is the only difference between these transactions and regular checks. Instead of putting the check number in this field, you can fill in a code to identify the type of payment. For example, enter *ATM* for an ATM transaction, *DB* for a debit card, *EFT* for electronic transactions like an online bill payment you make with your bank's

bill-payment service, or *PP* for PayPal. If you have several ATM or debit cards for your bank account, you may want to include the last four digits of the card number after the ATM or DB code so you can tell your transactions from your partner's transactions.

Debit card transactions are different than credit card charges, which is why you don't use the Enter Credit Card Charges window to record them. Debit card charges reduce the balance in your bank account because it's a current asset account (page 48), whereas credit card charges increase the balance in your credit card account, which is a current liability account (page 48).

Paying with Cash

If you carry company cash around in your wallet (called *petty cash*, and described in detail on page 426) or if you receive a cash advance toward travel expenses, you eventually have to record the details of your cash transactions in QuickBooks. For example, on a business trip, you might pay cash for meals, parking, tips, and tolls. When you return with your receipts, your bookkeeper can enter a transaction documenting those expenses in the petty cash account.

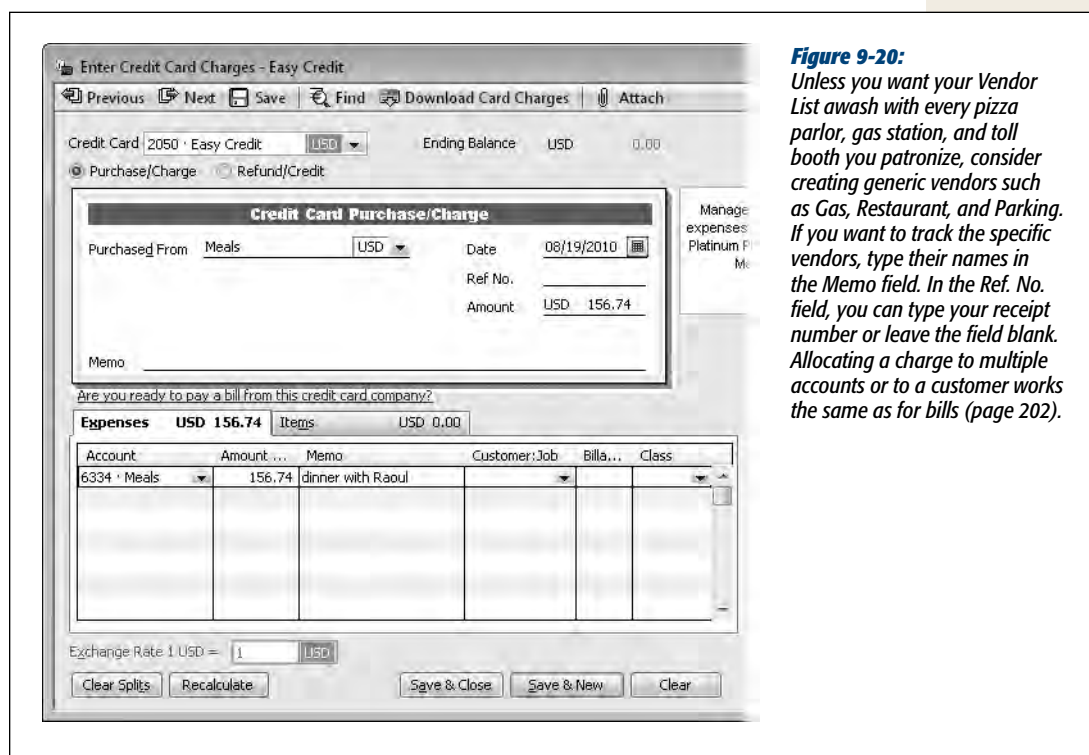
Entering cash transactions in the petty cash account register (to open it, in the Chart of Accounts window, double-click the account you created for petty cash) is even easier than entering checks in the checking account register (page 236). For cash transactions, the key fields are the amount and the account. You can skip the Payee field altogether to keep your Vendor List concise. If you want a record of where you spent the cash, type the business name in the Memo cell. QuickBooks assigns a check number to such cash transactions, which you might as well keep. If you hand out petty cash receipts that have receipt numbers, you can type that value in the Number cell instead.

Paying with Credit Cards

When you make credit card purchases, the easiest way to record those charges in your company file is by signing up for online banking (page 539) and downloading your transactions (page 547). But you can also enter credit charges manually.

Tip: Whether you download charges or not, entering charges manually is a great way to catch erroneous or fraudulent charges that appear on your statement. For example, after entering your charges manually, you can download the charges from your credit card company. If you see additional charges that don't match the ones you entered, either you forgot a charge or there's an error in your account.

Recording credit card charges is almost the same as writing checks. Instead of the Write Checks window, you work in the Enter Credit Card Charges window, shown in Figure 9-20. Behind the scenes, QuickBooks adds the credit card charge to your credit card account, which is a current liability account. That means the balance in the account increases because you owe more money. (On the other hand, when you write a check out of your checking account, the payment decreases the balance because you have less money in that *asset* account.)



To open the Enter Credit Card Charges window, choose Banking→Enter Credit Card Charges. You can also enter charges directly in the credit card account register, just as you do with checks.

Note: To enter a refund for a credit card charge, in the Enter Credit Card Charges window, choose the Refund/Credit option and fill in the rest of the fields based on the refund you received.

Recording Vendor Refunds and Credits

Say you ordered 30 dozen lightweight polypropylene t-shirts for your summer Death Valley marathon, but your vendor mistakenly silk-screened the logo on long-sleeved cotton t-shirts heavy enough to survive a nuclear blast. If you raise a ruckus, the vendor may issue you a refund check or a credit. Either way, it's easy to record the money you get back in QuickBooks. Here's how to deposit a vendor's refund check:

1. **On the Home page, click Record Deposits.**

You can also choose Banking→Make Deposits.

2. **If the “Payments to Deposit” window appears, click OK to open the Make Deposits window.**

The “Payments to Deposit” window opens if you have other deposits to make. If you want to deposit them along with the refund check, turn on the checkmark cell for each deposit you want to make and then click OK.

3. **In the Make Deposits window's Deposit To drop-down list, choose a bank account.**

If you selected other deposits in the “Payments to Deposit” window in the previous step, they appear in the table.

4. **In the first blank Received From cell, choose the name of the vendor who issued the refund check.**

You can choose a customer, employee, or other name if the check isn't from a vendor.

5. **In the From Account cell, choose the account associated with the refund.**

For a refund for shirts you purchased, you might choose a cost of goods sold account that you use for products you buy specifically for a customer. If the refund is for office supplies, choose the expense account for office supplies.

6. **Fill in the other fields and then click Save & Close.**

Fill in the Memo cell with a note about the refund, the check number and payment method to record a refund check or a credit card refund, and the amount of the refund.

If the vendor insists on issuing a credit instead of a refund check, here's how you record that credit in QuickBooks:

1. **On the Home page, click Enter Bills (or choose Vendors→Enter Bills).**

QuickBooks opens the Enter Bills window as if you're going to enter a bill.

2. **Just below the window's menu bar, choose the Credit option.**

QuickBooks changes the heading in the window to Credit, and the Amount Due label to Credit Amount. The other fields stay the same.

3. On the Expenses and Items tabs, fill in the cells with the items for which you received credit.

You can enter positive numbers just as you did when you entered the original bill. QuickBooks takes care of posting the credit amounts to your accounts. Your inventory account decreases due to the inventory items you return, and your expense accounts decrease due to expense credits. The total credit amount also reduces the balance in your Accounts Payable account.

4. Click Save & Close.

That's it! See page 240 to learn how to apply a credit.

Running Expense-Related Reports

Vendors & Payables reports (choose Reports→Vendors & Payables) tell you how much you owe each vendor and when the bills are due. The reports in the Purchases category (Reports→Purchases) on the other hand, focus on how much you've bought from each vendor you work with. This section tells you how to put the reports in these two categories to work.

A/P Aging and Vendor Balance Reports

If your company is flush with cash and you pay bills as soon as they appear in the Pay Bills window, your A/P Aging reports and Vendor Balance reports will contain mostly zeroes. In fact, because the Pay Bills window lets you sort bills by due date, discount date, vendor, and amount, you might not find any reason to run these reports. For example, if you juggle payments to vendors to conserve cash, you can easily pay the oldest bills first by sorting bills by due date. But if you want an overview of how much you owe each vendor and how much is overdue, use one of the following reports:

- **A/P Aging Summary.** This report shows all the vendors you owe money to, and how old your balances are for each one. Double-click a value to see a report of the transactions that produced the amount owed, for example, to look at a bill that's more than 90 days overdue.
- **A/P Aging Detail.** Run this report to see each unpaid bill sorted by the billing date and grouped by bills that are current, those that are 1 to 30 days overdue, 31 to 60 days overdue, 61 to 90 days overdue, and more than 90 days late.
- **Vendor Balance Detail.** Run this report to see your bills and payments grouped by vendor.
- **Unpaid Bills Detail.** If you want to evaluate all your unpaid bills before you pay them, this report displays the bills due up to the current date, grouped by vendor. To include bills due in the future, in the Dates box, choose All. If you want to inspect a bill more closely, double-click anywhere in that bill's row and the Enter Bills window opens with the bill's details.

Purchases Reports

When you run the “Purchases by Vendor Summary” report and see high dollar values, you might want to negotiate volume discounts or faster delivery times. This summary report can also show when you rely too heavily on one vendor—a big risk should that vendor go out of business.

The “Purchases by Item Summary” report shows how many inventory items you’ve purchased and the total you paid. The “Purchases by Item Detail” report shows each purchase transaction with the quantity, cost, and vendor. If your supplies are dwindling, the Open Purchase Orders report shows when more items are due.

To see your open purchase orders, choose Reports→Purchases→Open Purchase Orders. The report shows only the date, vendor name, purchase order number, and delivery date. Double-click a purchase order to open the Create Purchase Orders window, which shows the products on the order.

Paying Sales Tax

Sales tax can be complicated, particularly in states where the number of tax authorities has exploded. You might have to pay sales taxes to several agencies, each with its own rules about when and how much. QuickBooks sales tax features can’t eliminate this drudgery, but they can help you pay the right tax authorities the right amounts at the right time—and that’s something to be thankful for.

After governmental paperwork, the chief aggravation of sales tax is that setting it up spans several areas of QuickBooks. If you’re new at collecting sales tax for your products, make sure you’ve completed the tasks in the following list so you’re collecting and tracking sales taxes properly. Only then can you pay the sales taxes you owe.

Here’s the sales tax setup you have to do:

- **Sales tax preferences.** If you’re liable for sales tax, be sure to turn on QuickBooks’ sales tax feature, as described in the next section.
- **Customer records.** When you create a customer in the Customer:Job List, you can assign tax codes and tax items to the customer’s record (page 67). If you do, QuickBooks automatically calculates and applies the correct sales tax items to taxable sales on the customer’s invoices.
- **Items.** When you create items in your Item List, you can specify whether they’re taxable or not (page 113). That way, when you add these items to invoices or other sales forms, QuickBooks automatically applies the correct tax status. (See pages 120–124 to learn how to set up sales tax items and sales tax groups. When you add these to invoices, QuickBooks calculates the sales taxes you need to remit.)
- **Invoices and other sales forms.** QuickBooks calculates sales tax on invoices and other sales forms based on whether items are taxable and customers are tax exempt.

Sales Tax Payment Preferences

To turn on QuickBooks' sales tax features, choose Edit→Preferences→Sales Tax. Then, on the Company Preferences tab, in the Do You Charge Sales Tax? section, choose Yes. When you turn on this preference, QuickBooks automatically creates a liability account in your chart of accounts called Sales Tax Payable. (If the sales tax preference is turned off, QuickBooks creates this account for you the first time you add sales tax to an invoice after you turn on the sales tax preference.)

Note: The Manage Sales Tax window contains commands for all your sales tax tasks. To open it, on the Home page, click the Manage Sales Tax icon at the right end of the Vendors panel.

The preference settings you choose for paying sales taxes aren't up to you. Tax agencies decide when your sales taxes are due, usually based on how much sales tax you collect. When you receive a notice about your required payment interval from the state or other tax authority, be sure to update your QuickBooks preferences to match. QuickBooks provides two sets of payment options to satisfy the tax agencies you're beholden to:

- **When do you owe sales tax?** If your tax agency deems sales taxes due when you add them to customer invoices (known as *accrual basis payment*), choose the "As of invoice date" option. If your tax agency says sales taxes are due when your customers pay them (known as *cash basis payment*), choose the "Upon receipt of payment" option. When you generate sales tax reports (explained in the next section), QuickBooks uses these options to calculate the sales taxes that you have to remit.
- **When do you pay sales tax?** Tax agencies determine how frequently you have to remit sales taxes based on how much sales tax you collect. If your sales taxes are only a few dollars, you might pay only once a year. But if you collect thousands of dollars of sales tax, you can be sure that the tax agency wants its money more quickly, such as quarterly or monthly. When your tax agency informs you of your remittance frequency, choose Monthly, Quarterly, or Annually, as appropriate.

Tip: To help QuickBooks fill in tax-related fields for you, you can set preferences for the tax codes you use most often for taxable and nontaxable sales. If you sell predominantly in your own state, in the Preferences dialog box's "Your most common sales tax item" drop-down list, choose the sales tax item or sales tax group for your state.

Producing Reports of the Sales Tax You Owe

Tax agencies are renowned for their forms. You have to fill out forms to tell the agencies how much sales tax you've collected and how much you're required to remit to

them. Fortunately, QuickBooks can take *some* of the sting out of your tax paperwork with reports that collate the sales tax info you need. Here are the reports you can generate:

- **Sales Tax Liability.** This report summarizes the sales taxes you've collected for each tax agency. To run it, in the Manage Sales Tax window, click Sales Tax Liability, or choose Reports→Vendors & Payables→Sales Tax Liability. QuickBooks automatically sets the dates of the report to match the payment interval preference you chose, as you can see in Figure 9-21.
- **Sales Tax Revenue Summary.** This report (Reports→Vendors & Payables→Sales Tax Revenue Summary) shows how much of your sales are taxable.

	Total Sales	Non-Taxable	Taxable Sales	Tax Rate	Tax Collected	Sales Tax ... As of Aug ...
City of denver						
Denver City Tax	0.00	0.00	0.00	3.5%	0.00	-1,061.27
Total City of denver	0.00	0.00	0.00		0.00	-1,061.27
Colorado Department of Re...						
Colorado Cultural District	0.00	0.00	0.00	0.1%	0.00	2.90
Denver City Tax	0.00	0.00	0.00	3.5%	0.00	1,123.47
Total Colorado Department...	0.00	0.00	0.00		0.00	1,126.37
Colorado Dept of Revenue						
Colorado RTD	0.00	0.00	0.00	1.0%	0.00	28.99
Colorado Sales Tax	14,146.36	14,146.36	0.00	2.9%	0.00	1,535.67
Total Colorado Dept of Rev...	14,146.36	14,146.36	0.00		0.00	1,564.66
TOTAL	14,146.36	14,146.36	0.00		0.00	1,629.76

Figure 9-21:

If you remit sales taxes to several tax agencies, each with its own payment interval, you can rerun the report with a different interval to calculate the sales tax you owe to other agencies. In the Dates drop-down list, choose another interval, such as Last Calendar Quarter.

Remitting Sales Taxes

You don't have to enter a bill to pay sales taxes. QuickBooks not only keeps records of the sales taxes you owe, but also provides a dialog box especially for sales tax payments. Here's how you keep the tax agencies off your back:

1. Choose Vendors→Sales Tax→Pay Sales Tax, or in the Manage Sales Tax window, click Pay Sales Tax.

Either way, QuickBooks opens the Pay Sales Tax dialog box and fills in the amounts you owe for the last collection period (as defined in your Sales Tax preferences [page 591]), as shown in Figure 9-22.

2. If you use more than one checking account, in the Pay From Account drop-down list, choose the account you want to use for payment.

QuickBooks automatically selects an account here if you set the "Open the Pay Sales Tax form with _ account" preference (page 568).

Pay Sales Tax

Pay From Account: 1000 - First Financial | Check Date: 08/17/2010 | Show sales tax due through: 07/31/2010 | Starting Check No.: 1095

Pay	Item	Vendor	Amt. Due	Amt. Paid
	Denver City Tax	City of denver	-1,061.27	0.00
	Denver City Tax	Colorado Department o...	2,040.52	0.00
	Colorado Cultur...	Colorado Department o...	5.80	0.00
	Colorado RTD	Colorado Dept of Reve...	57.98	0.00
Totals			5,105.19	0.00

Buttons: Pay All Tax, Adjust, Ending Bank Balance: 128,702.76, OK, Cancel, Help

☐ To be printed

Figure 9-22:

If you remit sales taxes to only one tax agency or all your sales tax payments are on the same schedule, you can click Pay All Tax to select all the payments in the table. Chances are that you make payments on different schedules to different agencies—in which case, select all the agencies on the same schedule. You'll have to repeat these steps for agencies that are on a different timetable.

Note: Make sure that the date in the “Show sales tax due through” box is the last day of the current sales tax reporting period. For example, if you pay sales taxes quarterly, choose a date like 6/30/2011.

3. In the Pay column, click cells to select the payments you want to make.

QuickBooks adds a checkmark to indicate that a payment is selected, and adds the amount of the remittance in the Amt. Paid cell.

Note: In some states, you may need to adjust the payments you make to a tax agency; for example, to apply a discount for timely payment. In cases like that, click the Adjust button to open the Sales Tax Adjustment dialog box. You can increase or decrease the sales by a dollar value, and you have to specify the account to which you want to post the adjustment (the Sales Tax Payable account, say). If the Entry No. box seems vaguely familiar, it's because this dialog box actually creates a journal entry (page 429) for the adjustment.

4. If you want to print the sales tax remittance checks from QuickBooks, turn on the “To be printed” checkbox. When you're done, click OK.

If you set up the checks to print in QuickBooks, you'll see them the next time you choose File→Print Forms→Checks. If you didn't turn on the “To be printed” checkbox, whip out your checkbook and write those remittance checks.

Invoicing

Telling your customers how much they owe you (called *accounts receivable*) and how soon they need to pay is an important step in accounting. After all, if money isn't flowing into your organization from outside sources, eventually you'll close up shop and close your QuickBooks company file for the last time.

Although businesses use several different sales forms to bill customers, the *invoice* is the most popular, and, unsurprisingly, customer billing is often called *invoicing*. This chapter begins by explaining the difference between invoices, statements, and sales receipts—each of which is a way of billing customers in QuickBooks—and when each is most appropriate.

In this chapter, you'll learn how to fill in the QuickBooks versions of invoices, whether you're invoicing for services, products, or both. If you send invoices for the same items to many of your customers, QuickBooks 2011's new batch invoice feature can help: You select the customers you want, add the items you want on the invoice, and QuickBooks creates all the invoices for you automatically.

If you track billable hours with QuickBooks, you can also have the program add your billable hour charges to invoices. And if you designate expenses as billable to customers, QuickBooks can chuck them into the invoices you create, too.

Finally, you'll find out how to handle a few special billing situations, like creating invoices when products you sell are on backorder. You'll also learn how to create estimates for jobs in QuickBooks and then use them to generate invoices as you perform the work. And, since you occasionally have to give money back to customers (like when they return the lime-green polyester leisure suits that suddenly went out of style), you'll learn how to assign a credit to a customer's account, which you can then deduct from the next invoice, or refund by cutting a refund check.

Note: Chapter 11 continues the billing lesson that starts with this chapter by teaching you how to produce statements that show your customers' account status. It also explains how to create sales receipts when customers pay you right away. Chapter 12 explains how to get any kind of sales form into your customers' hands, along with a few other timesaving techniques like finding transactions or memorizing them for reuse.

Choosing the Right Type of Form

In QuickBooks, you can choose from three different sales forms to document what you sell, and each form has strengths and limitations. Invoices can handle any billing task you can think of, so they're the best choice if you have any doubts about which one to use. Table 10-1 summarizes what each sales form can do. The sections that follow explain the forms' capabilities in detail and give guidance on when to choose each one.

Table 10-1. What each QuickBooks sales form can do

Action	Sales Receipt	Statement	Invoice
Track customer payments and balances		X	X
Accept payments in advance		X	X
Accumulate charges before sending sales form		X	X
Collect payment in full at time of sale	X	X	X
Create summary sales transaction	X	X	X
Apply sales tax	X		X
Apply percentage discounts	X		X
Use group items to add charges to form	X		X
Add long descriptions for items	X		X
Subtotal items	X		X
Include customer message	X		X
Include custom fields on form	X		X

Sales Receipts

The sales receipt is the simplest sales form that QuickBooks offers, and it's also the shortest path between making a sale and having money in the bank (at least in QuickBooks). But the sales receipt is suitable only if your customers pay the full amount at the time of the sale—for example, in a retail store, restaurant, or beauty salon. Because these forms don't include a field for customer payments that have been applied toward the total balance, you can't use them to keep track of how much your customers owe (called accounts receivable and explained in detail on page 334).

When you create and save a sales receipt in QuickBooks, the program immediately posts the money you receive to the Undeposited Funds account or the bank account you choose. As you'll learn in this chapter and the next, invoices and statements take several steps to move from billing to bank deposits.

Despite their shortcomings in the customer-payment department, sales receipts *can* handle sales tax, discounts, and subtotals—in fact, any item in your Item List. But when you operate a cash business, creating a sales receipt in QuickBooks for each newspaper and pack of gum your newsstand sells is *not* good use of your time. Instead, consider creating a sales receipt that summarizes a day's or week's sales, using a customer named Cash Sales that you create specifically for that purpose (see page 63).

Statements

Suppose you're a lawyer and you spend 15 minutes here and 15 minutes there working on a client's legal problem over the course of a month. Each time you do so, that's another charge to the client's account. In QuickBooks, each of those charges is called a *statement charge*, and you can enter them individually (page 300). (But if you track time in QuickBooks, you can add your time to an invoice just as easily, as described on page 273.)

Businesses often turn to statements when they charge the same amount each month, such as a fixed monthly fee for Internet service or full-time work as a contract programmer. Although statements work for these fixed fees, you can also use memorized invoices (page 322) and the new batch invoice feature (page 269) to do the same thing just as easily.

Where statements really shine is summarizing a customer's account. Behind the scenes, a statement adds up all the transactions that affect the customer's open balance over a period of time, which includes statement charges, payments, and invoices. The statement shows the customer's previous balance, any payments that have been made, invoices that haven't been paid, and any new charges on the account. From all that information, QuickBooks calculates the total and displays it on the statement, so you know how much money is outstanding and whether or not it's overdue.

Note: Although statements can track customer payments and balances, they *don't* handle the following billing tasks:

- Tracking sales tax
 - Using Group items to add several items
 - Accepting multi-paragraph descriptions of services or products
 - Subtotaling items
 - Applying percentage discounts to items sold
 - Including a message to the customer
 - Including custom fields
 - Summarizing the services and products sold (on statements, each service or product you sell appears as a separate statement charge)
-

Invoices

If statements or sales receipts don't work, don't be afraid to use invoices. They accept any item you've created in your Item List (see Chapter 5) without complaint, *and* they track what your customers owe you.

Besides the features in Table 10-1, an invoice is the only type of QuickBooks sales form that you can generate from an estimate (page 286). If you're a general contractor and prepare a detailed estimate of the services and products for a job, you'll save a huge chunk of time by turning that estimate into an invoice for billing.

Note: QuickBooks Premier and Enterprise editions include one more type of sales form: the sales order. In those editions, when you create a sales order for the products that a customer wants to buy, you can create an invoice for the items that are in stock and keep track of out-of-stock items that you'll need to send to your customer when a new shipment arrives (page 280).

Sales Forms and Accounts

An invoice or other sales form is the first step in the flow of money through your company, so now is a good time to look at how QuickBooks posts income and expenses from your invoices to the accounts in your chart of accounts. Suppose your invoice has the entries shown in Figure 10-1. Table 10-2 shows how the amounts on the invoice post to accounts in your chart of accounts.

Table 10-2. *Debits and credits have to balance*

Account	Debit	Credit
Accounts Receivable	4822.23	
Services Revenue		5000.00
Product Revenue		499.75
Sales Discounts	750.00	
Sales Tax Payable		37.48
Shipping		35.00
Cost of Goods Sold	249.78	
Inventory		249.78
Total	5822.01	5822.01

Create Invoices

Customer: Job Class: Template: Print Preview
EnergeticEvents00... USD DT Service

Invoice

Bill To
Energetic Events, LLC
Ellie Parsons
7215 2nd Ave.
Los Alamos, NM 82345

Date: 08/23/2010 Invoice #: 135

Item	Quantity	Description	Rate	Class	Amount	Tax
Security service...	20	Test security systems for security holes	250.00		5,000.00	Non
Preferred Discount		Discount available to high-volume customers	-15%		-750.00	Non
Security Device...	5	Wireless web camera	99.95		499.75	Tax
Shipping Fixed			35.00		35.00	Non
Tax: Denver Reg... (7.5%) USD					37.48	
Total USD					4,822.23	

Customer Message: Exchange Rate 1 USD = 1 USD

To be printed: Add Time/Costs... Apply Credits... Payments Applied USD 0.00
To be e-mailed: Balance Due USD 4,822.23

Figure 10-1:

If you're still getting used to double-entry accounting, balancing the debit and credit amounts for an invoice is a brainteaser. For example, the items for services and products in the invoice shown here turn up as credits in your income accounts, as in Table 10-2. The discount reduces your income so it's a debit to the Sales Discounts income account. Although the debits and credits appear in different accounts, the total debit has to equal the total credit.

Here's why the amounts post the way they do:

- You sold \$5,000 of services and \$499.75 of products, which is income. The income values appear as credits to your Services Income and Product Revenue accounts to increase your income because you sold something. In this example, the discount is in an income account, so the discount is in the Debit column to *reduce* your income.
- The sales tax you collect is a credit to the Sales Tax Payable account.
- The shipping charge is a credit to offset the amount you spent on shipping in your shipping expense account.
- All those credits need to balance against a debit. Because your customer owes you money, the amount owed belongs in the Accounts Receivable account, indicated by the debit.
- You also sold some products from inventory. You credit the Inventory account with the cost of the products, which decreases the Inventory account's balance. You offset that credit with a debit to the Cost of Goods Sold account, which is an income statement account.

Creating Invoices

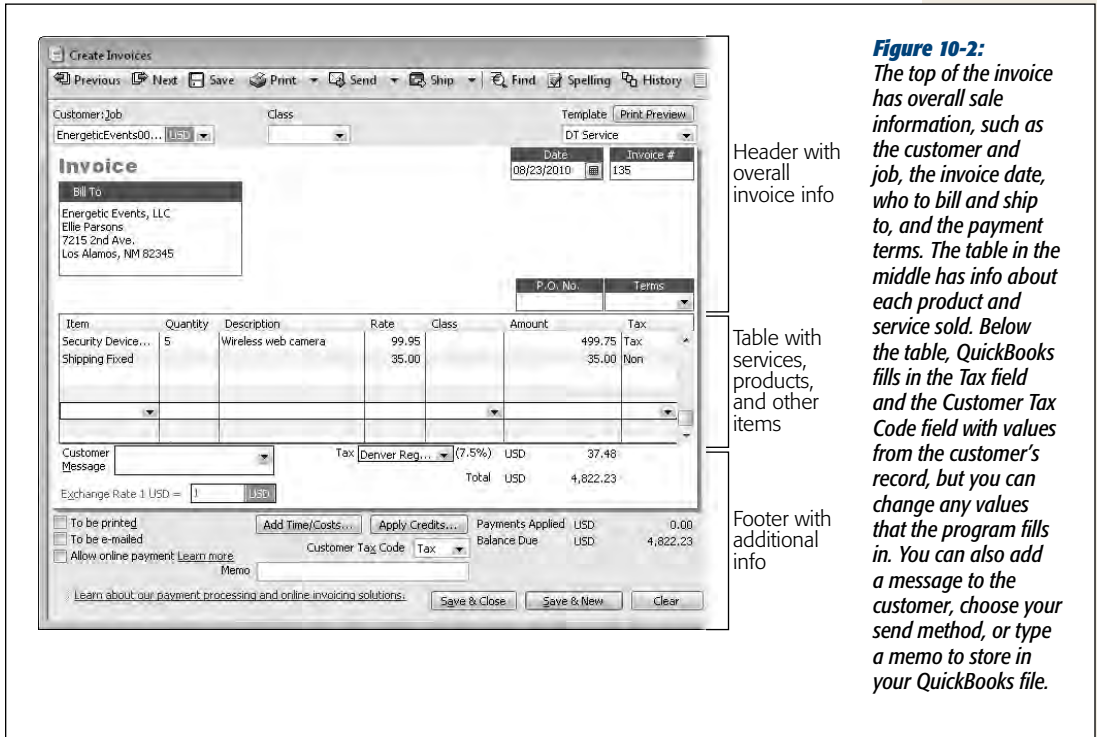
Depending on the QuickBooks edition you use, you have up to three ways to create invoices:

- **Create Invoices** used to be your only option for creating invoices in QuickBooks 2007 and earlier, and it's still the only option if you use QuickBooks Pro. This command can handle everything you throw at it: services, products, billable time, and billable expenses. It's available in QuickBooks Pro, QuickBooks Premier, and QuickBooks Enterprise.
- **Create Batch Invoices** is new in QuickBooks 2011. With a batch invoice (page 269), you select all the customers to which you want to send the same invoice. If you send the same invoice to the same customers all the time, you can set up a billing group for those customers and, from then on, simply choose the group. After you create the invoice, you can print or email it to the customers in the list.
- **Invoice for Time & Expenses**, available only in QuickBooks Premier and Enterprise editions, can do everything that the Create Invoices window can do, but it's a real time-saver when you invoice for billable time and expenses. As you'll learn in detail on page 273, you specify a date range and QuickBooks shows you all the customers who have billable time and expenses during that period. When you choose a customer or job and tell the program to create an invoice, it opens the Create Invoices window, fills in the usual fields, *and* fills the invoice table with the customer's billable time and expenses. Once you're in the Create Invoices window, you can add any other items you want, like products you sold or discounts you're offering.

Invoices tell your customers everything they need to know about what they purchased and the payment they're about to make. If you created your customers and jobs with settings such as payment terms and sales rep (page 66), filling in an invoice is almost effortless. As soon as you choose a customer and job in the Customer:Job field in the Create Invoices window, QuickBooks fills in most of the fields for you.

Some invoice fields are more influential than others, but they all come in handy at some point. To understand the purpose of the fields on an invoice more easily, you can break the form up into three basic parts, as shown in Figure 10-2. Because the invoices you create for product sales include a few more fields than the ones for services only, the following sections use a product invoice to explain how to fill in each field you might run into on the invoices you create. These sections also tell you what to do if the information that QuickBooks fills in for you is incorrect.

Note: If you charge your customers based on the progress you've made, invoices are a *little* more complicated, but you'll learn how to handle this situation on page 288.



Creating an Invoice

In the sections that follow, you'll find details about filling in all the fields on an invoice. For now, here's the basic procedure for creating and saving one or more invoices by using the Create Invoices command:

1. In the Customers panel on the QuickBooks home page, click the Create Invoices icon, press **Ctrl+I**, or—in the Customer Center toolbar—choose **New Transactions→Invoices**).

If you use QuickBooks Pro or the preference for invoicing time and expenses isn't turned on, clicking Create Invoices opens the Create Invoices window immediately.

If you use QuickBooks Premier or Enterprise and you've turned on the preference to invoice for time and expenses (page 595), the Home page displays the Invoices icon instead of the Create Invoices icon. Clicking Invoices displays a shortcut menu with the Create Invoices and "Invoice for Time & Expenses" commands. Choose Create Invoices from the shortcut menu to create a regular invoice. See page 273 to learn how to use the other command on the shortcut menu, "Invoice for Time & Expenses", to invoice for billable time and expenses.

2. **In the Create Invoices window's Customer:Job box, choose the customer or job associated with the invoice.**

When you choose a customer or job, QuickBooks fills in many of the invoice fields with values from the customer's record (see page 62), the job's record if you selected a job (page 80), and the preferences you set for them (page 590). For example, QuickBooks pulls the data for the Bill To address, Terms, and Rep fields from the customer's or job's record. And your Sales & Customers preferences provide the values for the Ship Via and FOB fields. (FOB stands for "free on board," which is the physical point where the customer becomes responsible for damage to or loss of the shipment.)

If you use QuickBooks Premier and there's an outstanding sales order (page 280), the Available Sales Order window appears so you can select the one you want to invoice.

Note: In QuickBooks Premier, if the preference for invoicing time and expenses is turned on and the customer or job has associated time or expenses, the Billable Time/Costs dialog box opens with the "Select the outstanding billable time and costs to add to this invoice" option selected. If you don't want to add the time and expenses to this invoice, select the option whose label begins with "Exclude", and then click OK. To learn more about invoicing for time and expenses, see page 273.

3. **For each product or service sold, in the line-item table, enter the info for the item, including the quantity and price (or rate).**

If you want, you can also fill in the boxes below the line-item table, such as Customer Message and Memo.

You can also turn on the checkboxes below the line-item table to specify how to send the invoice. You'll rarely need to change the sales tax rate associated with the customer, but you can if you need to.

4. **Maintain your professional image by checking for spelling errors before you send your invoice.**

To run QuickBooks' spell checker, in the Create Invoices window's icon bar, click Spelling. If you checked spelling when you created your customers and invoice items, then the main source of spelling errors will be edits you've made to item descriptions. If the spell checker doesn't work the way you want, change your Spelling preferences (page 594).

5. **If you have additional invoices to create, simply click Save & New to save the current invoice and begin another.**

To save the invoice you just created and close the Create Invoices window, click Save & Close. If you're unhappy with the choices you made in the current invoice, click Clear to start over with a fresh, blank invoice.

Tip: In QuickBooks 2007 and earlier, you could print an invoice and then *not* save it by either clicking Clear, which erases the current invoice; Revert if you're editing an existing invoice; or the Close button (the X) at the top right of the window, which closes the Create Invoices window without saving the current invoice. In QuickBooks 2008 or later, if you create or modify an invoice and click the Print icon, the program saves the invoice before printing it.

Filling in Invoice Header Fields

If you fill in all the fields in your customer and job records (see Chapter 4), QuickBooks takes care of filling in most of the invoice header section. Here's what the header fields do and where QuickBooks gets the values it fills in automatically.

Choosing the customer or job

The selection you make in the Customer:Job field is your most important choice for any invoice. In addition to billing the correct customer for your work, QuickBooks uses the settings from your customer and job records to fill in many of the invoice fields.

To choose a customer or job, simply select one from the Customer:Job drop-down list, as shown in Figure 10-3.

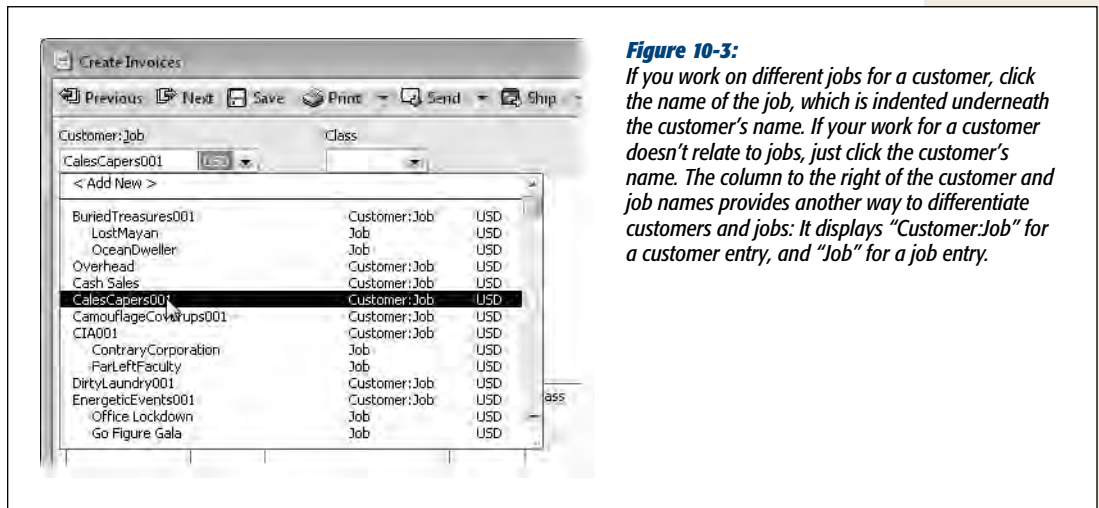
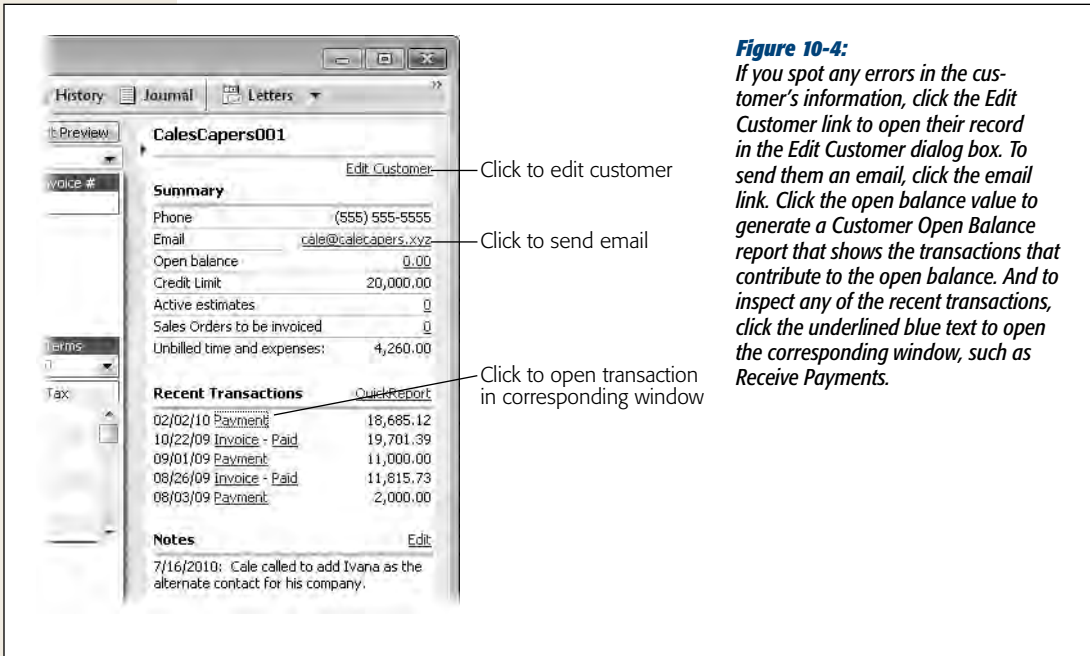


Figure 10-3:

If you work on different jobs for a customer, click the name of the job, which is indented underneath the customer's name. If you work for a customer doesn't relate to jobs, just click the customer's name. The column to the right of the customer and job names provides another way to differentiate customers and jobs: It displays "Customer:Job" for a customer entry, and "Job" for a job entry.

Note: If you've turned on the preference for multiple currencies, the last column in the Customer:Job drop-down list shows the customer's currency.

In QuickBooks 2011, the Create Invoices window has an additional panel on the right that shows a summary of the customer's account and their recent transactions, as shown in Figure 10-4. For example, it displays the customer's open balance and the credit limit you've set for that customer so you can see whether the new invoice exceeds their credit limit. You can also review recent transactions so you can check whether payments have come in before you send an invoice for finance charges. Notes that you've entered for the customer appear at the bottom of the panel. Click the arrow at the top left of the panel to expand or collapse it.



Choosing an invoice template

The template you choose in the Template drop-down list (at the top right of the Create Invoices window) determines which fields appear on your invoices and how they're laid out. For example, you might use two templates: one for printing on your company letterhead and the other for invoices you send electronically. Choosing a template before doing anything else is the best way to prevent printing the wrong invoice on your expensive stationery.

QuickBooks remembers the template you chose when you created your last invoice. So if you use only one invoice template, choose it on your first invoice and the program chooses it for you from then on. But if you switch between invoices, be sure to select the correct template for the invoice you're creating.

Note: Templates aren't linked to customers. If you pick a template when you create an invoice for one customer, QuickBooks chooses that same template for your next invoice, regardless of which customer it's for.

You can switch templates any time you want. When you choose a template, the Create Invoices window displays the fields and layout for the new template. If you've already filled in an invoice, changing the template doesn't throw out the data; QuickBooks simply displays the data in the new template. However, QuickBooks won't display settings like your company logo, fonts, and other formatting until you print or preview your invoice (page 314).

Many small companies are perfectly happy with the invoice templates that QuickBooks provides. When you create your first invoice, you might not even think about the layout of the fields. But if you run across a billing task that the current template can't handle, don't panic: You can choose from several built-in templates. And if you want your invoices to reflect your company's style and image, you can create your own templates (see page 640).

The templates you see in the Template drop-down list depend on the QuickBooks edition you use. Before you accept the template that QuickBooks chooses, in the Template drop-down list, quickly select and review the templates to see whether you like them better. Here are a few of the more popular built-in templates:

- **Intuit Product Invoice.** If you sell products with or without services, the Intuit Product Invoice is set up to show information like the quantity, item code, price for each item, total charge for each item, sales tax, and shipping info—including the ship date, shipping method, and FOB.
- **Intuit Professional Invoice.** The only difference between this template and the Intuit Service Invoice is that this one doesn't include a P.O. Number field, and the quantity (Qty) column follows the Description column.
- **Intuit Service Invoice.** This invoice doesn't bother with shipping fields because services are performed, not shipped. The template includes fields for the item, description, quantity, rate, amount, tax, and purchase order number.
- **Progress Invoice.** If you bill your customers based on the progress you've made on their jobs, use this template, which has columns for your estimates, prior charges, and new totals. It appears in the Template drop-down list only if you turn on the preference for progress invoicing (see page 581).

Note: The Packing Slip template also appears in the Template drop-down list, but it isn't an invoice template. When you ship products to customers, you can print an invoice *and* packing slip from the Create Invoices window (see page 318).

- **Fixed Fee Invoice.** This template drops the quantity and rate fields, since the invoice shows only the total charge. The template includes fields for the date, item, description, tax, and purchase order number.

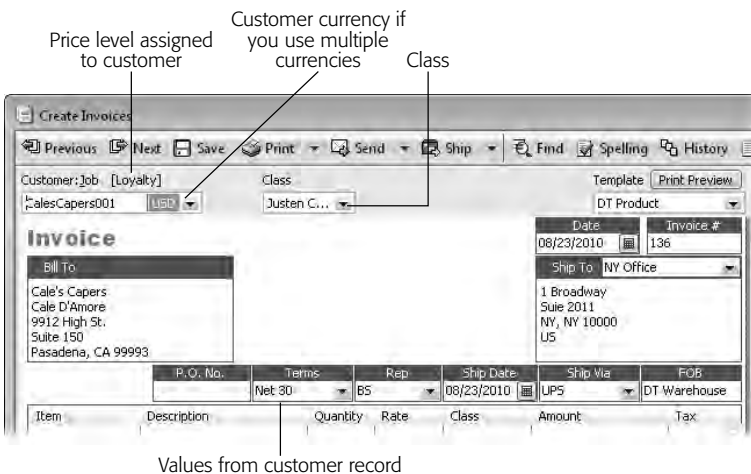
- **Time & Expense Invoice.** If you bill customers by the hour, this template is the one to go with. It includes a column for hours and hourly rate, and it calculates the resulting total. The Attorney's Invoice template is identical to this one except in name.

The other header fields

As you can see in Figure 10-5, QuickBooks can fill in most of the remaining header fields for you. Although the following fields don't appear on every template, here's what you do to fill in any empty fields or change the ones that QuickBooks didn't complete the way you want:

- **Class.** If you turned on the class tracking feature (page 135) to categorize your income and expenses in different ways, choose a class for the invoice. If you skip this box, QuickBooks reminds you that the box is empty when you try to save the invoice. Although you *can* save the invoice without a class, it's important to assign classes to every class-related transaction if you want your class-based reports to be accurate. For example, if you use classes to track income by partner and save an invoice without a class, the partner who delivered the services on the invoice might complain about the size of her paycheck.

Figure 10-5: After you choose a customer, the unlabeled price level appears in brackets to the right of the Customer:Job label if you've assigned a price level to the customer's record (page 67). If you add an invoice item and the price isn't what you expect, the price level (which applies a discount or markup) may be the culprit. You can change a customer's price level by editing the customer's record (page 82), or you can choose existing price levels to change the price you charge as you add items to your invoice (see the box on page 266).



Note: If you work with multiple currencies, at the top of the Create Invoices window, the Account box appears and shows the Accounts Receivable (AR) account for the invoice's income. QuickBooks uses this account to store income in your home currency. To store income in other currencies, it creates additional Accounts Receivable accounts (page 48), such as Account Receivable-EUR.

- **Date.** QuickBooks fills in the current date, which is fine if you create invoices when you make a sale. But service businesses often send invoices on a schedule—the last day of the month is a popular choice. If you want to get a head start on your invoices, type or choose the invoice date you want. QuickBooks uses the same date for every subsequent invoice (until you change the date), making your end-of-month invoicing a tiny bit easier.
- **Invoice #.** When you create your first invoice, type the number that you want to start with. For example, if you'd rather not reveal that this is your first invoice, type a number such as 245. Then, each time you create a new invoice, QuickBooks increases the number in this field by one: 246, 247, and so on.

Tip: Press the plus (+) key or the minus (–) key to increase or decrease the invoice number by one, respectively. When you save the current invoice, QuickBooks considers its invoice number the starting point for subsequent numbers.

If your last invoice was a mistake and you deleted it (page 297), you'll end up with a gap in your invoice numbers. For example, when you delete invoice number 203, QuickBooks has already set the next invoice number to 204. Your invoice numbers don't *have* to be sequential, but it's easier to spot missing payments and other issues when your invoice numbers are in numeric order. If you notice the gap, in the Invoice # box, type the invoice number you want to use to get QuickBooks back on track.

- **Bill To.** This field is essential if you mail your invoices. When the customer record includes a billing address (page 65), QuickBooks puts that address in this field. If you email invoices, a billing address isn't necessary—the customer name in the Bill To field identifies the customer on the emailed form.
- **Ship To.** If you sell services, you don't need an address to ship to, which is why the Intuit Service Invoice template doesn't show the Ship To field. But when you sell products, you need a shipping address to send the products to your customer. When you use a template like Intuit Product Invoice, QuickBooks puts the shipping address from the customer's record in the Ship To field.
- **P.O. Number.** If your customer issued a purchase order for the goods and services on your invoice, type that purchase order number here.
- **Terms.** Typically, you set up the payment terms when you create customers, and you then use those terms for every invoice. When the customer's record includes payment terms (page 66), QuickBooks uses them to fill in this field. However, if you decide to change the terms—perhaps due to the customer's failing financial strength—choose a different term here, such as “Due on receipt”.

Note: If QuickBooks fills in fields with incorrect values, make the corrections on the invoice. You can't lose: When you save the invoice, QuickBooks asks if you'd like the new values to appear the next time, as shown in Figure 10-6.

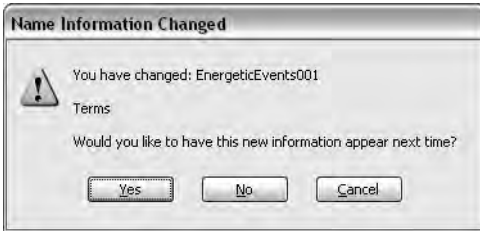


Figure 10-6:

If you click Yes here, QuickBooks changes the corresponding fields in the customer and job records. If you click No, QuickBooks changes the values only on the invoice.

- **Rep.** If you assigned a sales rep in the customer's record (page 66), QuickBooks fills in this field for you. If the sales rep changes from invoice to invoice (for instance, when the rep is the person who takes a phone order) and you left the Rep field blank in the customer's record, choose the right person here.
- **Ship Date.** QuickBooks fills in the current date. If you plan to ship on a different date (when the products arrive from your warehouse, for example), type or choose the correct date.
- **Via.** If you set the Usual Shipping Method preference (page 591), QuickBooks enters that value here. To choose a different shipping method for this invoice—for instance, when your customer needs the order right away—click this field and select the one you want.
- **FOB.** This stands for “free on board” and signifies the physical point at which the customer becomes responsible for the shipment. That means that if the shipment becomes lost or damaged beyond the FOB point, it's the customer's problem. If you set the customer's Usual FOB preference, QuickBooks enters that preference here. To choose a different FOB for this order, type the location you want.

Note: Unlike many of the other fields in the invoice header area, the FOB box doesn't include a drop-down list. QuickBooks doesn't keep a list of FOB locations because most companies pick one FOB point and stick with it.

Entering Invoice Line Items

If you dutifully studied Chapter 5, you already know about the different types of items you can add to an invoice. This section describes how to fill in a line in the line-item table to charge your customers for the things they buy. (The box on page 263 explains a shortcut for speeding up this process.)

Note: The order in which you add items to an invoice is important. For example, when you add a Subtotal item, QuickBooks subtotals all the preceding items up to the previous Subtotal item (if there is one). QuickBooks does nothing to check that you add items in the correct order—you can add a Subtotal item as the first line item, say, even though that does nothing for your invoice. See page 265 for info on adding Subtotal, Discount, and Sales Tax items in the right order.

The order of columns in the line-item table varies from template to template. This section lists the columns in the order they appear on the Intuit Product Invoice template (shown in Figure 10-7):

- **Quantity.** For products, type the quantity. For services you sell by the hour (or other unit of time), type the number of time units. (See page 273 to learn how to select hours from a timesheet.) If you sell services at a flat rate, you can leave the Quantity cell blank and simply fill in the Amount cell.

Note: If you type a quantity for a product that exceeds how many you have on hand, QuickBooks Pro simply warns you that you don't have enough. QuickBooks Premier displays the warning *and* tells you how many you have on hand, how many are on sales orders (page 280), and the total you have available.

Quantity doesn't apply if the item is a discount, subtotal, or sales tax. So if you choose one of these items after entering a quantity, QuickBooks removes the value in the Quantity field.

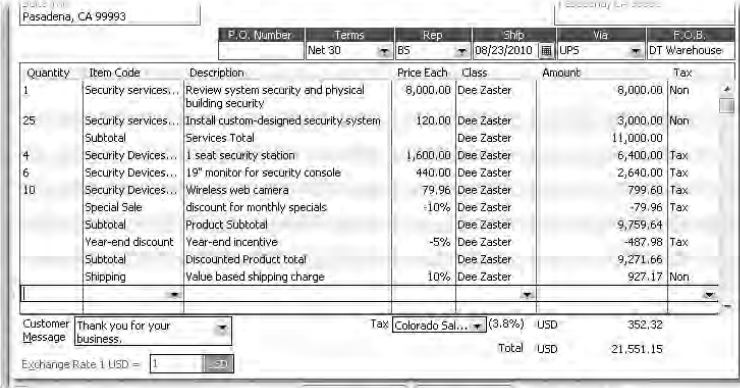


Figure 10-7: When you use the Intuit Product Invoice, the Quantity column comes first. After you choose an item, make sure to check the value in the Amount field. If the number looks too large or too small, the quantity you entered might not match the units for the item. For example, if you charge for developing training materials by the hour but charge for teaching a training class by the day, the quantity for developing training materials has to be in hours and the quantity for teaching has to be in days.

- **Item Code.** Click this field and then choose an item from the drop-down list (see Chapter 5 for details on items). Depending on the info you entered when you created the item (page 102), QuickBooks fills in the Description field and Price Each (or Rate) field for you.
- **Description.** If you set up your inventory items with standard descriptions, QuickBooks automatically puts them in this field. But you can edit a description to, for example, add details—like changing the generic description “Security service” to the more specific “Nightly rounds every two hours.”
- **Price Each (or Rate).** Depending on the type of item you’re adding to the invoice, QuickBooks goes to the item’s record (see Chapter 5) and grabs the value in the Sales Price field or Rate field. For example, an inventory part’s price always comes from the Sales Price field, whereas Service items use the Rate field (unless a partner or subcontractor performs the work, in which case they use the Sales Price field).

If multiple currencies are turned on and you set up the customer to use a foreign currency, QuickBooks automatically applies the current exchange rate for that currency to item prices and service rates. To use a specific exchange rate in an invoice, fill in the “Exchange Rate 1 <currency> =” box with the exchange rate *before* you add items to the invoice. (If you didn’t change the exchange rate, delete the lines in the invoice, set the exchange rate, and then add the line items again.)

Note: Don’t forget that different items can use different units for their prices. If you charge for a service by the hour, the value in the Rate or Price Each field is the price per hour and the value you type in the Quantity field should be the number of hours. Conversely, if you charge a fixed fee for your “How to Hack-Proof Your Business” seminar, leave the Quantity field blank (or type 1).

- **Amount.** QuickBooks calculates the total in this field by multiplying the quantity by the value in the Price Each (or Rate) field. But nothing stops you from simply typing a value in this field, which is exactly what you want for a fixed-fee contract.
- **Tax.** QuickBooks fills in this field with the taxable status you specified in the item’s record, and fills in the Tax box below the table with the sales tax item you set in the customer’s record. The tax rate for the sales tax item you select appears to the right of the box. With the taxable status of your customers (page 67) and the items you sell (page 113) in place, QuickBooks can automatically handle sales tax on your invoices. For example, when an item is taxable

and the customer is liable for paying sales tax, the program calculates the total sales tax that appears below the table (see Figure 10-7) by adding up all the taxable items on your invoice and multiplying that number by the tax rate set in the Tax box below the table.

Tip: If you notice that an item's taxable status isn't correct, don't change the value in the Tax field. You're better off correcting the customer's or item's tax status so QuickBooks can calculate tax correctly in the future.

POWER USERS' CLINIC

Adding Group Items to Invoices

If you find the same items frequently appearing together on your invoices, you can add all those items in one step by creating a Group item (page 116).

For example, customers who buy your deluxe vinyl sofa covers also tend to purchase the dirt-magnet front hall runner and the faux-marble garage floor liner. So you could create a Group item, perhaps called the Neat Freak Package, that includes the items for the sofa cover, runner, and liner, with the quantity you typically sell of each item. Any type of item is fair game for a Group item, so you can include service items, discounts, subtotals, and other charges.

To add a Group item to an invoice, in the Create Invoices window's Item drop-down list, choose the Neat Freak Package Group item you created. QuickBooks fills in the first line by putting the name of the Group item in the Item field. Then, the program adds additional lines (including quantity, description, and price) for the sofa cover, runner, and liner.

Inserting and deleting line items

Sometimes, you forget to add line items you need. For example, say you've added several services and inventory items to your invoice, and then realize that you need Subtotal items following the last service and last inventory items so you can apply a shipping charge only to the inventory items. Here's how to insert and delete lines in the line-item table:

- **Insert a line.** Right-click the line above which you want to add a line, and then choose Insert Line from the shortcut menu. If you prefer keyboard shortcuts, press Ctrl+Insert instead.
- **Delete a line.** Right-click the line you want to get rid of and choose Delete Line from the shortcut menu, or press Ctrl+Delete.

As shown in Figure 10-8, QuickBooks adjusts the invoice's lines accordingly.

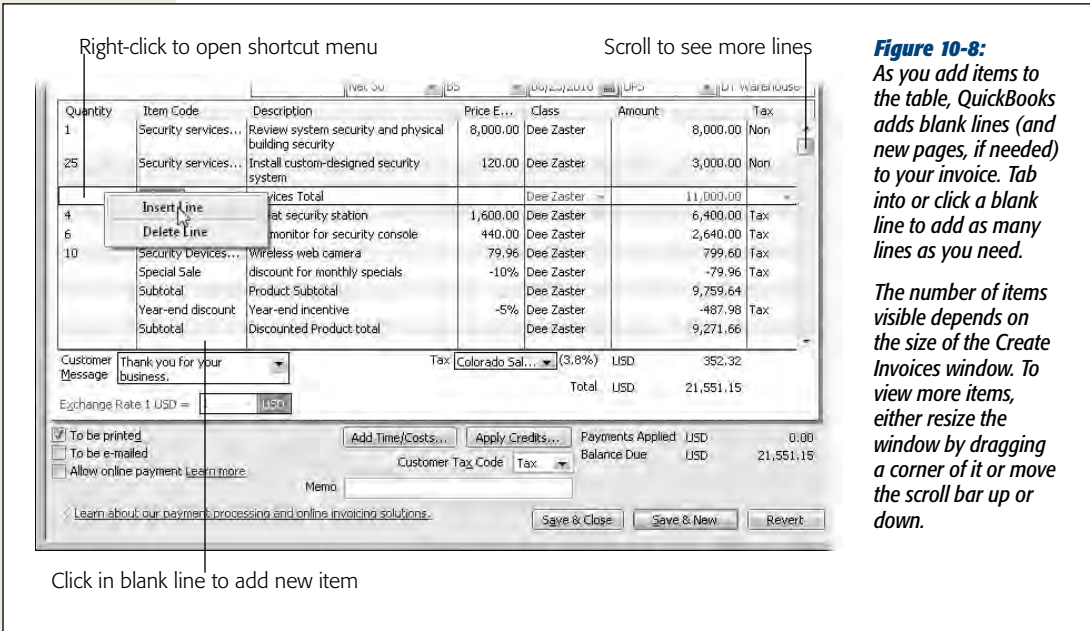


Figure 10-8:

As you add items to the table, QuickBooks adds blank lines (and new pages, if needed) to your invoice. Tab into or click a blank line to add as many lines as you need.

The number of items visible depends on the size of the Create Invoices window. To view more items, either resize the window by dragging a corner of it or move the scroll bar up or down.

GEM IN THE ROUGH

Invoicing Fixed-Price Contracts

Fixed-price contracts are risky because you have to swallow any cost overruns beyond the fixed price you charge. But if you've sharpened your skills on similar projects in the past and can estimate your costs with reasonable accuracy, fixed-price contracts can provide opportunities for better-than-average profit.

Once you and your customer agree on the fixed price, that amount is all that matters to the customer. Even if *you* track the costs of performing a job, your customer never sees those numbers. In QuickBooks, you can invoice fixed-price contracts in two different ways:

- If you use the same sets of services and products for multiple jobs, create a Group item that includes each service and product you deliver and set up the Group

item to hide the details of the underlying services and products (page 116). After you add the Group item to your invoice, change the price of the Group item to your fixed price.

- If every fixed-price job is different, create a Service item (page 104) called something like Fixed Fee. When you create the item, fill in the Rate field with the full amount of the fixed-price contract. Then, when you reach a milestone that warrants a payment, create a progress invoice: In the Quantity column, type the decimal that equates to the percentage completed (.25 for 25 percent, for example), and QuickBooks calculates the payment by multiplying the quantity by the fixed-price amount.

Applying Subtotals, Discounts, and Percentage Charges

Services, Inventory Parts, and Non-inventory Parts (see Chapter 5) are standalone items; when you add them to an invoice's line-item table, they don't affect their neighbors in any way. However, when you offer percentage discounts on what you sell or include Other Charge items that calculate shipping as a percentage of price, the order in which you add items becomes crucial. And, if you want to apply a percentage calculation like a discount or shipping fee to several items, you'll need one or more Subtotal items to make the calculations work.

You first learned about Subtotal, Discount, and Other Charge items in Chapter 5. Figure 10-9 shows how to combine them to calculate percentage discounts and add markups to the items on your invoice.

Quantity	Item Code	Description	Price E...	Class	Amount	Tax
25	Security services...	Install custom-designed security system	120.00	Dee Zaster	3,000.00	Non
	Subtotal	Services Total		Dee Zaster	11,000.00	
4	Security Devices...	1 seat security station	1,600.00	Dee Zaster	6,400.00	Tax
6	Security Devices...	19" monitor for security console	440.00	Dee Zaster	2,640.00	Tax
10	Security Devices...	Wireless web camera	79.96	Dee Zaster	799.60	Tax
	Special Sale	discount for monthly specials	-10%	Dee Zaster	-79.96	Tax
	Subtotal	Product Subtotal		Dee Zaster	9,759.64	
	Year-end discount	Year-end incentive	-5%	Dee Zaster	-487.98	Tax
	Subtotal	Discounted Product total		Dee Zaster	9,271.66	
	Shipping	Value based shipping charge	10%	Dee Zaster	927.17	Non
Customer Message		Thank you for your business.	Tax		Colorado Sal...	(3.8%) USD 352.32

Figure 10-9:

1: A Subtotal item adds up the values of all the items up to the previous Subtotal item. For example, if you want to keep the Service items out of the product subtotal, add a Subtotal item after the last Service item.

2: For Discount items and Other Charge items created as percentages, QuickBooks multiplies the percentage by the total on the preceding line. If the discount applies only to one item, add the Discount item immediately below the item you want to discount.

3: If you want to apply a percentage discount to several items, use a Subtotal item to total their cost...

4: ...and then add a percentage Discount or Other Charge item on the line following that Subtotal.

Here are the steps for arranging Subtotal, Discount, and Other Charge items to calculate percentages on invoice items:

1. **If you want to discount several items on your invoice, enter all the items you want to discount one after the other.**

Even though the Balance Due field shows the total of all items, to apply a discount to all of them, you first need to add a Subtotal item to the line-item table.

2. **Add a Subtotal item after the last item you want to discount, as shown by the Product Subtotal item in Figure 10-9.**

The Subtotal item adds up all the preceding line items up to the previous Subtotal. For example, in Figure 10-9, the Services Total item (labeled “1”) is a subtotal of all the Service items on the invoice. The Product Subtotal item (not labeled) adds up all items between the Services Subtotal and the Product Subtotal items.

3. **To apply a percentage discount or charge to the subtotal, simply add a Discount or Other Charge item to the line immediately below the Subtotal item.**

If you’ve already added other items to your invoice, right-click the line immediately below the Subtotal item and then choose Insert Line from the shortcut menu.

4. **If you have additional items that you don’t want to include in the discount or charge, add those below the Discount or Other Charge item.**

Note: These steps also work for Other Charge items that you set up as percentages, such as shipping.

FREQUENTLY ASKED QUESTION

Adjusting Price Levels

I run a doggie spa, and one of my Service items is Deluxe Spa Day, which costs \$300. But when I was creating a customer invoice, the Price Each came up as \$250. What’s going on?

Before you rush to correct that Service item’s price, look near the top of the Create Invoices window, immediately to the right of the Customer:Job label. If you see text in square brackets, such as [Loyalty], you’ll know that you set up your customer with a price level (page 67). Instead of a mistake, this price adjustment on your invoice is actually a clever and convenient feature.

Price levels are percentages (either increases or decreases) that you can apply to the prices you charge. For example, you can set up price levels to give discounts to your high-volume customers or mark up prices for customers well-known for their frequent use of your customer-service line.

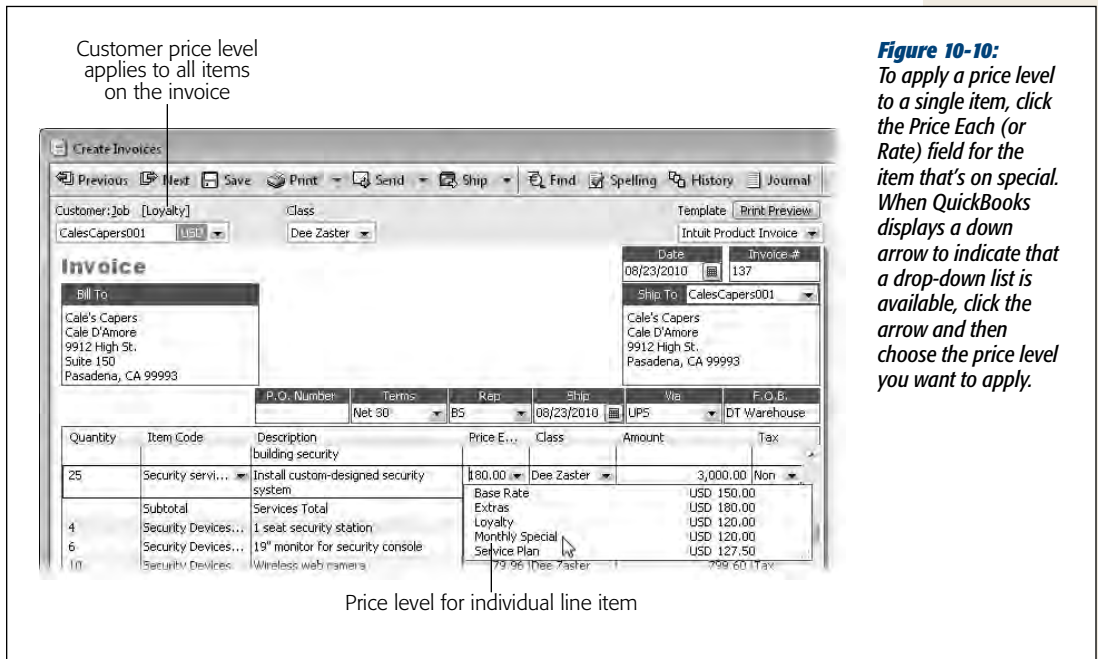
If you apply a price level to a customer, QuickBooks automatically applies the price-level percentage to every item you add to invoices for that customer. The only indication you’ll see is the price level’s name next to the Customer:Job label. To use price levels, you first have to turn on the Price Level preference (page 591).

You can also apply price levels to individual items on an invoice. For example, suppose you offer a 20 percent discount on a different item each month. When an item is the monthly special, you can apply the Monthly Special price level to just that item, as shown in Figure 10-10.

When you use price levels, your customers don’t see that the price increases or decreases, which means they could take your discounts for granted. If you want to emphasize the discounts you apply, use a Discount item instead to visibly reduce prices on your invoices (see page 265).

Adding a Message to the Customer

You can include a message to your customers on your invoices—for instance, reminding them that you'll send your cousin Guido over if they don't pay. In the Customer Message drop-down list, choose the message you want to include. The messages that appear in the drop-down list are the ones you've added to the Customer Message List (page 145). If the message you want to use isn't listed, in the drop-down list, click <Add New> to open the New Customer Message dialog box.



Choosing How to Send the Invoice

Below the line-item table, you'll find two checkboxes that simplify sending your invoices to customers: "To be printed" and "To be e-mailed". But these checkboxes don't tell the whole story—you actually have *five* options for sending invoices:

- **Print immediately.** If you create only the occasional invoice and send it as soon as it's complete, turn off both checkboxes. Then, in the Create Invoices window's toolbar, click the Print icon and follow the instructions on page 315.
- **Print later.** If you want to add the invoice to a queue to print later, turn on the "To be printed" checkbox. That way, you can print all the invoices in the queue, as described on page 315.
- **Email immediately.** In the Create Invoices window's toolbar, click the Send icon (it looks like an envelope with a green arrow) and follow the instructions for emailing invoices on page 320.

- **Email later.** If you want to add the invoice to a queue to email later, turn on the “To be e-mailed” checkbox. You can then send all the invoices in the queue via email, as described on page 321.

Tip: See page 593 if you want to set a preference that automatically turns on the “To be e-mailed” checkbox if the customer’s preferred send method is email. And page 320 explains how QuickBooks works with email programs.

- **Print and email later.** You can turn on both checkboxes if you want to email invoices to get the ball rolling and then follow up with paper copies.

If you’re sending an invoice for products you’ve sold, you also have to ship those products to your customer. See the box on page 268 to learn a convenient and money-saving way to ship products.

UP TO SPEED

Shipping Products

If you sell products, making regular runs to the FedEx or UPS office gets old quickly. But sitting quietly within QuickBooks is a free service that could change the way you ship packages.

The Shipping Manager feature is built into QuickBooks, so you can sign up for shipping services and start sending out packages right away. You can print FedEx and UPS shipping labels, schedule pickups, and even track package progress right in QuickBooks. Shipping Manager fills in shipping labels with customer addresses from your QuickBooks invoices, sales receipts, or customer records. All you pay are the FedEx or UPS charges on your shipment.

In case you haven’t noticed Shipping Manager, here’s where you can find it in QuickBooks:

- If you’re creating an invoice for products you plan to ship, in the Create Invoices window’s toolbar, click the Ship icon. Click the downward-pointing arrow next to

the Ship icon to display a drop-down menu with commands for shipping packages, scheduling a pick-up, or tracking a package that’s already on its way.

- The Sales Receipt window’s toolbar also includes a Ship icon.
- Choose File→Shipping, and then choose Ship FedEx Package or Ship UPS Package.

To set up Shipping Manager and an account with FedEx, UPS, or both, you’ll need your QuickBooks Registration Number (for QuickBooks 2004 and earlier) or QuickBooks License and Product Number (QuickBooks 2005 and later). If you haven’t memorized these crucial numbers, press F2 or choose Help→About QuickBooks to open a window that displays them.

The first time you launch Shipping Manager, the program steps you through setup and creating an account with either FedEx or UPS.

Adding a Memo to Yourself

The Create Invoices window includes a Memo box, which works just like Memo boxes throughout QuickBooks. You can use it to remind yourself about something special on the invoice or to summarize the transaction. For example, if the invoice is the first one for a new customer, you can note that in the Memo box. The memo appears in your sales reports, although it won’t print on the invoices you send to your customers.

ALTERNATE REALITIES

Invoicing for Nonprofits

If you sell products and services, then you create invoices when someone buys something. For nonprofits, however, invoices can record the pledges, donations, grants, or other contributions you've been promised.

Invoicing for nonprofits differs from the profit world's approach. First of all, many nonprofits don't bother sending invoices to donors. Nonprofits might send reminders to donors who haven't sent in the pledged donations, but they don't add finance charges to late payments.

Moreover, because some donors ask for specific types of reports, nonprofits often use several Accounts Receivable accounts to track money coming from grants, dues, pledges,

and other sources. When you use multiple Accounts Receivable accounts, the Create Invoices window includes an Account field where you can choose the Accounts Receivable account (just like when you work with multiple currencies, as described on page 258). For example, when you create an invoice for pledges, you'd choose the Pledges Receivable account.

To compensate for this additional field, QuickBooks provides a handy feature when you use multiple Accounts Receivable accounts: The program remembers the last invoice number used for each account, so you can create unique invoice numbering schemes for each account.

Note: The Open Invoices report (Reports→Customers & Receivables→Open Invoices) is perfect when you want to see all the invoices for which you haven't yet received payment. The report shows all the invoices for each customer and job, when they're due, and the open balance. If the invoices are overdue, the Aging column shows just how late they are.

Creating Batch Invoices

If you send invoices with the same items and the same quantities to many of your customers, you'll be happy to learn that QuickBooks 2011 offers a great new invoicing timesaver. Instead of creating individual invoices for each customer, you can set up a single batch invoice and send it to as many customers as you want. And you can speed things up even more by creating a billing group that includes all the customers that receive the invoice, so you don't have to re-select them the next time you send a batch invoice.

Batch invoices use the payment terms, sales tax rates, and send methods you specify for each customer, so be sure to fill in these fields in your customers' records before you create your first batch invoice. These fields are all on the Additional Info tab (page 65) of the Create Customer and Edit Customer windows. You can also use the Add/Edit Multiple List Entries window (page 70) to find and fill in any missing values.

Note: If you have multiple currencies (page 582) turned on, you can't use the Create Batch Invoices command. When that preference is turned on, the command doesn't appear on the Customers menu.

Here's how to create a batch invoice for several customers:

1. Choose Customers→Create Batch Invoices.

The Batch Invoice window opens.

2. Either select individual customers in the Search Results list and then click Add to add them to the “Customers in This Group” box on the right side of the dialog box, or choose an existing group from the Billing Group drop-down list.

If you select individual customers, you can select adjacent names by clicking the first customer's name and then Shift-click the last customer's name. You can also Ctrl-click each customer name you want to select.

When you choose a billing group, the name of the group appears above the “Customers in This Group” list, as shown in Figure 10-11. (The box on page 272 explains how to create billing groups.)

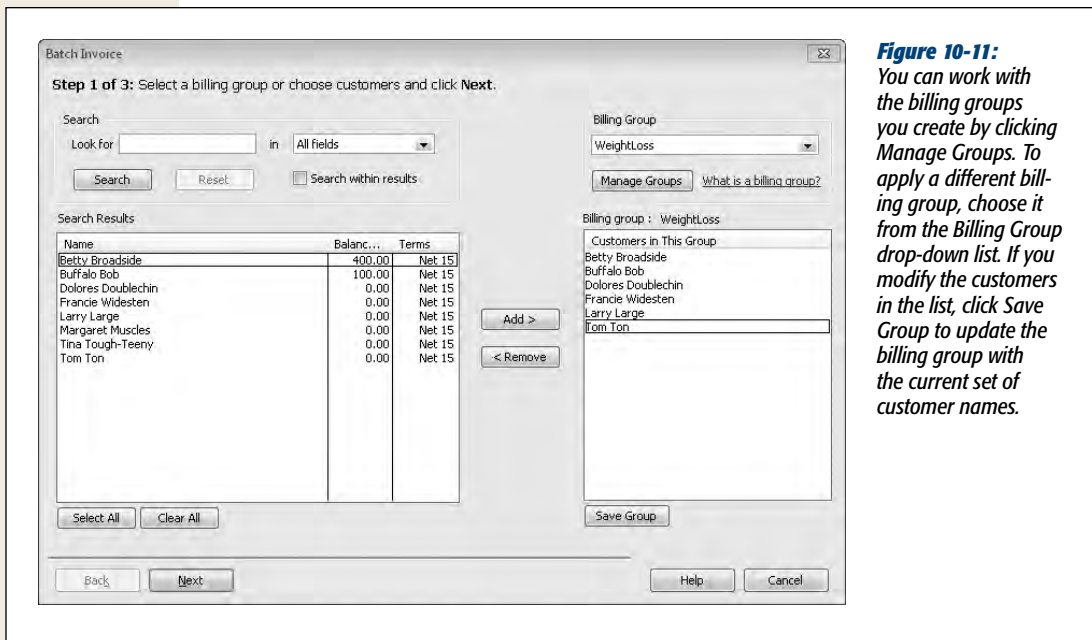


Figure 10-11:
You can work with the billing groups you create by clicking *Manage Groups*. To apply a different billing group, choose it from the *Billing Group* drop-down list. If you modify the customers in the list, click *Save Group* to update the billing group with the current set of customer names.

3. After you add the customers to the “Customer in This Group” list, click Next.

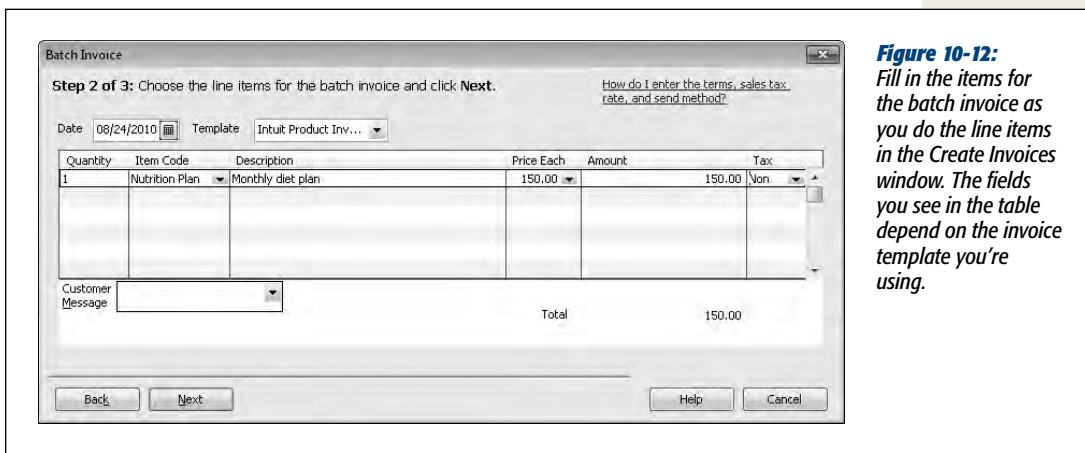
The Batch Invoice window displays fields for the next step in the process: adding items to the invoice. The Date box uses today's date by default.

4. To use a different date, choose it in the Date box.

You can also choose a different invoice template from the Template drop-down list.

5. In the line-item table (Figure 10-12), fill in the items you want to add to the invoice just as you do in a regular invoice (page 260).

You can add any item from your Item List to a batch invoice.



6. After you fill in the items for the invoice, click Next.

The Batch Invoice window displays a summary of the customers who will receive the invoice, including the customers' terms, send methods, tax codes, and other information. If you notice any errors or omissions, click Back to correct them.

7. Click Create Invoices.

QuickBooks creates the invoices for the selected customers. The Batch Invoice Summary dialog box appears and shows how many invoices are set up to print and how many to email, based on your customers' preferred send methods.

Tip: You can view or change each customer's send method selection in the Customer Center. Simply right-click the customer's name and choose Edit. Then click the Additional Info tab to see your selections.

8. Click Print to print the invoices marked to print; click Email to send the invoices marked to be emailed.

If you want to print or email the invoices later, click Close. Then, you can print or email them by choosing File→Print Forms→Invoices or File→Send Forms→Invoices.

UP TO SPEED

Creating a Billing Group

Billing groups make it easy to select all the customers who receive the same batch invoice. Once you set up a billing group, you can select the group in the Batch Invoice window and QuickBooks automatically adds all the customers to the “Customers in This Group” list in one fell swoop. Here’s how you create a billing group:

1. In the Batch Invoice window, before you select customer names, in the Billing Group drop-down list, choose *<Add New>*.
2. In the Group Name dialog box, type a name of the group, like *WeightLoss* for all the customers on your monthly diet plan, for example.

3. In the Search Results list, select the customers you want to add to the group, and then click the Add button to copy the names to the “Customers in This Group” list.
4. Click the Save Group button below the “Customer in This Group” list.

QuickBooks saves your billing group so you can use it again simply by selecting it in the Batch Invoice dialog box.

Invoicing for Billable Time and Costs

When you work on a time-and-materials contract, you charge the customer for labor costs plus job expenses. Cost-plus contracts are similar except that you charge a fee on top of the job costs. Contracts like these are both low-risk and low-reward—in effect, you’re earning an hourly wage for the time you work. For these types of contracts, it’s critical that you capture all the expenses associated with the job or you’ll lose some of the profit that the contract offers.

QuickBooks helps you get those billable items into your invoices. You have to tell the program about every hour you worked and every expense you incurred for a customer or job. But once you enter those things into QuickBooks, it’s easy to build an invoice that captures them. You can add billable time and costs to an invoice whenever the Create Invoices window is open. And when you open the Create Invoices window in QuickBooks Pro or Premier, it reminds you about outstanding billable time and costs. QuickBooks Premier also has a separate command specifically for creating invoices for billable time and costs. The following sections tell you how to perform all these tasks.

Setting Up Invoicing for Time and Costs

In some industries, like consulting and law, invoicing for time and expenses is the norm. But before you can pop your billable time and expenses into your QuickBooks invoices, you first need to record them as billable items and assign them to the correct customer or job. Here are the billable items you can add to invoices and the chapters where you’ll learn how to track them:

- **Billable time.** Chapter 8 (page 181) describes how to track your billable time and assign your hours to a customer or job.

- **Mileage.** Chapter 8 (page 192) describes how to track mileage and assign billable mileage to a customer or job.
- **Purchases and expenses related to a customer or job.** Reimbursable expenses include products you purchase specifically for a job, services you get from a subcontractor, and other expenses such as shipping and postage. Chapter 9 describes how to make items and expenses reimbursable to a customer or job (page 220) as you enter bills, checks, or credit card charges in QuickBooks.

Adding Billable Time and Costs to Invoices

If you use QuickBooks Pro or QuickBooks Premier, you can add billable time and costs directly in the Create Invoices window. Here's how:

1. Press **Ctrl+I** or choose **Customers→Create Invoices** to open the **Create Invoices** window.
2. In the **Customer:Job** drop-down list, choose the customer or job you want to invoice.

If the customer or job has outstanding billable time or expenses, the **Billable Time/Costs** dialog box opens and automatically selects the “Select the outstanding billable time and costs to add to this invoice?” option.

3. In the **Billable Time/Costs** dialog box, click **OK**.

The “Choose Billable Time and Costs” dialog box opens.

Note: If the Create Invoices window is already open, you can open the “Choose Billable Time and Costs” dialog box by clicking the **Add Time/Costs** button below the invoice line-item table.

4. To select the time and costs you want to add to the invoice, follow the instructions that begin with step 1 on page 275.

Using the Invoice for Time & Expenses Command

If you have QuickBooks Premier or Enterprise, you can set the program up to include a special command for adding billable items to invoices. QuickBooks Premier's “Invoice for Time & Expenses” command shows you every customer with billable time and expenses waiting to be invoiced and how much there is of each type, so it's hard to miss outstanding billable hours and reimbursable expenses.

To set the preference for this command, choose **Edit→Preferences→Time & Expenses**. On the **Company Preferences** tab, turn on the “Create invoices from a list of time and expenses” checkbox. (Leave this checkbox turned off if invoicing for time and expenses is the exception rather than the rule. If you leave it off, you can still add time and other costs to an invoice in the Create Invoices window, as described in the previous section.)

Here's how to put this command to use:

1. Choose Customers→“Invoice for Time & Expenses” or, on the Home page, click the Invoices icon, and then choose “Invoice for Time & Expenses” on the drop-down menu.

QuickBooks opens the “Invoice for Time & Expenses” window, which lists the customers and jobs that have billable time and expenses associated with them. The table shows the amount of billable time, expenses, and mileage for each customer and job. The Items column shows the reimbursable amount for products that you purchased specifically for the customer or job.

2. In the Date Range From and To boxes, type the starting and ending dates for the time and expenses you want to invoice.

For example, if you want to invoice for billable time and expenses for the previous month, type the first and last day of the month, like 3/1/2011 and 3/31/2011. To invoice for all outstanding time and expenses up to a certain date, leave the Date Range From box blank, as shown in Figure 10-13.

3. To select a customer or job for invoicing, click anywhere in its row.

QuickBooks highlights the customer or job you select, as shown in Figure 10-13.

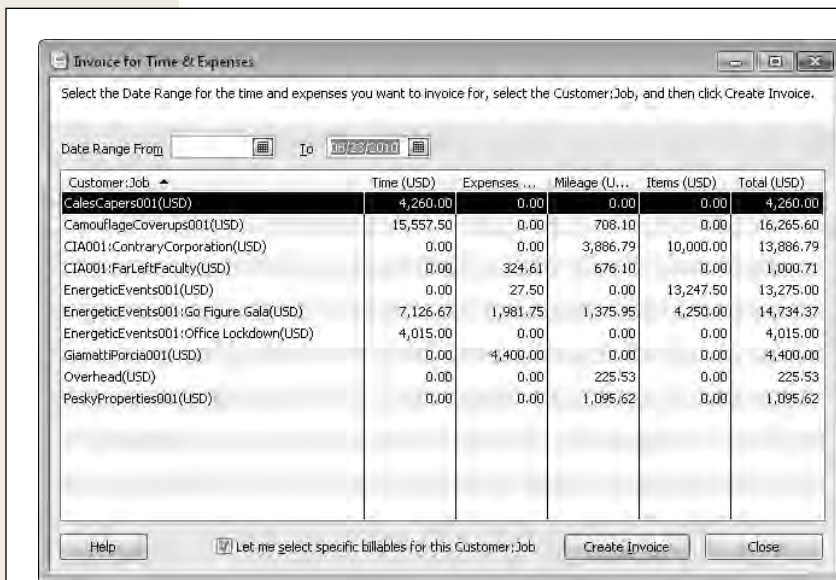


Figure 10-13:

To invoice the selected customer for all billable costs, leave the “Let me select specific billable costs for this Customer:Job” checkbox at the bottom of this window turned off. With that setting, when you click Create Invoice, QuickBooks immediately opens the Create Invoices window filled in with all the billable time and expenses for that customer or job.

4. To choose specific billable time and costs to add to the invoice, turn on the “Let me select specific billable costs for this Customer:Job” checkbox at the bottom of the window.

Nothing happens until you click Create Invoice.

5. Click Create Invoice.

If you turned on the “Let me select specific billable costs for this Customer:Job” checkbox, QuickBooks opens the “Choose Billable Time and Costs” dialog box shown in Figure 10-14, which includes tabs for time, expenses, mileage, and products (items). This dialog box is the same one you see if you click Add Time/Costs in the Create Invoices window. Proceed to the next section to learn how to add billable time and costs to an invoice.

If you left the “Let me select specific billable costs for this Customer:Job” checkbox turned off, the Create Invoices window opens with your invoice already filled out. All you have to do is save the invoice by clicking Save & Close.

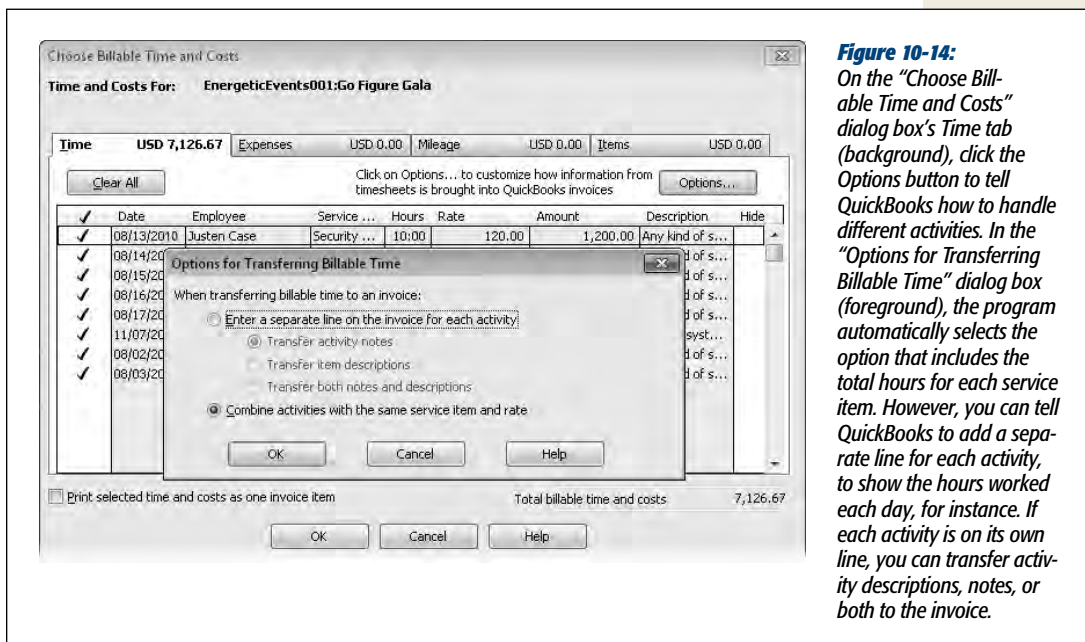


Figure 10-14: On the “Choose Billable Time and Costs” dialog box’s Time tab (background), click the Options button to tell QuickBooks how to handle different activities. In the “Options for Transferring Billable Time” dialog box (foreground), the program automatically selects the option that includes the total hours for each service item. However, you can tell QuickBooks to add a separate line for each activity, to show the hours worked each day, for instance. If each activity is on its own line, you can transfer activity descriptions, notes, or both to the invoice.

Selecting Billable Time and Costs

Regardless how you open the “Choose Billable Time and Costs” dialog box, the steps for selecting the billable time and costs to invoice are the same. Here’s what you do:

1. In the “Choose Billable Time and Costs” dialog box, to select all the entries on the Time tab, click the Select All button.

QuickBooks adds a checkmark in the first column for every activity. To add or remove a row, click its checkmark cell to toggle it on or off.

Each tab in the dialog box shows the total value of the entries you’ve selected on that tab. The “Total billable time and costs” value below the table is the total of all the selected items on all four tabs.

2. If you want the invoice to include only one line for all the time and expenses you've selected, turn on the "Print selected time and costs as one invoice item" checkbox (below the table).

You see separate entries for billable items in the Create Invoices window so you can verify that the invoice is correct. However, with this checkbox turned on, the printed invoice shows only one line labeled Total Reimbursable Expenses.

Note: If you've created the invoice with one line for time and costs, it takes several steps to recreate it showing individual costs. To change an invoice back to a line-by-line listing, in the Create Invoices window, delete the Total Reimbursable Expenses line item. Then click Add Time/Costs to open the "Choose Billable Time and Costs" dialog box and reselect all the entries you want. Finally, turn off the "Print selected time and costs as one invoice item" checkbox and then click OK.

3. On the "Choose Billable Time and Costs" dialog box's Expenses tab, click the checkmark cell for each expense (like meals, airfare, and other costs) you want to add to the invoice.

If you mark up expenses, such as phone calls and postage, the Expenses tab lets you track your markups. In the "Markup Amount or %" box, type the markup's dollar value or percentage. Choose the income account for the markup. (The box on page 277 tells you how to apply different markups to different expenses.)

To have QuickBooks calculate the sales tax, turn on the "Selected expenses are taxable" checkbox. If the customer is tax exempt, QuickBooks doesn't add sales tax no matter what.

Note: On the Expenses tab, the Memo column displays what you typed in the Memo field for the original vendor bill, check, or credit card charge. QuickBooks uses the entries in this column as the description on the invoice, so don't leave these fields blank. If you didn't enter a Memo in the original expense transaction, you'll have to type the description for each expense once it's added to the invoice.

4. Click the Mileage tab and select the mileage you want to add to the invoice.

Like you did on the Time tab (Figure 10-14), click Options to tell QuickBooks whether to show one line for mileage or a separate line for each activity.

5. On the Items tab, select any products that you bought specifically for the customer or job.

Click an item's checkmark cell to add it to the invoice.

6. When you've selected all the billable items you want to add from every tab, click OK.

QuickBooks adds all the billable items you selected to the invoice, as shown in Figure 10-15. If it looks good, click Save & Close. If not, edit the invoice to include what you want or click Clear to start from scratch.

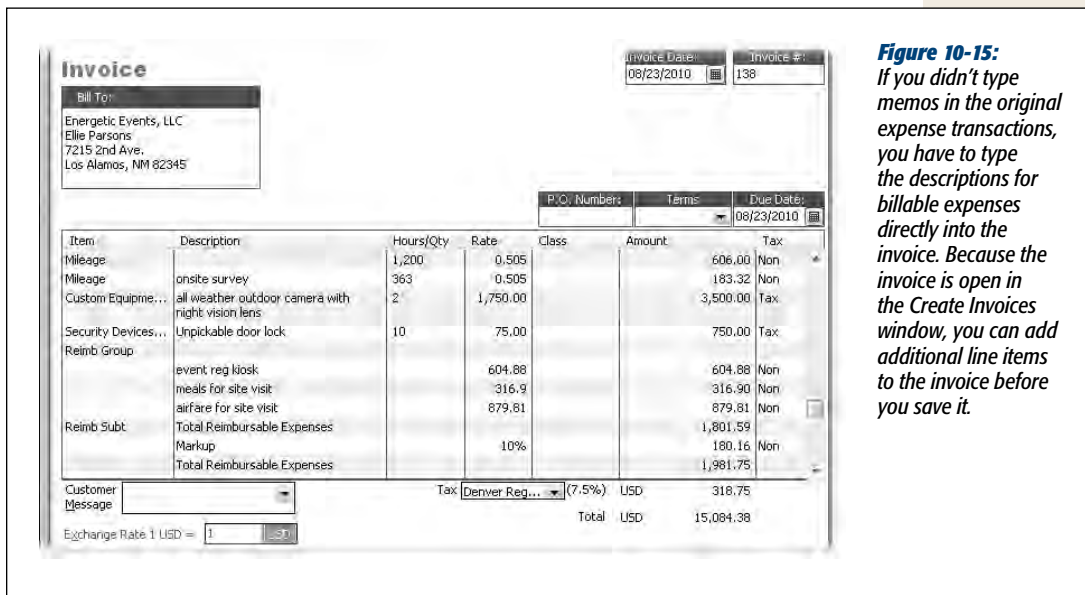


Figure 10-15:
If you didn't type memos in the original expense transactions, you have to type the descriptions for billable expenses directly into the invoice. Because the invoice is open in the Create Invoices window, you can add additional line items to the invoice before you save it.

WORKAROUND WORKSHOP

Adding Different Markups to Billable Expenses

The Expenses tab has only one "Markup Amount or %" box, which is frightfully inconvenient if you add markup to some, but not all, of your billable expenses. But there's nothing stopping you from adding these expenses to your invoice in more than one batch with a different markup amount or percentage for each batch. Here's how it works:

1. In the "Choose Billable Time and Costs" dialog box, click the Expenses tab.
2. In the "Markup Amount or %" box, type the markup for the first batch of expenses.
3. Turn on the checkmark cell for each expense that you want to mark up at the current markup.
4. Click OK to add the selected expenses to the invoice.
5. Below the Create Invoices window's item table, click Add Time/Costs.

6. In the "Choose Billable Time and Costs" dialog box, click the Expenses tab.
7. Change the value in the "Markup Amount or %" to the next markup and then turn on the checkmark cell for the expenses at this markup. Click OK to close the dialog box.
8. Repeat steps 5 through 7 for each additional markup.

This technique works just as well when some of the expenses are taxable while others aren't. Simply choose the taxable items, turn on the "Selected expenses are taxable" checkbox, and then add the taxable expenses to the invoice. Next, reopen the "Choose Billable Time and Costs" dialog box, choose the nontaxable items, turn off the "Selected expenses are taxable" checkbox, and then add the nontaxable expenses to the invoice.

Checking for Unbilled Costs

Most Customers & Receivables reports focus on charges you've already invoiced. If you invoice customers for reimbursable expenses, forgetting to invoice for reimbursable costs takes a bite out of your profits. So be sure to regularly run the "Unbilled Costs by Job" report (Reports→Customers & Receivables→"Unbilled Costs by Job") to look for expenses that you've forgotten to invoice. This report shows costs that you designated as billable to a customer or job that haven't yet been added to an invoice.

Invoicing for Backordered Products

Placing a product order to fulfill your customers' orders is known as a *backorder*. If backorders are a regular part of your business day, you should consider finding suppliers who deliver more quickly, and maybe upgrading to QuickBooks Premier, which has a built-in sales order form for tracking backordered items. You can also handle backorders using pending invoices if you have QuickBooks Pro.

When you tell customers that a product is out of stock, they might ask you to handle the backorders in different ways. Here are the most common requests for backorders:

- **Remove the backordered items from the order.** Customers in a hurry may ask you to fill the order with only the products you have in stock. If they can't find the backordered products anywhere else, they can call in a new order.
- **Ship all items at once.** If convenience is more important than delivery date, you can hold the customer's order until the backordered products arrive and then ship the entire order at once.
- **Ship backordered items when they arrive.** Many customers request that you process their orders for the products you *do* have in stock and then send the backordered products when you receive them.

If your customer wants you to remove backordered items from an order, you can ship the rest of the order and invoice the customer immediately. But when customers ask you to hold all or part of their orders until backordered products arrive, they usually expect you to invoice them for backordered products only when you ship them. So you don't want the income appearing in your account balances until the order ships. This section describes two ways to handle this situation.

Tip: If you need help remembering how customers want you to handle their backorders, store back-order preferences in a custom field in customer records (page 152). An alternative approach is to add a note in the Customer Center (select the customer and then click Edit Notes). Any information you add to the customer Notepad appears front and center whenever you select the customer on the Customers & Jobs tab as well as in the Notes section on the right side of the Create Invoices window.

Using Pending Invoices for Backorders

If you don't have QuickBooks Premier or Enterprise, a pending invoice is the way to track backorders. In QuickBooks, setting an invoice status to Pending places it in a holding pattern with no income or expenses posting to your accounts. Such invoices are easy to spot in the Create Invoices window—QuickBooks adds a Pending stamp to them.

To set an invoice to Pending status, follow these steps:

1. Press **Ctrl+I** to open the Create Invoices window.

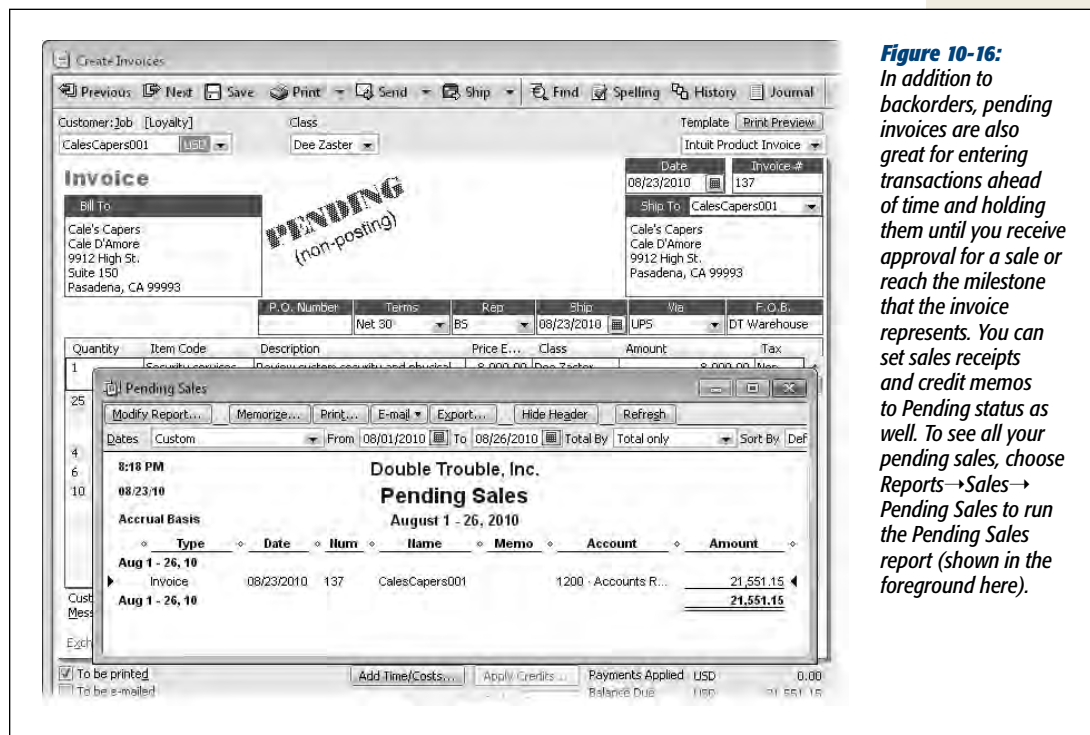
Fill in the invoice fields as usual (page 253).

2. On the main QuickBooks' menu bar, choose **Edit→Mark Invoice As Pending** (or right-click the Create Invoices window and then choose **Mark Invoice As Pending** from the shortcut menu).

QuickBooks adds the “Pending (non-posting)” stamp to the invoice, as shown in the background in Figure 10-16.

3. Click **Save & Close**.

The invoice is ready for action, but none of its values post to any accounts.



4. When the backordered products arrive, open the invoice in the Create Invoices window, choose Edit→“Mark Invoice as Final”, and then click Save & Close.

When you save the invoice, QuickBooks posts its values to the appropriate income and expense accounts.

Using Sales Orders for Backorders

QuickBooks Premier and Enterprise have a sales order form that’s perfect for backorders. The Create Sales Orders window looks like the Create Invoices window, except that the item table includes an Ordered column, which holds the number of items the customer ordered but that you haven’t yet invoiced. In effect, it’s a record of how much stock you need to have on hand to fill the order.

Tip: To see all your sales orders at once, choose Reports→Sales and then select either “Open Sales Order by Customer” or “Open Sales Orders by Item”.

If you try to add more items to an invoice than you have in stock, you’ll see an error message warning of the shortfall. QuickBooks Pro simply warns you that you don’t have enough. But in QuickBooks Premier, this message tells you how many you have on hand, how many are on other sales orders, and the remaining quantity available. Because the products aren’t in stock, the remaining quantity is either zero or a negative number. When you see this message, click OK to close the message box and then click Clear to cancel the invoice. Then, you can create a sales order instead.

If you already know that your inventory is woefully low or nonexistent (and you use QuickBooks Premier), simply create a sales order for the customer’s order. Then, if a review of your inventory shows that some items are in stock, you can create a partial invoice for the items you have and use the sales order to track the backordered items. Since the sales orders keep a running balance of backordered items, you can easily create a purchase order to restock the products you need. (See Chapter 19 to learn more about managing inventory.)

Here’s how to create a sales order for backordered items:

1. **If you haven’t turned on the preference for using sales orders, do so now.**
Choose Edit→Preferences→Sales & Customers, and then click the Company Preferences tab. In the Sales Orders section, turn on the Enable Sales Orders checkbox.
2. **On the Home page, click Sales Orders (or choose Customers→Create Sales Orders).**
The Create Sales Orders window opens.
3. **Fill in the fields for the sales order as you would the fields in an invoice (page 255).**
The only difference is that the column where you record the quantity of items ordered is the Ordered column, instead of an invoice’s Quantity column.

4. In the Create Sales Orders window's toolbar, click the Create Invoice icon. (If you don't see this icon, widen the Create Sales Order window until it's visible.)

The aptly named "Create Invoice Based on Sales Order(s)" dialog box opens.

5. To create a partial invoice for the items you have in stock, select the "Create invoice for selected items" option and then click OK.

The "Specify Invoice Quantities for Items on Sales Order(s)" dialog box (Figure 10-17) appears. Turn on the "Show quantity available instead of quantity on hand" checkbox to see how many items are *really* available to ship. (Quantity available is the quantity on hand minus the quantity on other sales orders or already used in Inventory Assembly items.)

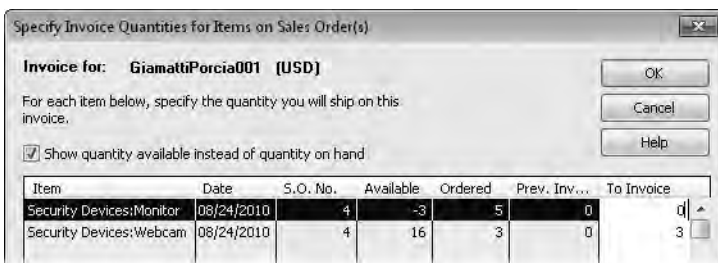


Figure 10-17:

This dialog box lists each item on the sales order and shows how many items you have in stock. QuickBooks automatically fills in the To Invoice column with the number of items on hand because you usually invoice for only the products you can ship, but you can edit the quantity if you want to invoice for the full order.

6. Click OK to create the invoice for the in-stock items.

QuickBooks opens the Create Invoices window and fills in the invoice. Click Save & Close.

7. Open the Create Sales Orders window again and click Previous until you see the sales order on which you based the invoice.

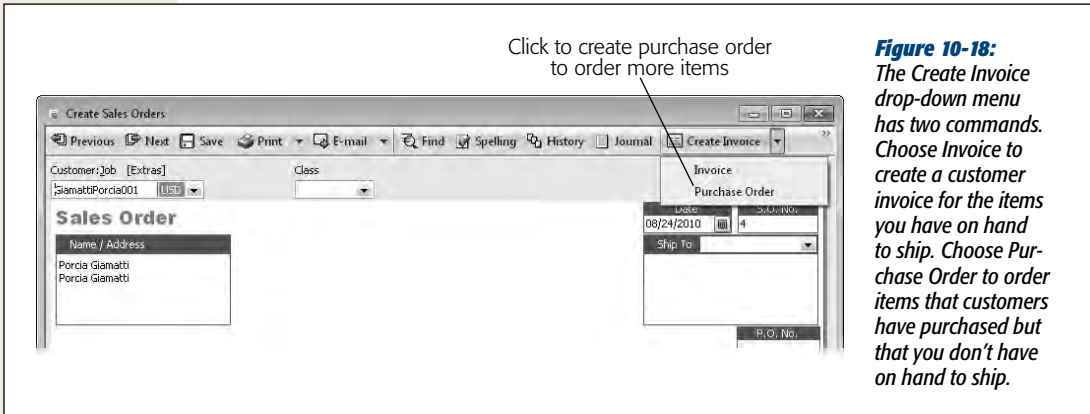
The quantity of backordered items appears in the Ordered column. It's a good idea to place an order for the backordered items while it's still fresh in your mind.

8. In the window's toolbar, click the down arrow to the right of the words "Create Invoice", and then choose Purchase Order, as shown in Figure 10-18.

The "Create Purchase Order Based on the Sales Transaction" dialog box appears.

9. Select the "Create purchase order for selected items" option, and then click OK.

The "Specify Purchase Order Quantities for Items on the Sales Transaction" dialog box opens. QuickBooks automatically fills in the Preferred Vendor cell with the vendor you designated in the item's record (page 113) and the Qty cells with how many items you have to order to fulfill the backorder. If you purchase the items from multiple vendors, select only the items you want to purchase from one vendor and create the purchase order. You'll have to create separate purchase orders for each vendor.



- Click the checkmark cell for each item you want to order. If you want to order some spare inventory, edit the values in the Qty cells. Click OK when you're done.

The Create Purchase Orders window appears filled in with the items you're ordering. Although QuickBooks automatically put the preferred vendor's name in the Vendor box, you can choose a different vendor from the drop-down list.

- When the Purchase Order is filled out the way you want, click Save & Close and send the purchase order to the vendor.

After you receive the items you ordered to replenish your inventory, return to step 4 to create a final invoice from the sales order.

Estimating Jobs

Many customers ask for an estimate before hiring you. If you're good with numbers, you might tot up the costs in your head and scribble the estimate on a napkin. But creating estimates in QuickBooks not only generates a more professional-looking estimate, it also feeds numbers into your customers' invoices as you perform the work. When you create an estimate in QuickBooks, you add the items you'll sell or deliver and set the markup on those items.

Note: Before you can create estimates in QuickBooks, you have to turn on the estimate preference. Choose Edit→Preferences→Jobs & Estimates, and then click the Company Preferences tab. In the "Do You Create Estimates?" section, select Yes, and then click OK.

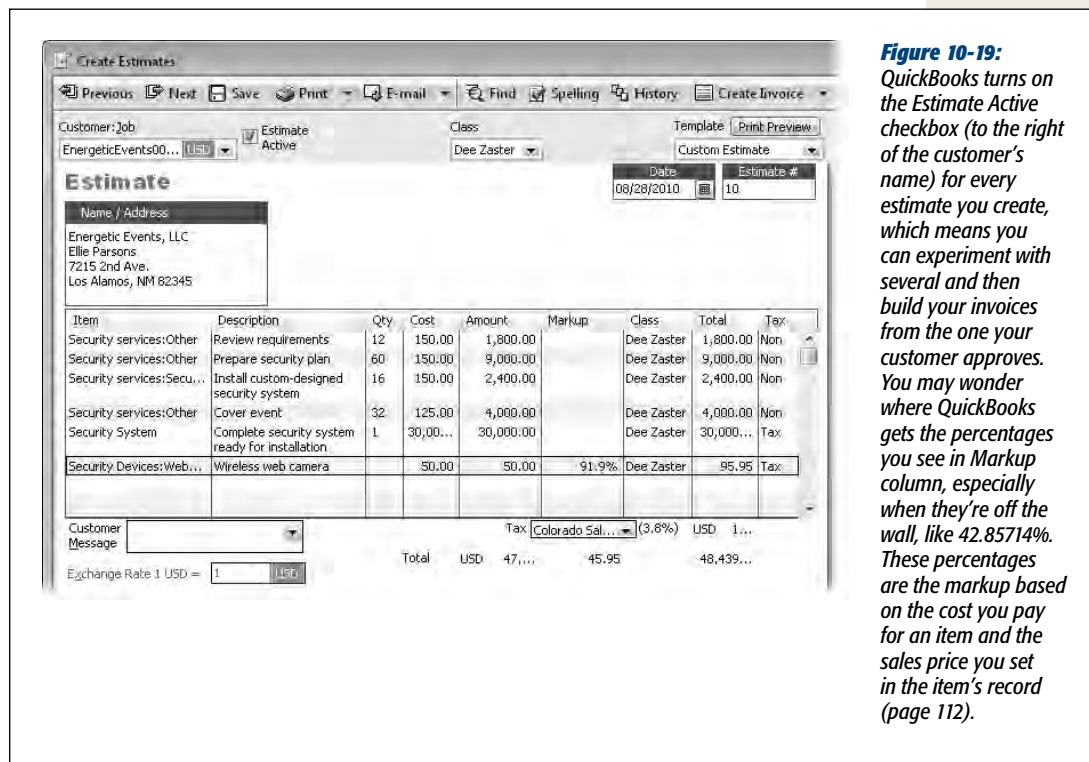
QuickBooks estimates make short work of pricing small time and material jobs. But QuickBooks estimating isn't for every business. Particularly in construction, where you might require hundreds or even thousands of items for a major project, you

definitely don't want to enter all the data you'd need to build the Item List for your project. That's why most construction firms turn to third-party estimating packages, which come with databases of the services and products you need. Many of these estimating packages integrate with QuickBooks, which means you can import an estimate you created in another program and use it to produce your invoices (see Chapter 24).

Note: The totals on estimates don't post to accounts in your chart of accounts. After all, an estimate doesn't mean that your customer has committed to going ahead with the job. The estimates show the *potential* value of a job without showing up in your financial reports. When you turn on the preference for estimates (page 581), QuickBooks creates a *non-posting* account called Estimates, where it stores estimate values. (If you use account numbers, its number is 4.)

Creating an Estimate

If you've mastered QuickBooks' invoices, you'll feel right at home with the fields that appear in a QuickBooks estimate. Figure 10-19 shows the Create Estimates window.



Here's how you create an estimate and handle the small differences between invoices and estimates:

1. **On the Home page, click the Estimates icon or choose Customers→Create Estimates.**

QuickBooks opens the Create Estimates window and automatically chooses Custom Estimate in the Template box. (The program may choose a different estimate template depending on which edition of QuickBooks you use.) If you've created your own estimate template (page 633), choose your custom template from the Template drop-down list (QuickBooks automatically uses your custom template from then on).

2. **As you do for an invoice, build your estimate by adding items to the line-item table (page 260).**

In a blank line in the line-item table, in the Item drop-down list, choose the item that you want to add to the estimate. When you fill in the quantity, QuickBooks uses the cost and sales price from the item's record to fill in the Cost, Amount, Markup, and Total fields.

The markup percentage is based on how much you pay for the item and the sales price you charge. If you want to apply a different markup percentage, click the item's Markup cell and either type the percentage you want to use or choose a price level (page 137) from the drop-down list. (The markup you add is only visible while you work on the estimate. When you print it or email it to your customer, only the cost and total columns appear in the form.)

Note: The calculated value in an item's Total cell isn't set in stone. If you change the Total value, QuickBooks recalculates the markup percentage for you. Likewise, if you change the percentage in the Markup cell, QuickBooks recalculates the value in the Total cell.

3. **To email the estimate to your customer, turn on the "To be e-mailed" checkbox.**

QuickBooks queues up the estimate to be emailed later (page 321). For reasons unknown, you can't queue up an estimate to *print* later. If you want to print an estimate, in the Create Estimates window's toolbar, click the Print icon.

4. **When the estimate is complete, click Save & Close to save the estimate and close the Create Estimates window.**

After you've created an estimate and printed it or emailed it to your customer, you don't do much with it until the customer gives you the nod for the job.

Creating Multiple Estimates

Whether you're creating a second estimate because the customer thought the first price was too high or creating separate estimates for each phase of a multiyear job, it's easy to build and manage several estimates for the same job. You've got the following methods at your disposal:

- **Creating an estimate.** You can create additional estimates for a job simply by creating a new estimate (as described in the previous section). When you create additional estimates, QuickBooks makes them active so they appear in the Available Estimates dialog box (page 286) when you choose the corresponding customer in the Create Invoices window. Active estimates also appear in the “Estimates by Job” report, shown in Figure 10-20.

Estimates by Job

Double Trouble, Inc.

Estimates by Job

All Transactions

Type	Date	Num	Memo	Estimate Active	Amount
EnergeticEvents001					
Go Figure Gala					
Estimate	10/28/2004	1			18,955.28
Estimate	07/14/2010	3		✓	53,677.20
Estimate	08/28/2010	10		✓	48,439.60
Total Go Figure Gala					121,072.08
Total EnergeticEvents001					121,072.08
LastStop001					
Estimate	07/26/2010	2		✓	27,435.60
Estimate	08/05/2010	6		✓	21,948.48
Total LastStop001					49,384.08

Figure 10-20:

If you have too many estimates to find the right one by clicking Previous and Next in the Create Estimates window, try looking at the “Estimates by Job” report. To display it, choose Reports→Jobs, Time & Mileage→“Estimates by Job”. This report includes an Estimate Active column, which displays a checkmark if the estimate is active. Double-click anywhere in a line to open that estimate in the Create Estimates window.

- **Duplicating an estimate.** If you want to play what-if games with an existing estimate, duplicate it and then make your adjustments. In the Create Estimates window, display the estimate you want to copy and then choose Edit→Duplicate Estimate or right-click the estimate and choose Duplicate Estimate from the shortcut menu. Either way, QuickBooks pulls everything from the existing estimate onto a new one, and it uses the next estimate number in sequence. After you make the changes you want, click Save & Close or Save & New. (The box on page 287 tells you how to create boilerplate estimates, which is faster if you intend to duplicate an estimate frequently.)
- **Finding an estimate.** When you know the estimate you want exists, you can search for it based on the customer or job, when you created it, its number, or the amount. When the Create Estimates window is open, choose Edit→Find Estimates or right-click in the window and then choose Find Estimates from the shortcut menu. In the Find Estimates dialog box that appears, fill in what you know about the estimate and then click Find. If you click Advanced, QuickBooks opens the full-blown Find window, so you can set up more specific criteria (page 330).

- **Making an estimate inactive.** When you create several estimates for the same work, eventually you and your customer will pick one to run with. Once you've picked an estimate, make the others inactive by turning off their Estimate Active checkboxes. QuickBooks won't display inactive estimates in the Available Estimates dialog box (page 286), but you still have a record of your other attempts, which you can see by clicking Next or Previous in the Create Estimates window or by running the "Estimates by Job" report.

To make an estimate inactive, in the Create Estimates window, display the estimate and then turn off its Estimate Active checkbox. Click Save & New to save the estimate while keeping the Create Estimates window open. If you want to make another estimate inactive, click Previous or Next until the estimate appears, and then repeat these steps.

- **Deleting an estimate.** Deleting an estimate isn't the no-no that deleting an invoice is. Your only risk is that you'll realize you wanted to keep the estimate as soon as you delete it. In the Create Estimates window, display the estimate and then choose Edit→Delete Estimate or right-click the estimate in the Create Estimates window and then choose Delete Estimate from the shortcut menu. In the Delete Transaction dialog box, click OK to get rid of the estimate.

Note: To protect profit margins from being nibbled away by small changes, many businesses keep track of every change that a customer requests (called *change orders*). The Contractor and Accountant Editions of QuickBooks let you track change orders on estimates.

Creating an Invoice from an Estimate

Whether you create one estimate for a job or several, you can generate invoices from your estimates. In fact, if you open the Create Invoices window and then choose a customer or job for which estimates exist, QuickBooks displays the Available Estimates dialog box, which lists all the active estimates for that customer or job. This section explains how to turn an entire estimate into an invoice. See page 288 to learn how to use estimates to generate progress invoices when you reach milestones on large projects.

To use an estimate to create an invoice, do the following:

1. **Press Ctrl+I to open the Create Invoices window and then, in the Customer:Job drop-down list, choose the customer or job you want to invoice.**

If one or more estimates exist for that customer or job, the Available Estimates dialog box opens, showing the active estimates for that customer or job, as shown in Figure 10-21. You don't have to use your estimate to create your invoice if, say, you want to invoice for your actual time and materials. In this situation, click Cancel. The Available Estimates dialog box closes, and the Create Invoices window is ready for you to fill in the line-item table.

POWER USERS' CLINIC

Building Boilerplate Estimates

Suppose you've put a lot of thought into the typical tasks you perform and the materials you need for different types of jobs. You can capture this information in QuickBooks estimates so that you can quickly produce an estimate that takes into account your performance on similar jobs in the past. Your new customer will be impressed by your speedy response, and you'll be confident that you haven't forgotten anything.

To create a boilerplate estimate, build an estimate with all the information you reuse and then have QuickBooks memorize that estimate. Here's how:

1. In the Create Estimates window, fill in all the fields and line items you want in the boilerplate estimate. If you want to capture the items you use but not the quantities, in the line-item table, leave the quantity (Qty) cells blank.
2. To memorize the estimate, press Ctrl+M (or right-click the estimate and then choose Memorize Estimate from the shortcut menu).
3. QuickBooks tells you that it will remove the Customer: Job so you can use the memorized estimate for any customer. Click OK to dismiss the message.
4. In the Memorize Transaction dialog box, type a name for the estimate. For example, if you're creating a boilerplate estimate for fire mitigation, use a name like Fire Mitigation Estimate.
5. Because you'll recall this estimate only when you get a similar job, choose the Don't Remind Me option.
6. Click OK to add the estimate to your Memorized Transaction List.
7. When you bid on a similar job, press Ctrl+T to open the Memorized Transaction List window.
8. Double-click the memorized estimate to open the Create Estimates window with the memorized estimate's information displayed.
9. In the Customer:Job box, choose the new customer. Make any other changes you want.
10. Click Save & Close.

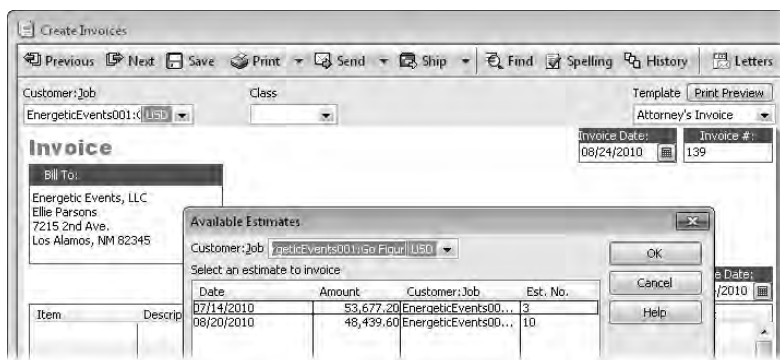


Figure 10-21:

To keep your customer happy, be sure to choose the estimate that the customer accepted. The Available Estimates dialog box shows the date, amount, and estimate number. Usually, the amount is the field you use to choose the agreed upon estimate. Alternatively, when you and the customer have agreed on an estimate, you can delete all the other estimates for that customer or make them inactive, so you have only one estimate to choose.

2. In the Available Estimates dialog box, click anywhere in the row for the estimate you want, and then click OK.

The Create Invoices window opens with the information from the estimate filled in.

3. Make any changes you want and then click Save & Close.

You're done!

Comparing Estimates to Actuals

Customers who write you blank checks for jobs are rare, so most jobs require estimates of what the work will cost. When you finish a job that you estimated, take some time to run the “Job Estimates vs. Actuals Summary” report to see how you did compared to your estimate. Do this a few times and the accuracy of your estimates should improve dramatically.

If you invoice jobs based on the progress you've made (as described in the next section), run the “Job Progress Invoices vs. Estimates” report instead, which compares your estimate to actual performance through your most recent progress invoice.

Creating Progress Invoices

When you work on jobs and projects that take more than a few days, you probably don't want to wait until the job is completely finished to charge for some of your work. *Progress invoices* include charges based on your estimate *and* the progress you've made on the job. These invoices are common for jobs that are broken into phases or when payments are made when you reach milestones. Since most large jobs start with an estimate, you won't have to start from scratch when it's time to invoice your customer—QuickBooks can convert your estimates into progress invoices with only a few additional pieces of information.

Note: To produce progress invoices, you first have to turn on the preferences for creating estimates and progress invoicing (page 581).

Progress Invoicing Options

Progress invoices are still invoices; they just happen to link to estimates you've created for a job. In the Create Invoices window, when you choose a customer or job, QuickBooks checks to see if an estimate exists. If there's at least one estimate for the customer or job, QuickBooks opens the Available Estimates dialog box so you can choose an estimate to invoice against.

When you create your first progress invoice by selecting an estimate in the Available Estimates dialog box and then clicking OK, you can choose to invoice the entire

estimate or only a portion, as shown in Figure 10-22. Here are the options that appear in the Create Progress Invoice Based On Estimate dialog box and when you might use them:

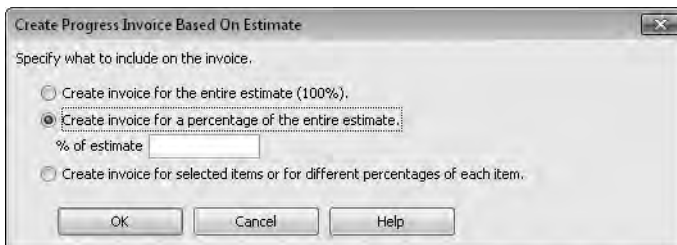


Figure 10-22:

The first time you create a progress invoice for an estimated job is the only time the “Create invoice for the entire estimate (100%)” option is available. After that, you have to invoice based on a percentage of the entire estimate, by picking individual items, or for the remaining amounts on the estimate.

- **Create invoice for the entire estimate (100%).** This option is perfect if you prepared an estimate to get approval before starting a job, and you completed the job in a short period of time. QuickBooks takes care of the grunt work of transferring all the services, products, and other items from the estimate to the invoice.

Note: You can edit the invoice amounts that come from an estimate, which is handy if your actual costs were higher than your estimates, for instance. However, the contract you signed determines whether your customer will actually *pay* the revised amounts!

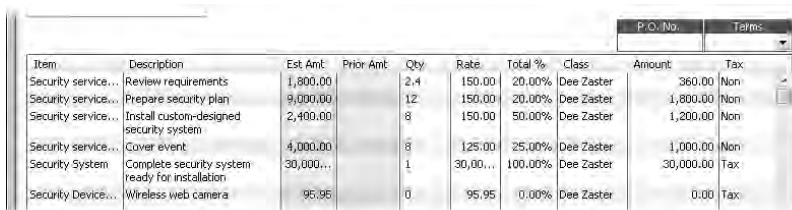
- **Create an invoice for the remaining amounts of the estimate.** For every progress invoice *after* the first one for a job, you’ll see this option instead of “Create invoice for the entire estimate (100%)”. Use this option when you’re ready to create your last invoice for the job. Its sole purpose is to save you the hassle of calculating the percentages that haven’t yet been billed.
- **Create invoice for a percentage of the entire estimate.** Choose this option if you negotiated a contract that pays a percentage when you reach a milestone, such as 15 percent when the house’s foundation is complete. (Of course, you and the customer have to agree that a milestone is complete; QuickBooks can’t help you with that.) This option is also handy if your contract specifies a number of installment payments. In the “% of estimate” box, type the percent you’ve completed.

Tip: Suppose your contract includes a clause that covers cost overruns, and the job ended up costing 20 percent more than the estimate. You might wonder how you can charge for that extra 20 percent. The hidden solution is that the “% of estimate” box doesn’t limit the percentage to 100 percent. So in this example, you’d type 120 percent for the last invoice to reflect the costs that exceeded the estimate.

- **Create invoice for selected items or for different percentages of each item.** This option is the most flexible and a must if you bill your customers only for the work that's actually complete. For example, if you're building an office complex, one building might be complete while another is still in the framing phase. When you select this option, you can choose the services and products to include on the invoice and specify different percentages for each one. When you click OK, the "Specify Invoice Amounts for Items on Estimate" dialog box appears, initially showing your estimated amounts and any previously invoiced amounts. The next section tells you how to fill in this dialog box.

Fine-Tuning a Progress Invoice

When you click OK in the Create Progress Invoice Based On Estimate dialog box (or the "Specify Invoice Amounts for Items on Estimate" dialog box when you choose items to invoice), QuickBooks automatically fills in the estimate items, percentages, and amounts, as shown in Figure 10-23. You don't have to stick with the numbers that QuickBooks comes up with—you can reconfigure the charges on the invoice any way you want. (However, it's always a good idea to review the customer's contract and get approval before you make any increases or additions not covered by the contract.)



Item	Description	Est Amt	Prior Amt	Qty	Rate	Total %	Class	Amount	Tax
Security service...	Review requirements	1,800.00		2.4	150.00	20.00%	Dee Zaster	360.00	Non
Security service...	Prepare security plan	9,000.00		12	150.00	20.00%	Dee Zaster	1,800.00	Non
Security service...	Install custom-designed security system	2,400.00		8	150.00	50.00%	Dee Zaster	1,200.00	Non
Security service...	Cover event	4,000.00		8	125.00	25.00%	Dee Zaster	1,000.00	Non
Security System	Complete security system ready for installation	30,000.00		1	30,000.00	100.00%	Dee Zaster	30,000.00	Tax
Security Device...	Wireless web camera	95.95		0	95.95	0.00%	Dee Zaster	0.00	Tax

Figure 10-23:
When you provide materials for a job, they're either onsite or not. Assigning 50 percent to materials only makes sense if half the boxes made it. If you created an invoice for 25 percent of the job, you can change the invoice to cover 100 percent for materials by editing the values in the Total % column. Changing a Total % cell also solves the problem of one task that's far behind—or far ahead.

You can modify line items directly in a QuickBooks invoice, but that approach doesn't create a history of your changes. If you want to keep a record of the changes you make between estimate and progress invoice, follow these steps instead:

1. Open the progress invoice in the Create Invoices window (press Ctrl+I and then click Previous until the progress invoice you want appears).

You can also open an invoice from the Customer Center: On the center's Customers & Jobs tab, select the customer you want. Then, in the Show drop-down list above the transactions table, choose Invoices. Double-click the invoice you want to open.

2. In the Create Invoices window's icon bar, click Progress.

QuickBooks opens the "Specify Invoice Amounts for Items on Estimate" dialog box.

3. Before you begin changing values, make sure that the correct columns are visible. Turn on the "Show Quantity and Rate" checkbox or the Show Percentage checkbox.

QuickBooks remembers the checkboxes you turn on and turns the same ones on the next time you open the "Specify Invoice Amounts for Items on Estimate" dialog box.

4. To change a value on the progress invoice, click the cell that you want to change, as shown in Figure 10-24.

Changing a rate is a rare occurrence. However, it might happen if, say, you have a contract that bumps your consulting rate by 10 percent for the next calendar year. If the job runs into the next calendar year, you can increase the rate for the hours worked in January.

Specify Invoice Amounts for Items on Estimate

Progress Invoice for: EnergeticEvents001:Go Figure Gala (USD)

For each item below, specify the quantity, rate, amount or % of the estimate amount to have on the invoice.

☐ Show Quantity and Rate ☒ Show Percentage

Item	Est Amt	Prior ...	Prior %	Amount	Curr %	Tot %	Tax
Security services:Other	1,800.00		0.0%	360.00	20.0%	20.0%	Non
Security services:Other	9,000.00		0.0%	1,800.00	20.0%	20.0%	Non
Security services:Security Install	2,400.00		0.0%	1,200.00	50.0%	50.0%	Non
Security services:Other	4,000.00		0.0%	1,000.00	25.0%	25.0%	Non
Security System	30,000.00		0.0%	30,000.00	100.0%	100.0%	Tax
Security Devices:Webcam	95.95		0.0%	0.00	0.0%	0.0%	Tax
Total (w/ taxes) USD 35,23...							

Note: All items will transfer to the invoice. The quantities and amount will be as you indicated. Although items with a zero amount display on screen, they can be set not to print from the Jobs and Estimates Preferences.

Figure 10-24: You can change the cells in columns with a white background. The columns with a gray background show the values from the estimate and previous progress invoices. When you change a value, QuickBooks recalculates the other columns. For example, if you type a percentage in a Curr % (current percentage) cell, QuickBooks calculates the amount to invoice by multiplying your estimated amount by the current percentage. The Tot % column shows the total percentage including previously invoiced amounts and the current amount.

5. To apply the changes, click OK.

The “Specify Invoice Amounts for Items on Estimate” dialog box closes, taking you back to the modified progress invoice.

6. Save the progress invoice by clicking Save & New or Save & Close.

Handling Refunds and Credits

If a customer returns a product or finds an overcharge on their last invoice, you have two choices: issue a credit against the customer’s balance, or issue a refund by writing a check. In the bookkeeping world, the documents that explain the details of a credit are called *credit memos*. On the other hand, when a customer doesn’t want to wait to get the money she’s due or she isn’t planning to purchase anything else from you, a refund check is the logical solution. In either case, refunds and credits both begin with a credit memo, as shown in Figure 10-25.

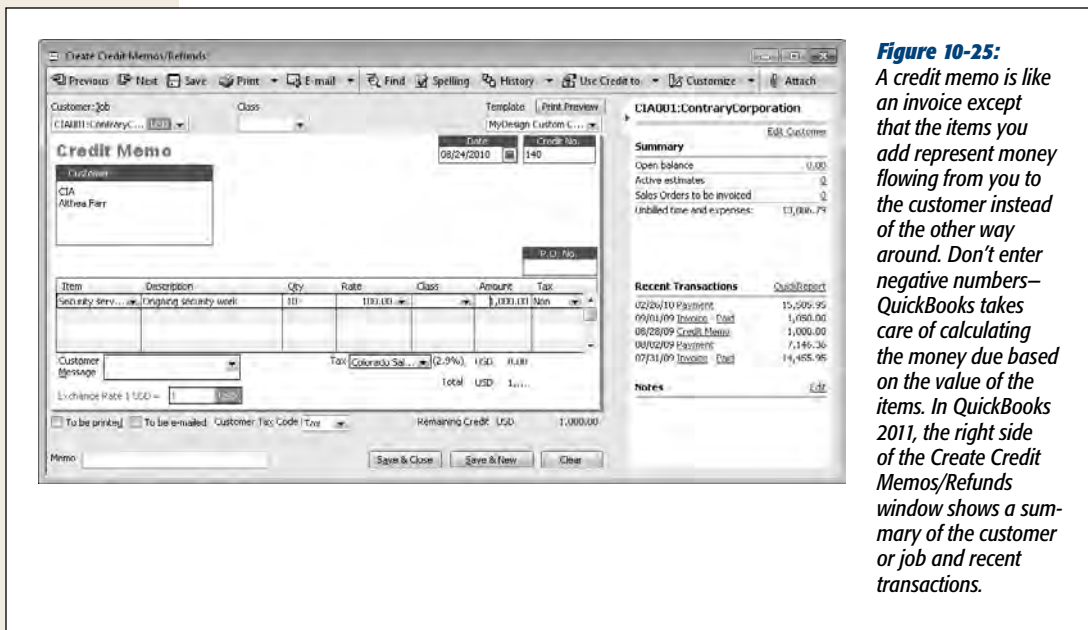


Figure 10-25:
A credit memo is like an invoice except that the items you add represent money flowing from you to the customer instead of the other way around. Don’t enter negative numbers—QuickBooks takes care of calculating the money due based on the value of the items. In QuickBooks 2011, the right side of the Create Credit Memos/Refunds window shows a summary of the customer or job and recent transactions.

Creating Credit Memos

Here’s how to create a credit memo:

1. On the Home page, click Refunds & Credits or choose Customers→Create Credit Memos/Refunds.

QuickBooks opens the Create Credit Memos/Refunds window. If you stay on top of your invoice numbers, you’ll notice that the program automatically uses the next invoice number as the credit memo number.

2. As you would for an invoice, choose the Customer:Job.

Choose a class if you use classes; and, if necessary, choose the credit memo template you want to use.

3. In the line-item table, add a line for each item you want to credit.

Be sure to include all the charges you want to refund, including shipping and taxes.

Note: If you want to include a message to the customer, in the Customer Message box, choose it from the list.

4. If you want to print or email the credit memo, turn on the “To be printed” or “To be e-mailed” checkbox.

5. Click Save & Close when you’re done.

When you save a credit memo with an available credit balance, the Available Credits dialog box appears with three options for handling the credit, as shown in Figure 10-26.

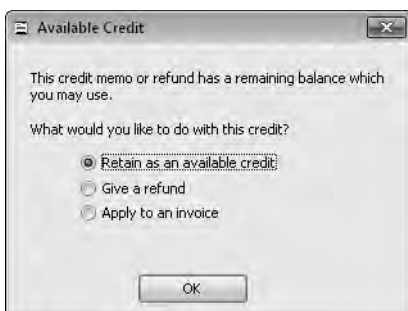


Figure 10-26:

When you save a credit memo with available credit, QuickBooks displays this dialog box. To keep the credit around and apply it (page 296) to the next invoice you create for the customer, choose “Retain as an available credit”. If you choose “Give a refund”, QuickBooks opens the Write Checks window so you can write the refund check. Choosing “Apply to an invoice” works only if you have an open invoice for the customer.

Creating Refund Checks

If your customer is dreadfully disgruntled, you’ll probably want to write a refund check. If you didn’t do that when the Available Credit dialog box appeared (see the previous section), here’s how to do it now.

1. Open the Customer Center and select the disgruntled customer.

2. In the Show drop-down list, choose Credit Memos.

The list of open credit memos for that customer appears.

3. Double-click the credit memo that you want to refund as a check.

The Create Credit Memos/Refunds window opens to that credit memo.

4. In the window's toolbar, click the down arrow to the right of the words "Use Credit to" and choose "Give refund".

QuickBooks opens the "Issue a Refund" dialog box and fills in all the information you need to create the refund.

5. In the "Issue this refund via" box, the program chooses Check, and selects the checking account you set in your checking preferences (page 567). If the red face staring at you from across the counter is your customer, choose Cash instead, and then click OK.

If the "To be printed" checkbox is turned on, QuickBooks adds the check to the queue of checks waiting to be printed. To print the refund check right away, you need to find the check in your checking account register and open it in the Write Checks window (right-click the check transaction and then choose Edit Check from the shortcut menu). Then, in the Write Checks window's toolbar, click Print.

Note: If you've signed up for the QuickBooks Merchant Service (page 541) and accept credit card payments, you can also refund money via credit card.

Applying Credits to Existing Invoices

If a customer has an unpaid invoice or statement, you can apply a credit to that invoice or statement and reduce the amount that the customer owes. Applying a credit to an invoice is almost like receiving a payment, so when you choose a customer or job in the Receive Payments window, QuickBooks tells you if the customer has available credits and discounts. Here's how to apply that credit to an invoice:

1. On the Home page, click Receive Payments.

QuickBooks opens the Receive Payments window.

2. In the Received From drop-down list, choose the customer whose credit you want to apply.

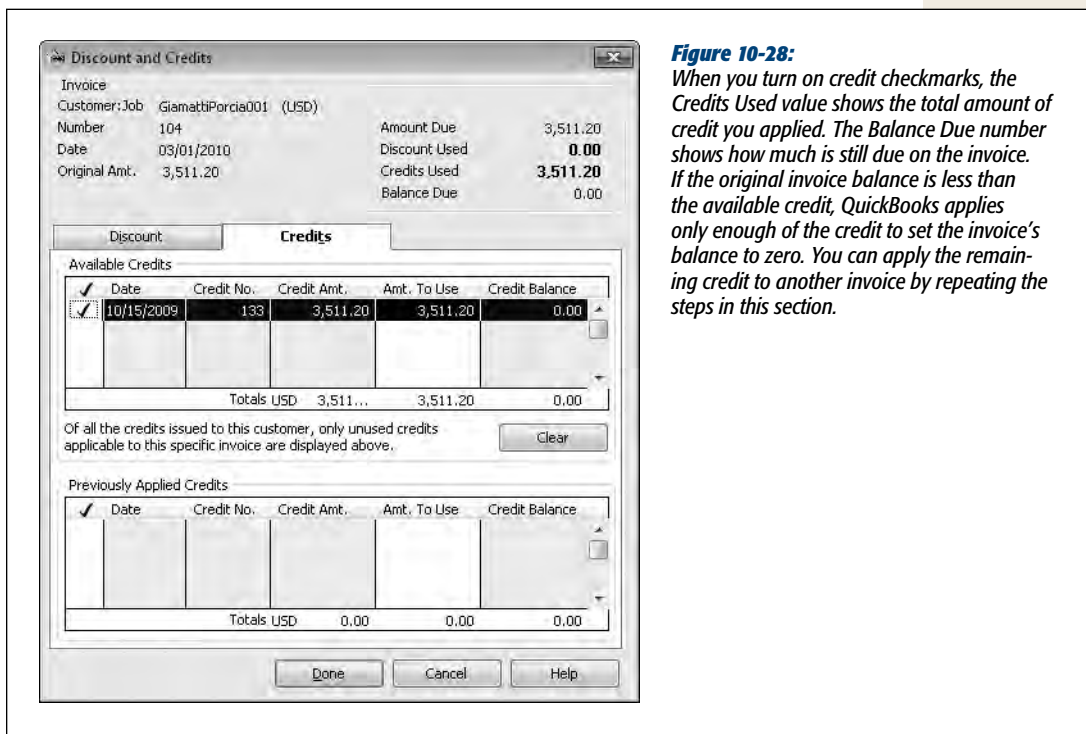
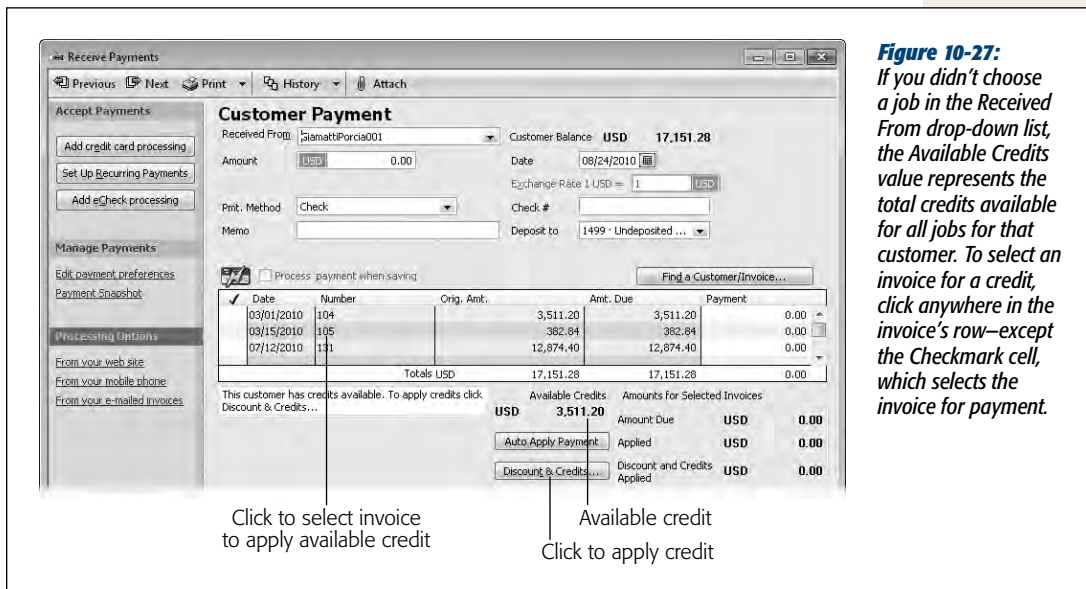
Below the invoice table, QuickBooks displays a message that the customer has available credit and shows the amount of the credit.

3. To select the invoice or statement to which you want to apply the credit, click anywhere in the line for the invoice or statement except the Checkmark column (Figure 10-27).

Clicking an invoice's Checkmark column tells QuickBooks that you received a *real* payment from that customer.

4. Click the Discount & Credits button.

QuickBooks opens the "Discount and Credits" dialog box shown in Figure 10-28. If you don't see the credit you expect, it might apply to a different job or to the customer only. To apply one of the customer's credits, click the checkmark for that credit to turn it on.



5. In the “Discount and Credits” dialog box, click Done.

After all this, the Receive Payments window doesn’t look very different, but there’s one important change: In the Credits column for the open invoice, you’ll see the value of the credit. (The amount due won’t change until you receive the actual payment.)

6. Click Save & Close to apply the credit to the invoice.

Now, if you open the invoice in the Create Invoices window, you’ll see the credit amount in the Payments Applied field and the Balance Due reduced by the amount of the credit.

Applying Credits to New Invoices

If you create a new invoice for a customer who has a credit due, in the Create Invoices window, you’ll see the Apply Credits button (below the item table) come to life. Here’s how you apply a credit to reduce the balance of the invoice:

1. With the new invoice visible in the Create Invoices window (press Ctrl+I), click Apply Credits.

QuickBooks opens the Apply Credits dialog box, which looks like the “Discount and Credits” dialog box, except that it has only a Credits tab.

2. Turn on the checkmarks for each credit you want to apply to the invoice, and then click Done.

In the Create Invoices window, you’ll see the credit amount in the Payments Applied field and the Balance Due reduced by the amount of the credit.

Editing Invoices

While you’re in the process of creating an invoice or sales receipt, you can jump to any field and change its value, delete lines, or insert new ones. Even after you’ve saved an invoice, editing it is easy. Any time an invoice is visible in the Create Invoices window, you can click any field and make whatever change you want. If you’ve already printed the invoice, turn on the “To be printed” checkbox so that you don’t forget to reprint the form with the changes you made.

If you’ve received a payment against an invoice, editing that invoice is *not* the way to go, because the edits can disrupt the connections between payment, invoice, and accounts to the point that you’ll never straighten it out. If you undercharged the customer, simply create a new invoice with the missing charges on it. If you charged the customer for something she didn’t buy, issue a credit memo or refund (see page 294).

Voiding and Deleting Invoices

Sometimes, you want to eliminate an invoice—for instance, when you create one by mistake and want to remove its values from your accounts. QuickBooks provides two options, but for your sanity's sake, you should *always* void invoices that you don't want rather than deleting them.

When you void an invoice, QuickBooks resets the dollar values to zero so that your account balances show no sign of the transaction. It also marks the transaction as void, so you know what happened to it when you stumble upon it in the future.

If you delete an invoice, QuickBooks truly deletes the transaction, removing the dollar values from your accounts and deleting any sign of the transaction. All that remains is a hole in your numbering sequence of invoices and an entry in the audit trail that says you deleted the transaction (page 655). If your accountant or the IRS looks at your books a few years down the road, your chances of remembering what happened to the transaction are slim. If an invoice has a payment attached to it, deleting it is even more problematic: You have to delete the bank deposit first, followed by the customer's payment, and finally the invoice.

To void an invoice:

1. **In the Customer Center, find the transaction you want to void (page 329), and then double-click it to open its window.**

The window that opens depends on the type of transaction you double-clicked. For example, Create Invoices opens for an invoice, and Enter Sales Receipts opens for sales receipts.

2. **When you see the invoice in its window, right-click in the window and then choose Void Invoice from the shortcut menu (or from the main QuickBooks menu bar, choose Edit→Void Invoice).**

All the values in the form change to zero and QuickBooks adds the word “VOID:” to the Memo field. To remind yourself why you voided that transaction, type the reason after “VOID:”.

3. **Click Save & Close.**

Note: If you open the Accounts Receivable register's window, you might get nervous when you see the word Paid in the Amt Paid column of a voided transaction. Don't get excited: Notice that the amount paid is zero, and that the word “Void” is in the Description field. The word Paid in the Amt Paid column is just QuickBooks' odd way of telling you the invoice is no longer open.

Producing Statements

Statements are the perfect solution for businesses that charge for time and other services in bits and pieces, such as law offices, wireless telephone service providers, or astrology advisors. Statements can summarize the statement charges racked up during the statement period (usually a month), but they're also great for showing payments and outstanding balances, the way your cable bill shows the charges for your monthly service, the Pay-Per-View movies you ordered, your last payment, and your current balance. So even if you invoice your customers, you can send statements to show them their previous balances, payments received, new charges, and overdue invoices. (To learn about the limitations of statements, see page 248.)

In this chapter, you'll find out how to produce statements, whether you accumulate charges over time or simply summarize your customers' account status.

Generating Statements

Think of a statement as a report of all the charges and payments during the statement period that you then send to your customer. A statement's previous balance, charges, and customer payments all depend on the dates you choose for the statement. Businesses typically send statements out once a month, but you can generate them for any time period you want.

Note: To work with statements and statement charges, you have to turn on the statements preference. Choose Edit→Preferences→Desktop View and then click the Company Preferences tab. Turn on the "Statements and Statement Charges" checkbox and then click OK.

In QuickBooks, creating statements is a two-step process:

1. Enter the *statement charges*, which are the services or other items you delivered to your customers.

If you use statements simply to show invoices, payments, and the resulting balance, you can skip this step.

2. Generate statements for your customers.

The following pages explain how to complete both these steps.

Creating Statement Charges

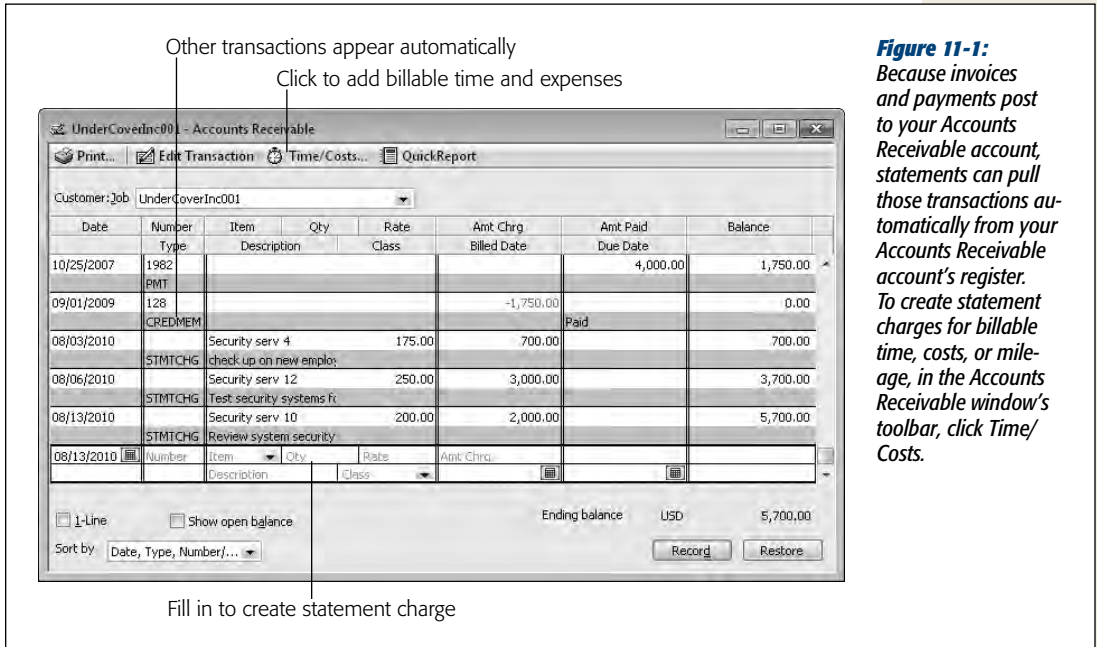
Statement charges look like the line items you see in an invoice, except for a few small but important omissions. When you select an item for a statement charge, you won't see any sales tax items, percentage discounts, subtotals, or groups in your item list, because QuickBooks doesn't let you use those features in statements. You don't see payment items either, because QuickBooks automatically grabs any payments that have been made when you generate the statement.

Here are the types of items in your Item List that you can use to create statement charges:

- Service items
- Inventory Part items
- Inventory Assembly items (if you use QuickBooks Premier or Enterprise)
- Non-inventory Part items
- Other Charge items

Tip: Sales tax isn't included in a statement charge if you add a taxable item directly to the Accounts Receivable register. For that reason, you should use an invoice to bill for taxable items so QuickBooks can calculate the sales tax for you.

Unlike invoice line items, you create statement charges directly in the Accounts Receivable register for the customer or job that has racked up the charges, as shown in Figure 11-1. A statement charge has fields much like those for a line item in an invoice, although they're scrunched into two lines in the Accounts Receivable register. If you track your time and billable expenses in QuickBooks, you can use the Time/Costs command to add them to the customer's Accounts Receivable register without going through the steps to create statement charges. This section explains how to add statement charges directly to the Accounts Receivable register or use the Time/Costs command.

**Figure 11-1:**

Because invoices and payments post to your Accounts Receivable account, statements can pull those transactions automatically from your Accounts Receivable account's register. To create statement charges for billable time, costs, or mileage, in the Accounts Receivable window's toolbar, click Time/Costs.

When you enter statement charges in QuickBooks, the charges land in the customer's Accounts Receivable register, just as the total for a customer's invoice does. Here's how to create a statement charge:

1. **Choose Customers→Enter Statement Charges** or on the Home page, click the **Statement Charges** icon.

The Accounts Receivable window opens. (Another way to get here is to press Ctrl+A to open the Chart of Accounts window and then double-click the Accounts Receivable account.)

2. **In the Customer:Job drop-down list, choose the customer to whom you want to assign the statement charge.**

The Accounts Receivable window filters the transactions to show only accounts receivable for the customer or job you choose.

Note: If you set up the customer or job to use a foreign currency, you can't record statement charges directly in the Accounts Receivable register. Instead, in the Accounts Receivable window's toolbar, click Edit Transaction. The Make General Journal Entries window opens so you can record the charge there.

3. **If you track billable time, costs, or mileage, create statement charges for those items in the Accounts Receivable window by clicking Time/Costs in the window's toolbar.**

The “Choose Billable Time and Costs” dialog box that opens is the same one you see when you add billable time and costs to an invoice (page 273). Select the time and expenses you want to add and then click OK. QuickBooks adds the selected items to the Accounts Receivable register and sets their Type to STMTCHG to indicate that the charges will appear on a statement instead of an invoice.

4. **To add a statement charge to the Accounts Receivable register, choose the item you want to charge for from the Item drop-down list in a blank line in the register.**

When you choose an item, QuickBooks fills in the Rate and Description fields with the rate and description from the item’s record (page 106), and sets the Type to STMTCHG to denote a charge that appears on a statement rather than an invoice. The program copies the value in the Rate field to the Amt Chrg field (the total amount for the charge).

5. **Press Tab to move to the Qty field, and then type a quantity for the item. (If you don’t use a quantity and rate, type the amount charged in the Amt Chrg field instead.)**

QuickBooks fills in the Rate field using the value from the item’s record and copies that number to the Amt Chrg field. If you enter a quantity (based on the units for the item as described on page 580), when you move to another field (by pressing Tab or clicking the field), QuickBooks updates the total amount charged in the Amt Chrg field by multiplying the rate by the quantity.

6. **If you want to change the rate, press Tab to move to the Rate field, and then type the value you want.**

When you edit the value in the Rate field, QuickBooks recalculates the amount in the Amt Chrg field.

7. **If you want to revise the description for the charge (which will appear on the statement you create), edit the Description field.**

QuickBooks automatically fills in the Description field with the first paragraph of the Sales description from the item’s record, but you can see only a smidgeon of it. To see the whole thing, click the Description field and then keep your cursor over the field. QuickBooks displays the full contents of the field in a pop-up tooltip just below the field.

8. **If you use classes (page 135), in the Class field, choose the one you want.**

You can skip the Class field, but when you try to save the statement charge, QuickBooks asks if you want to save it without a class. Click Save Anyway to omit the class, or click Cancel to return to the transaction so you can add the class.

9. **To control which statement the charge appears on, in the Billed Date field, choose a date for the charge.**

If you don’t choose a Billed Date, QuickBooks uses the date in the Date field to determine which statement includes the charge.

When you add a statement charge that you want to save for a future statement, be sure to choose a Billed Date within the correct time period. For example, if a membership fee comes due in April, choose a Billed date that falls in April. That way, the statement charge won't show up until you generate the customer's April statement. On the other hand, if you forgot a charge from the previous month, set its Billed date to a day in the current month so the charge appears on this month's statement.

10. If you plan to assess finance charges for late payments, in the Due Date field, choose the date when payment is due.

QuickBooks uses this date along with your preferences for finance charges (page 573) to calculate any late charges due. (The due date is based on the terms you apply to the customer [page 66].) But late-charge calculations don't happen until you generate statements.

11. To save the statement charge, click the Record button.

Tip: If you charge the same amount every month, memorize the first statement charge: With the statement charge selected in the register, press Ctrl+M or right-click the statement charge and then choose Memorize Stmt Charge on the shortcut menu. Set its recurrence schedule to the same time each month (page 323). QuickBooks then takes care of entering your statement charges for you, so all you have to do is generate customer statements once a month.

Generating Customer Statements

QuickBooks is a smart program, but it can't read your mind. The statements it generates include only the statement charges and other transactions you've entered. So before you produce your monthly statements, double-check that you've entered all customer payments, credits, or refunds that your customers are due, and all new statement charges for the period.

As Figure 11-2 shows, everything about the statements you generate appears in the Create Statements window, including the date range for the statements, the customers you want to send statements to, the template you use, printing options, and finance charges. To begin creating statements, on the Home page, click the Statements icon (or choose Customers→Create Statements). The sections that follow explain your options and the best way to apply them.

Choosing the date range

Statements typically cover a set period of time, like a month. But the statement's date doesn't have to be during that period. For example, you might wait until the day after the period ends to generate the statement so you're sure to capture every transaction. In the Create Statements window's Select Statement Options section, you can choose the statement date and the date range for the statement charges:

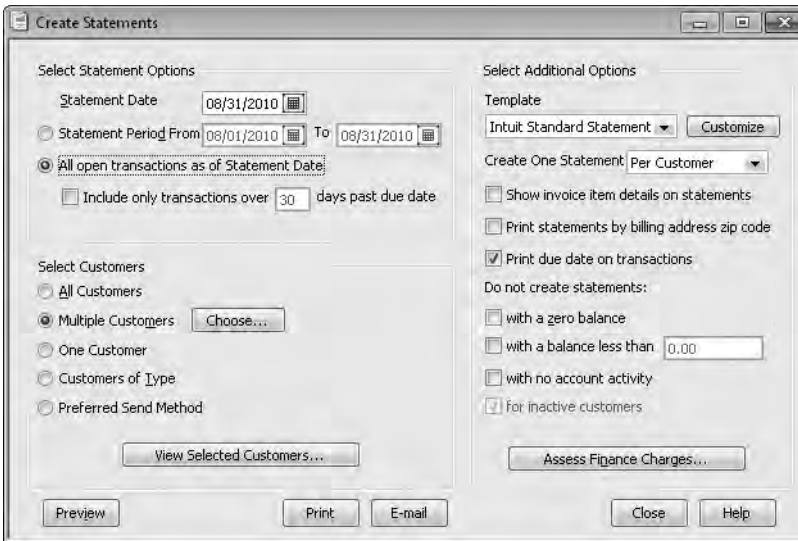


Figure 11-2: QuickBooks lets you create statements for a subset of your customers, which comes in handy if you send statements to some customers by email and to some by U.S. mail, for example. In that case, you'd create two sets: one for email and the other for paper. You might also create a statement for a single customer if you made a mistake and want a corrected version. Or you can generate statements for just customers with balances.

- **Statement Date.** In this field, type the date that you want to appear on the statement. In Figure 11-2, the statement date is the last day of the statement period.
- **Statement Period From _ To _.** This is the option you choose to create statements for a period of time. For example, if you produce monthly statements, in the From box, choose the first day of the month, and in the To box, choose the last day of the month.
- **All open transactions as of Statement Date.** Choosing this option adds every unpaid statement charge to the statement, regardless of when the charges happened. This option is particularly helpful when you want to generate a list of all overdue charges so you can send a gentle reminder to woefully tardy customers. To filter the list of open transactions to only those overdue by a certain number of days, turn on the “Include only transactions over _ days past due date” checkbox, and type the number of days late.

Note: If you've turned on the multiple currency preference (page 582), in the A/R Account drop-down menu, choose the correct currency Accounts Receivable account for the statements you want to create. (That's right—you have to repeat the statement-generation steps for each currency you use.)

Selecting customers

QuickBooks automatically selects the All Customers option because most companies send statements to every customer. But you can choose other options to limit the list of recipients. (The program remembers the option you chose the last time you opened the Create Statements window and selects it automatically.) Here are your customer options and reasons you might choose each one:

- **Multiple Customers.** To specify the exact set of customers to whom you want to send statements, choose this option. For example, this option works for selecting customers that use the currency that goes with the Accounts Receivable account you selected.

When you choose this option, click the Choose button that appears to the right of the Multiple Customers label. In the Print Statements dialog box that opens, QuickBooks automatically selects the Manual option, so you can choose each customer or job that you want to send a statement to (click individual customers or jobs or drag over adjacent customers to turn on their checkmarks).

The Automatic option isn't all that helpful—you have to type a customer's name exactly as it appears in the Customer Name field in the customer's record to select that single customer.

- **One Customer.** To create a corrected statement for only a single customer, choose this option. In the drop-down list that appears, click the down arrow, and then choose the customer or job.
- **Customers of Type.** If you categorize your customers by type and process their statements differently, choose this option. For example, you might spread your billing work out by sending statements to your corporate customers at the end of the month and to individuals on the 15th. In the drop-down list that appears, choose a customer type.
- **Preferred Send Method.** If you print some statements and email others, you'll have to create your statements in two batches. Choose this option and, in the drop-down list that appears, pick one of the send methods. For example, click the E-mail button to send statements to the customers who prefer to receive bills via email. (Page 320 explains how to email documents.) Before you click Print or E-mail to produce statements, click View Selected Customers to make sure you've chosen the customers you want.

Tip: If you loathe stuffing envelopes and licking stamps, offer your customers a discount for receiving their statements via email. They're likely to say yes and you can shoot statements out from QuickBooks in the blink of an eye.

Setting additional options

In the Template box, QuickBooks automatically selects the Intuit Standard Statement template, but you can choose your own customized template instead. You can also control what QuickBooks adds to statements and which statements to skip:

- **Create One Statement.** In this drop-down list, choosing Per Customer can save some trees. With that option selected, QuickBooks generates one statement for each customer, no matter how many jobs you do for them. Charges are grouped by job. If you want to create separate statements for each job, choose Per Job here instead.
- **Show invoice item details on statements.** Turning this checkbox on is usually unnecessary because your customers already have copies of the invoices you've sent, and extra details merely clutter your statements.
- **Print statements by billing address zip code.** You'll want to turn on this checkbox if you have a bulk-mail permit, which requires that you mail by Zip code.
- **Print due date on transactions.** QuickBooks turns on this checkbox automatically because you'll typically want to show the due date for each entry on your statements.
- **Do not create statements.** Printing statements that you don't need is a waste of time and paper. QuickBooks includes several settings that you can choose to skip certain statements. For example, you can turn on the "with a zero balance" checkbox to skip statements for customers who don't owe you anything. If you want to send a statement to show that the last payment arrived and cleared the balance due, turn off this checkbox.

You might also decide to skip customers unless their balance exceeds your typical cost of processing a statement. With a first-class stamp costing 44 cents and the added expense of letterhead, envelopes, and a label, you can skip statements unless the balance is at least \$5 or so. Turn on the "with a balance less than" checkbox and, in the box to the right of the label, type a dollar value.

You can also skip customers with no activity during the period—no charges, no payments, no transactions whatsoever. QuickBooks automatically turns on the "for inactive customers" checkbox because there's no reason to send statements to customers who aren't actively doing business with you.

- **Assess Finance Charges.** If you haven't assessed finance charges already, click this button to add them. (You can also assess finance charges before you start the statement process by clicking the Finance Charges icon on the Home page.) In the Assess Finance Charges dialog box, you have the opportunity to turn off the checkmark for individual customers. For example, if a squirrel ate your customer's last statement, you can turn off the checkmark in that customer's entry to tell Quick-Books not to penalize them with a finance charge.

Previewing Statements

Before you print statements on expensive letterhead or send the statements to your customers, it's a good idea to preview them to make sure you've chosen the right customers and that the statements are correct. In the Create Statements window, click the Preview button to make QuickBooks open the Print Preview window (Figure 11-3), which works like its counterparts in other programs.

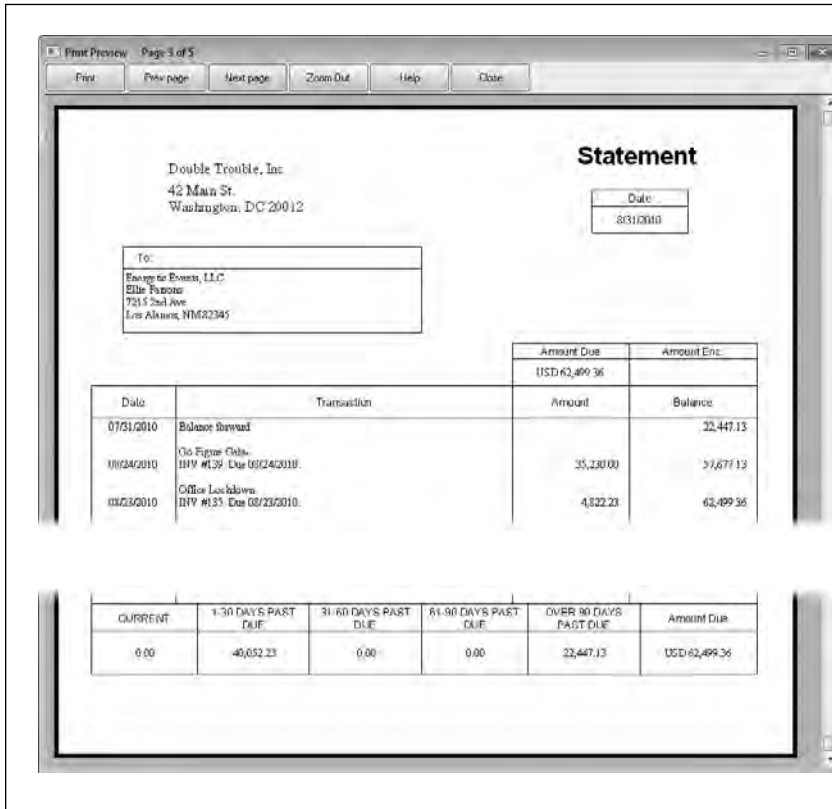


Figure 11-3:

If you generate statements for a given time period, the first line in the body of a statement is "Balance forward", which is the amount due prior to the opening date for the current statement. The value in the Amount Due field is the sum of the Balance forward plus all the transactions for that customer and job that happened during the statement's date range, including payments. The Amount Due field is also the total amount due from the customer, which is carved up into how much is current and how much is past due at the bottom of the statement.

Here's how to preview statements before you print them:

1. In the Print Preview window, click "Prev page" or "Next page" to view statements.

If you left your reading glasses at home, click Zoom In to get a closer look. (The Zoom In button switches to Zoom Out so you can return to a bird's-eye view.)

2. To return to the Create Statements window and print or email your statements, click Close.

The Print Preview window includes a Print button, but it's not the best way to print your statements. Clicking it begins printing your statements immediately so you have no chance to set your printer options like which printer to use or the number of copies. To set those print settings, as described on page 306, click Close, and then click Print in the Create Statements window instead.

Generating Statements

When you're absolutely sure the statements are correct, in the Create Statements window, click Print or E-mail to generate your statements. This section describes how to do both.

To print your statements:

1. **In the Create Statements window, click Print.**

QuickBooks opens the Print Statement(s) dialog box.

2. **Choose the printer you want to use.**

For example, if you have a printer loaded with preprinted forms, select it in the "Printer name" drop-down list. (See page 311 to learn how to designate a printer to use every time you print statements.)

3. **Select one of the "Print on" options.**

If you select "Intuit Preprinted forms", QuickBooks doesn't print the name of the form or the lines around fields, because they're already on the preprinted page. The "Blank paper" option tells the program to print the statement exactly the way you see it in the Print Preview window. The Letterhead option shrinks the form to leave a two-inch band at the top of the page for your company logo.

Tip: If your letterhead is laid out in an unusual way (your logo down the left side of the page, for instance), create a custom statement template that leaves room for your letterhead elements, and then choose the "Blank paper" option.

4. **In the "Number of copies" box, type the number of copies of each statement you want to print.**

For example, if you want one copy for the customer and one for your files, type 2.

5. **Click Print.**

To email your statements directly from QuickBooks, in the Create Statements window, click E-mail. If you use Microsoft Outlook, QuickBooks creates email messages in Outlook window and automatically fills in the customers' email addresses. The messages contain the standard message you've set up for statements (page 592).

If you set up QuickBooks to use a web-based email service (page 593) instead, the Select Forms To Send dialog box opens, showing the statements you're about to email. Click a statement to preview its content. Click Send Now to dispatch them to your customers.

Transaction Timesavers

QuickBooks can zip you through the two basic ways of distributing invoices and other sales forms: on paper and electronically. But within those two distribution camps, you can choose to send your forms as soon as you've completed them or place them in a queue to send in batches. For sporadic sales forms, it's easier to print or email them as you go. But when you generate dozens or even hundreds of sales orders, invoices, or statements, printing and emailing batches is a much better use of your time.

When you have workhorse transactions that you enter again and again, QuickBooks can memorize them and then fill in most, if not all, of the fields in future transactions for you. For transactions that happen on a regular schedule—like monthly customer invoices or vendor bills—the program can remind you when it's time to record a transaction, or even add the transaction without any help from you. But you can also memorize transactions that you use occasionally, such as estimates, and call on them only when you need them.

QuickBooks' search features can also save you time, which you can appreciate if you've ever hunted frantically for a transaction. Whether you want to correct a billing problem on a customer's invoice, check whether you paid a vendor's bill, or look for the item you want to add to an estimate, QuickBooks gives you several ways to search: You can look for different types of transactions within various date ranges in the Customer, Vendor, and Employee Centers. The Item List window sports a few search boxes for finding the items you want. You can also use the Search feature to search throughout your company file or QuickBooks. On the other hand, the Find command is perfect for surgical searches. This chapter explains all your options.

Printing Sales Forms

Before you start printing, you have some setup to do. But once QuickBooks' print settings are in place and there's paper in your printer, you can print forms with just a click or two. For each type of form you print, QuickBooks needs to know the printer you want to use, the paper you print to (like preprinted forms or letterhead), and a few other details. The program remembers these settings, so you have to go through this process only once. From then on, QuickBooks fills the settings in automatically in the Print dialog box, but you can change them before you print if you want.

With these prep tasks behind you, you're ready to print. You can either print a form right away or add it to a queue to print in batches. This section explains how to accomplish all these printing tasks.

Tip: If you want to make sure you don't forget to send your sales forms, you can create reminders (see page 585) for invoices, credit memos, sales receipts, and—if you use QuickBooks Premier or Enterprise—sales orders that are queued up to print.

Setting Print Options

Before you print *any* documents in QuickBooks (not only invoices and other sales forms, but timesheets, pay stubs, reports, and so on), take a few minutes to set up the printer (or printers) you use. The program lets you assign different printers for each type of document you generate. This feature can save a lot of time, wasted paper, and frustration, especially if you print invoices on multipart forms, paychecks on preprinted check forms, statements on letterhead, and reports on plain paper. Keep each printer stocked with the right type of paper and you can print your documents with barely a glance at the print options.

Although you can assign a different printer to each QuickBooks form, you probably have only one or two printers stocked with special paper. So you can bypass printer setup for the forms you print using basic settings, such as printing to your workhorse printer on blank paper using portrait orientation.

By setting up printers in QuickBooks before you print, the program will fill in the print settings for you automatically when you print. (Print dialog boxes still appear, so you can change any print options before committing your documents to paper.)

Many of the options in the "Printer setup" dialog box are the same as options you can set within your operating system, as Figure 12-1 shows. QuickBooks keeps the options you choose within the program separate from the settings for the printer within the operating system. For example, if you use Windows' printer options to set your most popular printer to use portrait orientation, you can set that same printer to use landscape orientation in QuickBooks.

To assign and set up printers for forms in QuickBooks, choose File→Printer Setup. Then, adjust the following settings:

- **Form Name.** In QuickBooks, each form has its own print settings, so you're free to print your invoices on letterhead, timesheets in landscape orientation, and checks to a printer filled with preprinted checks. In the Form Name drop-down list, choose the form you want to set up for printing.

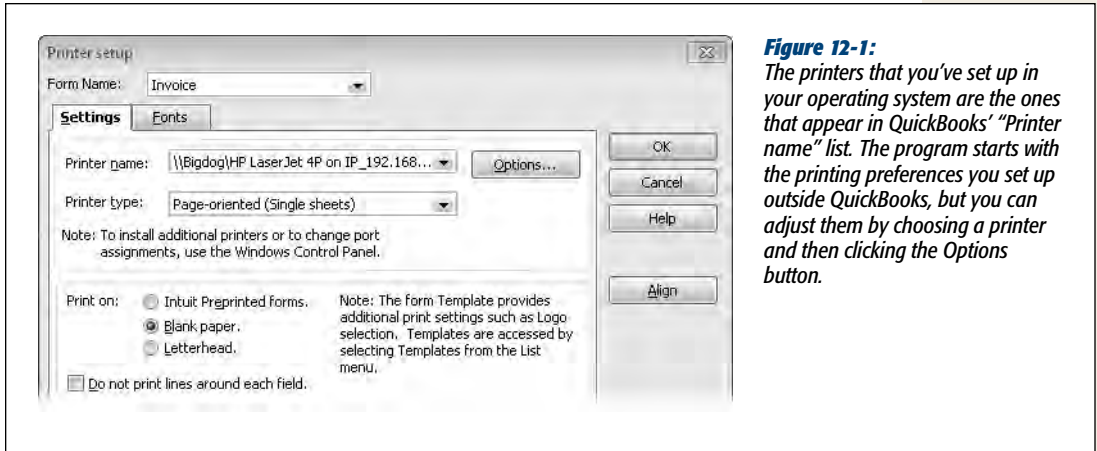


Figure 12-1:

The printers that you've set up in your operating system are the ones that appear in QuickBooks' "Printer name" list. The program starts with the printing preferences you set up outside QuickBooks, but you can adjust them by choosing a printer and then clicking the Options button.

- **Printer name.** Choose a printer here to anoint it as the standard for the form you selected. When you're printing forms, QuickBooks automatically selects this printer, but you can choose a different printer (page 231)—for instance, when you switch between printing paper documents and creating Adobe .pdf files that you can email.
- **Options.** If you want to adjust the properties for the printer you chose, click this button. Depending on the type of printer, in the Document Properties dialog box that appears, you can change the document's orientation, page order, pages per sheet, print quality, paper tray, color, and so on.
- **Printer type.** This setting and the others that follow in this list appear for most of the forms in the Form Name drop-down list, but not when you select Report or Graph. When you choose a printer name, QuickBooks fills in the "Printer type" box with its best guess of the type (it usually guesses right). If the program guesses wrong, simply choose the correct type in this drop-down list. If the printer feeds individual pages through, such as letterhead or blank paper, choose "Page-oriented (Single sheets)". If the printer feeds continuous sheets of paper with perforations on the edges, such as the green-striped paper so popular in the past, choose "Continuous (Perforated Edge)".
- **Print on.** QuickBooks gives you three options here:
 - **Intuit preprinted forms.** If you purchase preprinted forms, which typically include your company's information, field labels, and lines that separate fields, choose this option. When you print your documents, QuickBooks sends only the data to fill in the form.

Tip: If you use preprinted forms, a small misalignment can make your documents look sloppy and unprofessional. See page 312 to learn how to align your documents to the paper in your printer.

- **Blank paper.** This option tells QuickBooks to print everything on your document template: company info, logo, labels, and data. This is the easiest way to print because you don't have to worry about aligning the paper and the form. If you set up a template with your company logo and attractive fonts (page 634), you can produce a professional-looking form on blank paper.
- **Letterhead.** When you print to letterhead that already includes your company's address and other information, you don't need to print that info on your documents. Choose this option to tell QuickBooks to skip printing your company information.
- **Do not print lines around each field.** Turning on this checkbox is a matter of personal preference. Lines around each field make it clear which information belongs to which label, but you might consider those lines unnecessary clutter. If your template separates fields to your satisfaction, turn off this checkbox to print only the labels and data, not borders around each field. (Because preprinted forms include borders, QuickBooks automatically turns on this checkbox if you choose the "Intuit preprinted forms" option.)

Aligning Forms and Paper

If you've ever gotten lost at an office-supply store, you understand why printing includes so many options. You can print on different types of paper using different types of printers, and making the two line up properly can be a delicate process. And besides invoices and other sales forms, you might also print ancillary documents like mailing labels and packing slips.

To save some trees and your sanity, make sure that the paper in your printer is aligned properly *before* you print, especially if you print to fancy letterhead or preprinted forms. When you use preprinted forms or continuous-feed paper with perforations for page breaks, the alignment of the paper is crucial: If it's not lined up properly, your data won't appear next to the correct labels or an invoice might print over a page break. It's a good idea to check the alignment of your forms and paper every time you print, but it's particularly important if you're printing a big batch of forms. Here's how to save time, paper, and your mental health:

1. Choose File→Printer Setup.

The "Printer setup" dialog box opens.

Note: You can also align your forms in the "Printer <form>" dialog box just before you print a batch of forms: Choose File→Print Forms, and then choose the type of form you want to align. In the "Select <form name> to Print" dialog box, select the forms you want to print and then click OK to open the "Print <form>" dialog box, such as Print Invoices if you're printing invoices. In that dialog box, click Align.

GEM IN THE ROUGH

Managing Documents

Programs like Microsoft Word and Excel let you insert hyperlinks into your documents. These hyperlinks can point to a web page, a file on a shared drive, or a file on your computer, so you can link to your files regardless of where they reside—at no charge and with no logins. QuickBooks offers a document-management feature that lets you attach documents to records in your company file, like an electronic copy of a job contract to a customer record or a photo to an item you sell, for example. To do so, click the Attach button (it has a paper clip icon on it) that you see in the Customer Center, the Create Invoices window, and similar places. It sounds easy, but QuickBooks' document management has some serious drawbacks.

First, you have to sign up for QuickBooks' document-management service using your Intuit account (page 663). The basic service is free and provides 100 MB of online storage space. That isn't so bad, but if you need more space, you'll have to pay for it (\$4.95 per month for 500MB of space, \$14.95 per month for 1GB, and so on).

A much bigger issue is that you have to log into the online service whenever you want to access attached documents. That means you might not be able to access your documents when you need them, for instance, if your Internet connection falters due to snow storms, sunspots, or bad network juju—even if the documents are stored on your hard drive. That's right: You have to log in and connect to the online server, even if you store all your attached documents on your computer. (Although you could open the documents with another program, QuickBooks stores the attached files in a folder structure that makes them almost impossible to find.)

Unlike earlier versions of the service, you *can* attach documents that are stored on your computer. However, when you save an attachment to your computer, you aren't attaching the original document. Instead, QuickBooks creates a copy of the file and puts it in a labyrinth of subfolders within the folder that holds your company file. Say your company file is stored in *My Documents\Data_Files*. If you attach a document to an invoice, QuickBooks stores a copy of the file in the folder *My Documents\Data_Files\<company file name>\Attach\Txn\<ID>*, where "ID" represents the transaction. If you attach a document to a customer's record, the copy ends up in *My Documents\Data_Files\<company file name>\Attach\List\Name\<ID>*, where "ID" represents the customer. So if you edit your original document, you won't see those changes in the attached document.

If you want to go with a do-it-yourself approach to document management, you can use keywords in file properties (for example, in Word, choose File→Properties and fill in the Keywords box), like *invoice 915 spycam*, to find the files you need in no time by using your computer's operating system. On the other hand, you might like the convenience of opening related files by clicking the Attach button (the paper clip icon) in QuickBooks, or of scanning documents from within the program and immediately attaching them to records or storing them to attach later. If you want to give the service a try, choose Company→Attached Documents→Learn About Attached Documents.

2. From the Form Name drop-down list, choose the type of form you want to align, and then click the Align button.

If you have more than one template to choose from, QuickBooks opens the Align Printer dialog box. Choose the template you want to use to align your paper, and then click OK. If you have only one template, the program goes straight to the Fine Alignment or Coarse Alignment dialog box, depending on the printer you're using.

If you're printing to a page-oriented printer, QuickBooks displays the Fine Alignment dialog box, described in step 3.

If you're using a continuous-feed printer, the first step is to do a coarse alignment: Position the paper so the print head is just below a page break, click Coarse, and then click OK to print a sample form. Don't adjust the paper in your printer (QuickBooks warns you several times not to). The form that prints includes text indicating a pointer line. When the Coarse Alignment dialog box appears, in the Pointer Line Position box, type the number of the line preprinted in the paper's margin. QuickBooks uses that number to align the form and the paper. Click OK to print another sample. When the alignment is correct, click Close. You can then perform a fine alignment, if necessary.

3. In the Fine Alignment dialog box's Vertical and Horizontal boxes (Figure 12-2), type numbers to represent the hundredths of an inch to move the form to line it up with the paper.

After you tweak the alignment, click the Print Sample button to check the printed form's appearance. When the form is aligned, click OK—and keep your mitts off the paper in the printer.

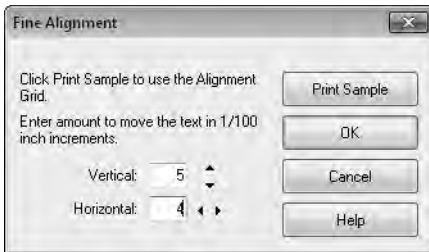


Figure 12-2:

A positive number in the Vertical box moves the form toward the top of the page. A positive number in the Horizontal box moves the form to the right on the page. Negative vertical and horizontal numbers move the form down and to the left, respectively.

Choosing a Print Method

Each type of QuickBooks form gives you the same basic methods and options for printing documents on its Print drop-down menu, as shown in the Create Invoices window in Figure 12-3. Here's a guide to your choices for printing documents:

- **Print one form.** If you want to print the current form, in the form window's icon bar, click Print. If you click the down arrow to the right of the Print button, you can choose any of the commands from the drop-down list. For instance, you can preview the form you're about to print, print the current form, print all the forms in your queue, or print special forms such as packing slips.
- **Printing in batches.** When you turn on the "To be printed" checkbox below the line-item table in the form's window, QuickBooks adds the current form to a queue of forms that you can print as a batch.

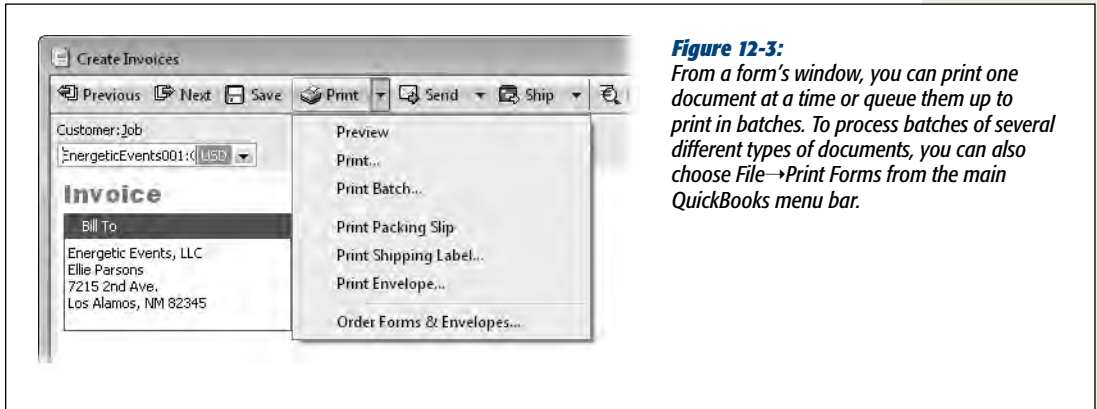


Figure 12-3:

From a form's window, you can print one document at a time or queue them up to print in batches. To process batches of several different types of documents, you can also choose **File**→**Print Forms** from the main QuickBooks menu bar.

Printing One Form

When you display a form in its corresponding window, you can preview and print it right away. For example, in the Create Invoices window, to print the displayed invoice, click **Print** or click the down arrow next to the **Print** button and then choose **Preview** or **Print**. QuickBooks displays the **Print One Invoice** dialog box, where you can choose the printer and paper.

Note: To prevent embezzling, QuickBooks automatically saves forms when you print them. That way, if you change a form after you print it, the audit trail shows a record of the change.

Printing in Batches

When you turn on the “To be printed” checkbox before you save a form, QuickBooks adds that form to a print queue. After you’ve checked that your printer contains the correct paper and that the paper is aligned properly, you can print all the forms in the queue in just a few steps:

1. Choose **File**→**Print Forms** and then choose the type of forms you want to print. (Or, in the form’s window—like **Create Invoices**, for example—click the down arrow to the right of the **Print** button, and then choose **Print Batch**.)

QuickBooks opens the “Select <type of form> to Print” dialog box with all your unprinted forms selected, as shown in Figure 12-4.

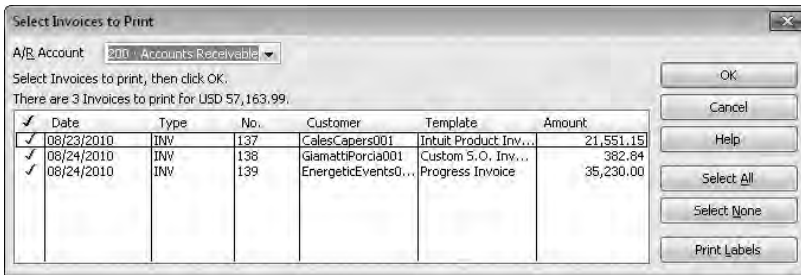


Figure 12-4:
To remove any of the forms from the batch, click their checkmarks to turn them off. If you want to print labels, first click the Print Labels button. (As explained in the next section, you have to print labels before forms.) Then, after the labels have printed, click OK to print the forms.

2. Click OK to print the selected forms.

Because problems can occur during printing (paper jams, low toner, or smears), the program opens the “Print <type of form> - Confirmation” dialog box after it prints the forms.

3. If a problem occurred, in the “Print <type of form> - Confirmation” dialog box, click the Reprint cell for each form that didn’t print correctly.

If the whole batch is a loss, click Select All.

4. Click OK to reprint the messed-up forms.

Printing Mailing and Shipping Labels

QuickBooks can print mailing labels to go with the forms you print. But, when you print customer forms, the program clears the selection checkmarks in the “Select <type of form> to Print” dialog box, so you have to print the labels *before* you print the forms. Here’s how:

1. Choose File→Print Forms, and then choose the type of forms for which you want labels.

QuickBooks opens the “Select <type of form> to Print” dialog box with all your unprinted forms selected.

Tip: If you want to print labels for a mailing without an associated form (like an open-house announcement) choose File→Print Forms→Labels.

2. In the “Select <type of form> to Print” dialog box, click Print Labels.

QuickBooks opens the “Select Labels to Print” dialog box and automatically chooses the Name option, which prints labels for the customers or vendors associated with each form that’s waiting to print.

3. If you’ve created forms for a specific customer type or vendor type, choose the Customer Type or Vendor Type option and, in the drop-down list, select the type you want to print labels for.

These options are better suited for printing labels *not* associated with your queued forms—for example, when you want to send a letter to your retail customers informing them of product rebates. Or you might use them if you process forms for retail and wholesale customers at different times of the month.

4. To filter the printed labels by location, turn on the “with Zip Codes that start with” checkbox, and then type the beginning of the Zip code area you want, as shown in Figure 12-5.

For example, if you’re offering a seminar for people in the Denver area, you’d type 801 in the box.



Figure 12-5:

If you want to print labels for a mailing that has nothing to do with money (like an announcement about your new office location), choose File→Print Forms→Labels. The “Select Labels to Print” dialog box opens, so you can jump right to selecting the recipients.

5. In the “Sort labels by” box, choose Name or Zip Code.

If you use bulk mail, choose Zip Code so you can bundle your mail by Zip code as your bulk-mail permit requires.

6. If you want to print shipping labels rather than labels that use billing addresses, turn on the “Print Ship To addresses where available” checkbox.

The “Print labels for inactive names” checkbox can come in handy from time to time—for instance, if you need to send a letter to past and present customers to tell them about a product recall.

When you want to send communications to different addresses for each job, even though the jobs are for the same customer, turn on the “Print labels for jobs” checkbox.

7. After making sure that you've selected the labels you want, click OK.

QuickBooks opens the Print Labels dialog box.

8. If you've already chosen the printer and settings for labels in Printer Setup, click Print and you're done.

If you want to print to different labels, in the Label Format drop-down list, choose the type of label you're using. (You can find the vendor and label number—like Avery #5262—on the box of labels.) The drop-down list includes popular Avery label formats along with several other options.

After you print your labels, QuickBooks closes the Print Labels dialog box, and returns to the "Print <type of form>" dialog box.

9. Click OK to continue printing your queued forms.

Note: For invoices and sales receipts, printing a shipping label for the current form is easy: In the Create Invoices or Enter Sales Receipt windows, click the down arrow next to the Print button and then choose Print Shipping Label. The drop-down menu also includes the Print Envelope command. For envelopes, you have to specify the size and whether you want to include the return address. (Turn off this checkbox if your envelopes have your return address on them.) You can even print a delivery barcode for addresses in the United States.

Printing Packing Slips

When you ship products to a customer, it's common to include a packing slip that tells the customer what they should have in their shipment. In QuickBooks, printing packing slips is a labor-intensive task because you have to print each packing slip individually from the Create Invoices window. The packing-slip template that Intuit provides is nothing more than an invoice without prices (Intuit no doubt assumed that warehouse workers don't care about the cost of the items they ship).

Here are the steps for printing the packing slip for an invoice:

1. Open the Create Invoices window by pressing Ctrl+I.

Display the invoice for which you want to print a packing slip.

2. Click the down arrow next to the Print button, and then choose Print Packing Slip.

QuickBooks opens the Print Packing Slip dialog box, where you can set print options, if necessary.

3. To print the packing slip, click Print.

QuickBooks closes the Print Packing Slip dialog box and prints the packing slip.

4. Back in the Create Invoices window, click Save & Close.

QuickBooks changes the Template box from the packing slip template back to the invoice template.

Tip: If you want QuickBooks to always use a particular packing slip, change the packing-slip template preference. Choose Edit→Preferences→Sales & Customers, and then click the Company Preferences tab. In the “Choose template for invoice packing slip” box, choose the packing-slip template you want to use in most cases, and then click OK.

Emailing Sales Forms

If you’ve lost interest in paperwork, sending invoices and other forms electronically is much more satisfying. But to make your electronic sending as efficient as possible, make sure that all your customer records include the email addresses you want to use. Otherwise, you’ll waste time typing email addresses one after another, and the chance of a typo increases with each address you type.

If you use Outlook, Outlook Express, or Windows Mail, QuickBooks automatically uses your email program to send forms. When you email a form in QuickBooks as described in this section, the program opens new messages in your email program, which you can edit as you would any email. When you send the emails, they show up in your Sent Items folder or Sent Box. QuickBooks 2011 can also use a web-based email service, like Gmail or Hotmail. This section explains your emailing options.

Choosing a Send Method

QuickBooks gives you three ways to send sales forms: Similar to printing, you can email the current form or add it to a queue to send in batches. Intuit also offers the QuickBooks’ invoice-mailing service (a subscription service described in the box on page 320).

Here are the ways you can send emails without paying for a subscription:

- **Send one form.** If you want to email the current form, in the form window’s toolbar, click the Send button, shown in Figure 12-6.
- **Sending in batches.** When you turn on the “To be emailed” checkbox below the line-item table in a form’s window, QuickBooks adds the current form to the queue of forms that you’ll email all at once.

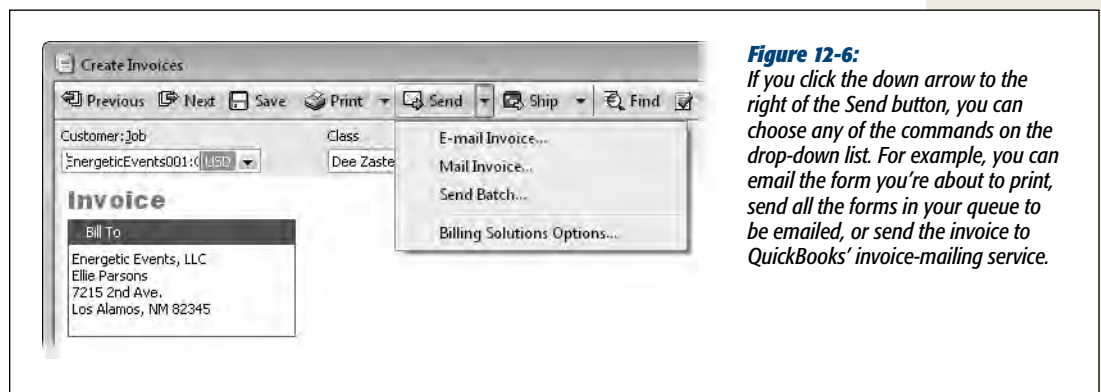


Figure 12-6:

If you click the down arrow to the right of the Send button, you can choose any of the commands on the drop-down list. For example, you can email the form you’re about to print, send all the forms in your queue to be emailed, or send the invoice to QuickBooks’ invoice-mailing service.

ALTERNATE REALITY

QuickBooks Mail Invoice Service

In the Create Invoices window, when you click the down arrow next to the Send command, you'll see the Mail Invoice command. If you're perplexed by Intuit's decision to add a postal-mailing option to the Send menu, the explanation is poor command naming. When you choose the Mail Invoice command, QuickBooks opens the Send Invoice dialog box, where you can send the invoice to QuickBooks' mailing service. The "Mail through QuickBooks" option is part of QuickBooks' Billing Solution service. This service costs money (\$14.95 a month plus \$.79 per invoice), but it prints, folds, and mails your invoices to customers. If you're short of both time and office staff, it could be worth the money.

Invoices go to a centralized mail center that prints customized black-and-white invoices using your logo and invoice template, stuffs envelopes, and mails invoices with remittance tear-offs and return envelopes.

If you add the Merchant Services feature (another subscription service), then your customers can pay via credit card. By subscribing to the invoice-mailing service and Merchant Services, your customers can pay any invoice online using a credit card—no matter how you sent it. This approach also means you can download payments into QuickBooks, reducing the number of transactions you have to enter. And the Merchant service gets your payments into your bank account faster.

Emailing One Form

Here's how to email a form when you're looking at it in its corresponding window. These steps use the Create Invoices window as an example, but the steps work equally well for other sales forms.

- 1. In the Create Invoices window, click the Send button.**

What happens when you click Send depends on the email program you use. If you use Outlook, Outlook Express, or Windows Mail, your email program opens and creates a new message with the fields from QuickBooks filled in.

If you use web-based email (see page 593 to learn how to set it up), QuickBooks' "Send <form>" dialog box opens with the email fields filled in, as shown in Figure 12-7.

- 2. Modify the message in any way you want.**

You can change the email addresses, subject, and email text that QuickBooks automatically adds.

- 3. Click your email program's Send button or, if you use web-based email, click the "Send <form>" dialog box's Send Now or Send Later button.**

Figure 12-7:

You send a QuickBooks-generated message just as you would an email you created in your email program. In Outlook, for example, simply click the Send button.

When you email an invoice, QuickBooks attaches it to the email message as an Adobe .pdf file. Customers who don't have Acrobat Reader installed on their computers can click the Acrobat Reader link to download it for free. Otherwise, the customer can just double-click the link to open the attachment.

Emailing in Batches

When you turn on the “To be e-mailed” checkbox for forms you create, QuickBooks adds them to an email queue. You can send all the forms that you’ve queued up in just a couple of steps:

1. **Choose File→Send Forms.**

QuickBooks opens the “Select Forms to Send” dialog box, which lists all of your unsent forms, and selects them.

2. **If you want to skip some of the forms, click their checkmarks to turn them off.**

Click Select None to deselect all the forms, or Select All to choose them all. You can also drag over several checkmarks to toggle their settings. When you select a form to send, a preview of the message appears below the table. If you notice a change that you want to make to the message, click the Edit E-mail button. In the “Send <form name>” dialog box that appears, edit the message and then click OK to return to the “Select Forms to Send” dialog box.

3. **When you’re ready, click Send Now.**

Note: You can also email forms from the window where you create those forms. For example, in the Create Invoices window, click the down arrow to the right of the Send button and choose Send Batch.

Memorized Transactions

When you enter the same transactions over and over, having QuickBooks memorize them for reuse saves time. The program can then fill in most, if not all, of the fields for you. Once it memorizes a transaction, all you have to do is choose the transaction you want to reuse and make sure that the values in the new transaction are correct before you save it. QuickBooks can remind you to enter a transaction, such as a recurring client invoice for retainers, or even add the transaction without any help from you. For example, if your company's Internet service costs \$259 each month and you pay it with an automatic credit card payment, you can tell QuickBooks to memorize that charge and automatically enter the same credit card charge each month.

Note: Memorizing bills you pay regularly is described in detail on page 206. The box on page 287 explains how to memorize a boilerplate estimate to use on similar jobs in the future.

The Memorized Transactions List is an anomaly on the Lists menu because you don't create memorized transactions the way you do entries on other lists. Instead, QuickBooks memorizes existing transactions. Here's how:

1. **Open the corresponding window for the transaction you want to memorize (Create Invoices for an invoice, for example).**

You can memorize any kind of transaction, including checks, credit card charges, bills, invoices, and journal entries.

2. **Fill in any fields that remain the same each time you use a transaction. If the value changes, leave the field blank.**

For example, add the invoice items and their rates. If your hours change from invoice to invoice, leave the Quantity field blank. Or, for a check, enter the payee and the account to post the expense to. If the amount is the same each time, fill in the amount. If the amount changes, leave the Payment or Deposit field blank. Later, when you use the memorized transaction, QuickBooks fills in all the fields except the ones you left blank, which you fill in with the correct values.

3. **In the transaction window (like Create Invoices, for example), select the transaction and then press Ctrl+M to open the Memorize Transaction dialog box, shown in Figure 12-8.**

If you memorize a transaction in an account's register, QuickBooks automatically fills in the Name box with the transaction's Payee name. If you memorize a form, the Name box remains blank until you fill it in.

Tip: Memorize sales forms with the “To be printed” or “To be e-mailed” checkbox turned on so that the form appears when you go to print or email forms.



Figure 12-8:

You can also open this dialog box by right-clicking in a transaction window, such as the Create Invoices window, and then choosing Memorize Invoice (or Memorize Check, Memorize Credit Card Charge, or whatever).

4. In the Memorize Transaction dialog box's Name field, type a name that you'll recognize when you see it in the Memorized Transaction List.

You can use names like Monthly Telephone Bill or Health Insurance Premium for bills you pay, a customer name combined with a sales form's name, or the type of retainer, such as Full-time Programming Contract.

5. Tell QuickBooks whether you want it to remind you when to enter transactions.

Choosing the Remind Me option is great for recurring transactions: QuickBooks adds the memorized transaction to the Reminders list and reminds you when it's time to enter the next transaction, but you can choose to skip the transaction. If you choose this option, specify how often you want to be reminded and pick the next date for a reminder. For example, if you pay your phone bill on the 10th of each month, in the How Often box, choose Monthly and in the Next Date box, pick the 10th of the next month.

If you don't use a transaction on a regular schedule, choose the Don't Remind Me option and. QuickBooks won't add the memorized transaction to the Reminder List. When you want to use the transaction again, press Ctrl+T to open the Memorized Transaction List window. Select the transaction, and then click Enter Transaction.

If you want QuickBooks to enter the transaction on its next scheduled date without any action on your part, choose the Automatically Enter option. When you select this option, be sure to specify, in the Number Remaining box, how many times QuickBooks should enter the transaction. Otherwise, your company might continue to make an installment payment long after the last payment was due. You can also specify how many days in advance you want QuickBooks to enter the transaction. Providing a few days of lead time helps you avoid late payments, as well as insufficient funds charges from your bank.

You can set up groups of memorized transactions (page 208) and enter them all at once. If you add a memorized transaction to a memorized group, select the

“With Transactions in Group” option to use the reminder setting you chose for the group. (If the “With Transactions in Group” option and the Group Name box are grayed out, you don’t have any memorized groups.)

6. To memorize the transaction, click OK.

If you want to use the transaction immediately, in the Memorized Transaction List window (choose Lists→Memorized Transaction List or press Ctrl+T) simply click the Enter Transaction button. (If you create a memorized group [page 208], select the group, and then click Enter Transaction to record all the memorized transactions in the group.) If you created an invoice or other form simply to set up a memorized transaction, click Clear, and then click the Close button to close the window without saving the form.

Tip: See page 585 to learn how to convince QuickBooks to display reminders whenever you open your company file so you actually see them. That way, when you open the company file, the program displays a Start Up box that asks if you want to enter memorized transactions. Click Now to add them.

Using a Memorized Transaction

If you memorize a transaction that you use from time to time, you need a way to create a new transaction based on it. (You’ll also use this technique if you set up a memorized transaction on a schedule but want to create one right away.) Here’s how you use a memorized transaction:

1. Choose Lists→Memorized Transaction List (or press Ctrl+T).

The Memorized Transaction List window opens.

2. Select the memorized transaction, and then click the Enter Transaction button.

The corresponding transaction window opens, such as Create Invoices, Write Checks, or Enter Credit Card Charges.

3. Make any changes you want, and then click Save & Close.

That’s all there is to it!

Editing a Memorized Transaction

Editing the information in a memorized transaction is technically editing and re-memorizing it. Choose Lists→Memorized Transaction List to open the Memorized Transaction List window. Next, select the transaction and click the Enter Transaction button. Do your editing, and then press Ctrl+M to re-memorize it with the changes you’ve made. When you click Replace, the edited transaction takes the place of the previous one in the Memorized Transaction List.

If the transaction's *information* is correct but you want to change its recurrence schedule, select the memorized transaction in the Memorized Transaction List window and then press Ctrl+E to edit it. The Schedule Memorized Transaction dialog box appears with settings for reminders and the recurrence schedule (page 323).

Finding Transactions

When you want to answer a customer's question about what they owe, it's easier if you have the invoice in front of you. The Create Invoices window shows only one invoice at a time, which can mean some furious clicking if you're trying to find one specific invoice out of the hundreds you've sent. Whether you want to find overdue invoices, purchase orders, or paychecks, the Customer, Vendor, and Employee Centers make it easy to find transactions for a particular customer, vendor, or employee. The Item List window also has a few tools for finding the items you want.

QuickBooks also offers two additional commands for searching. The Search command scours every inch of QuickBooks and your company file. The Find command, on the other hand, is best suited for more precise searches—to find a specific invoice number, invoices overdue more than a certain number of days, and so on. This section explains how to use all these features.

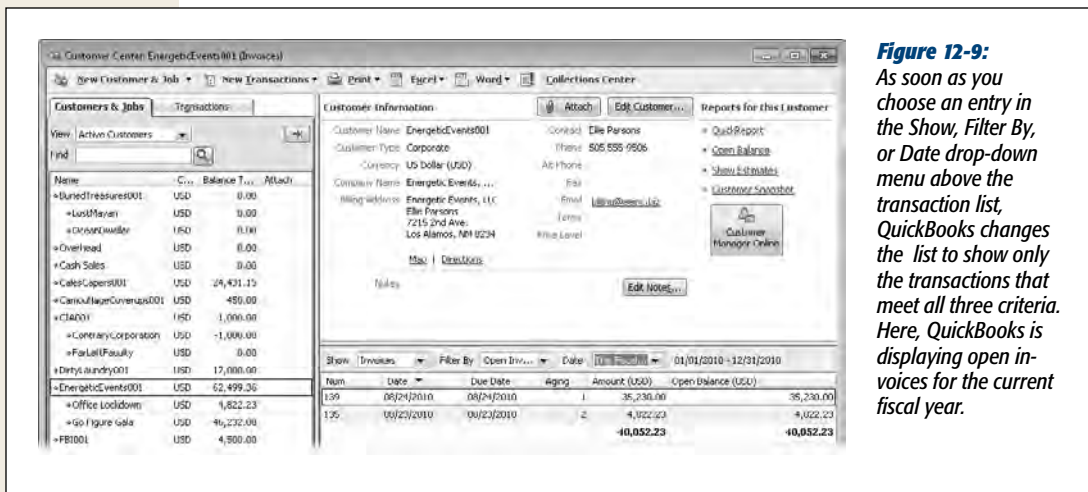
Searching with QuickBooks' Centers

The Customer Center is a quick way to answer basic questions about your customers like "What sales orders are still open?" or "Has the customer paid all the invoices I've sent?" Likewise, you can track down bills, bill payments, and other vendor transactions in the Vendor Center. The Employee Center performs similar tasks for transactions like paychecks and non-payroll transactions.

Here are ways you can use QuickBooks' centers to find transactions, using the Customer Center as an example (to open it, on the Home page, click the Customers button):

- **Display transactions for a customer or job.** On the Customer & Jobs tab on the left side of the center, click the name of the customer or job; QuickBooks displays a list of active customers and jobs. When you select a customer or job, the Customer Information section at the top-right shows info for that customer or job record.
- **Filter the list of customers.** To narrow the customer list to those that fit the criteria you want, click the down arrow on the right side of the View box. In the drop-down list, choose one of the entries, like "Customers with Open Balances", "Customers with Overdue Invoices", or "Customers with Almost Due Invoices".
- **Find a customer.** If you have trouble finding a customer on the Customer & Jobs tab, in the Find box, type part of the customer's name and then click the Search button, which has an icon that looks like a magnifying glass.

- **Review a customer's account.** In the top-right of the Customer Center are several links you can click to see various things about a customer's account:
 - Click **QuickReport** to see all transactions for the customer within a date range you specify.
 - Click **Open Balance** to generate a report of all the accounts-receivable transactions that contributed to the customer's current open balance, like invoices and payments.
 - Click **Show Estimates** to generate a report of any estimates you've created for that customer or job.
 - Click **Customer Snapshot** to open the Company Snapshot window on the Customer tab, where you can see statistics like the average days the customer takes to pay, total sales this year, and total sales for the same period last year.
- **Display the transactions for a customer.** When you select a customer on the Customers & Jobs tab, the transactions for that customer appear at the bottom-right of the Customer Center. To see a specific type of transaction, in the Show drop-down list above the transaction list, choose the transaction type like Invoices or Refunds, as shown in Figure 12-9. QuickBooks initially shows all the transactions of that type, but you can filter them as explained next.



- **Filter transactions by status.** In the Filter By drop-down menu, choose a category like Open Invoices or Overdue Invoices. The choices in this drop-down menu vary depending on the transaction type. For example, if you search for refunds, the choices are All Refunds, Cash/Check Refunds, and Credit Card Refunds.
- **Filter transaction by date range.** In the Date drop-down menu, choose a date range. Your choices here are the same as the ones you can choose for reports (page 521).

- **Open a transaction.** Double-click a transaction in the list to open the corresponding window to that transaction.

Finding Items

The Item List window has its own abbreviated search feature: You type what you're looking for, such as an item name or keyword, and the field you want to search, and then QuickBooks filters the list for matching results. Here's how you search for an item:

1. **Choose Lists→Item List to open the Item List window.**

Or on the Home page, click Items & Services.

2. **In the “Look for” box, type the text or value you want to find.**

If you type more than one word, QuickBooks looks for items that contain the whole phrase you typed, for example, “fiber optic” to find all your fiber-optic electronic devices.

3. **In the “in” drop-down list, choose the field you want to search.**

QuickBooks automatically sets the “in” field to “All fields”. If you want to narrow your search, choose Item Name/Number, Sales Description, Purchase Description, Manufacturer's Part Number, or another field. You can also choose “Custom fields” to search fields you've added to QuickBooks (page 152).

4. **Click Search.**

The Item List window displays only the items that match your search criteria.

5. **To narrow your search, type a new word or phrase in the “Look for” box. Turn on the “Search within results” checkbox, and then click Search.**

Turning on the “Search within results” checkbox tells QuickBooks to search for the new search term only in the items currently displayed in the list.

To reset the list to display all items, click Reset.

Using the Search Command

QuickBooks' Search command is fast and easy to use. You simply type in a few key words or values, and it combs through your entire company file and QuickBooks itself for those values. For example, type *webcam* and the Search command looks for that value in your transactions, customer list, vendor list, other name records, items, descriptions, notes, and memos. If you're trying to find a command, type the command's name in the box and Search tells you which menu it's on.

Tip: Detail isn't the Search command's strong suit. You can tell Search where to look, set a date range, and apply a very simple filter for amounts. But if you have really specific search criteria, like invoices that are more than 30 days overdue and more than \$10,000.00, the Find command (page 329) is a better tool.

Here's how to use Search:

1. Choose Edit→Search (or click Search on the icon bar).

The Search window (shown in Figure 12-10) opens.

2. In the Search box, type the words or values you're looking for (like the name of an item you sell, for example).

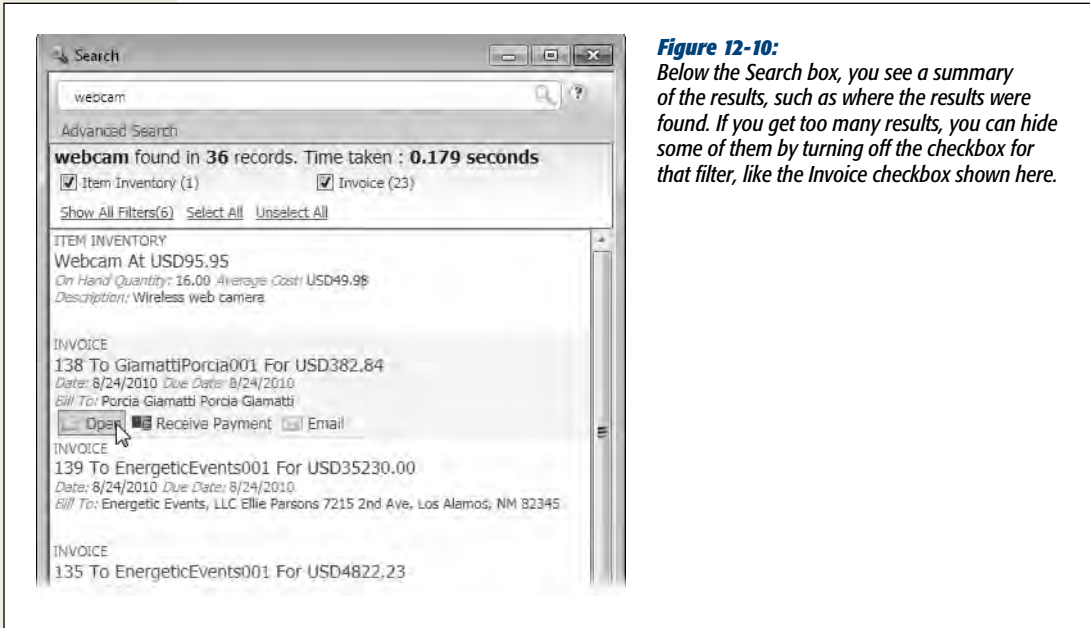


Figure 12-10:

Below the Search box, you see a summary of the results, such as where the results were found. If you get too many results, you can hide some of them by turning off the checkbox for that filter, like the Invoice checkbox shown here.

3. To specify where QuickBooks should search, click the Advanced Search tab.

A herd of checkboxes appears, like Accounts, Items, Price Levels, Customers, Invoices, Checks, and so on. Turn off the checkboxes for things you don't want it to search. You can also choose a date filter to specify a date range or a date. If you're looking for an amount, choose an option to look for an amount equal to, less than or equal to, or greater than or equal to the amount. If you don't see these options, scroll down within the Search window.

4. Press Enter.

The Search window displays the results.

5. Hover your cursor over a search result.

Commands that you can perform appear, like Open for an invoice or Edit for an item in the Item List.

6. Click the command you want.

Using the Find Command

The Find command takes more setup than QuickBooks' Centers or the Search command, but it's ideal for finding specific transactions. For example, it lets you search for the specific invoice number that a customer is asking about, all invoices that include a product that's defective, or all the invoices for work performed by one partner (using classes). In fact, the Find command can mine every transaction field except Description (to search descriptions, use the Search command [page 327]).

The Find window has a Simple tab for straightforward searches and an Advanced tab where you can build searches as detailed as you want. QuickBooks remembers which one you used for your last search and displays that tab the next time you open the window.

Finding made simple

To use the simple version of the Find command:

1. Choose Edit→Find (if a form window like Create Invoices is open, the command is Edit→Find Invoices instead) or press Ctrl+F, and then, in the Find window, click the Simple tab.

The Find window opens with the Transaction Type box set to Invoice and all the other fields blank.

2. In the Transaction Type drop-down list, choose a transaction type (like Purchase Order or Bill).

The search fields are almost identical for each transaction type. From and To dates and the amount appear for every type, as shown in Figure 12-11.

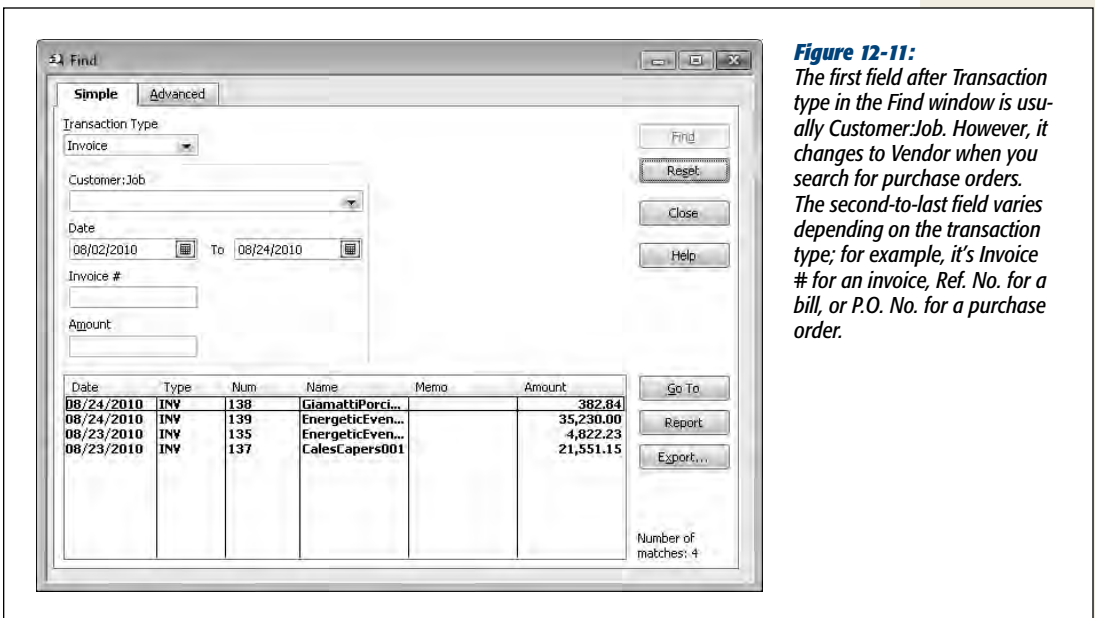


Figure 12-11: The first field after Transaction type in the Find window is usually Customer:Job. However, it changes to Vendor when you search for purchase orders. The second-to-last field varies depending on the transaction type; for example, it's Invoice # for an invoice, Ref. No. for a bill, or P.O. No. for a purchase order.

3. Fill in the fields with values you want to search for and then click the Find button.

You can fill in as many or as few fields as you want. When you click Find, the matching transactions appear in the table at the bottom of the window. Double-click a transaction to open it in its corresponding window, like Create Invoices for an invoice.

4. To clear all the fields and start a new search, click the Reset button.

Click the Close button when you're done.

Advanced find methods

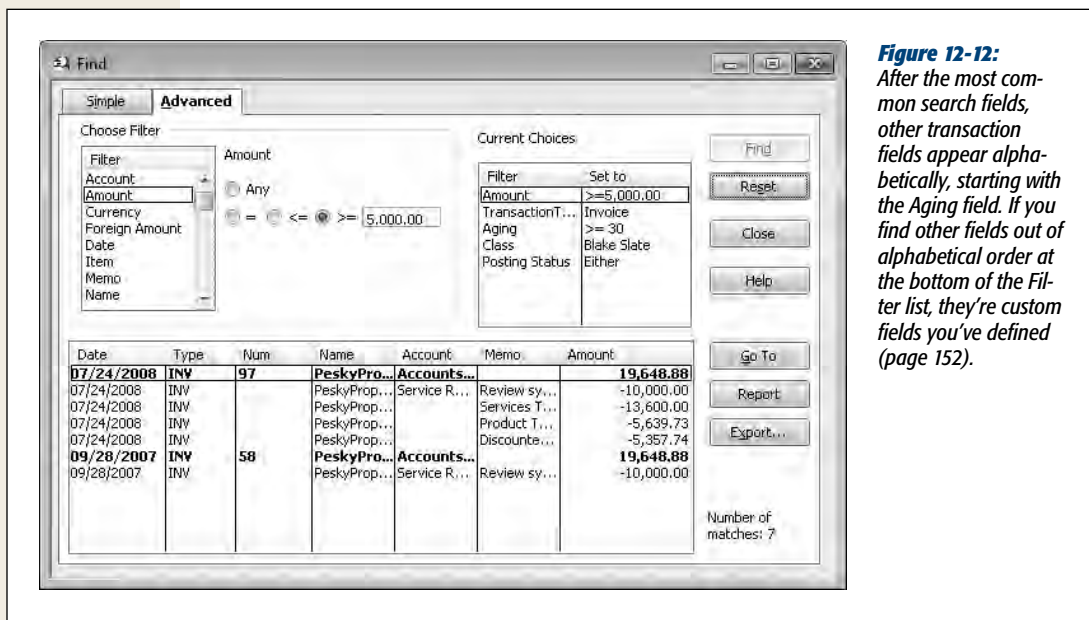
The Advanced tab lets you search any transaction field. You can build up a set of filters to find exactly the transaction you want. Here's how:

1. Choose Edit→Find (or press Ctrl+F), and then click the Advanced tab.

The Advanced tab starts with a clean slate every time you open the Find window.

2. In the Filter list (Figure 12-12), choose the first field you want to search.

Frequently used search fields—like Account, Date, Item, and Transaction Type—appear at the top of the Filter list, followed by other, less common fields.



3. Select the settings to the right of the Filter list to specify how you want to search the selected field.

The settings change depending on the field you select. For example, Transaction Type has only a single drop-down list of QuickBooks transaction types. The Date field has a drop-down list of time periods along with From and To boxes to specify dates. The Aging field has options (=, <=, and >=) to help you find late invoices; you can find invoices that are more than 30 days late by choosing the >= option and typing 30 in the box, for instance.

4. To add another filter to your search, repeat steps 2 and 3.

You can add as many filters as you want. The Current Choices table lists the fields you're searching and what you're searching for in each one.

5. Click the Find button.

The table at the bottom of the window lists all the matching transactions (or line items within a transaction).

6. If you get too many or too few results, repeat steps 2 and 3 to add or change filters, and then click Find again.

To edit a filter, select the field in the Filter list and change its settings. To remove a filter from the Current Choices list, select the filter, and then press Backspace.

7. To clear all the filters, click the Reset button.

Click the Close button when you're done.

Using search results

After you find what you're looking for, you can inspect your results more closely. Click one of the following buttons in the Find window:

- **Go To.** Select one of the results and then click this button to see the transaction in the corresponding transaction window (like Create Invoices for an invoice) or account register.
- **Report.** This button opens the Find Report window, which shows the listed transactions.
- **Export.** If you want to export your results, click this button. (See page 609 for more on exporting.)

Managing Accounts Receivable

In between performing work, invoicing customers, and collecting payments, you have to keep track of who owes you how much (known as *accounts receivable*) and when the money is due. Sure, you can tack on finance charges to light a fire under your customers' accounting departments, but such charges are rarely enough to make up for the time and effort you spend collecting overdue payments. Far more preferable are customers who pay on time without reminders, gentle or otherwise.

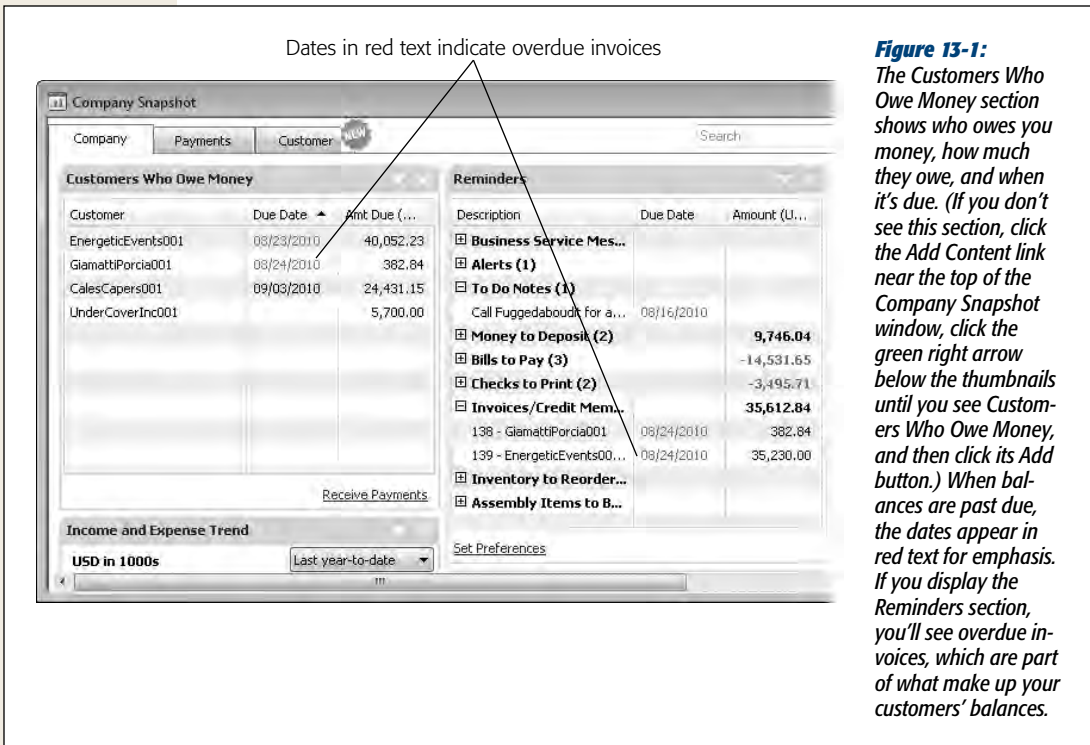
On the other hand, sales receipts are the simplest and most immediate sales forms in QuickBooks. When your customers pay in full at the time of the sale—at your used-CD store, for example—you can create a sales receipt so the customer has a record of the purchase and payment. At the same time, QuickBooks posts the money from the sale into your bank account (at least in QuickBooks) or the Undeposited Funds account. Sales receipts work only when customers pay in full, because they can't handle previous customer payments and balances.

Because companies need money to keep things running, you'll have to spend *some* time keeping track of your accounts receivable and the payments that come in. In this chapter, you'll learn the ins and outs of tracking what customers owe, receiving payments from them, and dinging them if they don't pay on time. QuickBooks 2011's new Collections Center helps you find customers with overdue or almost-due invoices, so you won't forget to collect what they owe. It gathers all the info you need to collect what customers owe and makes it easy to send out reminders. You'll also learn how to create sales receipts for one sale at a time and to summarize a day's worth of merchandizing.

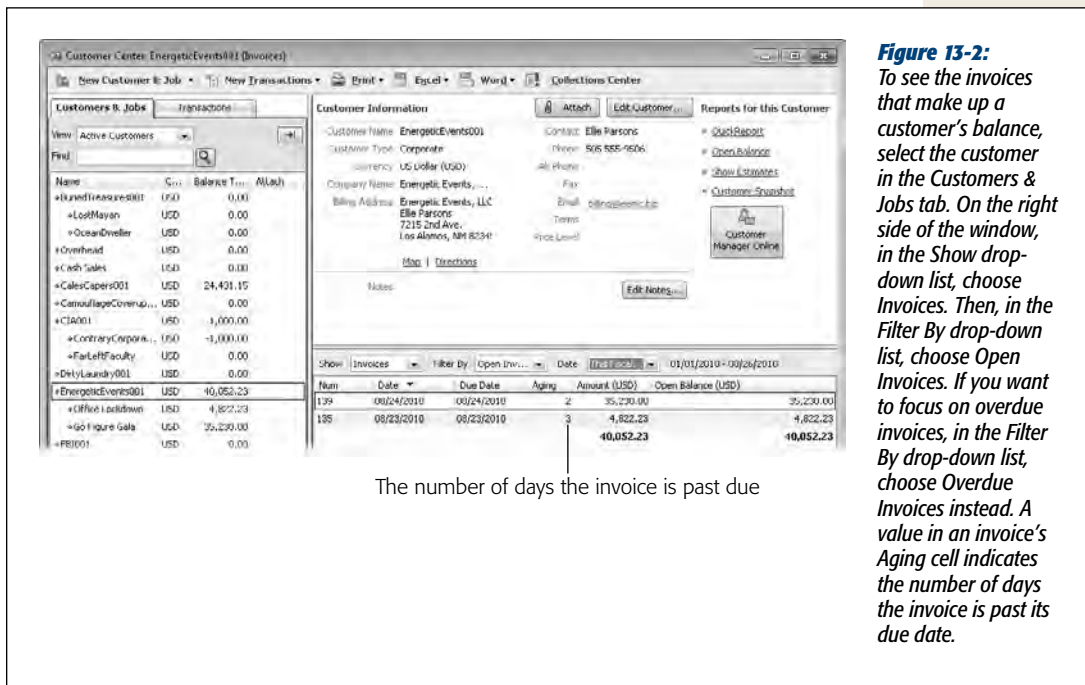
Receivables Aging

You don't have to do anything special to *create* accounts receivable—they're the by-product of billing and invoicing your customers. But receivables that are growing long in the tooth are the first signs of potential collection problems. Some companies like to check the state of their accounts receivable every day, and with the Company Snapshot, Customer Center, and built-in QuickBooks reports, you have three ways to do that in record time.

The Company Snapshot can show the balance each customer owes, as you can see in Figure 13-1. To view it, click Company Snapshot in the QuickBooks icon bar or choose Company→Company Snapshot. (When you want to see more detail about receivables, turn to QuickBooks built-in aging reports instead; they're described in the next section.)



When you open the Customer Center (on the Home page, click Customers, or choose Customers→Customer Center), QuickBooks automatically displays the Customers & Jobs tab, which lists your customers and jobs and the balance owed by each one. If you select a customer or job's name in the list, you can see the invoices or other sales transactions that generated the open balance on the right side of the window, as shown in Figure 13-2.

**Figure 13-2:**

To see the invoices that make up a customer's balance, select the customer in the Customers & Jobs tab. On the right side of the window, in the Show drop-down list, choose Open Invoices. Then, in the Filter By drop-down list, choose Overdue Invoices instead. A value in an invoice's Aging cell indicates the number of days the invoice is past its due date.

Accounts Receivable Aging Reports

Aging reports tell you how many days have passed since you sent each open invoice, and viewing them is the first step in keeping your accounts receivable from growing overly ripe. It's a fact of business life that the longer a customer hasn't paid, the more likely it is that you'll never see that money. Taking action before an account lags too far behind limits bad debts and protects your profits.

QuickBooks includes two built-in aging reports: the A/R Aging Summary report and the A/R Aging Detail report. These reports show how much your customers owe for the current billing period (invoices that are less than 30 days old), as well as unpaid invoices from previous periods (invoices that are between 1 and 30 days late, 31 to 60 days late, 61 to 90 days late, and more than 90 days late). The Accounts Receivable Graph can also show you some useful info. Here's a bit more about each one:

- **A/R Aging Summary.** For a quick look at how much money your customers owe you and how old your receivables are, choose Reports→Customers & Receivables→A/R Aging Summary. To see the transactions that make up a customer's total, hover your cursor over a summary value. When the cursor change to a magnifying glass, as shown in Figure 13-3, double-click the transaction.

10:40 AM
08/26/10

Double Trouble, Inc.
A/R Aging Summary (Values in Home Currency)
As of August 26, 2010

◇ Current ◇ 1 - 30 ◇ 31 - 60 ◇ 61 - 90 ◇ > 90 ◇ TOTAL ◇

CalesCapers001	2,880.00	21,551.15	0.00	0.00	0.00	24,431.15
CIA001						
ContraryCorporation	0.00	-1,000.00	0.00	0.00	0.00	-1,000.00
Total CIA001	0.00	-1,000.00	0.00	0.00	0.00	-1,000.00
EnergeticEvents001						
Office Lockdown	0.00	4,822.23	0.00	0.00	0.00	4,822.23
Go Figure Gala	0.00	35,230.00	0.00	0.00	0.00	35,230.00
Total EnergeticEvents001	0.00	40,052.23	0.00	0.00	0.00	40,052.23
GiamattiPorcia001	0.00	382.84	0.00	0.00	0.00	382.84
UnderCoverInc001	5,700.00	0.00	0.00	0.00	0.00	5,700.00
TOTAL	8,580.00	60,986.22	0.00	0.00	0.00	69,566.22

Figure 13-3:
In the A/R Aging Summary report, QuickBooks lists customers and jobs, and shows the money they owe in each aging period. Ideally, you should see more zero balances as you look at older periods. When you begin a mission to collect overdue accounts, start with the oldest aging period on the right side of the report.

- **A/R Aging Detail.** To see each customer transaction categorized by age, choose Reports→Customers & Receivables→A/R Aging Detail.
- **Accounts Receivable Graph.** This graph doesn't show as much detail as either of the A/R Aging reports, but its visual nature makes aging problems stand out. To display this graph, choose Reports→Customers & Receivables→Accounts Receivable Graph. Ideally, you want to see the bars in the graph get smaller or disappear completely as the number of days overdue increases. To see more details for a particular period, double-click a bar in the graph. To see more detail about a customer, double-click the customer's name in the legend, or double-click the slice in the pie chart that corresponds with the customer.

Note: If you work with more than one currency, the A/R Aging reports and the Accounts Receivable Graph use your home currency for all values. To see transactions in the currencies in which they were recorded, in the report's window, click Modify Report. On the Display tab, below the "Display amounts in" label, select the "The transaction currency" option, and then click OK.

Customer & Job Reports

Aging reports aren't the only goodies you can generate in QuickBooks. To see all the reports associated with customers and what they owe, choose Reports→Customers & Receivables. Here's an overview of when it makes sense to use these reports:

POWER USERS' CLINIC

Watching Receivables Trends

In the investment world, financial analysts study trends in accounts receivable. For example, if accounts receivable are increasing faster than sales, it means that customers aren't paying for everything they bought. Customers may not be paying because they're on thin ice financially or they don't like the products or services they've received.

One way to measure how good a job your company does collecting receivables is with *days sales outstanding*, which is the number of days worth of sales it takes to match your accounts receivable. If accounts receivable grow faster than

sales (meaning customers aren't paying), you'll see this value get larger. Here's the formula for days sales outstanding:

$$\text{Days sales outstanding} = \frac{\text{Accounts receivable}}{(\text{Sales}/365)}$$

Days sales outstanding below 60 (collecting accounts receivable with two months' worth of sales) is good. But if your company is in the retail business, you should aspire to the performance of high-volume giants such as Wal-Mart and Home Depot, who collect their receivables in less than a week.

- **Customer Balance Summary.** This report shows the same balance information you see automatically on the Customers & Jobs tab on the left side of the Customer Center, but here the job totals appear in one column and the customer totals are offset to the right. And unlike the Customers & Jobs tab, you can easily print this report.
- **Customer Balance Detail.** This report shows every transaction that makes up customers' balances, so it isn't short. It lists every transaction (such as invoices, payments, statement charges, and credit memos) for *every* customer and job, whether the customer is late or not. To inspect transaction details, double-click anywhere in the transaction's row to see it in its corresponding window (Create Invoices for an invoice, for example). If you'd rather see the transactions for just one customer, open the Customer Center, select the customer, and then, on the right side of the window, click the Open Balance link.
- **Open Invoices.** This report includes unpaid invoices and statement charges, as well as payments and unapplied credits, so you can see if a payment or unapplied credit closes out a customer's balance. This report is sorted and subtotaled for each customer and job, so you can find an unpaid invoice quickly without having to click Previous in the Create Invoices window a zillion times. When you find the invoice you want, double-click anywhere in that invoice's row to open it.
- **Collections Report.** When you're on a mission to collect the money that's owed to you, this report provides all the info you need. It shows the past-due invoices and statement charges by customer and job with the due date and number of days that the transaction is past due. To make it easy to contact your customers, the report includes each customer's contact name and phone number. Give this report to your most persistent employees and get ready to receive payments. If a customer has questions about a transaction, double-click the transaction's row to view it in detail.

Tip: When customers have pushed their credit limits—and your patience—too far, you can easily create collection letters by merging information for overdue customers with mail merge collection letters in Word (see page 603 for details).

- **Unbilled Costs by Job.** Another way you might leave money on the table is by forgetting to add job costs to invoices. Run this report to see if there are expenses you haven't billed, the type of expense, and when you incurred the cost, among other info. If you spot older expenses that you haven't yet billed, add them to the next invoice (page 275).
- **Collections Center.** This feature isn't a report, but it offers another way to contact customers about the money they owe. In the Customer Center's toolbar, click Collections Center. The Overdue tab that appears shows customers with overdue invoices, the number of days overdue, and the customers' phone numbers. To send out email reminders, click the "Select and Send Email" link at the top right of the window. QuickBooks sets up emails for each customer with an overdue balance; simply click Send to get the reminders on their way.

Note: After you clean up all your overdue invoices, click the Collection Center's Almost Due tab to see the invoices that are due in the near future.

Receiving Payments for Invoiced Income

How you record an invoice payment depends on the *type* of payment. Most of the time, you'll click Receive Payments on the Home page, but you can also choose Customers→Receive Payments. Either way, you'll see the Receive Payments window, which handles full and partial payments, early payment discounts, credits, and downloaded online payments.

The Receive Payments window works for most payments, but you record some types of payments in other places. Here are the windows that can record payments and when to use them:

- **Receive Payments.** When your customers send you money, on the Home page, click Receive Payments to record them (page 338). This window is for full or partial payments that you receive *after* you've made a sale. Here you can apply early payment discounts, credits for returns, and downloaded online payments. (See page 339 to find out how to record the deposits for any type of payments.)
- **Create Invoices.** As explained in the box on page 347, this is where you record a partial payment that you receive before you prepare an invoice. These payments appear on the next invoice you create and reduce its balance.
- **Enter Sales Receipts.** When your customers pay in full at the time of sale (with cash, check, or credit card), record payments in this window (page 356). If your customer makes a down payment or prepays an invoice, use this window to create credit memos to record these payments (page 349).

For full or partial payments with or without discounts or credits, follow these steps to record payments you receive from your customers:

1. On the Home page, click **Receive Payments**.

QuickBooks opens the Receive Payments window.

2. In the **Received From** box, choose the customer or the job for which you received a payment, as shown in Figure 13-4.

If the customer sent a payment that covers more than one job, in the **Received From** box, choose the customer's name rather than a job. QuickBooks then adds the **Job** column to the **Receive Payments** table and fills in the rows with all the outstanding invoices for all of the customer's jobs. The job's name appears in the table when an invoice applies to a specific job. If the cell in the **Job** column is blank, the invoice applies directly to the customer, not to a job.

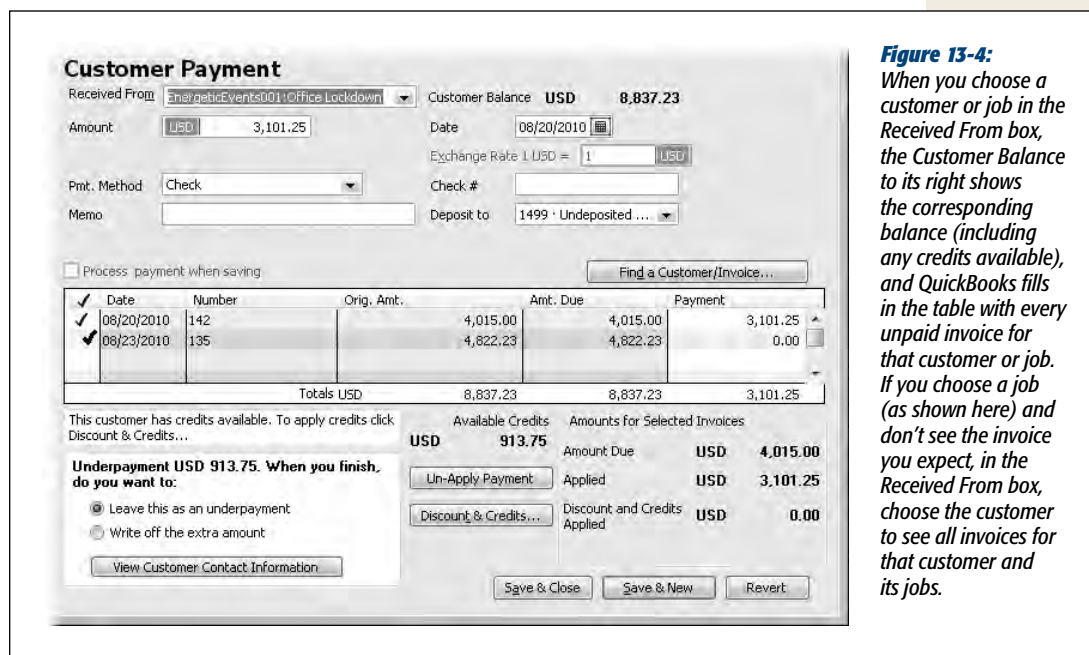


Figure 13-4:

When you choose a customer or job in the Received From box, the Customer Balance to its right shows the corresponding balance (including any credits available), and QuickBooks fills in the table with every unpaid invoice for that customer or job. If you choose a job (as shown here) and don't see the invoice you expect, in the Received From box, choose the customer to see all invoices for that customer and its jobs.

Note: If you select a customer who is set up to use a foreign currency, the A/R Account box automatically selects the Accounts Receivable account for that currency. For Euros, for example, you'll see Accounts Receivable - EUR.

3. In the **Amount** box, type the amount of the payment (if the customer uses a foreign currency, type the amount received in the foreign currency).

After you enter the payment amount and either press **Tab** or click another box, QuickBooks automatically selects an invoice for you. If the payment amount exactly

matches the amount of one or more unpaid invoices, QuickBooks is smart enough to select the invoice(s). If the customer sends some other amount of money, however, QuickBooks automatically selects the oldest unpaid invoice(s). If the program doesn't select the correct invoices, step 6 tells you how to select different ones.

Tip: When you select a customer who is set up to use a foreign currency, the "Exchange Rate 1 <currency> =" box appears below the Date box, filled in with the current exchange rate set in QuickBooks. If you want to use a different exchange rate, type it in the "Exchange Rate 1 <currency> =" box. If the exchange rate you use when you receive the payment is different than the exchange rate you used on the invoice, QuickBooks automatically calculates the gain or loss (page 456) for the transaction.

4. In the Pmt. Method box, choose the method the customer used to make the payment.

If you choose Cash, QuickBooks displays the Reference # box where you can type a receipt number or other identifier. When you choose Check, QuickBooks displays the Check # box instead, so you can type the number from the customer's check. For any type of credit card, in the Card No. box and Exp. Date boxes, type the card's number and the month and year that it expires. The Reference # box that appears is perfect for storing the credit card transaction number.

Note: Annoyingly, the left side of the Receive Payments window initially displays a panel with buttons pitching Intuit payment services, such as accepting credit cards or electronic checks. If you're interested in these add-on services, click the "Add credit card processing", "Set up Recurring Payments", or "Add eCheck processing" button. If you don't use any of these services, hide this panel by choosing Edit→Preferences→Sales & Customers; then, on the My Preferences tab, turn off the "Show Payment Toolbar on Receive Payment and Sales Receipt forms" checkbox.

If you already subscribe to QuickBooks Merchant Services (page 541) and you want to process the payment on the customer's credit card, turn on the "Process payment when saving" checkbox above the table of invoices. You can then download transactions for the payments you received online or via credit card by clicking Get Online Pmts. in the Receive Payments menu bar.

5. In the Deposit To box, choose the account for the deposit, such as Undeposited Funds, your checking account, or money market account.

As long as you turn on the Use Undeposited Funds preference (page 583), QuickBooks chooses your Undeposited Funds account automatically, which means that the program holds the payment in that account until you tell it to deposit those payments into a specific bank account. If you're the impatient type, or if your checking account balance is desperately low, you can deposit a payment directly to the bank account—as long as you follow that QuickBooks transaction with a real-world bank deposit.

Tip: To make reconciling your bank statement a bit easier (page 408), choose the Deposit To account based on the way your bank statement shows the deposits you make. For example, if your bank statement shows only a deposit total, regardless of how many checks were in the deposit, put payments in the Undeposited Funds account. But if your bank shows every check you deposit, choose your QuickBooks bank account so that each payment appears separately. (Page 583 explains how to set a QuickBooks' preference so that the program always chooses Undeposited Funds for payments.)

6. If QuickBooks selects the wrong invoices, or if you turned off the “Automatically apply payments” preference (page 582), in the unpaid invoice table, turn on the checkmark cells (in the first column) for the invoices to which you want to apply the payment, as shown in Figure 13-5.

When the payment doesn't match any unpaid invoices, QuickBooks selects the oldest invoices and adjusts the values in the Payment column to equal the total payment amount. If *you* select the invoices, you have to edit the values in the Payment column to match the total payment. To do that, select a cell in the Payment column and type the new amount. When you press Tab or click elsewhere in the window, you'll see the updated amount below the Payment column. When that value equals the value in the Amount box, you're done.

Customer Payment

Received From: EnergeticEvents001 Customer Balance: USD 40,052.23

Amount: USD 4,000.00 Date: 08/26/2010

Pmt. Method: Check Exchange Rate: 1 USD = 1 USD

Memo: Deposit to: 1499 - Undeposited ...

☐ Process payment when saving

Date	Job	Number	Orig. Amt.	Amt. Due	Payment
08/23/2010	Office Lockdown	135	4,822.23	4,822.23	4,000.00
08/24/2010	Go Figure Gala	139	35,230.00	35,230.00	0.00
Totals USD			40,052.23	40,052.23	4,000.00

Underpayment USD 822.23. When you finish, do you want to:

☒ Leave this as an underpayment

☐ Write off the extra amount

View Customer Contact Information

Un-Apply Payment Discount & Credits...

Amounts for Selected Invoices

Amount Due	Applied
USD 4,822.23	USD 4,000.00
Discount and Credits Applied	USD 0.00

Save & Close Save & New Clear

Figure 13-5:
Sometimes, the amount your customer sends doesn't match any combination of open invoices. If the customer paid too much or too little, you'll see an overpayment or underpayment message like the one shown here. Before you edit values in the Payment column, see if the Available Credits value equals the Underpayment value. If it does, your customer reduced the payment by their available credit. See page 342 to learn how to apply credits.

7. If your customer reduced the payment by the amount of their available credit, click Discount & Credits; in the “Discount and Credits” dialog box, apply the credit to the payment.

See page 342 for more details about applying credits.

8. If you want to print a payment receipt, in the Receive Payments window's toolbar, click Print.

QuickBooks opens the Print Lists dialog box. If necessary, change the print settings, and then click Print.

9. Click Save & Close to assign the payment to the selected invoices and close the window.

If you want to apply another payment, click Save & New.

Tip: Say you realize that you've applied a payment to the wrong invoice. The easiest way to change a recent payment is to choose Customers→Receive Payments, and then click Previous until the transaction in question appears. In the invoice table, turn off the checkmark cell for the currently selected invoice, turn on the checkmark cell for the correct invoice, and then click Save & Close.

Applying Credits to Invoices

When something goes awry with the services or products you sell, customers won't be bashful about asking for a refund or credit. And customers who buy from you regularly might *prefer* a credit against their next order rather than a refund, so that checks aren't flying back and forth in the mail (page 294 tells you how to create a credit). In a business sense, a credit is a lot like a customer payment that you can apply to invoices. In QuickBooks, the steps for applying credits are different than those for applying actual customer payments, although you do both in the Receive Payments window.

Tip: For small credits, it's easier to wait until the customer sends a payment to apply the credit. When the customer sends a payment and you choose that customer in the Receive Payments window, QuickBooks reminds you about the available credits. Then you can apply the payment and the credit in the same transaction.

If a customer's credit is sizable and the customer has unpaid invoices, you can apply the credit to those invoices even if the customer hasn't sent an actual payment.

When you're ready to apply a credit to an invoice, here's what you do:

1. On the Home page, click Receive Payments (or choose Customers→Receive Payments).

QuickBooks opens the Receive Payments window.

2. In the Received From drop-down list, choose the customer or job you want.

If you choose a customer or job with an available credit, the Available Credits label appears below the table in the Receive Payments window and shows the amount of the credit that's available. If you choose a customer, the Available Credits value represents all the credits available for all jobs for that customer.

3. If your customer gave you instructions about which invoice should get the credit, click anywhere in the line for that invoice or statement except the checkmark column.

When you click a cell in the checkmark column, QuickBooks selects that invoice to receive a *real* payment.

4. To apply the credit to the invoice or statement you selected, click the Discount & Credits button.

QuickBooks opens the “Discount and Credits” dialog box, shown in Figure 13-6.

Discount and Credits

Invoice
 Customer: Job EnergeticEvents001:Office Loc., (USD)
 Number 142 Amount Due 4,015.00
 Date 08/20/2010 Discount Used 0.00
 Original Amt. 4,015.00 Credits Used 913.75
 Balance Due 3,101.25

Credits

Available Credits

✓	Date	Credit No.	Credit Amt.	Amt. To Use	Credit Balance		
☒	08/20/2010	143	913.75	913.75	0.00		
Totals USD					913.75	913.75	0.00

Of all the credits issued to this customer, only unused credits applicable to this specific invoice are displayed above. Clear

Previously Applied Credits

✓	Date	Credit No.	Credit Amt.	Amt. To Use	Credit Balance		
Totals USD					0.00	0.00	0.00

Done Cancel Help

Figure 13-6:

If the credit doesn't appear in the “Discount and Credits” dialog box, it probably relates to a different job or to the customer only. If you want to apply a credit to a different job or to the customer's account, see the box on page 347.

5. To apply a credit, click its checkmark cell to turn it on.

If the customer asked you not to apply a credit, turn off that credit's checkmark cell.

6. Click Done.

When QuickBooks closes the “Discount and Credits” dialog box and returns to the Receive Payments window, you'll see the applied credit, as shown in Figure 13-7.

7. Click Save & Close to apply the credit to the invoice.

If the customer's available credit is greater than the total for an invoice, you can still apply the credit to that invoice. QuickBooks reduces the invoice's balance to zero but keeps the remainder of the credit available so you can apply it to another invoice. Simply repeat steps 1 through 6 to apply the leftover credit to another invoice.

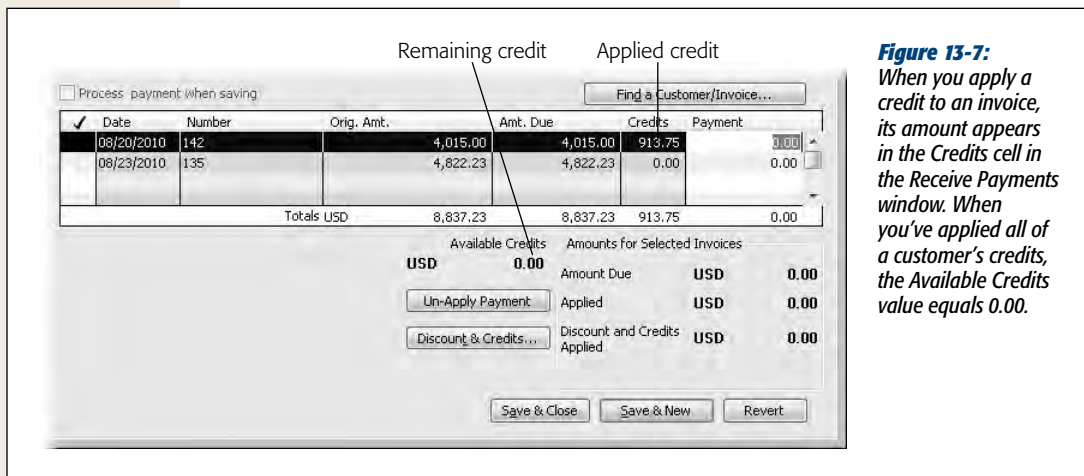


Figure 13-7: When you apply a credit to an invoice, its amount appears in the Credits cell in the Receive Payments window. When you've applied all of a customer's credits, the Available Credits value equals 0.00.

Discounting for Early Payment

Customers aren't eligible for early payment discounts until they actually *pay early*, so it makes sense that you apply such discounts in the Receive Payments window. The process for applying an early payment discount is almost identical to applying a credit. In fact, if an invoice qualifies for both a credit and an early payment discount, you can apply them both while the "Discount and Credits" dialog box is open.

Note: If the discount is for something other than an early payment, such as a product that's on sale, you add a Discount item to the invoice instead (page 265).

Here's how to apply an early payment discount to a customer:

1. On the Home page, click Receive Payments.
2. In the Receive Payments window's Received From drop-down list, choose the customer or job for the payment you received.

In the table of open invoices, QuickBooks shows all the invoices or statements that aren't paid.

3. Click anywhere in the row for the invoice or statement that the customer paid early (except the checkmark column, that is).

QuickBooks applies the payment to the invoice. If the customer already deducted the early payment discount, the Receive Payments window shows an underpayment (page 341).

4. To apply the early payment discount, click **Discount & Credits**.

QuickBooks opens the “Discount and Credits” dialog box. If the Credits tab is visible, click the Discount tab to display the Discount fields shown in Figure 13-8. If the date of the payment is earlier than the Discount Date that’s listed, QuickBooks uses the early payment percentage from the customer’s payment terms to calculate the Suggested Discount. For example, if the customer gets a two percent discount for paying early, the suggested discount is two percent of the invoice total.

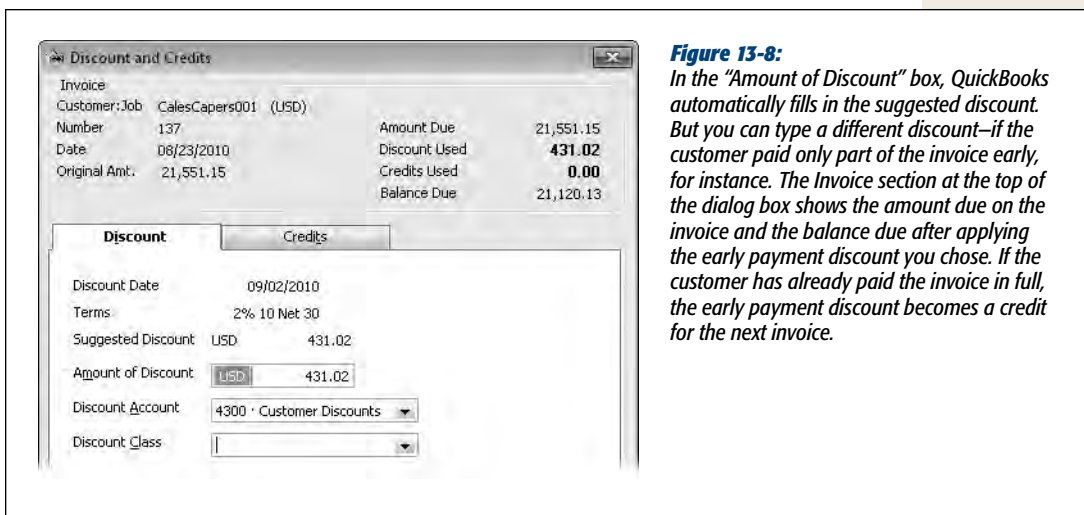


Figure 13-8:

In the “Amount of Discount” box, QuickBooks automatically fills in the suggested discount. But you can type a different discount—if the customer paid only part of the invoice early, for instance. The Invoice section at the top of the dialog box shows the amount due on the invoice and the balance due after applying the early payment discount you chose. If the customer has already paid the invoice in full, the early payment discount becomes a credit for the next invoice.

Note: Customers often deduct their early payment discounts despite sending their payments after the early payment cutoff date. The typical reaction of most business owners is a resigned sigh. Although QuickBooks shows the suggested discount as zero when a customer doesn’t actually pay early, you can show your customer goodwill and accept their payment. In the “Amount of Discount” box, simply type the discount that the customer took.

5. In the **Discount Account** box, choose the income account you’ve set up to track customer discounts.

You might think it makes sense to post customer discounts to one of your income accounts for products or services you sell. But customer discounts tend to fall off your radar when they’re buried in your regular income. Your best course of action is to keep track of the discounts you give by creating an income account specifically for discounts, called something imaginative like Customer Discounts.

If you spot an *expense* account called Discounts, don't use that as your customer discount account, either. An expense account for discounts is meant to track the discounts *you* receive from your vendors.

6. If you use classes, in the Discount Class box, choose the appropriate one.

This class is typically the same one you used for the invoice.

7. Click Done.

When QuickBooks closes the "Discount and Credits" dialog box and returns to the Receive Payments window, you'll see the discount in two or three places, as shown in Figure 13-9. The early payment discount appears both in the invoice table's Discount column and below the table next to the "Discount and Credits Applied" label. If the customer paid the invoice in full, the early payment discount also becomes an overpayment.

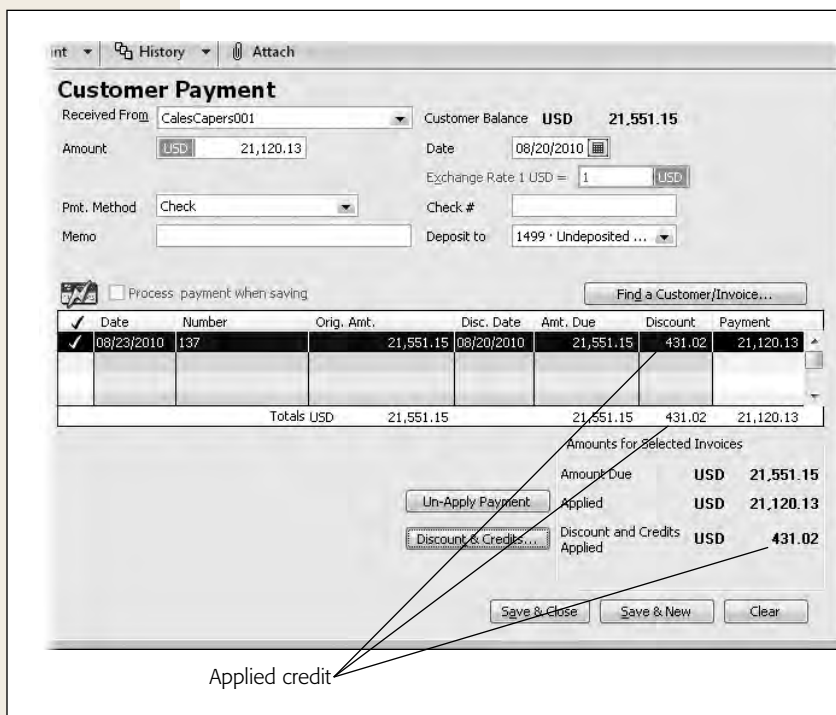


Figure 13-9: When you apply an early payment discount to an invoice, it appears in the Discount cell. The discount also contributes to the "Discount and Credits Applied" value in the "Amounts for Selected Invoices" section.

Tip: If a customer overpays, at the bottom left of the Receive Payments window, QuickBooks displays two options: create a credit for future use, or refund the amount to the customer. Unless your customer wants a refund, keep “Leave the credit to be used later” selected.

8. Click Save & Close when you’re done.

You’ve just processed the payment with the discount applied.

Deposits, Down Payments, and Retainers

Deposits, down payments, and retainers are all *prepayments*: money that a customer gives you that you haven’t actually earned. For example, a customer might give you a down payment to reserve a spot in your busy schedule. Until you perform services or deliver products to earn that money, the down payment is more like a loan from the customer than income.

Receiving money for something you didn’t do feels good, but don’t make the mistake of considering that money yours. Prepayments belong to your customers until you earn them, and they require a bit more care than payments you receive for completed work and delivered products. This section explains how to manage all the intricacies of customer prepayments.

UP TO SPEED

Different Ways to Apply Payments

Most of the time, customers send payments that bear a clear relationship to their unpaid invoices. For those payments, QuickBooks’ preference to automatically select invoices (page 582) is a fabulous timesaver: You type the payment amount in the Amount box, and the program selects the most likely invoice for payment. When a payment matches an invoice amount exactly, this feature works perfectly almost every time.

But every once in a while you receive a payment that doesn’t match up, and you have to tell QuickBooks how to apply the payment. For example, if the payment and the customer’s available credit (taken together) match an open invoice, you can use the method explained on page 341 to apply them to the invoice. If you have no idea what the customer had in mind, don’t guess—contact the customer and ask how to apply the payment.

Regardless of the situation, in the Receive Payments window, you can adjust the values in the Payment column to

match your customer’s wishes. Here’s how to handle some common scenarios:

- **Customer includes the invoice number on the payment.** If QuickBooks selects an invoice other than the one the customer specifies, click the selected invoice’s checkmark cell to turn it off. Then turn on the checkmark for the desired invoice to make QuickBooks apply the payment to it.
- **Payment is less than any outstanding invoices.** In this case, QuickBooks applies the payment to the oldest invoice. Click Save & Close to apply the payment as is. Your customers will thank you for helping them avoid (or reduce) your finance charges.
- **Payment is greater than all of the customer’s invoices.** If the payment is larger than all the customer’s unpaid invoices, save the payment as is. You can then create a credit or write a refund check for the amount of the overpayment (page 292).

WORKAROUND WORKSHOP

Applying a Credit for One Job to a Different Job

If you work on several jobs for the same customer, your customer might ask you to apply a credit from one job to another. For example, perhaps the job with the credit is already complete and your customer wants to use that credit for another job that's still in progress.

QuickBooks doesn't have a ready-made feature to transfer credits between jobs. The easy solution is to delete the credit memo for the first job and create a new one applying the credit to the job your customer specified. Your accountant probably won't approve, but the credit amount ends up applied to the job you want.

If you want to transfer the credit and satisfy your accountant, a couple of journal entries do the trick, but first you

have to create an account to hold these credit transfers. In your chart of accounts, create an account (page 49) using the Other Expense type and call it something like Credit Memo Transfers or Credit Memo Swap Account.

Because you're moving money in and out of Accounts Receivable and QuickBooks allows only one Accounts Receivable account per journal entry, you need *two* journal entries to complete the credit transfer. The first journal entry moves the credit from the first job into the transfer account, and the second journal entry completes the transfer from the transfer account to the new job. Figure 13-10 shows what the two journal entries look like.

Top Screenshot (DRP-14):

Account	Debit (USD)	Credit (...)	Memo	Name	Billable?
1200 * Accounts Rec...	1,800.00		transfer job credit	CIA001:FarLeft...	
8200 * Other Exp...		1,800.00	transfer job credit		

Bottom Screenshot (DRP-15):

Account	Debit (USD)	Credit (...)	Memo	Name	Billable?
1200 * Accounts Rec...		1,800.00	transfer job credit	CIA001:Contrar...	
8200 * Other Expense	1,800.00		transfer job credit		

Figure 13-10:

Top: The first journal entry transfers the amount of the credit memo from the first job into the transfer account; you have to choose the customer and job in the Name cell. (Adding a memo can help you follow the money later.)

Bottom: The second journal entry transfers the amount of the credit memo from the transfer account to the second job.

Setting Up QuickBooks for Prepayments

If you accept prepayments of any kind, you'll need an account in your chart of accounts to keep that money separate from your income. You'll also need an item that you can add to your invoices to deduct prepayments from what your customers owe:

- **Prepayment account.** If your customer gives you money and you never do anything to earn it, your customer is almost certain to ask for the money back. Because unearned money from a customer is like a loan, create an Other Current Liability account in your chart of accounts (see page 49) to hold prepayments. Call it something like Customer Prepayments.
- **Prepayment item.** Create prepayment items in your Item List, as shown in Figure 13-11.

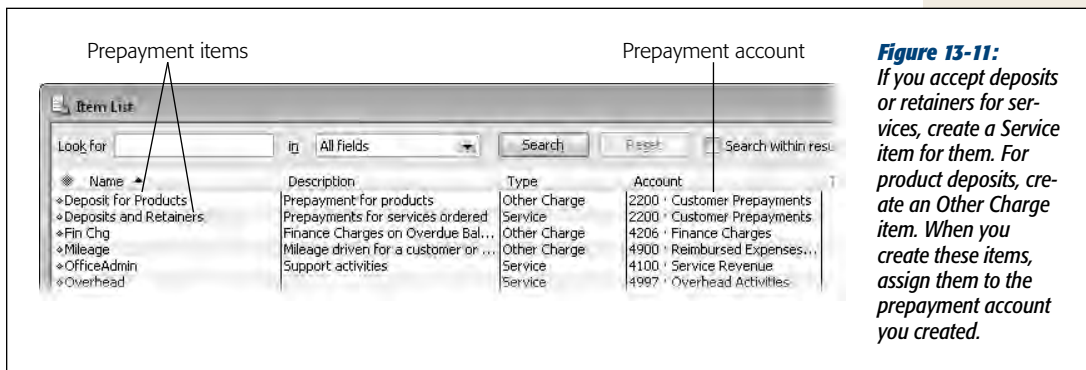


Figure 13-11: If you accept deposits or retainers for services, create a Service item for them. For product deposits, create an Other Charge item. When you create these items, assign them to the prepayment account you created.

Recording Prepayments

When a customer hands you a check for a deposit or down payment, the first thing you should do is wait until you're out of earshot to yell "Yippee!" The second thing is to record the prepayment in QuickBooks. You haven't done any work yet, so there's no invoice to apply the payment to. A sales receipt not only records a prepayment in QuickBooks, but when you print it, it also acts as a receipt for your customer. Here's how to create one:

1. Make sure the Sales Receipts preference is turned on.

If you don't see a Create Sales Receipts icon on the QuickBooks Home page, choose Edit→Preferences→Desktop View, and then click the Company Preferences. Turn on the Sales Receipts checkbox and then click OK.

2. On the Home page, click the Create Sales Receipts icon (or choose Customers→Create Sales Receipts).

QuickBooks opens the Enter Sales Receipts window to a blank receipt. In the Customer:Job box, choose the customer or job for which you received a deposit or down payment.

3. Fill in the other header boxes as you would for a regular sales receipt or an invoice (page 258).

If you use classes, in the Class box, choose a class to track the prepayment. If you have a customized template just for prepayments (page 634), in the Template drop-down list, choose that template. In the Date box, choose the date that you

received the prepayment. In the Payment Method box, pick the method the customer used to pay you. If the customer paid by check, in the Check No. box, type the check number for reference.

4. In the Item table, click the first Item cell, and in the Item drop-down list, choose the prepayment item you want to use (for example, a Service item called something like “Deposits and Retainers”, as described on page 348).

This step is the key to recording a prepayment to the correct account. Depending on whether the deposit covers services or products, choose the Service item or Other Charge item you created for prepayments (page 348). Because your prepayment items are tied to an Other Current Liability account, QuickBooks doesn't post the payment as income, but rather as money owed to your customer.

5. In the Amount cell, type the amount of the deposit or down payment.

You don't need to bother with entering values in the Qty or Rate cells. The sales receipt simply records the total that the customer gave you. You'll add the details for services and products later when you create invoices.

6. Complete the sales receipt as you would any other payment form.

For example, add a message to the customer, if you like. In the Enter Sales Receipt window's toolbar, click Send or Print to provide the customer with a receipt. In the Deposit To box at the bottom-left of the window, choose Undeposited Funds if you plan to hold the payment and deposit it with others. If you're going to race to the bank as soon as your computer shuts down, choose your bank account.

7. Click Save & Close.

QuickBooks posts the payment to your prepayment account and closes the Enter Sales Receipts window.

Applying a Deposit, Down Payment, or Retainer to an Invoice

When you finally start to deliver stuff to customers who've paid up front, you invoice them as usual. But the invoice you create has one additional line item that deducts the customer's prepayment from the invoice balance.

Create the invoice as you normally would with items for the services, products, charges, and discounts (Chapter 10). After you've added all those items, add the item for the prepayment to deduct it, as shown in Figure 13-12.

Note: If the charges on the invoice are less than the amount of the customer's deposit, deduct only as much of the deposit as you need. You can use the rest of the deposit on the next invoice.

Item	Description	Hours/Qty	Rate	Class	Amount	Tax
Security service...	Review system security and physical building security	100	200.00		20,000.00	Non
Deposits and R...	Prepayments for services ordered		-5,000		-5,000.00	Non

Customer: CO State an...
Tax: CO State an... (6.4%) USD 0.00
Total: USD 15,000.00

Exchange Rate 1 USD = 1 USD

To be printed: ☐ To be e-mailed: ☐ Allow online payment: ☐ Learn more

Add Time/Costs... Apply Credits... Payments Applied: USD 0.00
Balance Due: USD 15,000.00

Figure 13-12:

Top: When you create an invoice for the customer, the prepayment offsets the customer's balance. To deduct the prepayment from the invoice balance, in the Amount cell, enter the prepayment as a negative number, as shown here.

Date	Ref	Type	Payee	Memo	Increase	Decrease	Balance
09/11/2009	122	INV	EnergeticEvents001	1200 - Accounts R Prepayment for pr		2,000.00	-8,000.00
08/27/2010	8	RCPT	JonesJoe001	1000 - First Financ Prepayments for s	5,000.00		-3,000.00
08/27/2010	144	INV	JonesJoe001	1200 - Accounts R Prepayments for s		5,000.00	-8,000.00

Ending balance: USD -8,000.00

Sort by: Date, Type, Number/...

Record Restore

Bottom: When you create a sales receipt for a deposit or down payment, QuickBooks adds the money to your prepayment Other Current Liability account. When you use the deposit to cover an invoice, QuickBooks transfers the money from the Other Current Liability account to reduce the customer's accounts receivable and add the money to the appropriate income account.

Refunding Prepayments

Deposits and down payments don't guarantee that your customers follow through with their projects or orders. For example, a customer might make a deposit on décor for his bachelor pad. But when he meets his future wife at the monster truck rally, the plan for the bachelor pad is crushed as flat as the cars under the trucks' wheels. Of course, your customer wants his money back, which means you share some of his disappointment.

Your first step is to determine how much money the customer gets back. For example, if a customer cancels an order before you've purchased the products, you might refund the entire deposit. However, if the leopard-print wallpaper has already arrived, you might keep part of the deposit as a restocking fee.

After you decide how much of the deposit you're going to keep, you have to do two things. First, you need to move the portion of the deposit that you're keeping from the prepayment account to an income account. Second, you have to refund the rest of the deposit. Here's how to do both:

1. To turn the deposit you're keeping into income, create an invoice for the customer or job.

Open the Create Invoices window (Ctrl+I), and in the Customer:Job box, choose the customer. Then, in the first Item cell, choose an item related to the cancelled job or order. For example, if you're keeping a deposit for products you ordered, choose the "Non-inventory Part" item for those products. If the deposit was for services worked, choose the appropriate Service item instead.

2. In the item's Amount cell, type the amount of the deposit that you're keeping.

Because items are connected to income accounts (see Chapter 5), this first line in the invoice is where you assign the deposit that you're keeping to the correct income account for the products or services you sold.

3. In the second line, add the prepayment item using a negative amount, as shown in Figure 13-13.

This item removes the prepayment from your liability account so you no longer owe the customer that money.

Item	Description	Hours/Qty	Rate	Class	Amount	Tax
Security Device...	Retained deposit for Fiber optic lapel camera		800		800.00	Non
Deposit for P...	Prepayment for products		-800		-800.00	Non
					Total	0.00

Customer: [] Message: [] Tax: CO State an... (6.4%) USD 0.00

Exchange Rate 1 USD = 1 USD

Figure 13-13:

In the Amount cell in the first row, enter the amount of the deposit you're keeping as a positive number. Then, in the Amount cell for the prepayment (the second row), type a negative number, which makes the invoice balance zero. The prepayment item also deducts the deposit from the prepayment liability account, so you no longer "owe" your customer that money.

4. Click Save & Close.

In saving the invoice, QuickBooks removes the deposit you're keeping from the prepayment liability account and posts that money to one of your income accounts. If you're keeping the whole deposit, you're done. But if you aren't

keeping the entire amount, you have to refund the rest to the customer, so continue on to the next step.

5. **To refund the rest of the deposit, create a credit memo for the remainder (page 294).**

In the Create Credit Memos/Refunds window, in the Item cell, choose the same prepayment item you used in the invoice (a Service item for a deposit for services, an Other Charge item for deposits on products). In the Amount cell, type the amount that you're refunding.

6. **In the Create Credit Memos/Refunds window, click Save & Close.**

QuickBooks removes the remaining deposit amount from your prepayment liability account. Because the credit memo has a credit balance, QuickBooks opens the Available Credit dialog box.

7. **In the Available Credit dialog box, choose the "Give a refund" option, and then click OK.**

QuickBooks opens the "Issue a Refund" dialog box and fills in the customer or job, the account from which the refund is issued, and the refund amount. If you want to refund the deposit from a different account, choose a different refund payment method or account.

8. **Click OK to create the refund to your customer.**

All that's left for you to do is mail the refund check.

Applying Finance Charges

If you've tried everything but some customers still won't pay, you can resort to finance charges. Finance charges usually don't cover the cost of keeping after the slackers, but QuickBooks at least minimizes the time you spend on this vexing task.

Customers tend to get cranky if you spring finance charges on them without warning. So spend some time up front determining your payment policies: what interest rate you'll charge, what constitutes "late," and so on. Include these terms in the contracts your customers sign and on the sales forms you send. Then, after you configure QuickBooks with your finance-charge settings, a few clicks is all you'll need to add those penalties to customer accounts.

Finance Charge Preferences

Before you apply finance charges, you need to tell QuickBooks how steep your finance charges are, when they kick in, and a few other details. The Preferences dialog box's Finance Charge section (Edit→Preferences→Finance Charge) is where all these settings reside. Because your finance-charge policies should apply to *all* your customers, these preferences appear on the Company Preferences tab, which means only a QuickBooks administrator can change them. To learn how to set finance charge preferences, see page 573.

Assessing Finance Charges on Overdue Balances

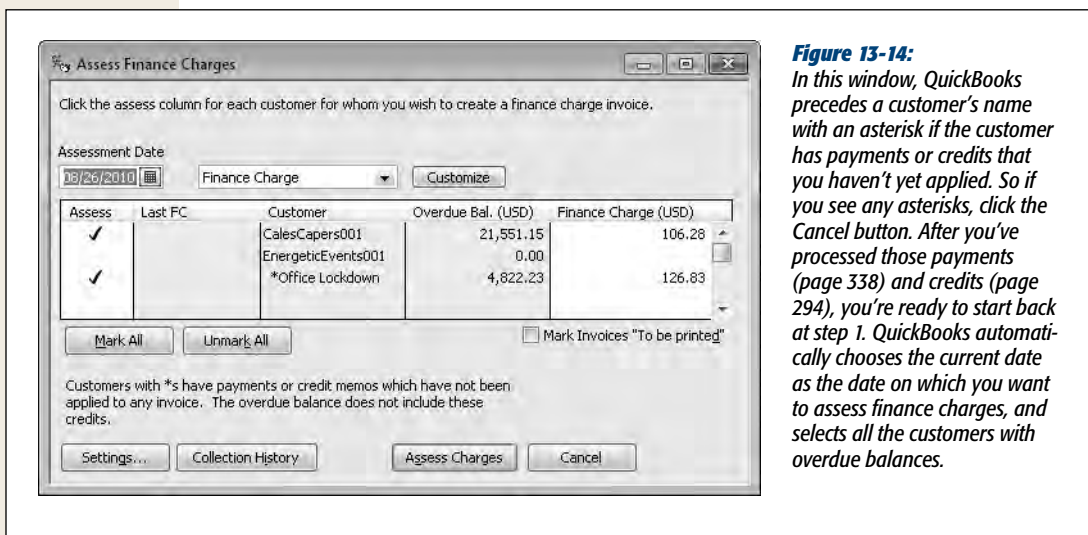
QuickBooks creates finance-charge invoices for customers tardy enough to warrant late fees, but you don't have to print or send these invoices. Instead, assess finance charges just before you print customer statements (page 306) to have QuickBooks include the finance-charge invoices on statements, along with any outstanding invoices and unpaid charges for the customer.

Tip: Make sure you apply payments and credits to invoices *before* you assess finance charges. Otherwise, you'll spend most of your time reversing finance charges and working to get back into your customers' good graces.

Here's how you assess finance charges for slow-paying customers:

1. On the Home page, click the Finance Charges icon (or choose Customers→Assess Finance Charges).

The Assess Finance Charges window, shown in Figure 13-14, opens.



2. If you begin the process of preparing statements a few days before the end of the month, in the Assessment Date box, change the date to the last day of the month.

The last day of the month is a popular cutoff date for customer statements. When you change the date in the Assessment Date box and move to another field, QuickBooks recalculates the finance charges to reflect the charges through that new assessment date.

3. If appropriate, in the Assess column, click a customer's Assess cell to turn off the checkmark and skip her finance charges.

Although QuickBooks automatically selects all customers with overdue balances, you can let some of your customers slide without penalty. Since there's no way to flag a customer as exempt from finance charges, you have to do this manually. If you reserve finance charges for your most intractable customers, click Unmark All to turn off all the finance charges. Then, in the Assess column, click only the cells for the customers you want to penalize.

To view a customer's invoices, payments, and credits, click the row for that customer and then click Collection History. QuickBooks displays a Collections Report with every transaction for that customer.

4. If you want to change the finance charge amount, in the Finance Charge column, click the cell you want to edit and then type the new finance charge.

The only time you might want to do this is when you've created a credit memo (page 294) for a customer but you don't want to apply it to an invoice. As long as the credit memo is out there, it's simpler to forego the finance charges until you've applied the credit.

5. If you want to print and send the finance-charge invoices, turn on the "Mark Invoices 'To be printed'" checkbox.

If you plan to send customer statements, turn off the "Mark Invoices 'To be printed'" checkbox. Sending customers a statement to remind them of overdue balances is one thing, but sending a statement and a finance-charge invoice borders on nagging.

6. To finalize the finance-charge invoices for the selected customers, click the Assess Charges button.

QuickBooks adds the finance-charge invoices to the queue of invoices to be printed. When you print all the queued invoices (page 315), the program prints the finance-charge invoices as well.

Cash Sales

Receiving payment when you deliver the service or products is known as a *cash sale*, even though your customer might pay you with cash, check, or credit card. For example, if you run a thriving massage therapy business, your customers probably pay for their stress relief before they leave your office—and no matter how they pay, QuickBooks considers the transaction a cash sale.

If your customers want records of their payments, you give them sales receipts. In QuickBooks, a sales receipt can do double-duty: it records your cash sale in the program *and* you can print it as a paper receipt for your customer.

Note: Although a cash sale is a simultaneous exchange of money and goods (or services), you don't actually have to create a QuickBooks sales receipt at the time of the sale.

Here are the two most common ways of handling cash sales:

- **Recording individual sales.** If you want to keep track of which customers purchase which products, create a separate sales receipt for each cash sale. Individual sales receipts track both customers' purchases and the state of inventory.

Note: If you keep QuickBooks open on the computer in your store, you can print individual sales receipts for your customers. But keeping QuickBooks running on the store computer could be risky if the wrong people started snooping around in your records. And, unless you're completely proficient with the program's sales receipts, you might find paper sales receipts faster when your store is swamped. Then, when there's a lull in your store's traffic, you can enter individual receipts into your QuickBooks company file.

- **Recording batch sales.** If your shop gets lots of one-time customers, you don't care about tracking who purchases your products. But you still need to know how much inventory you have and how much money you've made. In this situation, you don't have to create a separate sales receipt for each sale. Instead, create a sales receipt for each business day, which shows how much money you brought in for the day and what you sold.

Creating Sales Receipts

Creating sales receipts in QuickBooks is like creating invoices (page 253), except for a few small differences. Here's how to create a sales receipt:

1. **On the Home page, click Create Sales Receipts (or choose Customers→Enter Sales Receipts).**

The Enter Sales Receipt window opens.

2. **If the customer paid with a check, fill in the Check No. box with the customer's check number.**

For cash or credit cards, leave this box blank.

3. **Choose the method of payment—such as Cash, Check, or Visa—from the Payment Method drop-down list.**

4. **In the Deposit To box, choose an account to tell QuickBooks where to plop the money (page 340) you made from the sale.**

5. **If you want to print the sales receipt for your customer after you've filled in all the Enter Sales Receipt window's fields, in the window's toolbar, click Print to have QuickBooks open the Print One Sales Receipt dialog box.**

To learn more about your printing options, see page 310.

Warning: Keeping track of customers who make one-time cash sales can clog your Customer/Job List with unnecessary information. To keep your customer list lean, create a customer called Cash Sales (page 63).

Editing Sales Receipts

If you're in the process of creating a sales receipt, you can jump to any field and change its value. You can also insert or delete lines in the sales receipt line-item table as your customer tosses another book on the pile or puts one back on the shelf.

Although you can edit sales receipts after you've saved them, you won't do so very often. After all, the sale is complete, and your customer has left with her copy. However, you may want to edit the sales receipt after the sale to add more detailed descriptions to items or to correct an error, for example. To do so, in the Enter Sales Receipts window, click Previous or Next until you see the receipt you want (or use the Find command described on page 329), and then make your changes.

Voiding and Deleting Sales Receipts

If you created a sales receipt by mistake and want to remove its values from your accounts, you might think about simply deleting the receipt. However, you should *always* void sales receipts that you don't want rather than deleting them.

If you delete a sales receipt, it's gone for good: QuickBooks deletes the transaction, removing the dollar values and any sign of the transaction from your accounts. You'll see a hole in your numbering sequence of sales receipts and an entry in the audit trail that says you deleted the transaction (page 457). Voiding a sales receipt, on the other hand, resets the dollar values for the transaction to zero so that your account balances show no sign of the transaction, and marks the transaction as void, so you have a record of it.

To void a sales receipt, do the following:

1. **On the Home page, click Create Sales Receipts (or choose Customer→Enter Sales Receipts).**

The Enter Sales Receipts window opens.

2. **Click Previous or Next until you see the sales receipt in question, and then choose Edit→Void Sales Receipt or right-click the sales receipt and then choose Void Sales Receipt on the shortcut menu, as shown in Figure 13-15.**

All the values in the form change to zero and QuickBooks adds the word "VOID:" to the Memo field. To remind yourself why you voided that transaction, type a reason after "VOID:".

3. **Click Save & Close.**



Figure 13-15: Shortcut menus make choosing commands easier. In earlier versions of the program, you had to choose the *Edit* menu to get to the *Delete Sales Receipt* and *Void Sales Receipt* commands. Now, a right-click in the *Enter Sales Receipt* window displays the shortcut menu shown here.

Memorizing a Batch Sales Transaction

If you want to reduce your paperwork by recording one batch sales receipt for each business day's sales, why not go one step further and *memorize* a batch sales receipt that you can reuse every day? Here's how:

1. On the Home page, click **Create Sales Receipts** (or choose **Customers**→**Enter Sales Receipts**).

QuickBooks opens the Enter Sales Receipts window.

2. In the **Customer:Job** box, choose the generic customer you created for cash sales.

If you haven't set up a cash sale customer, in the **Customer:Job** box, choose **<Add New>**. In the New Customer dialog box's **Customer Name** box, type a name like *Cash Sales*. Then, click **OK** to save the customer and use it for the sales receipt.

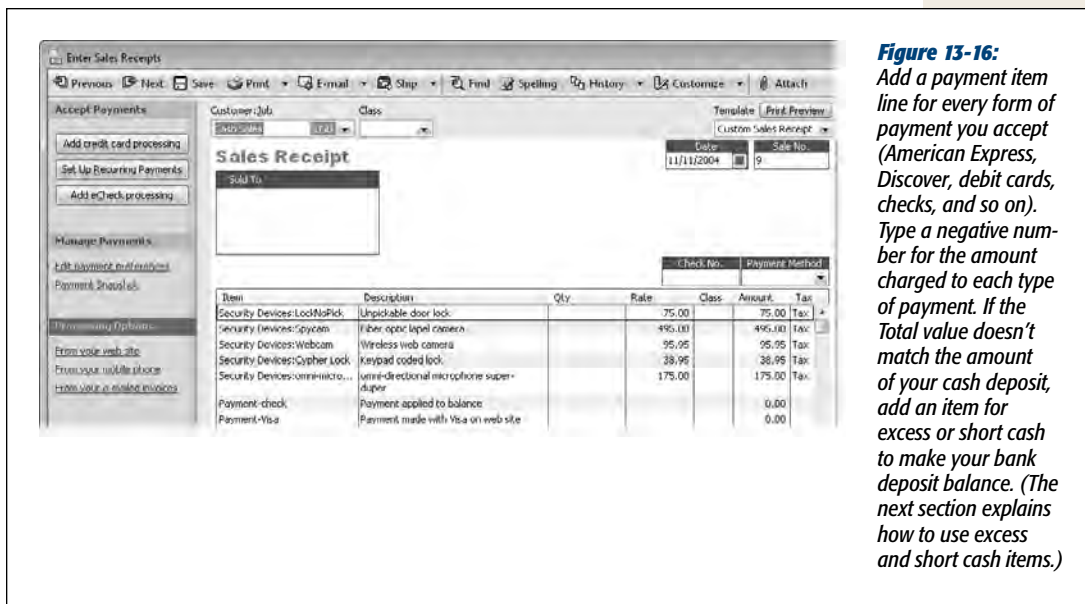
3. If you typically sell the same types of items every day, in **Item** cells, choose the items you sell regularly.

Leave the **Qty** cells blank because those values are almost guaranteed to change every day.

4. If you want to split your daily sales among different types of payments (like Visa, MasterCard, and so on), add a payment item for each type of credit card and other form of payment you accept, as shown in Figure 13-16.

Because a sales receipt is meant to handle cash, the total at the bottom of the form represents the bank deposit you make at the end of the day. But it can be

helpful to know exactly which forms of payments customers used that day. To set up the memorized sales receipt so you can record that info, in the Item table, choose a payment type item, like Payment-Visa. (When you create a payment item [page 119], choose the “Group with other undeposited funds” option so you can control when you deposit the money.) Leave the Amount cell blank; you fill in the actual amounts when you use the memorized sales receipt to record the sales for a particular day.



Tip: By splitting a sales receipt among different types of payments, you can make a single deposit (page 361) to each merchant card account at the end of the day. To do so, choose Banking→Make Deposits. In the “Payments to Deposit” dialog box, choose the payment type in the “View payment method type” drop-down list. Select the deposits for that card, and then click OK to deposit them to the bank or merchant card company. Repeat the Make Deposit command for each type of payment you accept. (This technique works as long as your merchant card company deducts their fees as a single amount, instead of as a fee on every charge transaction.)

5. When the sales receipt is set up the way you want, press Ctrl+M to open the Memorize Transaction dialog box.

In the Name box, type a name for the reusable sales receipt, such as *Day's Cash Sales*.

6. If you want to use this memorized sales receipt only on the days you have cash sales, choose the Don't Remind Me option.

If you receive cash sales every day, choose the Remind Me option and then, in the How Often box, choose Daily.

7. To memorize the sales receipt, click OK.

QuickBooks closes the Memorize Transaction dialog box and adds the batch sales receipt to the Memorized Transaction List.

Now that you've memorized the batch sales receipt, you can create a new sales receipt for a given day by pressing Ctrl+T to open the Memorized Transaction List window. In the window, click the memorized transaction for your batch sales receipt and then click Enter Transaction. QuickBooks opens the Enter Sales Receipts window with a sales receipt based on the one you memorized. You can then edit the items in the receipt, their quantities, and the prices to reflect your day's sales. When the sales receipt is complete, click Save & Close.

Reconciling Excess and Short Cash

When you take in paper money and make change, you're bound to make small mistakes. Unless you're lucky enough to have one of those automatic change machines, the money in the cash register at the end of the day rarely matches the sales you recorded. Over time, the amounts you're short or over tend to balance out, but that's no help when you have to record sales in QuickBooks that don't match your bank deposits.

The solution to this reality of cash sales is one final sales receipt at the end of the day that reconciles your cash register's total with your bank deposit slip. But before you can create this reconciliation receipt, you need to create an account and a couple of items:

- **Over/Under account.** To keep track of your running total for excess and short cash, create an Income account named something like Over/Under. If you use account numbers, give the account a number so that it appears near the end of your Income accounts. For example, if Uncategorized Income is account number 4999, make the Over/Under account 4998.
- **Over item.** Create an Other Charge item to track the excess cash you collect, and assign it to the Over/Under account. Make sure that you set up this item as nontaxable.
- **Under item.** Create a second Other Charge item to track the amounts that you're short and assign it to the Over/Under account. This item should also be nontaxable.

At the end of each day, compare the income you recorded (run a Profit & Loss report and set the Date box to Today) to the amount of money in your cash register. Then create a sales receipt to make up the difference. Here's how:

- **If you have less cash than you should.** Create a sales receipt and, in the first line, add the Under item. In the Amount cell, type the amount that you're short as a negative number. When you save this sales receipt, QuickBooks adjusts your income record to match the money in the cash register.

- **If you have too much cash.** Create a sales receipt and, in the first line, add the Over item. In the Amount cell, type the excess amount as a positive number. This sales receipt increases your recorded income to match the money you have on hand.

Note: If you notice that your cash count at the end of the day is always short, a fluke of probability could be at work. But the more likely answer is that someone is helping themselves to the cash in your till.

Making Deposits

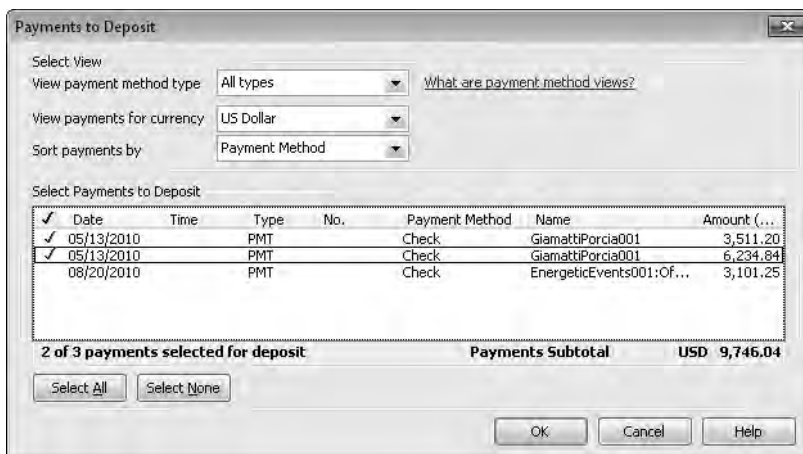
Whether customers mail you checks or hand over wads of cash, taking those deposits to the bank isn't enough—you also have to record those deposits in QuickBooks. In the Receive Payments window, if you designate a bank account as the Deposit To account (page 340), there's nothing more to do after you save the payment—QuickBooks records the payment as a deposit to that account. However, if you initially store payments in the Undeposited Funds account, you have to work your way through two dialog boxes to first record payments you receive and then to record the deposits you make in your bank account. This two-step process is described in this section. (The box on page 364 explains how to record deposits made with different payment types.)

Choosing Payments to Deposit

If you store payments in the Undeposited Funds account, you end up with a collection of payments ready for deposit that coincide with the paper checks you have to take to the bank. When you have payments queued up for deposit and choose Banking→Make Deposits (or, in the Home page's Banking panel, click Record Deposits), QuickBooks opens the "Payments to Deposit" dialog box. There, you can choose the payments you want to deposit in several ways, as shown in Figure 13-17.

Note: If you have other checks that you want to deposit, such as an insurance claim check or a vendor's refund, you'll have a chance to add those to your deposit in the Make Deposits dialog box (page 362).

To choose specific payments to deposit, in the checkmark column, click each one you want to deposit. To select every payment listed, click Select All. When you've selected the payments you want, click OK. QuickBooks closes the "Payments to Deposit" dialog box and opens the Make Deposits window, described next.

**Figure 13-17:**

If you have zillions of payments, you can filter them by payment method. In the “View payment method type” box, choose a method to display only those types of payments. If you want to record deposits for payments made in a foreign currency, in the “View Payments for currency” drop-down list, choose the currency. You enter your bank’s exchange rate for the deposit in the Make Deposits window (page 363).

Recording Deposits

The Make Deposits window is like an electronic deposit slip, as you can see in Figure 13-18. The payments you choose to deposit are already filled in. If you have other checks to deposit besides customer payments, they won’t show up automatically in the Make Deposits window, but you can add them to the table.

Note: If you’re depositing a payment made in a foreign currency, in the “Exchange Rate 1 <currency> =” box, type the exchange rate that your bank used for the transaction (to find it, look at your bank statement or review the transaction on your bank’s website). The table of deposits shows the deposit amount in the foreign currency. At the bottom of the window, you can see the deposit total in the foreign currency and your home currency.

After you make your foreign-currency deposits, you can see how much you gained or lost due to changes in the exchange rate by choosing Reports→Company & Financials→Realized Gains & Losses. This report shows the payment amounts in your home currency, the exchange rate, and the resulting gain or loss.

Here’s how you add these additional deposits:

1. Click the first blank Received From cell and choose the vendor or name of the source of your deposit. Then, in the From Account cell, choose the account to which you’re posting the money.

For example, if you’re depositing a refund check for some supplies, choose the expense account for office supplies.

Make Deposits

Previous Next Save Print Payments History Attach

Deposit To: First Financial Date: 08/27/2010 Memo: Deposit

Currency: US Dollar Exchange Rate: 1 USD = 1 USD

Click Payments to select customer payments that you have received. List any other amounts to deposit below.

Received From	From Account	Memo	Chk No.	Pmt Meth.	Class	Amount (USD)
GiamattiPorcia001	1499 - Undeposited...			Check		3,511.20
GiamattiPorcia001	1499 - Undeposited...			Check		6,234.84

Deposit Subtotal USD 9,746.04

To get cash back from this deposit, enter the amount below. Indicate the account where you want this money to go, such as your Petty Cash account.

Cash back goes to: Cash back memo: Cash back amount: USD

Deposit Total USD 9,746.04

[Learn about making foreign payments](#)

Save & Close Save & New Clear

Figure 13-18:

In the Make Deposits window, you can specify the account into which you're depositing funds, the date, and each payment in the deposit. If you're in the habit of withdrawing some petty cash from your deposits, you can record that as well. To prevent yourself from bouncing checks, in the Date box, be sure to choose the date that you actually make the deposit.

2. If you like, fill in the rest of the cells.

This step is optional. For customer payments, you can probably skip the Memo cell, but for refunds or checks from other sources, memos can help you remember why people sent you money. In case a question arises, typing the check number gives your customer or vendor a reference point.

Tip: If you want to withdraw some money for petty cash from your deposit, in the "Cash back goes to" box, choose your petty cash account. Then, in the "Cash back amount" box, type the amount of cash you're deducting from the deposit.

Keep in mind that you can't just withdraw money for your personal use. By accounting for the cash in a petty cash account, you can record your cash expenditures in QuickBooks. If you own a sole proprietorship, you can also withdraw cash for yourself by choosing your owners' draw account in the "Cash back goes to" box.

3. When you've filled in all the fields you want, click Save & Close.

QuickBooks posts the deposits to your accounts.

UP TO SPEED

Putting Payment Deposit Types to Work

Choosing different types of payments before you get to the Make Deposits window takes extra work, but it's a good idea for several reasons. Here are a few reasons you might make multiple passes through the deposit process:

- **Different Deposit Types.** Many banks group different types of deposits, such as checks versus electronic transfers. To group your payments in QuickBooks the way your bank groups them on your monthly statements, in the "View payment method type" box, choose a payment method, and then click Select All to process those payments as a group.
- **Different Deposit Accounts.** If you deposit some payments in your checking account and other payments to a savings account, select all the payments you want to deposit in the checking account. Then run through the deposit process a second time to deposit other checks to your savings account.
- **Reconciling Cash Deposits.** As you learned on page 360, the cash-counting process is prone to error, so you're probably used to your bank coming up with a different cash deposit total than you did. Although QuickBooks groups cash and checks as one payment type, process your cash and check payments as two separate deposits. That way, if the bank changes the deposit amount, it's easy to edit your cash deposit.

Depositing Money from Merchant Card Accounts

When you accept payment via credit card, the merchant bank you work with collects your customers' credit card payments and deposits them in your bank account as a lump sum. However, you record your deposits in QuickBooks the way they appear on your bank statement, which might not show lump sums. For example, your merchant bank might show payments and merchant bank fees separately, whereas the amount deposited in your checking account is the net after the fees are deducted.

Here's how to record deposits of merchant credit card payments and fees into your bank account to match the way they appear on your bank statement:

1. On the Home page, click Record Deposits (or choose Banking→Make Deposits).

In the "Payments to Deposit" window's "View payment method type" drop-down list, choose the merchant card whose payments you want to deposit.

2. Select the credit card payments you want to deposit and then click OK.

QuickBooks opens the Make Deposits window, which lists the credit card payments in the deposit table. If the Deposit Subtotal doesn't match the deposit that appears on your bank statement, the merchant bank probably deducted its fees; you'll record those fees in the next step.

Tip: To make merchant card deposits easier to track, ask your merchant card company to charge one lump sum for fees instead of charging for each transaction; they'll almost certainly say yes.

3. In the first blank row's Account cell, choose the account to which you post merchant card fees (such as Bank Service Charges). Then, in the Amount cell, type the merchant card fees as a negative number.

In the Make Deposits window, the Deposit Subtotal should equal the deposit that appears on your bank statement.

4. Click Save & Close when you're done.

Note: How soon you can enter your merchant card deposits in QuickBooks depends on how wired your company is. For example, QuickBooks' online banking service (page 540) downloads your merchant card deposits into your company file automatically. If you have online account access to your merchant card account, make the deposit in QuickBooks when you log into your merchant card account online and see the deposit in your transaction listing. If you don't use any online services, enter the deposit in QuickBooks when the merchant card statement arrives in the mail.

UP TO SPEED

Following the Money Trail

If you use QuickBooks' windows to create transactions, the program posts debits and credits to accounts without any action on your part. But in case you're interested in how money weaves its way from account to account, here's what happens from the time you create an invoice to the time you deposit the customer's payment into your bank account.

- **Create Invoices.** When you create an invoice, QuickBooks credits your income accounts because you've earned income, and debits the Accounts Receivable account because your customers owe you money.
- **Receive Payments.** When you receive payments into the Undeposited Funds account, QuickBooks

credits the Accounts Receivable account because the customer's balance is now paid off. The program also debits the Undeposited Funds account because the money is now in that account waiting to be deposited.

- **Make Deposits.** When you deposit the payments queued in the Undeposited Funds account, QuickBooks credits the Undeposited Funds account to remove the money from that account, and debits your bank account to increase your bank account balance by the amount of the deposit.

Doing Payroll

If you run a one-person shop, like a sole proprietorship or a small Subchapter S corporation, you can withdraw money from the company for your personal use without fussing over payroll. However, to take advantage of retirement savings options like a Simplified Employee Pension (SEP), you have to pay yourself a salary.

You can process payroll on your own and add transactions to QuickBooks for the payroll tax payments you make to federal and state government agencies. But, if you decide to outsource the headaches of payroll to a payroll-service company (as many businesses do), you simply use the values from the payroll reports you get from the service to fill out a couple of transactions for each payroll in QuickBooks—to allocate salaries and wages, payroll taxes, and any other payroll expenses to the accounts in your chart of accounts. For a small payroll, outside services are a pretty good deal. The payroll service takes care of all the grunt work for the equivalent of the cost of a few hours of your time. This chapter explains how to pay yourself without payroll, record do-it-yourself payroll transactions, or record the payroll transactions processed by a payroll-service company.

If you want to process payroll in QuickBooks, you first have to sign up for one of the payroll services that Intuit offers. To keep expenses low, you can choose a bare-bones service that provides only updated tax tables. At the other end of the spectrum, you can opt for QuickBooks' full-service payroll. Or you can compromise somewhere in the middle.

If you choose an Intuit payroll service, your next task is to set up everything QuickBooks needs to calculate payroll amounts. You can walk through each step on your own or use a wizard. Either way, the Payroll Setup wizard keeps track of what you've done and what you still have to do. This chapter takes you through every payroll step from the initial setup to running a payroll, printing checks, and remitting payroll taxes and reports to the appropriate government agencies.

Note: Payroll regulations are complex and vary depending on the size of your payroll and the states to which you remit payroll taxes. For more information on your company's payroll requirements, check with your accountant or the IRS and state tax agencies.

Paying Yourself

If you own a sole proprietorship, partnership, or Subchapter S corporation (named after Subchapter S of the U.S. tax code), you can take money out of your company for your personal use. The money you withdraw is called *owners' draw*, or simply *draw*. If you don't pay yourself a salary, you pay taxes when your company's profits flow through to your personal tax return. However, you can also pay yourself using a combination of salary and owners' draw. That way, you can contribute to a pension plan, like a SEP, based on your salary. This section explains how to pay yourself with owners' draw.

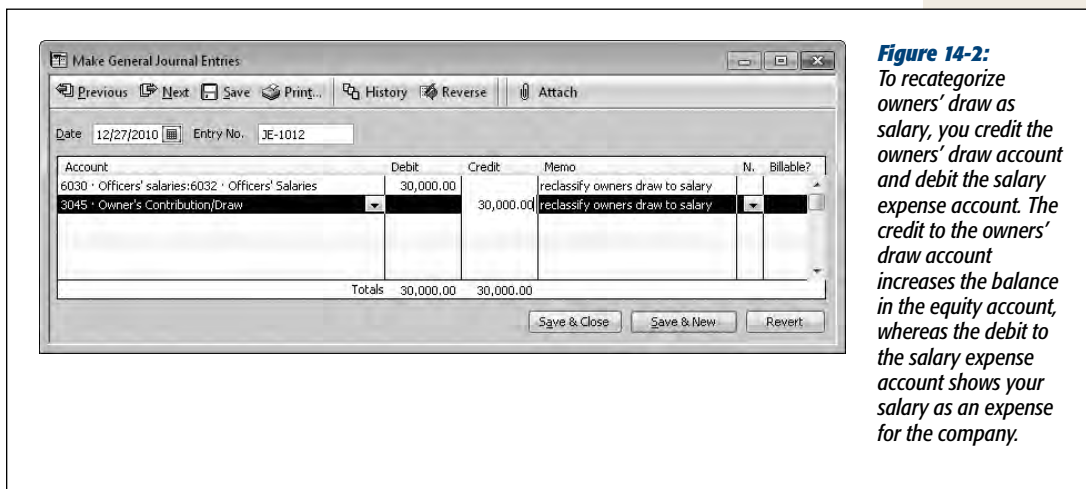
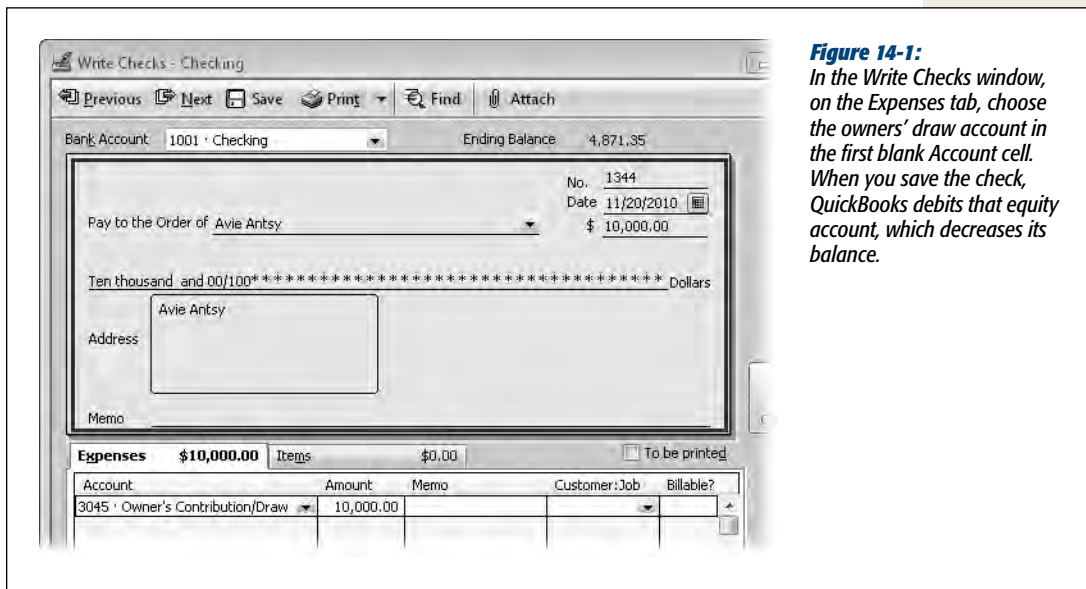
When you own your own company, you typically make an initial investment of capital into your business. You record this investment in an equity account, called something like Owners' Contribution/Draw (page 439 explains how to do this). If your company runs low on cash later on, you can contribute more money and record the addition to the same account.

As your company makes money, you can withdraw funds as owners' draw. The easiest way to do this in QuickBooks is to write a check (page 234) made out to yourself, as shown in Figure 14-1. Choosing the Owners' Contribution/Draw account for the check tells QuickBooks to decrease the balance in that account to show that you've withdrawn equity from your company.

If you pay yourself a salary, you can use a journal entry to recategorize some of your owners' draw as salary, for example, to a salary expense account called Officers' Salaries. Figure 14-2 shows you how. The next section explains how to record other salary-related transactions.

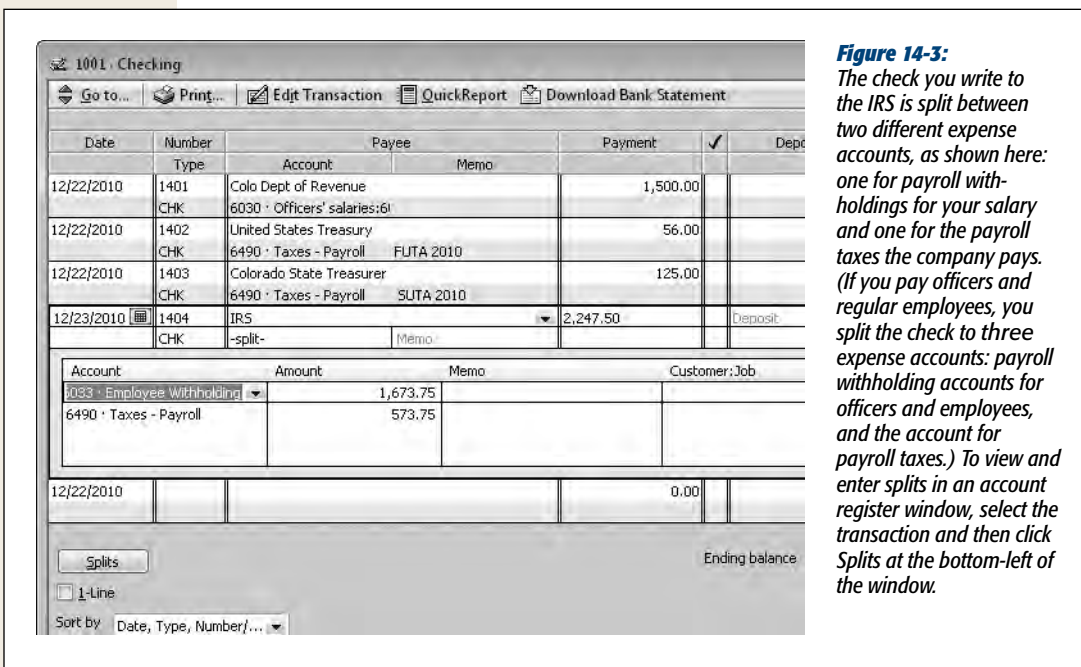
Doing Payroll Yourself

If you don't want to pay someone else to prepare your payroll, you can do it yourself. You have to calculate the payroll withholdings (like federal and state taxes, Social Security, and Medicare) and company payroll taxes. (Alternatively, you can ask your accountant or bookkeeper to calculate them for you.) You also have to record checks that you send to federal and state tax agencies for withholdings and payroll taxes, as you can see in Figure 14-3.



The journal entry in Figure 14-2 set your salary to \$30,000. However, companies and employees split the tax bill for Social Security and Medicare, so the check you write to the IRS is part salary withholding and part company payroll taxes. That's why the IRS check in Figure 14-3 is split between two accounts. However, that split allocation means that your salary expense is initially higher than it should be, because it counts your salary withholding twice: the first time in your gross salary and the second in the payment to the IRS. To remove that second allocation, create a journal entry

that debits the owners' draw account and credits the employee withholding account for your salary withholding. For example, if your salary withholding is \$7,500, you debit \$7,500 in the Owners' Contribution/Draw account and credit \$7,500 in the employee withholding account. That way, at the end of the year, your salary expense shows up as \$30,000 and the balance in your employee withholding expense account is zero.



Adding Payroll Transactions from an Outside Service

Lots of companies use outsourced payroll services, like ADP or Paychex, to avoid the brain strain of figuring out tax deductions and complying with payroll regulations. When you use one of these services, you send them your payroll data and receive reports about the transactions that they processed. The service takes care of remitting payroll taxes and other deductions to the appropriate agencies.

The problem with this setup is that none of these payroll transactions appear in your QuickBooks company file unless you add them. Fortunately, you don't have to enter every last detail. You can simply create a journal entry debiting the payroll expense accounts and crediting your bank account (page 429). Or you can create a vendor in QuickBooks for payroll and then memorize a split transaction that distributes the money from your checking account into the appropriate expense accounts, as shown in Figure 14-4; here's how:

1. Create a vendor for your payroll transactions.

On the QuickBooks Home page, click the Vendors button. In the Vendor Center toolbar, click New Vendor. You don't have to fill in all the fields in the New Vendor window; simply type a name like Payroll in the Vendor Name box and then click OK.

Account	Amount	Memo	Customer:Job
6030 · Officers' salaries:6032 · Officers' Salaries	6,700.00		
6030 · Officers' salaries:6033 · Employee Withholding	3,300.00		
6490 · Taxes - Payroll	800.00		

Figure 14-4:

In most cases, your payroll falls into three categories: Salaries and wages represent the net pay that employees receive from their paychecks. Employee withholdings are the taxes withheld from employees' paychecks like federal and state income taxes, Social Security and Medicare contributions, and local taxes. And payroll taxes are the taxes that your company pays, such as Social Security and Medicare. If you also pay officers' salaries, you can add expense accounts for their salaries and withholdings, as shown here.

2. Open the register window for the bank account you use for your payroll.

In the Chart of Accounts window, double-click the account's name.

3. In the first blank transaction's Payee field, type the name of the payroll vendor you set up, and then click Splits.

The Splits pane opens below the transaction.

4. Fill in the Account fields for each payroll expense.

Leave the Amount fields blank, since you're simply memorizing the transaction so you can record future payrolls, which usually have different amounts.

5. To remember which accounts you allocate payroll to, memorize the payroll transaction by pressing Ctrl+M.

In the Memorize Transaction dialog box, type a name for the transaction. If you like, you can set up a reminder schedule that matches the frequency of your payroll (page 323). Then click OK to memorize the transaction and close the Memorize Transaction dialog box.

6. Back in the bank account register, click **Restore** to clear the values in the payroll transaction.

If you want to record a payroll, you can fill in the amount fields with the values from your payroll statement, and then click **Record**.

7. To record a payroll, press **Ctrl+T** to open the **Memorized Transactions** list. Double-click the payroll transaction you memorized.

In the **Write Checks** window's **Amount** field, type the total amount that the payroll service withdrew from your payroll bank account. On the **Expenses** tab, fill in each **Amount** field with the values from your payroll services statement. Then, click **Save & Close** to record the transaction.

Note: To record the payroll service's fee, you can record a separate transaction in the payroll bank account using the payroll service as the vendor. Assign the transaction to an expense account like **Payroll Service**.

Choosing a Payroll Service

You can also choose one of Intuit's payroll services, which lets you process payroll in QuickBooks. These services help you calculate deductions, enter the results into your company file, print paychecks, remit your payroll taxes, and generate the appropriate payroll tax reports. Without a payroll service, you'd have to perform all those tasks on your own. When you take the value of your time into account, even the most expensive payroll service might look like a good deal.

Intuit offers three payroll services, so you can choose between low-cost basic services, moderately priced and moderately featured services, and a more costly but comprehensive service. Choose **Employees→Payroll→Learn About Payroll Options**, and QuickBooks opens a Web page that describes Intuit's offerings. QuickBooks' three payroll options fall into do-it-yourself or delegate-to-Intuit categories. Here's a quick overview to get you started:

- **Basic Payroll** is the first do-it-yourself option (\$124 a year for up to three employees; \$240 a year for four or more employees). You set everything up at the start, as you do for all the services. But then, for each payroll, you enter hours or payroll amounts, and QuickBooks uses the data in tax tables (which you download so they're always up-to-date) to calculate deductions and payroll taxes for you. Basic Payroll then spits out reports with the info you need to fill out the federal and state tax forms you have to file. Your job is to print the paychecks from QuickBooks (or use direct deposit for an additional fee), fill out the payroll tax forms, and then send the forms in with your payments.

- **Enhanced Payroll** is a more robust version of do-it-yourself payroll. For starters, if you have to withhold state taxes, Enhanced Payroll can handle preparing federal and state payroll forms. You just print them, add your John Hancock, and mail them in. If the tax agencies you work with support e-file or e-pay services, Enhanced Payroll can file your tax forms and pay payroll taxes, too. This service also handles Workers' Compensation. It costs \$274 per year for up to three employees, \$374 a year for four or more employees.
- With **Assisted Payroll**, you don't have to make federal and state payroll tax deposits, file required tax reports during the year, or prepare W-2 and W-3 forms at the end of the year—the service handles all these tasks for you. In addition, Intuit guarantees that your payroll and payroll tax deposits and filings are accurate and on time. Of course, you have to send Intuit the correct data on time in the first place. But if Assisted Payroll then makes a mistake or misses a deadline, Intuit pays the resulting payroll tax penalties. The price of the service varies depending on your payroll schedule and number of employees, but it's \$69 per month plus \$1 per employee per pay period. On top of that, there's a one-time setup fee of \$49; printing W-2s costs \$40 plus \$4.25 for each W-2; and there's another \$10 per month for each additional state you have to work with.

Note: With any of these payroll services, direct depositing employee paychecks costs \$1.25 per paycheck.

Applying for a Payroll Service

Before you begin the mechanics of setting up your payroll, you have to select and sign up for one of Intuit's payroll services. To apply for them, choose Employees→Payroll→Order Payroll Service. QuickBooks opens a browser window to the QuickBooks Payroll Services website. Click Learn More to review your options.

Before you click Buy Now to launch the online subscription process, read the box on page 374 to see whether it's the right time to start using a QuickBooks' payroll service. If it is, then gather the following info:

- The legal name of your company, which is on your Articles of Incorporation or other legal documents from when you formed your company.
- Your Federal Employer Identification Number (EIN) is a nine-digit number issued by the IRS.
- The legal names of each company principal, and the company's legal name and address.

Tip: If you aren't sure who the company principals are or what the company's legal name and address are, you can find them on your recent tax forms, incorporation documents, and so on.

- A mailing address (other than a post office box).
- If you're activating direct deposit, you need the bank routing number and account number for the account from which you'll distribute payroll. You have to create this account in your company file *before* you activate direct deposit.
- A credit card number for the subscription fee.

After you submit the application, QuickBooks checks the company information and credit card number you provided. If it runs into any problems, a message tells you to contact Intuit (and conveniently lists the phone number to call).

UP TO SPEED

Choosing the Right Payroll Start Date

QuickBooks doesn't tell you this, but there's a right and wrong time to start using QuickBooks for payroll. You have to file 941 reports (Employer's Quarterly Federal Tax Returns) quarterly, as their name implies. Therefore, QuickBooks won't let you summarize payroll data for the current quarter; instead, you have to enter individual pay period totals from the beginning of the current quarter up to the date you start using QuickBooks payroll.

You can save yourself a lot of data entry by starting to use QuickBooks for payroll at the beginning of a quarter. You still have to enter summary values for each quarter in the current year that has already passed, but you don't have to enter any individual payrolls.

Note: When you install QuickBooks, the preference for payroll is turned on automatically. If you turned it off initially because you had no employees but now want to use payroll features, see page 583 to learn how to set payroll preferences based on the payroll service you choose.

Setting Up Payroll

The easiest way to begin setting up payroll is by choosing Employees→Payroll Setup, which launches the Payroll Setup wizard. Figure 14-5 shows how the wizard helps you see where you are in the setup process. The following sections cover the payroll setup steps in detail.

You don't have to go through the entire payroll setup process in one shot. Simply click the Finish Later button if you want to take a break, and the wizard remembers everything you've done so far. (Yes, you *have* to complete every bit of payroll setup before you can run a payroll.)

Warning: Don't try to set up payroll the same day you want to run it for the first time. Intuit needs a few days to turn on your payroll service after you've completed your part of the setup process.

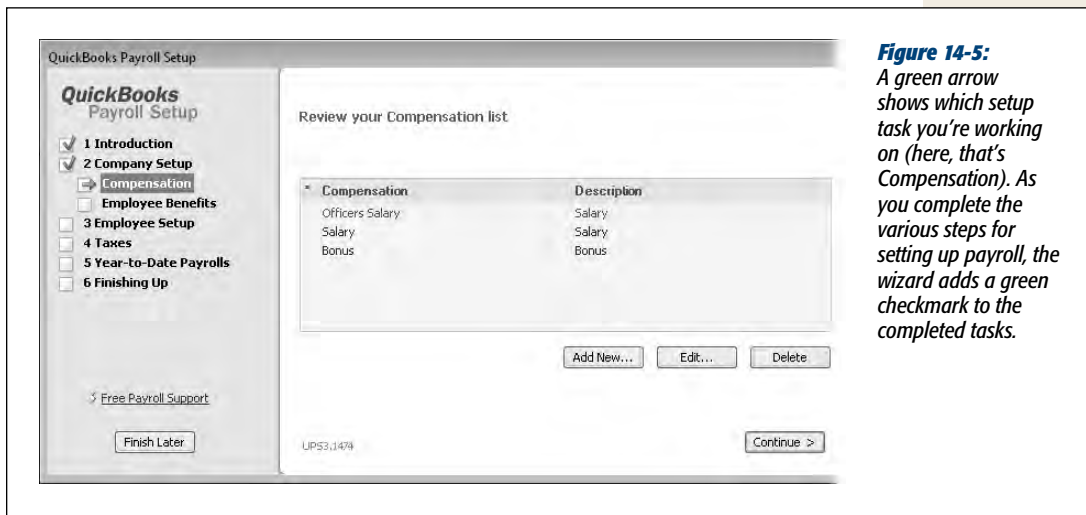


Figure 14-5: A green arrow shows which setup task you're working on (here, that's Compensation). As you complete the various steps for setting up payroll, the wizard adds a green checkmark to the completed tasks.

Setting Up Compensation and Benefits

The first payroll task is telling QuickBooks how you compensate your employees—whether you pay them a salary, hourly wages, or additional income such as bonuses or commissions. You also specify employee benefits like retirement contributions and insurance premiums—no matter whether the company or the employees pay for them.

The QuickBooks Payroll Setup wizard takes the guesswork out of choosing items for payroll. All you have to do is turn on checkboxes for the items you use and answer a few simple questions. Here's how:

1. Choose Employees→Payroll Setup.

The Payroll Setup wizard launches. Click Next to get past the introduction.

2. Click Company Setup and then click Compensation.

The wizard displays the payroll items you've selected. You can then add, edit, or delete items to reflect your payroll needs.

3. To add another payroll item in the current category, click the Add New button below the list of compensation items.

The Add New window includes checkboxes for the available items in that category, as shown in Figure 14-6.

Figure 14-6:

You don't calculate each employee's pay per payroll cycle in the Payroll Setup wizard. Instead, you set up hourly or annual pay rates for each employee (even if they all get the same rate) as described on page 381. QuickBooks then uses these pay rates to calculate the values for each paycheck.

4. Turn on the checkboxes for the compensation items you use, answer any questions that the wizard asks, and then click Finish.

The selected items appear in the wizard's Compensation list, but behind the scenes they get added to the Payroll Item List (choose Lists→Payroll Item List). QuickBooks also links those items to accounts in your chart of accounts so you can track your payroll expenses. For example, a salary payroll item links to an Expense account, like Salaries & Wages. (To see these accounts, open the Payroll Item List, select the payroll item, and then press Ctrl+E. Then click Next to see the expense account that goes with the item.) Likewise, if you deduct money from paychecks to pay taxes (page 382), the wizard connects the tax payroll item to a vendor (that is, the tax agency), so you're ready to send payroll taxes you owe. If QuickBooks adds items you don't need to the Payroll Item List, like extra pay for overtime, select the item and then click Delete.

To proceed to employee benefits, in the Payroll Setup wizard, click either the Continue button at the bottom-right of the window or the words "Employee Benefits" in the step navigation bar on the left side of the window.

In the step navigation bar, you'll see several subcategories of employee benefits: Insurance Benefits, Retirement Benefits, Paid Time Off, and Miscellaneous.

5. Click the words for a benefit category, like "Insurance Benefits," for example. The Insurance Benefits list shows any insurance benefits you've already set up, like pre-tax health insurance premiums.

- Click the Add New button, and then turn on the checkboxes for items like Dental Insurance, Vision Insurance, Group Term Life, or Medical Care FSA (FSA stands for “flexible spending account”).

If you don’t know what a benefit represents, click the Explain link to the right of its name. If QuickBooks needs to know more about the benefit like who pays for it and whether it’s tax-deductible, you’ll see the Next button instead of the Finish button. For example, for dental insurance, you pick whether you pay or the employee does, or whether you split the cost. You can also set up a scheduled payment to pay the insurance premiums.

- When you’re done answering questions, click Finish to close the Add New dialog box and return to the wizard.

The benefit(s) appear in the wizard’s list. Notes about each benefit show up in parentheses after the benefit’s name, like “(company paid)” if your company pays the entire premium.

- If you want to edit an item that’s already on the list, click it, and then click the Edit button below the list.

An Edit dialog box like the one shown in Figure 14-7 opens.

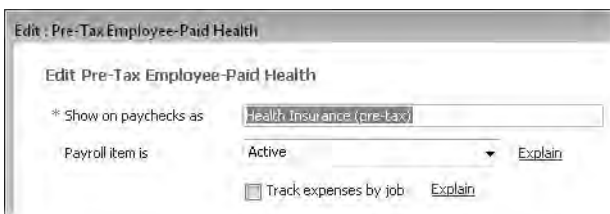


Figure 14-7:

The Edit dialog box shows the name of the benefit you’re editing, like “Edit: Pre-Tax Employee-Paid Health,” for example. Click Next or Previous to move through the screens of settings for the item.

- Repeat steps 5 through 8 for each category of employee benefits.

Retirement benefits include things like 401(k) contributions and company matching. Paid time off covers things like sick time and vacation. The Miscellaneous category cleans up with anything else that’s added or deducted from paychecks, like cash advances, mileage reimbursements, or union dues. For additions or deductions that aren’t covered by any of the Miscellaneous Item checkboxes, turn on either “Miscellaneous addition” or “Miscellaneous deduction”.

You aren’t finished with the wizard just yet, but you’re done setting up payroll items for compensation and benefits. See the next section to learn how to set up employees with the wizard.

Setting Up Employees

Before you dive into setting up employees with the Payroll Setup wizard, completing two other tasks *first* can speed up your work. Besides, after defining all your payroll

items, you could probably use a break. In the Payroll Setup wizard, click Finish Later at the bottom-left of the window and then perform these two steps:

- **Gather employee information and records.** You need personal info, such as Social Security numbers and hire dates, along with signed W-4 and I-9 federal forms. For employees already on the payroll, you need their pay rates, the total pay they've received, and deductions taken, along with sick time and vacation balances.
- **Set up employee payroll defaults.** If you have more than a few employees, you can save time by setting up the payroll items that apply to *every* employee, like common deductions. That way, QuickBooks automatically fills in these items for you when you create a new employee record, and you make only any necessary modifications for that individual. QuickBooks has a feature designed especially for this timesaving scheme, as described in the next section.

Setting employee defaults

Typically, you use a common set of payroll items for all your employees, such as salary, tax deductions, health insurance, and 401(k) contributions. Instead of assigning the same payroll items to each employee manually, you can save these standard items so that QuickBooks fills in most of the payroll fields for you. You can also specify the pay period you use and the class (page 135) to apply if you track performance by class.

Here's how to set up your standard payroll items:

1. **On the QuickBooks Home page, click the Employees button.**

The Employee Center window opens.

2. **In the Employee Center window's toolbar, choose Manage Employee Information→Change New Employee Default Settings.**

The Employee Defaults dialog box opens.

3. **In the dialog box, set up standard items for every type of payroll item you use, as shown in Figure 14-8.**

The Employee Defaults dialog box includes the same set of fields and checkboxes that you'll find in the Payroll Setup wizard and on the "Payroll and Compensation Info" tab in the New Employee window (in the Employee Center toolbar, click New Employee, and then, in the "Change tabs" drop-down list, choose "Payroll and Compensation Info"). When you edit an employee's record, you can change any default payroll settings that don't apply to that person.

Note: If you track employee work hours in QuickBooks (page 188) and pay your employees by the hour, the program happily calculates their paycheck amounts. In the Employee Defaults dialog box, simply turn on the "Use time data to create paychecks" checkbox below the Earnings section. To determine the gross amount of paychecks, the program multiplies the hours on employees' timesheets for the pay period by their hourly rates.

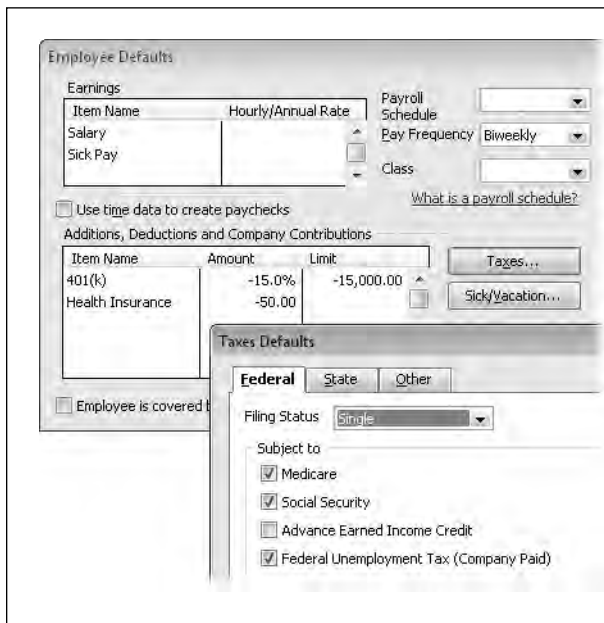


Figure 14-8:

Although your standard items for taxes don't appear in the "Additions, Deductions, and Company Contributions" list (background), when you click Taxes, you can see the payroll tax items assigned to each new employee (foreground). Similarly, by clicking the Sick/Vacation button, you can set how sick and vacation time accrue, the maximum accrued hours each year, and whether hours roll over from one year to the next. Sick and vacation time can accrue at the beginning of the year, so the employee receives the entire allotment on January 1, or you can have some time accrue each pay period.

Note: When you create a new employee, QuickBooks automatically fills in the fields you specified in Employee Defaults. For example, if you add a Salary item without an hourly or annual rate, QuickBooks adds the Salary item to each new employee's record but leaves the value field blank.

Creating employee records

You can either create employee records in the Payroll Setup wizard or by creating new employee records outside of the wizard (in the Employee Center toolbar, click New Employee to open the New Employee window). The info you have to provide is the same, but the Payroll Setup wizard is easier to navigate.

Tip: You can run the Payroll Setup wizard any time you want. For example, if you hire a new employee, run the wizard and add that person's record right then and there.

With employee records in hand and payroll settings in place, you can add employees in no time with the Payroll Setup wizard. Choose Employees→Payroll Setup to open the wizard once again. In the wizard's navigation bar, click Employee List. The wizard prompts you to provide all the information it needs to process payroll, as Figure 14-9 shows.

Figure 14-9: The Payroll Setup wizard indicates required fields with an asterisk. If a required field isn't filled in, you'll see a warning explaining why QuickBooks needs the information (like the one to the right of the City box here).

Here's how to fill out employee information in the Payroll Setup wizard:

- **Contact information.** For W-2 forms, you need the basic info about an employee (like his name and address). In the Payroll Setup wizard, if you add or edit an employee, the name and address screen collects the person's contact information, including phone number and email. This screen also includes the "Employee status" drop-down list, where you choose Active or Inactive depending on whether the person is working for you at the moment. If you want to add additional contact info, put it in the Edit Employee dialog box (to get to it, in the Employee Center, right-click an employee's name and then choose Edit on the shortcut menu).
- **Hiring information.** When you click the Next button on the "Enter employee's name and address" screen, this screen lets you fill in the basics about the person's employment: whether he's an officer, owner, or regular Joe; Social Security number; and hire date. You can also enter a release date, which is a diplomatic name for the last date the person worked for you. (Although you enter hiring information in QuickBooks, you still need separate files outside of QuickBooks to keep track of employee info.)

Note: Corporations have to keep track of officer compensation separate from employee compensation, which you do by choosing Officer in the "Employee type" drop-down list. In addition, you'll need two separate expense accounts for compensation, such as Salaries & Wages for your employees and Officer Salaries for the officers.

- **Wages and compensation.** This screen is where you specify the employee's compensation and payroll frequency. The wizard automatically displays the default payroll items for new employees. Turn on the checkboxes for the items that apply to this person. The label doesn't tell you, but the Amount boxes expect the *annual* pay rate, not how much the employee is paid each pay period. The box on page 381 explains how to tell QuickBooks to use employee timesheets to calculate paychecks.

GEM IN THE ROUGH

Building Paychecks from Time Worked

If you pay your employees by the hour *and* use one of QuickBooks' payroll services to generate employee payroll checks, time tracking can automate your payroll process a bit.

The people you pay via QuickBooks payroll have to be in your QuickBooks Employee List. When you link your employees to their QuickBooks timesheets, the program takes care of calculating how much they've earned. Here's how to link employees and timesheets to take advantage of this feature:

1. On the left side of the Home page, click the Employees button to open the Employee Center.
2. On the Employees tab, double-click an employee who you pay by the hour.

3. When the Edit Employee dialog box opens, click the "Change tabs" drop-down menu and choose "Payroll and Compensation Info".

4. Turn on the "Use time data to create paychecks" checkbox and then click OK to save the record.

Employees can still track time without this checkbox turned on, which is ideal if you *don't* need a connection between the hours worked and the employee's paycheck. For example, turn the checkbox *off* if you bill customers for employee time but pay those employees a straight salary.

- **Benefits.** On this screen, you specify the benefit deductions for the employee, like 401(k) and health insurance. Besides turning benefits on or off, you can specify the deduction as a dollar amount or percentage. For example, if the person wants to contribute 15 percent of her pay to her 401(k), you can type *15%* in the Amount box. Fill in the Annual Limit box for 401(k) with the current annual limit set by the government. For other benefits, type their annual limits, if they have them.
- **Sick time.** The sick time screen includes fields for specifying your sick-time policies: how much the employee earns and when, maximum amounts, and current balances.
- **Vacation time.** This screen is almost identical to the sick time screen, except that it specifies the employee's vacation earnings.
- **Direct deposit.** If you offer direct deposit, you can turn it on for an employee here and specify whether the deposit goes to only one bank account or to two (checking and savings, for example).

- **State tax.** This screen has two drop-down lists for telling QuickBooks where the employee lives and works. The choices you make determine the state tax and unemployment tax that the person pays. You'll have to answer more questions about state taxes after you tell the wizard about the federal taxes.
- **Federal tax.** On this screen, you tell the wizard about the employee's filing status, his number of allowances, extra withholdings, and whether he is subject to deductions like Social Security and Medicare.

At long last, you'll see the Finish button in the bottom-right corner of the Employee dialog box. Click it to complete the setup. If you missed any info, an exclamation mark in a yellow triangle appears to the left of the employee's name. An X in a red circle appears if there's a serious problem with something you entered. (The Summary column tells you what's missing.) Click Edit, and then fill in the missing information.

You can then add more employees. Or, to move on to tax settings (in the Payroll Setup navigation bar, click Taxes), as described in the next section.

UP TO SPEED

Setting Up Direct Deposit

Direct deposit makes everyone's life a little easier: You don't have to worry about guarding cashable checks until you deliver them to your employees, and your employees don't have to make a trip to the bank to deposit their earnings—the money transfers from your payroll account to the accounts that employees specify, such as checking and savings accounts.

Direct deposit is an add-on service (in other words, you have to pay extra for it) that you can sign up for no matter which QuickBooks payroll service you choose. Once you've activated the service (choose Help→Add QuickBooks Services and then, in the QuickBooks Products and Services Web page, click Payroll), you have to tell QuickBooks which bank and account gets the directly deposited money for each employee.

To make direct deposit work, you need the nine-digit routing number for the employee's bank and the employee's account number (or numbers) at that bank. Voided checks from employees are a great way to verify the routing and account numbers (and verify their accounts). When you split direct deposits between two accounts, the money that goes to each has to add up to the total amount of the paycheck.

If you use a payroll service other than QuickBooks', don't sign up for QuickBooks direct deposit service. You have to set up direct deposit with your third-party payroll service instead.

Setting Up Payroll Taxes

The next major step in setting up payroll is to tell QuickBooks your company's tax information: your tax ID numbers, the tax agencies you pay, and any local payroll taxes. In the Payroll Wizard's navigation bar, click Taxes to see an overview of what you can expect. Then, in the navigation bar, click "Federal taxes" to get down to work. The Federal tax screen simply lists the federal taxes for which you're responsible.

Note: You specify your federal tax ID number in the Company Information dialog box (choose Company→Company Information).

To add state taxes, in the navigation bar, click “State taxes”. Then, below the list of state taxes, click Add New. When you choose a state, the wizard adds the typical taxes for that state like income tax, unemployment tax, and so on. Provide your account number with the state and enter the rate. (You have to wait until after January 1 to enter tax rates for the next year.) Select a tax and click Edit to change how the tax’s name appears on paychecks or to make it inactive (if you no longer employ people in a particular state, for instance).

Tip: If you use a QuickBooks payroll service, you can set up a schedule for your payroll tax payments. In the Payroll Wizard’s navigation bar, click “Schedule payments”. Then in the Schedule Payments dialog box, tell QuickBooks who to pay and when. The program then keeps track of what you owe to each tax agency and reminds you when it’s time to pay your taxes. (The reminders show up in the Payroll Center: choose Employees→Payroll Center.)

Entering Historical Payroll

If you start using QuickBooks in the middle of a year, the best approach to record-keeping is entering all your financial transactions from the beginning of the year. At the end of the year, you and your accountant will be glad you did. But with payroll, it’s *essential* to enter all the payrolls you’ve processed since the beginning of the year. That’s the only way to produce W-2s at the end of the year with the correct totals for the whole year. In addition, entering previous payroll data means that the payroll calculations take into account deduction limits. For example, for 2010, Social Security taxes apply to only the first \$106,800 of income; income that an employee earns beyond that is free of Social Security tax.

Tip: If it’s nearing the end of the year, the easiest route is to wait until January 1 to switch to QuickBooks payroll.

If you use an outside service, you can add a single transaction with the year-to-date totals from the most recent statement the payroll service sent you. If you use QuickBooks’ payroll services, you have two ways of getting this year’s historical payroll information into your company file:

- **Run previous payrolls one by one.** This approach has an added bonus: You can take practice runs through the payroll process and verify the values against existing payroll reports from your other system. If you take this dummy-payroll approach, be sure to turn off the “To be printed” checkbox. Instead, fill in the check numbers from those past payrolls.

- **Use the Payroll Setup wizard to add amounts for the payrolls you ran without QuickBooks' payroll services.** Of course, you have to complete the first four wizard setup steps described on the previous pages. In the Payroll Setup wizard, when you see checkmarks in front of steps 1 (Introduction) through 4 (Taxes), you're ready to enter the year-to-date amounts. Gather your manual payroll records for the year so far and then, in the wizard's navigation bar, click Year-to-date Payrolls. Then simply click through the screens and type in the values from each quarter's payrolls.

TROUBLESHOOTING MOMENT

Verifying Payroll Summaries

After you've typed in your historical payroll data, it's a good idea to generate payroll summary reports in QuickBooks and compare them to the reports you received from your payroll service. From then on, these payroll summary reports can let you review relevant payroll data before cutting payroll checks. They also tell you what your payroll liabilities are and when you have to pay them to the appropriate government agencies.

The Payroll Summary report (choose Reports→Employees & Payroll→Payroll Summary) shows what you've paid on each payroll item, such as employee wages, taxes and other withholdings, and employer payroll taxes. QuickBooks generates this report for the current calendar quarter to date, but you can change the date range to see how much you've paid for a month, quarter, or entire year. In the Payroll Summary report's window, simply choose a date range in the Dates drop-down list, or type dates in the From and To boxes. (If you prefer to review payroll in Excel, choose Reports→Employees & Payroll→"Summarize Payroll Data in Excel".)

Compare the values in QuickBooks' report to the payroll service's report for the same quarter. If the numbers are wildly disparate, you probably left out an employee or a payroll run when you entered payroll summaries. Check the summary report to make sure that each employee you paid appears and double-check the values. Small discrepancies are probably data-entry errors. Compare each amount in the summary report to the amounts on your payroll service reports. When you find the source of the problem, edit the payroll transactions to make the corrections.

The Payroll Detail Review report (choose Reports→Employees & Payroll→Payroll Detail Review) shows how QuickBooks calculates tax amounts on paychecks. For example, the percentage for Social Security remains the same, but Social Security deductions stop when the employee reaches the maximum Social Security wage.

Running Payroll

Once your payroll setup is complete, generating payroll checks each pay period takes only a few minutes. But before you run payroll, you need up-to-date tax tables, as the box on page 385 explains. This section explains the steps for running a payroll, from selecting which employees you're going to pay to printing the checks.

WORD TO THE WISE

Updating Tax Tables

Make a habit of updating your tax tables before running each payroll. It's the best way to make sure you withhold the correct amounts. QuickBooks needs the most current tax tables to calculate your payroll taxes correctly and generate the correct payroll tax forms. No matter which QuickBooks payroll service you sign up for, being able to download updated tax tables is one of the benefits you receive with your subscription.

Before you run a payroll, download a tax update by choosing Employees→Get Payroll Updates. Click Update to start

the download. After the progress bar disappears, you'll see a confirmation message. Click OK to view the contents of the update.

If you sign up for the Assisted Payroll service, QuickBooks checks whether your tax info is the most current whenever you send payroll data, and downloads the update for you automatically if your tax tables are out-of-date.

Note: When you use direct-deposit services, you have to run payroll at least two banking days before the actual pay date so the service can process the payroll and transfer money into your employees' accounts. The transmission date may change due to bank holidays, so be sure to check payroll messages from the bank to see if you need to transmit payroll data earlier than usual. If you pay employees by the hour, this processing period creates a lag in employees' pay. For example, if you pay employees for the hours they work between the 1st and the 15th of the month, direct deposits wouldn't appear in their accounts until the 17th at the earliest.

Here's how to run a payroll:

1. **Choose Employees→Pay Employees or, on the Home page, click the Pay Employees icon.**

The Enter Payroll Information window (Figure 14-10) opens to the first screen, where you set up the pay period and check date, and pick which employees to pay. The Bank Account box is automatically set to the account you choose for payroll in QuickBooks' preferences as described on page 567.

2. **If the Pay Period Ends date isn't right, choose the date you want.**

Each time you run payroll, QuickBooks changes the date to the next payroll date based on the payroll frequency you set in Employee Defaults (page 378). In the Check Date box, choose the date you want on this batch of paychecks.

3. **To select all your employees (which is the most common choice), click the Check All button above the employee table.**

If you pay employees by the hour, you might prefer to select only the employees who worked during that pay period. To select individual employees, click an employee's checkmark cell to turn it on.

Enter Payroll Information

Payroll Information

Pay Employees: 5

Pay Period Ends: 08/27/2010

Check Date: 08/27/2010

Bank Account: 1010 - First Financial Pa...

Bank Account Balance: 12,477.69

Uncheck All Open Paycheck Detail... Sort By: Employee Name Show/Hide Columns

Employee	Salary	Officers Salary	Total Hours
✓ Labor, Lana	80:00		80:00
✓ Sales, Soupy	80:00		80:00
✓ Slate, Blake	80:00		80:00
✓ Smith, Toshiro		80:00	80:00
✓ Zaster, Dee	80:00		80:00

How do I use this window to enter payroll information? Finish Later Continue

Figure 14-10:
Employees who are set to inactive status in the Employees List don't show up in this window, and neither do employees whose release dates (page 380) are prior to the date in the Pay Period Ends box.

- If you want to see what QuickBooks calculated for each employee's paycheck, click the Open Paycheck Detail button above the employee table.

The Preview Paycheck dialog box (a real monster, as Figure 14-11 shows) starts with the first selected employee's earnings and payroll items. You can change the values in white cells; gray cells like the ones for year-to-date values aren't editable.

Preview Paycheck

Labor, Lana

Pay Period: 08/14/2010 - 08/27/2010

☐ Use Direct Deposit Class: [dropdown]

Earnings

Item Name	Rate	Hours	Customer/Job
Salary	3,076.92	80:00	

Other Payroll Items

Item Name	Rate	Quantity
401(k)	-15.0%	
Health Insurance	-25.00	

Company Summary (adjusted)

Item Name	Amount	YTD
IA - Admin. Surcharge	0.00	0.00
IA - Reserve Fund	0.00	0.00
Social Security Company	0.00	0.00
Medicare Company	0.00	0.00
Federal Unemployment	0.00	0.00

Employee Summary (adjusted)

Item Name	Amount	YTD
Salary	3,076.92	6,153.84
401(k)	-461.54	-923.08
Health Insurance	-25.00	-50.00
Federal Withholding	0.00	0.00
Social Security Employee	0.00	0.00
Medicare Employee	0.00	0.00
IA - Income Tax	0.00	0.00

Check Amount: 2,590.38

Save & Previous Save & Next Save & Close Cancel Help

☐ Enter net/Calculate gross What's this?

Figure 14-11:
In this dialog box, the Earnings section shows the gross amount of the employee's paycheck. For salaried employees, QuickBooks prorates the salary to the length of the pay period. In the Other Payroll Items and Company Summary sections, the program uses the tax tables and your payroll items to calculate deductions or additions. Below the Class box is a list of available sick and vacation time. The Employee Summary section shows the entries you typically see on a pay stub.

5. Click **Save & Next** to view the next paycheck.

Or, click **Save & Close** to return to the **Enter Payroll Information** window without reviewing other employees' records.

6. Back in the **Enter Payroll Information** window, click **Continue** to move on to creating paychecks.

The “**Review and Create Paychecks**” window shown in Figure 14-12 opens. The employee table shows the values for each employee's paycheck and the total for each category. If you see any numbers that don't look right, click the **Open Paycheck Detail** button and repeat step 4 to correct the values.

Employee	Gross Pay	Taxes	Deductions	Net Pay	Employer Tax Contributions	Total Hours	Direct Dep.
Labor, Lana	3,076.92	-804.93	-486.54	1,785.45	0.00	80:00	
Sales, Soupy	3,846.15	-1,063.12	-601.92	2,181.11	0.00	80:00	
Slate, Blake	3,846.15	-1,070.80	-601.92	2,173.43	0.00	80:00	
Smith, Toshio	3,846.15	-1,743.80	-601.92	1,500.43	0.00	80:00	
Zaster, Dee	4,230.77	-1,577.45	-659.62	1,993.70	0.00	80:00	
	18,846.14	-6,260.10	-2,951.92	9,634.12	0.00	400:00	

Figure 14-12:

If you're filling in payrolls you ran before using QuickBooks' payroll services, select the "Assign check numbers to handwritten checks" option, as shown here. Then, in the First Check Number box, type the starting check number for that payroll run. For current payroll runs, select the option for how you produce paychecks. (Do the same thing if you hand-write checks.) For employees who have their paychecks deposited directly (page 381), click the employee's Direct Dep. cell (in the right-most column) to turn on its checkmark.

7. When everything looks good, in the “**Review and Create Paychecks**” window, click **Create Paychecks**.

QuickBooks creates the records for the paychecks, but you still have some printing to do, as the next section explains.

TROUBLESHOOTING MOMENT

Deleting Duplicate Paychecks

If you get called away to handle a crisis before you print paychecks, you might forget where you were and accidentally create a second batch of paychecks for the same pay period. When you return to printing paychecks, you'll see the duplicates in the Select Paychecks to Print dialog box. What you *won't* see is a way to delete those paychecks.

Getting rid of duplicate paychecks is one of the more obscure procedures in QuickBooks. Here's what you need to do:

1. Choose Reports→Employees & Payroll→“Payroll Transactions by Payee” to run a report of paychecks for every employee.

2. In the report window, double-click a duplicate paycheck transaction to open the Paycheck window.
3. Press Ctrl+D (or right-click within the window and choose Delete Paycheck from the shortcut menu that appears) to delete that paycheck.
4. In the confirmation box that appears, click OK.

You have to repeat this process for each duplicate paycheck. The upside: After all that drudgery, you probably won't make the mistake of duplicating paychecks ever again.

Printing Paychecks and Pay Stubs

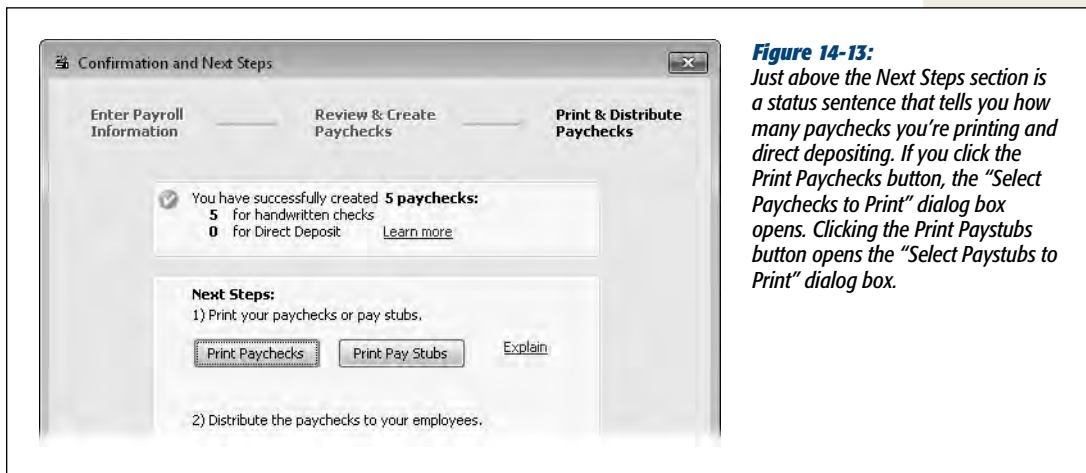
If your employees want paper checks that they can deposit at the bank, you can print the paychecks you just created (which usually come with pay *stubs* that employees can keep for their records). But if your employees use direct deposit (page 381) so the money goes straight into their bank accounts, you don't have to print paychecks. In fact, you shouldn't or you'll end up with two QuickBooks transactions deducting money from your payroll account. Still, your employees likely want a record of their pay for the period, so you can print pay stubs instead.

Note: If you've signed up for QuickBooks' direct-deposit service, you still have to *create* paychecks, but you just don't *print* them. After you create the direct-deposit paychecks, you process them by choosing Employees→Send Payroll Data. (If you haven't signed up for direct deposit, you won't see this menu entry.) To send the paychecks, click Go Online, and when you're done, click Close.

Printing paychecks and pay stubs is almost identical to printing expense checks (page 232). Here's the process:

1. **Load the printer with checks for the account you use for payroll, whether it's your regular checking account or a separate one.**

If you clicked Create Paychecks in the “Review and Create Paychecks” window, you see the “Confirmation and Next Steps” dialog box, which tells you how many paychecks are waiting to be printed and how many are going to be deposited directly, as shown in Figure 14-13.

**Figure 14-13:**

Just above the Next Steps section is a status sentence that tells you how many paychecks you're printing and direct depositing. If you click the Print Paychecks button, the "Select Paychecks to Print" dialog box opens. Clicking the Print Paystubs button opens the "Select Paystubs to Print" dialog box.

2. To print paychecks, simply click the Print Paychecks button.

Paycheck forms typically come with detachable pay stubs, so printing paychecks in QuickBooks means printing paychecks and pay stubs. If you want to print pay stubs for direct deposits, click the Print Pay Stubs button. (A pay stub is like a report of the employees' payroll data that you can distribute.)

Note: If you forgot to load the printer with checks, click Close. You can print the checks or stubs later by choosing File→Print Forms→Paychecks or File→Print Forms→Pay Stubs.

3. In the "Select Paychecks to Print" (or "Select Paystubs to Print") dialog box, QuickBooks selects all the unprinted checks or pay stubs. Make sure that you're using the correct bank account and check number.

If the account in the Bank Account box is wrong, choose the account you use for payroll from the drop-down list. In the First Check Number box, type the number on the first check in the printer.

The "Select Paychecks to Print" dialog box automatically displays all paychecks waiting to print, both direct deposit and paper. If you process paychecks and direct deposit paychecks in different ways, choose one of the Show options (Paychecks or Direct Deposit) to list only one type at a time.

4. If you want to customize what appears on the paychecks, click Preferences.

In the Payroll Printing Preferences dialog box, you can specify whether to print used and available vacation and sick time and—if you're security conscious—whether to omit all but the last four digits of employees' Social Security and bank account numbers. Click OK to return to the "Select Paychecks to Print" dialog box.

5. When you're ready to print the paychecks, in the "Select Paychecks to Print" dialog box, click OK.

The Print Checks dialog box opens with the same options you see when you print expense checks. You can choose the style of check to use and how many checks are on the first sheet in the printer. Click Print to begin printing paychecks.

6. After QuickBooks prints the paychecks, it opens the Print Checks - Confirmation dialog box. If a problem occurred, click the Reprint cell for each check that didn't print properly, and then click OK to reprint those checks.

After the checks or stubs are printed, click Close and distribute the checks and pay stubs to your employees. If an employee loses a paycheck and wants you to print a new one, see the box on page 390.

TROUBLESHOOTING MOMENT

Reissuing a Lost Paycheck

If an employee's paycheck gets lost, that employee is bound to want a new one. Because payroll checks affect tax returns and payroll liabilities, reissuing a paycheck while keeping payroll info straight requires a few steps. You need to keep your payroll expenses and payroll liabilities intact, and eliminate the duplicate net pay from the original, lost paycheck. Here's what you have to do:

1. First, verify that the paycheck hasn't cleared at your bank. If it hasn't, request a stop payment on the check.
2. Open your checking account register (in the Chart of Accounts window, double-click the account's name) and find the lost paycheck. Jot down the original check number.
3. Double-click the paycheck to open the Paycheck window.
4. In the window's toolbar, click Print. In the Printed Check Number box, type a new check number (the next one in the sequence for your payroll checks), and then click OK. You've now reissued the paycheck

with a new check number, but you still have to void the original, lost check.

5. Press Ctrl+W to open the Write Checks window.
6. Make out the new check to the employee, but use the original check number for the lost check and type the *net* pay amount from the lost check in the amount field. In the account cell, choose Payroll Expenses.
7. Click Save & Close. This step removes the payroll taxes and liabilities from the original paycheck (because they're now part of the reissued paycheck). This newly created check represents only what you paid to the employee.
8. Void the check you just created: Select the check in the register and then choose Edit→Void Check. Voilà! You've just removed the amount you paid the employee on the lost check.

If you want to charge the employee for the stop-payment fee, you can add a payroll deduction to the paycheck to reduce the employee's net pay. If the lost check was the bank's fault, it'll reimburse the employee for those fees.

Paying Payroll Taxes

In addition to paying your employees, you also have to remit payroll taxes and withholdings to a number of government agencies. This book can't tell you exactly which payroll taxes you have to pay and when you need to pay them, because it depends on where you are and the size of your payroll. The federal government has its

requirements; each state has its own rules and schedules; and, in some areas, local governments tack on their own payroll taxes as well.

Note: QuickBooks Payroll services provide tables for federal *and* state payroll taxes. You have to calculate local taxes yourself.

Because the penalties for submitting payroll liabilities to the government are meant to hurt, you don't want to skip the reports that show how much you owe in payroll taxes and when the payments are due. The Payroll Liability Balances report (choose Reports→Employees & Payroll→Payroll Liability Balances) shows how much you owe for each type of payroll tax for the current quarter. And you'll find the information you need to fill in state tax forms on the Employee State Taxes Detail report (Reports→Employees & Payroll→Employee State Taxes Detail).

Government agencies send you letters telling you what your tax rates are and what payment schedule you have to follow. When you set up payroll in QuickBooks (page 382), you enter these details. The tax tables that QuickBooks' payroll services download update tax rates to reflect what agencies are demanding at the moment. Because the specifics of remitting payroll taxes vary from company to company, you need to follow the instructions you receive from the tax agencies, your bank, and your accountant. When it's time to remit payroll taxes, here's how you generate the payment checks:

1. Choose Employees→“Payroll Taxes and Liabilities”→Pay Payroll Liabilities (or on the Home page, click Pay Payroll Liabilities).

QuickBooks opens the Select Date Range For Liabilities dialog box, where you specify the starting and ending dates for the payment period for a payroll tax. For example, the federal government determines payment frequency by the amount that you withhold from your employees' paychecks, and the most common frequency is monthly.

Note: If your deposit frequency changes—perhaps because you've hired a gaggle of new employees—you'll receive a letter from the IRS with your new deposit frequency.

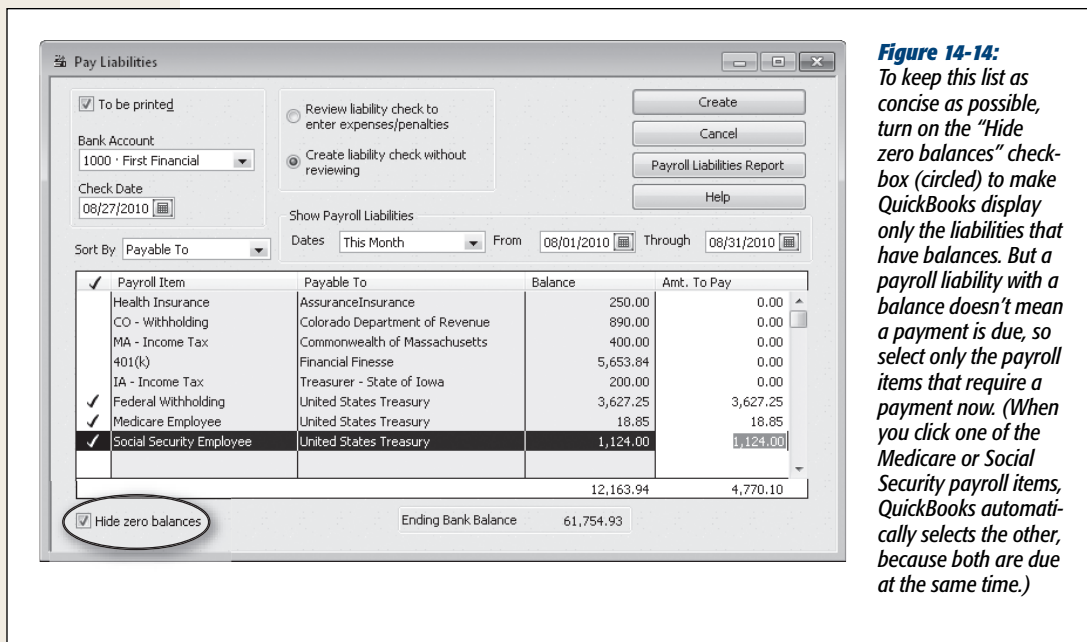
2. In the Dates drop-down list, choose the period for which you're paying payroll liabilities, such as Last Calendar Quarter or Last Month.

The Dates drop-down list includes the most typical date ranges you'll need. However, if you have a special date range to cover, in the From and To boxes, choose the starting and ending dates, respectively.

3. Click OK.

The Pay Liabilities dialog box (Figure 14-14) opens, listing all the payroll liabilities you have to remit and the agencies or organizations to whom you send the payments. QuickBooks automatically turns on the “To be printed” checkbox,

which adds checks to the queue of checks waiting to be printed. If you plan to write the checks by hand, turn off this checkbox.



Tip: If you aren’t changing the values on the checks, select the “Create liability check without reviewing” option. If you select the “Review liability check to enter expenses/penalties” option, you can make changes to the checks before you print them.

4. If necessary, in the Bank Account box, choose the account you use for payroll. QuickBooks fills in the account you specified in payroll preferences (page 584).
5. In the Check Date box, choose the date you want printed on the checks. Make sure that this date meets the payment schedule requirements for the tax agency you’re paying.
6. Choose the payroll liabilities that you want to pay with one check by clicking the cell in the checkmark column for each payroll item.

The government isn’t known for picking up on small details, such as two different payroll liabilities on the same check—unless the IRS is on an audit kick. So it’s a good idea to create separate checks for each payroll liability to the same agency. To separate payments to the same vendor, select one payroll liability for a vendor on your first pass. Then, after you’ve created one batch of payroll liability checks, open the Pay Liabilities window again and select another payment for the same vendor.

7. **When you've chosen the items you want to pay, click Create.**

The window closes and QuickBooks creates checks for those payroll liabilities. If you turned on the "To be printed" checkbox, QuickBooks adds the checks to the queue of checks to be printed. If this checkbox is turned off, the program records the transactions in your company file, but you have to write the checks by hand.

8. **To print the checks, choose File→Print Forms→Checks.**

The "Select Checks to Print" dialog box opens.

9. **In the Bank Account drop-down list, choose the account you use for payroll.**

If necessary, in the First Check Number box, type the first check number in your printer. QuickBooks automatically selects all the checks in the queue. If you want to prevent a check from printing in this run, turn off its checkbox.

10. **Click OK to open the Print Checks dialog box.**

The options for payroll liability checks are the same as for paychecks and expense checks (page 232).

Note: If you use Assisted Payroll, the payroll service automatically makes your federal and state payroll tax liability payments. But you still have to send the payroll data to the service so it knows how much to send to the appropriate tax agencies.

After you have checks in hand, fill in the coupons or forms that the tax agency sent you and send the payment and the payment coupon per the agency's instructions. For example, make federal payments at the bank where you keep your payroll account.

Preparing Payroll Tax Forms

Tax agencies require that you regularly submit forms documenting the payroll taxes and withholdings you're supposed to remit and how much you've already sent in. If you use Basic Payroll or a non-QuickBooks service, you can't produce payroll tax forms in QuickBooks. However, some QuickBooks payroll services let you print payroll tax forms and W-2s. If you subscribe to Enhanced Payroll, for example, you can generate federal and state tax forms. Although the forms that QuickBooks produces aren't exact replicas of the preprinted forms you might receive from the government, they're close enough that you can send them in without fear of rejection.

Tip: Many tax agencies are moving to phone and electronic filing. If you use one of these filing options, choose Reports→Employees & Payroll and then choose a report, like Employee State Taxes Detail, to get the values you need for your filing.

Regardless of which tax form you want to generate, the steps are basically the same:

1. Choose Employees→Payroll Tax Forms & W-2s→Process Payroll Forms.

QuickBooks opens the Select Form Type dialog box, which includes option buttons for federal and state forms.

2. Choose the “Federal form” or “State form” option, and then click OK.

QuickBooks displays the Select Payroll Form dialog box, which lists the federal and state forms that the program can generate. Depending on the form you choose, you may have to specify the filing period.

How you specify the filing period varies by form. If you choose the Quarterly Form 941, for example, in the Quarter drop-down list, choose the quarter for which you want to generate a report. QuickBooks changes the date in the Quarter Ending box to match the quarter you choose. (Form 940 requires only the filing year, and W-2s don’t need anything.)

3. To export your payroll data to the form and display the filled-in form, click OK.

The form appears in the Payroll Tax Form window. Although QuickBooks formats the form so it’s easy for you to read and review, when you print it, it looks like the preprinted forms you receive from the tax agency. To print the form, in the Payroll Tax Form window, click Print. Now you’re ready to mail the report in.

Bank Accounts, Credit Cards, and Petty Cash

You’ve opened your mail, plucked out your customers’ payments, and deposited them in your bank account (Chapter 13); in addition to that, your bills are paid (Chapter 9). Now you can sit back and relax knowing that *most* of the transactions in your bank and credit card accounts are accounted for. What’s left?

Some stray transactions might pop up—an insurance claim check to deposit, restocking your petty cash drawer, or a fee from your bank for a customer’s bounced check, to name a few. Plus, running a business typically means that money moves between accounts—from interest-bearing accounts to checking accounts or from merchant credit card accounts to savings. For any financial transaction you perform, QuickBooks has a way to enter it, whether you prefer the guidance of dialog boxes or the speed of an account-register window.

Reconciling your accounts to your bank statements is another key process you don’t want to skip. You and your bank can both make mistakes, and *reconciling* your accounts is the best way to catch these discrepancies. Once the bane of bookkeepers everywhere, reconciling is practically automatic now that you can download transactions electronically and let QuickBooks handle the math.

In this chapter, the section on reconciling is the only must-read. If you want to learn the fastest way to enter any type of bank account transaction, don’t skip the first section, “Entering Transactions in an Account Register.” You can read about transferring funds, loans, bounced checks, and other financial arcana covered in this chapter as the need arises.

Entering Transactions in an Account Register

QuickBooks includes windows and dialog boxes for making deposits, writing checks, and transferring funds, but you can also record these transactions right in a bank account's register window. Working in a register window has two advantages over the dialog boxes:

- **Speed.** Entering a transaction in a register window is fast, particularly when keyboard shortcuts (like pressing Tab to move between fields) are second nature.
- **Visibility.** Windows, such as Write Checks, keep you focused on the transaction at hand; you can't see other transactions unless you align the transaction window and the register window side by side. But in a register window, you can look at previous transactions for reference and avoid entering duplicate transactions.

Opening a Register Window

You have to open a register window before you can enter transactions in it. Luckily, opening these windows couldn't be easier. If you want to open a bank account or credit card register, at the top-right of the Home page, under Account Balances, double-click the account you want to see. And here's how you can open *any* kind of account's register window:

1. If the Chart of Accounts window isn't open, press Ctrl+A (or, on the Home page, click Chart of Accounts) to open it.

The window pops open, listing all accounts you've set up in QuickBooks.

2. In the Chart of Accounts window, double-click the account whose register window you want to open (Figure 5-1).

This method can open register windows for more than just bank accounts. See the box on page 397 to learn about different ways to handle credit card accounts.

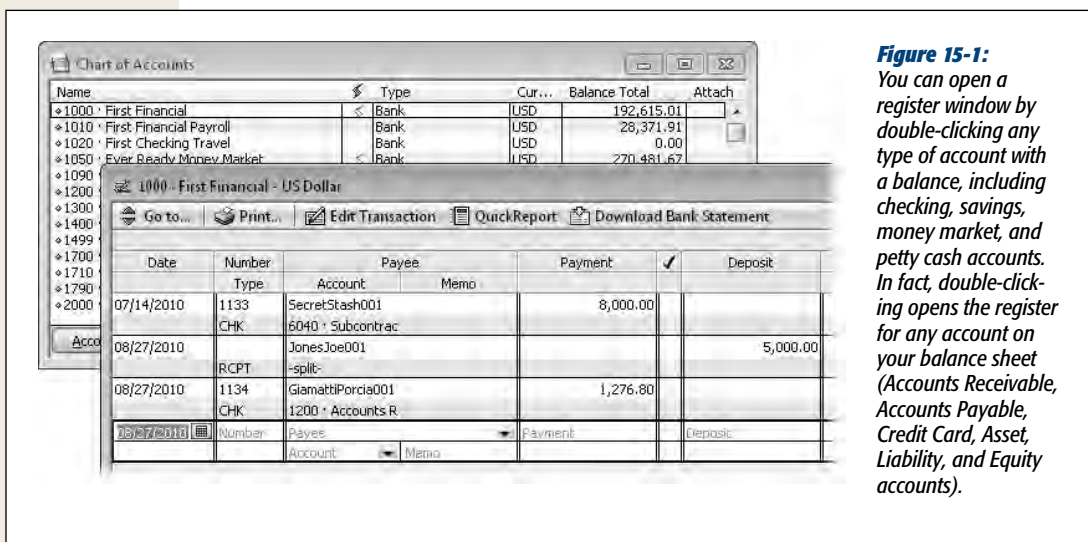


Figure 15-1:
You can open a register window by double-clicking any type of account with a balance, including checking, savings, money market, and petty cash accounts. In fact, double-clicking opens the register for any account on your balance sheet (Accounts Receivable, Accounts Payable, Credit Card, Asset, Liability, and Equity accounts).

Note: Income and expense accounts don't have registers in QuickBooks. When you double-click an income or expense account, QuickBooks generates a QuickReport of the transactions for that account. From the report window, you can take a closer look at a transaction by double-clicking it.

Creating a Transaction in an Account Register

The steps for creating a check in your checking account register (page 236) work for deposits and transfers, too, with only a few minor adjustments. Here's how to fill in the cells in the register window to create any kind of bank transaction:

- **Date.** When you first open a bank account's register window, QuickBooks automatically puts the current date in the Date cell of the first blank transaction. Tweaking the date by a few days is as easy as pressing + or – until the date is the one you want. (To become a master of keyboard shortcuts for dates, read the box on page 399.)
- **Number.** When you jump to the Number cell (by pressing Tab), QuickBooks automatically fills in the next check number for the bank account. If the number doesn't match the paper check you want to write, press + or – until the number is correct. (For some types of accounts like credit cards and assets, the register has a Ref field instead of a Number field. You can fill in a reference number for the transaction or leave it blank.)

FREQUENTLY ASKED QUESTION

Managing Credit Card Accounts

Are credit cards accounts or vendors?

In QuickBooks, credit cards can be accounts or vendors, depending on how you prefer to record your credit card transactions. Here's the deal:

- **Credit card account.** If you prefer to keep your expenditures up-to-date in your company file, create an account for your credit card and enter the charges as they happen (which takes no time at all if you download credit card transactions; page 547 tells you how). Then, you reconcile a credit card account as you would a checking account (page 408), but QuickBooks makes that easy. To prevent credit card charge payee names from filling your Vendor List with entries you don't need, store names in the Memo cell or create more general vendors like Gas, Restaurant, and Office Supplies.
- **Credit card vendor.** Setting up a credit card as a vendor has a few advantages: You don't have to reconcile a credit card account when you receive your credit card statement. The name of every emporium and establishment you bless with credit card purchases won't fill up your Vendor List. And instead of entering credit card charges as they happen, you can wait until you receive your credit card statement. The drawback is that you still have to allocate the money you spent to the appropriate accounts, and you can't download that split transaction from your credit card company. With statement in hand, in the Enter Bills window, enter a bill (page 201) for the total amount on your credit card statement. Then, on the Expenses and Items tabs, add entries to allocate charges to the appropriate expense accounts.

To make an online payment (see Chapter 22), in the Number cell, type S, which QuickBooks promptly changes to *Send*. To enter a deposit, you can bypass the Number and Payment cells regardless of what values they have, as you can see in Figure 15-2.

Number cell is cleared
DEP indicates deposit

Amount is in Deposit cell

Figure 15-2:
You aren't alone if you frequently type a deposit amount in the Payment cell by mistake. To record a deposit correctly, be sure to enter its value in the Deposit cell. When you move to another cell, QuickBooks springs into action, automatically clearing the check number out of the Number cell and the value out of the Payment cell. And it replaces the code CHK in the Type cell with DEP for deposit.

Note: QuickBooks keeps track of handwritten and printed checks separately. When you use the register window to create a check, QuickBooks fills in the Number cell by incrementing the last *handwritten* check number. When you choose File→Print Forms→Checks, the program fills in the First Check Number box by incrementing the last *printed* check number.

- **Payee.** QuickBooks doesn't require a value in this cell. In fact, if it's a payee you only occasionally work with, it's better to leave the Payee cell blank for deposits, transfers, or petty cash transactions so your Vendors list doesn't fill up with names you rarely use. Instead, type a Payee name like *Deposit* or *Petty Cash* and then fill in the Memo cell with a description of the transaction, like *Insurance Claim*.

As you start typing the name of the payee, QuickBooks scans the names in the various lists in your company file (Vendors, Customers, Other Names, and so on) and selects the first name it finds that matches the letters you've typed so far. As soon as QuickBooks selects the one you want, press Tab to move to the Payment cell.

- **Payment or Charge.** For checks you write, fees that the bank deducts from your account, and petty cash withdrawals, type the amount in the Payment cell. In a credit card register, this field is named Charge for the credit card charges you make.

POWER USERS' CLINIC

Keyboard Shortcuts for Dates

If pressing + or – to increment dates seems rudimentary to you, add some of the following keyboard shortcuts to your date-selection arsenal. When the cursor is in the Date field, these can help you jump directly to favorite dates:

- **Press T (for Today)** to change the date to today's date.
- **Press M (for Month)** to select the first day of the current month. Pressing M additional times jumps to the first day of previous months.
- **Press H (for month)** to select the last day of the current month. Pressing H additional times jumps to the last day of months in the future.
- **Press W (for Week)** to choose the first day of the current week. Pressing W additional times jumps to the first day of previous weeks.

- **Press K (for week)** to choose the last day of the current week. Pressing K additional times jumps to the last day of future weeks.
- **Press Y (for Year)** to choose the first day of the current year. Pressing Y additional times jumps to the first day of previous years.
- **Press R (for year)** to choose the last day of the current year. Pressing R additional times jumps to the last day of future years.

You can press these letters multiple times to pick dates further in the past or the future and combine them with pressing + and – to reach any date you want. But face it: After half a dozen keystrokes, it might be easier to type a numeric date, such as 3/14/11, or to click the Calendar icon and choose the date.

- **Deposit.** For deposits you make to checking or petty cash, or interest you earned, type the amount in the Deposit cell. In a credit card register, this field is called Payment, because you make payments *to* a credit card account (the opposite of making a payment *from* a checking account).

Note: In QuickBooks transactions, money either goes out or comes in—there's no in-between. When you enter a value in the Payment cell, QuickBooks clears the Deposit cell's value, and vice versa.

- **Account.** This cell can play many roles. For instance, when you're creating a check, choose the account for the expense it represents. If you're making a deposit, choose the income or expense account to which you want to post the deposit. (Depositing an insurance claim check that pays for equipment repair reduces the balance of the expense account for equipment maintenance and repair.) If you're transferring money from another bank account, choose that account instead.
- **Memo.** Filling in the Memo cell can jog your memory no matter what type of transaction you create. Enter the bank branch for a deposit (in case your deposit ends up in someone else's account), the restaurant for a credit card charge, or the items you purchased with petty cash. The contents of the Memo cell appear in the reports you create.

Tip: Remember your accountant's insistence on an audit trail? If you create a transaction by mistake, don't delete it. Although QuickBooks' audit trail keeps track of transactions that you delete, the omission can be confusing to others—or to you after some time has passed.

Instead of deleting transactions, void them. That way, payment or deposit amount changes to zero, but the voided transaction still appears in your company file, so you know that it happened. Because the amount is zero, the transaction doesn't affect any account balances or financial reports. Before you void a transaction, add a note in the Memo field that explains why you're voiding it. Then, in a register window, right-click a transaction and choose the appropriate Void command (Void Check, Void Deposit, and so on) on the shortcut menu.

Handling Bounced Checks

Bouncing one of your own checks is annoying and embarrassing. It can be expensive, too, since banks charge for each check you bounce (and, often, they craftily pay your larger checks before the smaller ones to rack up as many bounced-check charges as possible). Besides depositing more money to cover the shortfall and paying those bank fees, you have to tell people to re-deposit the checks that bounced or write new ones.

When someone pays *your* company with a rubber check, it's just as annoying. In addition to the charges your bank might charge for re-depositing a bounced check, you have to do a few things to straighten out your records in QuickBooks when a customer's check bounces, such as:

- Record a new transaction that removes the amount of the bounced check from your checking account, because the money never made it there.
- Record any charges that your bank levies on your account for your customer's bounced check.
- Invoice the customer to recover the original payment, your bounced-check charges, and any additional charges you add for your trouble.

Setting Up QuickBooks to Handle Bounced Checks

Before you can re-invoice your customers, you first need to create items for bounced checks and their associated charges.

Bounced check reimbursement item

When a check you deposit bounces, you'll see two transactions on your next bank statement: the original deposit and a second transaction that removes the amount when the check bounces. You have to create the same transactions in your company file, so you don't overestimate your bank balance and write bad checks of your own. Because the customer hasn't really paid you, the amount of the check should go back into your Accounts Receivable account.

To create an item that removes the amount of the bounced check from your bank account, create an Other Charge item. Here's how:

1. **Choose Lists→Item List to open the Item List window, and then press Ctrl+N.**

The New Item window opens.

2. **In the Type drop-down list, choose Other Charge.**

The Other Charge item type is perfect for miscellaneous charges that don't fit any other category.

3. **In the Item Name/Number box, type the item's name, like *BadCheck*. In the Account drop-down list, choose your bank account, and then click OK.**

The new item appears in the Item List.

Service charges for bounced checks

Companies typically request reimbursement for bounced-check charges, and many companies tack on *additional* service charges for the inconvenience of processing a bounced check. Depending on how you account for these charges, you'll use one or two Other Charge type items:

- **Bounced-check charge reimbursement.** To request reimbursement from a customer for your bank's bounced-check charges, you need an Other Charge item that you can add to an invoice, called something like *BadCheck Charge*. Be sure to choose a nontaxable code for the item so that QuickBooks doesn't calculate sales tax.

QuickBooks doesn't care whether you post this item to an income account or an expense account. For example, you can post reimbursed bounced-check charges to the same income account you use for other types of service charges. Although the customer's reimbursement appears as income, the bank charge you paid is an expense. The effect on your net profit (income minus expenses) is zero.

You can also post bounced-check reimbursements directly to the same expense account you use for bank service charges. Then when you pay your bank's bounced-check charge, it shows up as an expense in the bank service charge account. When the customer pays you back, QuickBooks credits the bank service charge account to reduce your service charge expenses. The effect on net profit is still zero.

- **Bounced-check service charge.** If you post your bank's bounced-check charges to an income account (such as a Service Charge account), you can use the same item for any *extra* service charge you apply for the hassle of handling bounced checks. However, if you post customers' bounced-check charge reimbursements to your bank service charge *expense* account, you need an additional item for your bounced-check service charge. Create an Other Charge type item for the additional service charge, and for the item's Account, choose your service charge income account. Like the bounced-check charge reimbursement item, make this charge nontaxable.

Recording Bank Charges

The easiest place to record a bounced-check charge is in the bank account's register window. This technique works for any charge your bank drops on your account or for service charges and interest your credit card company levies:

1. Press Ctrl+A to open the Chart of Accounts window and then, in the window, double-click your bank account to open its register window.
2. In the Date cell for the first blank transaction, choose the date when the bank assessed the charge.

QuickBooks automatically fills in the Number cell with the next check number. Be sure to delete that number before saving the transaction to keep your QuickBooks check numbers synchronized with your paper checks.

3. In the Payee cell, type a generic payee name like *Bank Charge*.
Alternatively, you can type the name of your bank or credit card company.
4. Type the details of the bank charge in the Memo cell, as shown in Figure 15-3.

For a bounced check charge, add the name of the customer, a note that a check bounced, and the number of the check that bounced.

Date	Number	Account	Payee	Memo	Payment	✓
08/27/2010		JonesJoe001				
	RCPT	-split-				
08/27/2010	1134	GiamattiPorcia001			1,276.80	
	CHK	1200 - Accounts Receivable				
08/30/2010		Sure Thing Insurance				
	DEP	6304 - Equipment Repairs	claim			
08/31/2010		Bank Charge			25.00	
	CHK	6115 - Bank Service Charges		bounced check Joe Jones #1442		

Figure 15-3:

In the Memo cell, type a description of the bank charge, such as "bounced check charge," "minimum balance charge," the bounced check's number, and so on.

5. In the Payment cell, type the amount of the bank charge. In the Account cell, choose the account you use to track bank charges or bounced-check charges.

For a bounced-check charge, choose the income or expense account you use for that purpose (page 401). For other bank service charges, choose the corresponding expense account in the Account cell. You have to include a bounced-check charge item on a new invoice in order to recoup this cost, as described in the next section.

Tip: The Customer:Job cell provides a shortcut to invoicing a customer for bounced-check charges: While the transaction is still selected, click Splits to open the Splits table. The Account, Amount, and Memo fields are already filled in with the values you've provided so far. To make the bank charge billable to the customer who bounced the check, in the Customer:Job cell, choose the customer. In the "Billable?" cell, turn on the checkbox. Then, you can add this billable charge along with any others to the customer's next invoice (as described in step 5 on page 402).

6. Click Record.

QuickBooks saves the bank charge in your account.

Re-invoicing for Bounced Checks

With the bounced-check items described on page 400, you can update all the necessary account balances just by re-invoicing the customer for the bounced check. Here's the short-and-sweet approach:

1. On the Home page, click the Invoices icon (or press Ctrl+I).

The Create Invoices window opens.

2. In the Customer:Job box, choose the customer who wrote you a bad check.

You don't have to bother filling in fields like P.O. Number or shipping.

3. In the item table, add an item for the bounced check (like the BadCheck item in Figure 15-4).

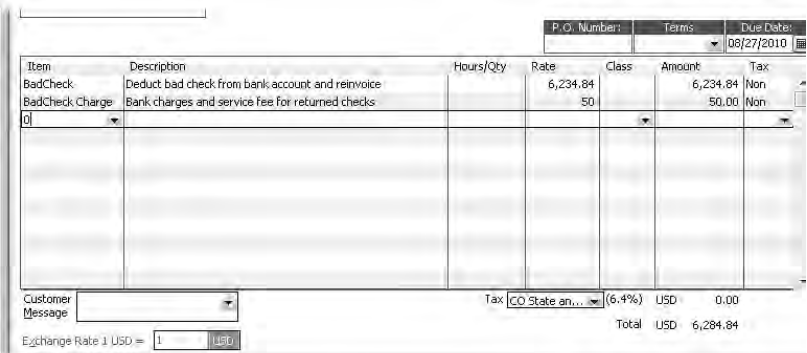


Figure 15-4:
To re-invoice the customer for the amount of the check that bounced, in the first Item cell, choose the item for a bounced check (BadCheck, in this example). In the Amount cell, type the amount of the bounced check. In the second item cell, choose the item you created for bounced-check charges. Use this amount to cover the bank's charge for a bounced check and any additional service fee you charge.

4. In the Amount cell for the bounced-check item, type the amount of the returned check.

QuickBooks added any sales tax owed to the original invoice, so include the full amount of the bounced check.

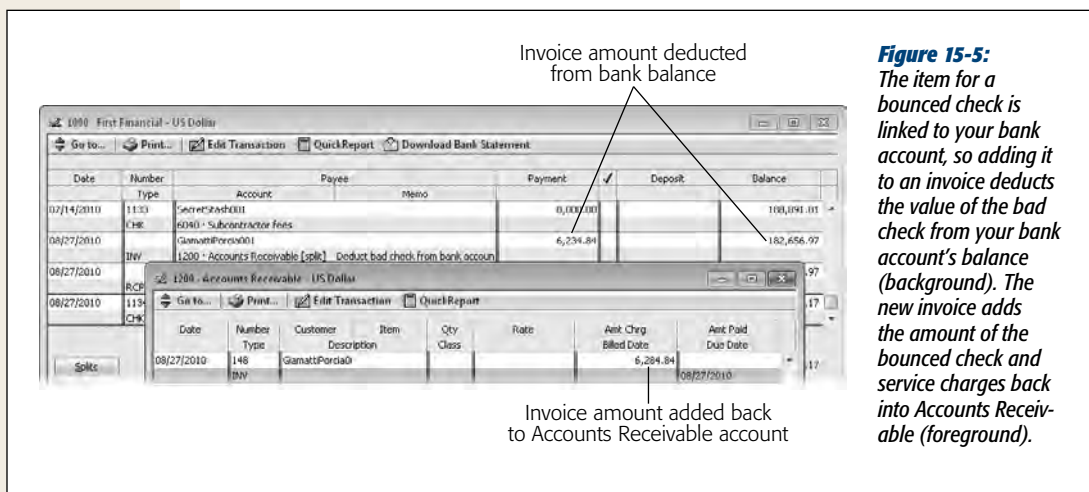
5. Add a second item to recoup the bounced-check fees that your bank charged you. In the Amount cell for the bad-check-charge item, type the amount you're charging.

If you really want to deter customers from writing bad checks, in addition to making them pay your bank fees, you can add on a fee for your own trouble. In Figure 15-4, the BadCheck Charge item covers the bank's \$25 charge plus an additional \$25 fee your company collects.

If you recorded the bounced-check charge in your bank account as a billable cost to your customer (page 402), the Billable Time/Costs dialog box opens. Keep the "Select the outstanding billable time and costs to add to this invoice" option selected and click OK. In the "Choose Billable Time and Costs" dialog box, click the Expenses tab and select the bank charge, and then click OK to add the bank charge to the invoice.

6. When you save the invoice, QuickBooks updates your bank account and Accounts Receivable account balances, as shown in Figure 15-5.

When you first invoice a customer, the invoice amount gets added on to your Accounts Receivable balance. The customer's original payment reduced the Accounts Receivable balance, but the bounced check means you have to remove the original payment amount from your records. By re-invoicing the customer, you reestablish the balance as outstanding and add the invoice amount back into Accounts Receivable.



7. When the customer sends you a check for this new invoice, simply choose Receive Payments to apply that check as a payment for the invoice.

QuickBooks reduces the Accounts Receivable balance by the amount of the payment. If your customer and the money they owe you are gone for good, see the box on page 405 to learn what to do next.

TROUBLESHOOTING MOMENT

Writing Off Bad Debt

If you try contacting a customer about a payment only to find that the telephone is disconnected, the forwarding address has expired, and an eviction notice is stapled to the office door, you probably aren't going to get your money. In accounting, admitting that the money is gone for good is called *writing off bad debt*.

The invoice you create for a customer represents income *only if* the customer pays it. So, to write off bad debt, you have to remove the income for the unpaid invoice from your financial records. You do that by offsetting the income with an equal amount of expense—you guessed it: the bad debt.

Suppose you invoiced your customer for \$5,000, but now realize that you'll never see the money. The \$5,000 is sitting in your Accounts Receivable account as an asset. Here's how to remove that money from the Accounts Receivable account by means of a bad-debt expense:

1. If you don't have an account for bad debt, create an Other Expense type account (page 49) and name it Bad Debt.
2. Create an Other Charge item and name it Bad Debt. Point it to the Bad Debt account you created. Be sure to make the item nontaxable.
3. On the Home page, click the Refunds & Credits icon.

4. In the Create Credit Memos/Refunds window's Customer:Job box, choose the customer.
5. In the first item cell, choose the Bad Debt item. When the warning about the item being associated with an expense account appears, simply click OK.
6. In the Amount cell, type the amount that you're writing off as bad debt.
7. Click Save & Close.
8. The Available Credit dialog box opens and asks you what you want to do with the credit. Select the "Apply to an invoice" option and then click OK.
9. In the "Apply Credit to Invoices" dialog box, turn on the checkmark for the invoice that the customer isn't going to pay.
10. Click Done.

When you apply the write-off as a credit against an invoice, QuickBooks removes the money from the Accounts Receivable account, so the program no longer thinks your customer owes the money. And it adds the money to the appropriate income account and to the Bad Debt expense account, so your net profit shows no sign of the income. In addition, if you run a Job Profitability Detail report for the customer, the bad debt appears as a negative number in the Actual Revenue column—that is, a cost that reduces the profitability of the job.

Transferring Funds

With the advent of electronic banking services, transferring funds between accounts has become a staple of account maintenance. Companies stash cash in savings and money market accounts to earn interest and then transfer money into checking right before they pay bills.

Fund transfers have nothing to do with income or expenses—they merely move money from one balance-sheet account to another. For example, if you keep money in savings until you pay bills, the money moves from your savings account (an asset account in your chart of accounts) to your checking account (another asset account). Your income, expenses, and, for that matter, your total assets, remain the same before and after the transaction.

Transferring funds in QuickBooks is easy, whether you use the Transfer Funds dialog box or enter the transaction directly in an account register. The steps for creating a transaction in an account register appear on page 397. If you create a transfer in a bank account register (a savings account, for example), in the Account field, choose the bank account to which you're transferring funds (checking, say). Here's how to use the Transfer Funds Between Accounts window:

1. Choose Banking→Transfer Funds.

QuickBooks opens the Transfer Funds Between Accounts window, shown in Figure 15-6.

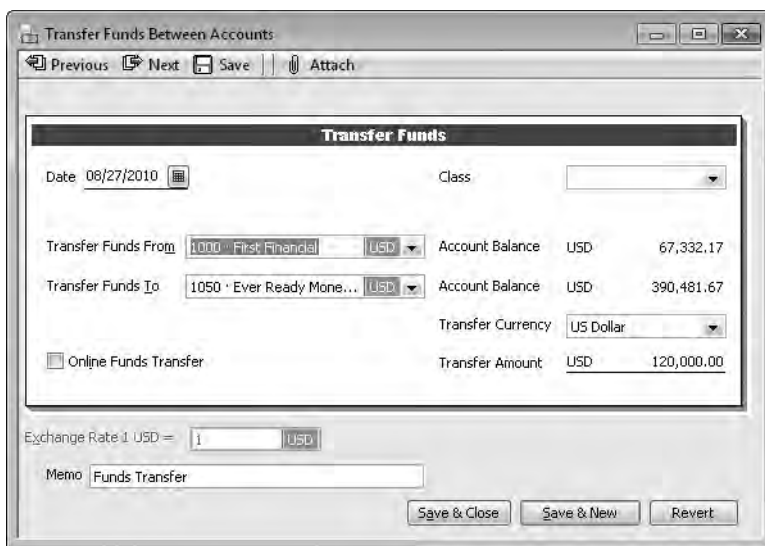


Figure 15-6:

This window has one advantage over entering transfers in a bank account register: You can't create a payment or deposit by mistake. That's because you can't save a transfer in the window until you specify both the account that contains the money and the account into which you want to transfer the funds. In addition, the Transfer Funds From and Transfer Funds To drop-down menus show only balance-sheet accounts (bank, credit card, asset, liability, and equity accounts).

2. After you choose the accounts for the transfer, in the Date box, choose the date of the transfer and, on the Transfer Amount line, type the amount you're transferring from one account to the other.

Typically, you transfer money because you don't have enough cash in one of your accounts to pay bills. But if you want to record the reason for the transfer, in the Memo box, replace "Funds Transfer" (which QuickBooks adds automatically) with your reason.

If you track classes, the class box appears. The program warns you if you leave this box blank. However, transfers usually don't require a class assignment, so you can dismiss the warning.

3. Click Save & Close.

That's all you have to do in QuickBooks. (You still have to transfer the funds between your real-world bank accounts, of course.)

If you've got more transfers to make, click Save & New instead. In the account register window for either account in the transfer, QuickBooks identifies the transaction with the code TRANSFR in the Type cell.

Reconciling Accounts

Reconciling a bank statement with a paper check register is tedious and error-prone. Besides checking off items on two different paper documents, the check register and the bank statement never seem to agree—likely due to arithmetic mistakes you've made.

With QuickBooks, you can leave your pencils unsharpened and stow your calculator in a drawer. When all goes well, you can reconcile your account in QuickBooks with just a few mouse clicks. Discrepancies crop up less often because QuickBooks does the math without making mistakes. But problems occasionally happen—transactions might be missing or numbers won't match. When your bank statement and QuickBooks account don't agree, the program helps you find the problems.

Preparing for the First Reconciliation

If you didn't set the beginning balance for the QuickBooks account to the beginning balance on a bank statement, you might wonder how you can reconcile the bank account the first time around. The best way to resolve this issue is to enter the transactions that happened between your last statement's end date and the day you started using QuickBooks. Or you can create a journal entry (page 429) to record the beginning balance. (You'll select these items as part of the first reconciliation as described on page 408.)

Warning: Alternatively, QuickBooks can align your statement and account the first time you reconcile, as described in the box on page 410. The program generates a transaction that adjusts your account's opening balance to match the balance on your bank statement. Account opening balances post to your Opening Bal Equity account, so these adjustments affect your Balance Sheet. If you enter an adjustment, let your accountant know that you changed the opening balance so she can address that change while closing your books at the end of the year.

Preparing for Every Reconciliation

QuickBooks lets you create and edit transactions in the middle of a reconciliation, but that doesn't mean it's the right way to work. Because bookkeeping in QuickBooks creates an electronic paper trail of forms, you're better off recording transactions like bills, payments, and deposits first.

Reconciling your account flows more smoothly when your transactions are up-to-date. So take a moment *before* you reconcile to make sure that you've entered all the transactions in your account:

- **Bills.** If you paid bills by writing paper checks and forgot to record the payments in QuickBooks, on the Home page, click the Pay Bills icon and enter those payments (page 222).
- **Checks.** Checks not in your checkbook or recorded in QuickBooks are a big hint that you wrote a paper check and didn't record it in your company file. Create any missing check transactions in the account register (page 233) or choose Banking→Write Checks.
- **Transfers.** Create missing transfers in the account register (page 405) or choose Banking→Transfer Funds.
- **Deposits.** If you forgot to deposit customer payments in QuickBooks, on the Home page, click the Record Deposits icon to add those deposits to your bank account (page 361). If a deposit appears on your bank statement but doesn't show up in the "Payments to Deposit" dialog box, you might have forgotten to receive the payment in QuickBooks. For deposits unrelated to customer payments, create the deposit directly in the account's register (page 397).

Tip: The easiest way to spot payments you haven't deposited in QuickBooks is to open the register window for the Undeposited Funds account (double-click it in the Chart of Accounts window). If the balance is greater than zero, you haven't deposited all the payments you received.

- **Online transactions.** If you use Online Payment or Online Account Access, download online transactions (page 547).

Tip: If your workload gets ahead of you, several months could go by before you have time to reconcile your account. But don't try to reconcile multiple months at once to catch up. Doing so makes discrepancies harder to spot, and locating the source of problems will tax your already overworked brain. Instead, put your bank statements in chronological order and then walk through the reconciliation process for each statement.

Starting a Reconciliation

Reconciling an account is a two-part process, and QuickBooks has separate dialog boxes for each part. The first part includes choosing the account you want to reconcile, entering the ending balance from your bank statement, and entering service charges and interest earned during the statement period. Here's how to kick off account reconciliation:

1. **On the Home page, click the Reconcile icon or choose Banking→Reconcile. In the Begin Reconciliation dialog box's Account drop-down list, choose the account you want to reconcile.**

The Begin Reconciliation dialog box displays information about the previous reconciliation, as shown in Figure 15-7. The date of the previous reconciliation appears to the right of the Account box. (No date appears if you're reconciling

the account for the first time.) QuickBooks fills in the Statement Date box with a date one month after the previous reconciliation date. If that date doesn't match your bank statement's ending date, replace it with the date from your statement.

Figure 15-7: QuickBooks uses the ending balance from the previous reconciliation to fill in the beginning balance for this reconciliation. If the beginning balance here doesn't match the beginning balance on your bank statement, click Cancel and turn to page 414 to learn how to correct the problem.

Tip: If the bank account's register window is already open, it's easier to start reconciling by choosing Banking→Reconcile (or right-clicking the register window and choosing Reconcile on the shortcut menu that appears). With this approach, QuickBooks opens the Begin Reconciliation dialog box and automatically selects the active bank account.

2. In the Ending Balance box, type the ending balance from your bank statement.

If you turned on multiple currencies, the account's currency appears to the right of the Beginning Balance and Ending Balance labels. For a foreign-currency account, enter the ending balance in the foreign currency, which is the ending balance that appears on your bank statement.

3. If your bank levies a service charge on your account, in the Service Charge box, type the charge amount. (If you download transactions from your bank, leave this box blank.)

In the Date box to the left of the Service Charge box, choose the date that the service charge was assessed. In the Account box, choose the account to which you want to post the charge (usually Bank Service Charges or something similar). QuickBooks creates a transaction for you.

Tip: If you use online banking, chances are you've already downloaded your service-charge and interest transactions. If this is the case, don't enter them in the Begin Reconciliation dialog box or you'll end up with duplicate transactions.

4. If you're reconciling an account that pays interest, in the Interest Earned box, type the interest you earned from the bank statement.

As you did for service fees, specify the date and the account that you use to track interest.

Note: If you track service fees and interest earned by class, in the Class boxes, choose the appropriate class. For example, classes might apply if you use them to track performance by region. However, if you use classes to track sales by partner, you don't have to specify a class for interest earned.

5. Click Continue to start reconciling individual transactions.

QuickBooks opens the Reconcile window, where you reconcile the individual transactions, as described in the next section.

WORKAROUND WORKSHOP

Adjusting an Account That Won't Reconcile

When the Difference value in the Reconcile dialog box obstinately refuses to change to 0.00, reconciling without finding the problem *is* an option. For example, if you're one penny off and you can't solve the problem with a quick review, that one cent isn't worth any more of your time. As you complete the reconciliation, QuickBooks can add an adjustment transaction to make up the difference.

In the Reconcile window, if you click Reconcile Now without zeroing the Difference value, QuickBooks automatically opens the Reconcile Adjustment dialog box. The program tells you what you already know: There's an unresolved difference between the Ending Balance from your bank

statement and the Cleared Balance in QuickBooks. If you decide to try to fix the problem, click "Return to Reconcile". Or, click Leave Reconcile if you want to research the problem. When you restart the reconciliation, all the work you've done so far is still there.

To create an adjustment transaction, click Enter Adjustment, and QuickBooks creates a general journal entry to adjust the balance. If you stumble across the source of the discrepancy later, you can delete the adjustment journal entry or create a reversing entry (page 429).

Reconciling Transactions

The Reconcile window groups payments and charges (items that reduce your balance) on the left side and deposits and other credits on the right side. Marking transactions as cleared is a matter of toggling transaction checkmarks on and off, as you can see in Figure 15-8.

Note: Initially, QuickBooks sorts transactions by date with the earliest transactions listed first. If you want to sort the transactions by another field, click the column heading for that field. For example, click Chk # if you're trying to find the check that's preventing you from reconciling successfully. An up arrow indicates that the column is sorted in ascending order (smallest to largest values). Click the column heading again to reverse the order (largest to smallest).

Reconcile - First Financial

For period: 08/30/2010 ☐ Hide transactions after the statement's end date

Checks and Payments				Deposits and Other Credits						
✓	Date	Chk #	Payee	Amount (H...)	✓	Date	Chk #	Memo	Type	Amount...
✓	07/14/2010	1133	SecretStas...	8,000.00	✓	08/27/2010	8		RCPT	5,000.00
✓	08/27/2010			120,000.00						
	08/27/20...	1134	GiamattiP...	6,234.84		08/30/2010		claim	DEP	952.00
	08/27/20...		GiamattiP...	1,276.80						

☒ Highlight Marked

Beginning Balance	USD	196,891.81	Modify	Service Charge	USD	0.00
Items you have marked cleared:				Interest Earned	USD	0.00
1 Deposits and Other Credits	USD	5,000.00		Ending Balance	USD	67,332.17
2 Checks and Payments	USD	128,000.00		Cleared Balance	USD	73,891.81
				Difference	USD	-6,559.64

Click to toggle checkmark on and off

Service charge and interest from first dialog box

When the Difference value equals 0.00, the reconciliation is complete

Figure 15-8:

For each transaction that appears on your bank statement, in the Reconcile window, turn on the checkmark for the matching QuickBooks transaction. If you turn on a checkmark by mistake, just click it again to turn it off. When you mark transactions as cleared, QuickBooks updates the Cleared Balance and Difference values below the table. The program also shows the service charge and interest you entered in the Begin Reconciliation dialog box as a reminder that the program created those transactions for you. If you forgot to record the service charge or interest, click Modify to reopen the Begin Reconciliation dialog box.

Tip: Initially, the Reconcile window lists *all* uncleared transactions in the account regardless of when they happened. If transactions after the statement ending date are mixed in, you could select unnecessary transactions by mistake. To filter the list to likely candidates for clearing, turn on the “Hide transactions after the statement’s end date” checkbox (at the top-right corner of the window shown in Figure 15-8). If you don’t see transactions that appear on your bank statement, turn the checkbox off; you might have created a transaction with the wrong date.

QuickBooks includes several shortcuts for marking a transaction as cleared. See whether any of these techniques simplify your work:

- **Mark All.** If you usually end up clearing most of the transactions in the list, click Mark All to select all the transactions. Then, turn off the checkmarks for the transactions that don’t appear on your bank statement. If you were distracted and selected several transactions by mistake, click Unmark All to start over.

- **Selecting contiguous transactions.** Dragging down the checkmark column selects every transaction you pass. This approach isn't that helpful if you compare one transaction at a time or if your transactions don't appear in the same order as those on your bank statement.
- **Online account access.** Click Matched to automatically clear the transactions that you've already matched from your QuickStatement (see Chapter 22). Enter the ending date from the printed statement, and then click OK.

When the Difference value changes to 0.00, your reconciliation is a success. To officially complete the reconciliation, click Reconcile Now. The Select Reconciliation Report dialog box opens. If you don't want to print a reconciliation report, simply click Close.

Note: When you reconcile a credit card account and click Reconcile Now, QuickBooks opens the Make Payments window. There, you can choose to write a check or enter a bill to make a payment for your credit card account.

Reconciliation Reports

After you click Reconcile Now in the Reconcile window, you might notice a short delay while QuickBooks generates your reconciliation reports. These reports may come in handy as a benchmark when you try to locate discrepancies in a future reconciliation.

When the Select Reconciliation Report dialog box opens, you can display or print reconciliation reports (or skip them by clicking Close). Choose the Summary option for a report that provides the totals for the checks and payments you made, and for the deposits and credits you received. To save the reports for future reference, click Print. Click Cancel to close the dialog box without printing or viewing the reports. You can look at them later by choosing Reports→Banking→Previous Reconciliation. Figure 15-9 shows you what a detailed reconciliation report looks like.

Modifying Transactions During Reconciliation

QuickBooks immediately updates the Reconcile window with changes you make in the account register window, so it's easy to complete a reconciliation. Missing transactions? Incorrect amounts? Other discrepancies? No problem. You can jump to the register window and make your changes. Then, when you click the Reconcile window, the changes are there.

Tip: If you can see the register window and the reconciliation window at the same time, click the one you want to work on. If the Open Windows list appears in the navigation bar on the left side of the QuickBooks window (choose View→Open Window List), you can click names there to change the active window or dialog box.

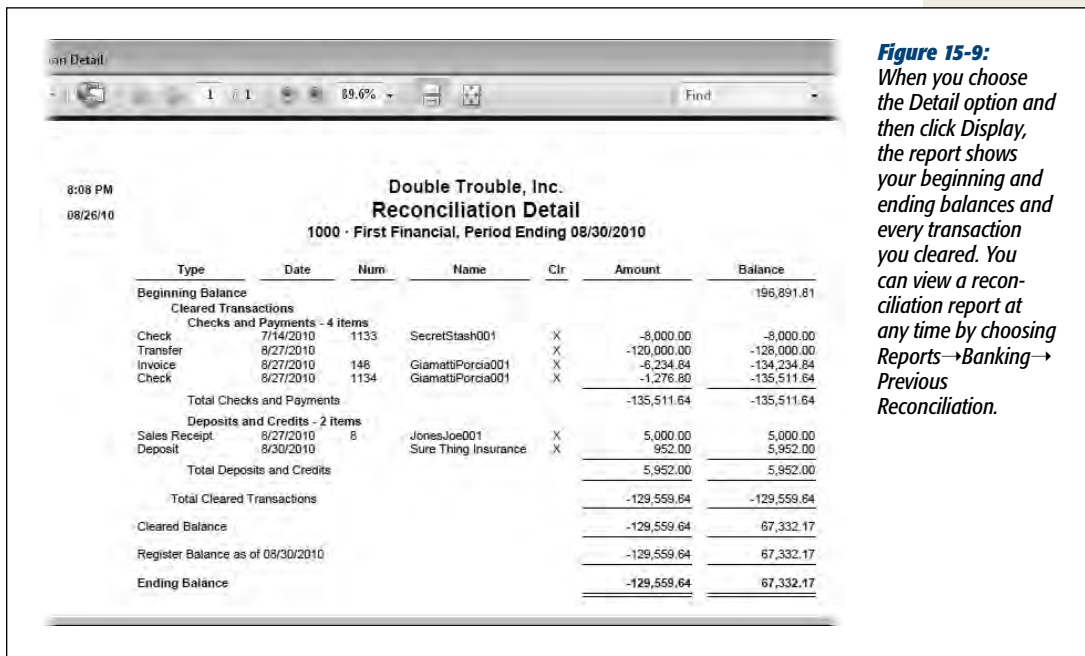


Figure 15-9: When you choose the Detail option and then click Display, the report shows your beginning and ending balances and every transaction you cleared. You can view a reconciliation report at any time by choosing Reports→Banking→Previous Reconciliation.

Here's how to make changes while reconciling:

- **Adding transactions.** If a transaction appears on your bank statement but isn't in QuickBooks, switch to the account's register window and add the transaction (page 397).
- **Deleting transactions.** If you find duplicate transactions, in the account's register window, select the transaction and press Ctrl+D. You have to confirm your decision before the program deletes the transaction. The Reconcile window removes the transaction if you delete it.
- **Editing transactions.** If you notice an error in a transaction, in the Reconcile window, double-click the transaction to open the corresponding window (Write Checks for checks, Make Deposits for deposits, and so on). Correct the mistake and save the transaction by clicking Record or Save, depending on the window.

Stopping and Restarting a Reconciliation

If your head hurts and you want to take a break, don't worry about losing the reconciliation work you've already done. Here's how to stop and restart a reconciliation:

1. In the Reconcile window, click Leave.

Although QuickBooks closes the window, it remembers what you've cleared. In the account's register window, you'll see asterisks in the checkmark column for transactions that you've marked, which indicates that your clearing of a transaction is pending.

2. When you're reenergized, open the account's register window, right-click it, and then choose **Reconcile** on the shortcut menu.

The Begin Reconciliation dialog box opens with the ending balance, service charge, and interest amounts already filled in.

3. Click **Continue**.

The transactions you marked are, happily, still marked. Pick up where you left off by marking the rest of the transactions that cleared on your bank statement.

Correcting Discrepancies

If you modify a transaction that you've already reconciled, QuickBooks *should* freak out and wave a clutch of red flags at you. After all, if you cleared a transaction because it appeared on your bank statement, the transaction is complete, and changing it in QuickBooks doesn't change it in your bank account. Yet QuickBooks lets you change or delete cleared transactions and displays nothing more than a quick warning that you may dismiss without thinking.

But make no mistake: changing previously cleared transactions is the quickest way to cause mayhem when reconciling your accounts. For example, in the account register window, clicking a checkmark cell resets the status of that transaction from reconciled (indicated by a checkmark) to cleared (indicated by an asterisk), which then removes that transaction's amount from the Beginning Balance when you try to reconcile the account. And *that* means that the Beginning Balance won't match the beginning balance on your bank statement, which is one reason you might be reading this section.

The Discrepancy Report

To correct discrepancies created by transaction editing, you have to restore each modified transaction to its original state, and the Discrepancy Report provides the information you need to do that. This report shows you changes that were made to cleared transactions.

To run the Discrepancy Report, in the Begin Reconciliation window, click **Locate Discrepancies**, and then, in the Locate Discrepancies window, click **Discrepancy Report**. (You can also choose **Reports**→**Banking**→**Reconciliation Discrepancy**.) To edit a transaction listed in the report, double-click the transaction to open its corresponding window or dialog box.

Seeing transactions on the Discrepancy Report is a big step toward correcting reconciliation problems. Here's how to interpret the crucial columns in the report:

- **Entered/Last Modified.** This is the date that the transaction was created or modified, which doesn't help you restore the transaction, but might help you find the person who's changing reconciled transactions.
- **Reconciled Amount.** This column shows you what value the transaction had when you cleared it during reconciliation. If the transaction's amount has been

changed, use this value to restore the transaction to its original value. For example, the value -99.95 in this column represents a check or charge for \$99.95.

- **Type of Change.** This indicates what aspect of the transaction was changed. For example, “Amount” means that the transaction’s amount changed, “Uncleared” indicates that someone removed the reconciled checkmark in the account register, and “Deleted” means that the transaction was deleted. (The only way to restore a deleted transaction is to recreate it from scratch.)
- **Effect of Change.** This value indicates how the change affected the beginning balance for your reconciliation. For example, a \$99.95 check that was reset added \$99.95 to your bank account. When the Beginning Balance is off and the amount in the “Effect of Change” column matches that discrepancy, you can be sure that restoring these transactions to their original state will fix your problems.

Other ways to find discrepancies

Sometimes, your reconciliation doesn’t match because of subtle errors in transactions or because you’ve missed something in the current reconciliation. Try the following techniques to help spot problems:

- **Search for a transaction equal to the amount of the discrepancy.** Press Ctrl+F to open the Find window. In the Choose Filter list, choose Amount. Next, select the = option and type the amount in the box, and then click Find to run the search.

You can also use the Search command to find a transaction for that amount: Press F3 to open the Search window. In the Search box, type the amount of the discrepancy. Click the Advanced Search tab and click Unselect All. Then turn on the Check, Deposits, or Credit Card Charges checkboxes, depending on which type of transaction is the suspect.

Note: Using Find or Search in this way works only if the discrepancy is caused by *one* transaction that you cleared or uncleared by mistake. If more than one transaction is to blame, the amount you’re trying to find is the total of all the erroneously cleared transactions, so these methods won’t find a matching value.

- **Look for transactions cleared or uncleared by mistake.** Sometimes, the easiest way to find a discrepancy is to start the reconciliation over. In the Reconcile window, click Unmark All to remove the checkmarks from all the transactions. Then begin checking them off as you compare them to your bank statement. Make sure that every transaction on the statement is cleared in the Reconcile window. Also, check that no additional transactions are cleared in the Reconcile window.
- **Look for duplicate transactions.** If you create transactions in QuickBooks *and* download transactions from your bank’s website, it’s easy to end up with duplicates. And when you clear both of the duplicates, the mistake is hard to spot. If that’s the case, you have to scroll through the register window looking for multiple transactions with the same date, payee, and amount.

Tip: Count the number of transactions on your bank statement, and then compare that number to the number of cleared transactions displayed on the left side of the Reconcile window, shown in Figure 15-8. Of course, this count won't help if you enter transactions in QuickBooks differently than they appear on your bank statement. For example, if you deposit every payment individually but your bank shows one deposit for every business day, your transaction counts won't match.

- **Look for a deposit entered as a payment or vice versa.** To find an error like this, look for transactions whose amounts are half the discrepancy. For example, if a \$500 check becomes a \$500 deposit by mistake, your reconciliation will be off by \$1000—\$500 because a check is missing and another \$500 because you have an extra deposit.
 - **Look at each cleared transaction for transposed numbers or other differences between your statement and QuickBooks.** It's easy to type \$95.40 when you meant \$59.40.
-

Note: If these techniques don't uncover the problem, your bank might have made a mistake. See page 417 to learn what to do in that case.

Undoing the Last Reconciliation

If you're having problems with this month's reconciliation but suspect that the guilty party is hiding in *last* month's reconciliation, you can undo the last reconciliation and start over. When you undo a reconciliation, QuickBooks returns the transactions to an uncleared state.

In the Begin Reconciliation dialog box (choose Banking→Reconcile), click the Undo Last Reconciliation button to open the Undo Previous Reconciliation dialog box. (Although the button's label and the dialog box title don't match, they both represent the same process.) In the dialog box, click Continue. When the Undo Previous Reconciliation message box appears telling you that the previous reconciliation was successfully undone, click OK.

QuickBooks unclears all the transactions back to the beginning of the previous reconciliation and returns you to the Begin Reconciliation dialog box. Change the values in the Begin Reconciliation dialog box, and then click Continue to try another reconciliation.

Note: Although QuickBooks removes the cleared status from all the transactions including service charges and interest, it doesn't remove the service charge and interest transactions that it added. So when you restart the reconciliation, in the Begin Reconciliation dialog box, don't reenter the service charges or interest.

When Your Bank Makes a Mistake

Banks do make mistakes: Digits get transposed, or amounts are flat wrong. When this happens, you can't ignore the difference. In QuickBooks, add an adjustment transaction (page 410) to make up the difference, and be sure to tell your bank about the mistake. (It's always a good idea to be polite in case the error turns out to be yours.)

When you receive your *next* statement, check that the bank made an adjustment to correct its mistake. You can then delete your adjustment transaction or add a reversing journal entry to remove your adjustment and reconcile as you normally would.

Tip: For a reminder to check your next statement, create a To Do Note (choose Company→To Do List, and then press Ctrl+N).

Managing Loans

Unless your business generates cash at an astonishing rate, you'll probably have to borrow money to purchase big-ticket items that you can't afford to do without, such as a deluxe cat-herding machine. The asset you purchase and the loan you assume are intimately linked—you can't get the equipment without borrowing the money.

But in QuickBooks, loans and the assets they help purchase aren't connected in any way. You create an asset account (page 49) to track the value of an asset that you buy. If you take out a loan to pay for that asset, you create a liability account to track the balance of what you owe on the loan. With each payment that you make on your loan, you pay off a little bit of the loan's principal as well as a chunk of interest.

Note: On your company's balance sheet, the value of your assets appears in the Assets section, and the balance owed on loans shows up in the Liabilities section. The difference between the asset value and your loan balance is your *equity* in the asset. Suppose your cat-herding machine is in primo condition and is worth \$70,000 on the open market. If you owe \$50,000 on the loan, your company has \$20,000 in equity for that machine.

Most loans *amortize* your payoff, which means that each payment represents a different amount of interest and principal. At the beginning of a loan, amortized payments are mostly interest and very little principal, which is great for tax deductions. By the end, the payments are almost entirely principal. Making loan payments in which the values change each month would be a nightmare if not for QuickBooks' Loan Manager, which is a separate program that comes with QuickBooks that can gather information from your company file. This program calculates your loan's amortization schedule, posts the principal and interest for each payment to the appropriate accounts, and handles escrow payments and fees associated with your loans.

Note: Loan Manager doesn't handle loans in which the payment covers only the accrued interest (called *interest-only loans*). For loans like these, you have to set up payments yourself (page 423) and allocate the payment to principal and interest using the values on your monthly loan statement.

Setting Up a Loan

Whether you use Loan Manager or not, you have to create accounts to keep track of your loan. You probably already know that you need a liability account for the amount of money you owe. But you also need accounts for the interest you pay on the loan and escrow payments (such as insurance or property tax) that you make:

- **Liability account.** Create a liability account (page 49) to track the money you've borrowed. For mortgages and other loans whose terms are longer than a year, use the Long Term Liability type. For short-term loans (ones with terms of one year or less), use the Other Current Liability type.

When you create the liability account, add the account number but forego the opening balance. The best way to record money you borrow is with a journal entry (page 429), which credits the liability account for the loan and debits the bank account where you deposited the money.

Tip: If you've just started using QuickBooks and have a loan that you've partially paid off, fill in the journal entry with what you owed on the loan statement that's dated just before your QuickBooks company file's start date. Then, enter any loan payments you've made since that statement's ending date.

- **Loan interest account.** The interest that you pay on loans is an expense, so create an Expense account (or an Other Expense account if that's the type of account your company uses for interest paid) called something like Interest Paid. (Loan Manager shows Other Expense accounts in its account drop-down lists, although the accounts are listed in alphabetical order, not by type.)
- **Escrow account.** If you make escrow payments, for things like property taxes and insurance, create an account to track the escrow you've paid. Because escrow represents money you've paid in advance, use a Current Asset account type.
- **Fees and finance charge expense account.** Chances are you'll pay some sort of fee or finance charge at some point before you pay off a loan. If you don't have an account for finance charges yet, set up an Expense account for these fees.

There's one last QuickBooks setup task to complete *before* you start Loan Manager: You have to create the lender in your Vendor List (page 130). The box on page 419 tells you what to do if you forgot any of these steps before you started Loan Manager.

WORKAROUND WORKSHOP

Where Are My Accounts and Vendors?

Loan Manager looks like a command on QuickBooks' Banking menu, but it's actually a separate small program. When you start Loan Manager, it gleans information from your company file, such as the liability account you created for the loan and the vendor entry you set up for your lender.

If you forgot to create accounts or your lender in QuickBooks before launching Loan Manager, you'll probably jump to your Chart of Accounts window or Vendor List and

create them. Unfortunately, you *still* won't see those new elements in Loan Manager's drop-down lists. To get them to appear, you have to close Loan Manager (losing all the data you've already entered) and create those entries in QuickBooks. Then, after you've created the vendor and all the accounts you need, choose Banking→Loan Manager to restart Loan Manager, which now includes your lender and loan accounts in its drop-down lists.

Adding a Loan to Loan Manager

Loan Manager makes it so easy to track and make payments on amortized loans, it's well worth the steps required to set it up. Before you begin, gather your loan documents like chicks to a mother hen, because Loan Manager wants to know every detail of your loan, as you'll soon see.

Basic setup

With your account and vendor entries complete (see page 418 and the box on page 419), follow these steps to tell Loan Manager about your loan:

- 1. Choose Banking→Loan Manager.**

QuickBooks opens the Loan Manager window.

- 2. In the Loan Manager window, click the "Add a Loan" button.**

QuickBooks opens the Add Loan dialog box, which has several screens for all the details of your loan. After you fill in a screen, click the Next button to move to the next one.

- 3. In the Account Name drop-down list, choose the liability account you created for the loan.**

QuickBooks lists only Current Liability and Long Term Liability accounts.

- 4. In the Lender drop-down list, choose the vendor you created for the company you're borrowing money from.**

If you haven't set up the lender as a vendor in QuickBooks, you have to close Loan Manager. After you've created the vendor in QuickBooks, choose Banking→Loan Manager to restart Loan Manager, which now shows the lender in the Lender drop-down list.

5. In the Origination Date box, choose the date that matches the origination date on your loan documents.

Loan Manager uses this date to calculate the number of payments remaining, the interest you owe, and when you'll pay off the loan.

6. In the Original Amount box, type the total amount you borrowed when you first took out the loan.

The Original Amount box is aptly named because it's *always* the amount that you originally borrowed. For new loans, the current balance on the loan and the Original Amount are the same. If you've paid off a portion of a loan, your current balance (below the Account Name box in Figure 15-10) is lower than the Original Amount.

Figure 15-10:

Loan Manager automatically selects Months in the Term drop-down list. Specifying the number of months for a 30-year loan is a great refresher for your multiplication tables, but you don't want to confuse Loan Manager by making an arithmetic error. In the Term drop-down list, choose the period (such as Years). Then, you can fill in the Term box with the number of periods shown on your loan documents.

In the Term boxes, specify the full length of the loan (such as 360 months for a 30-year loan) and then click Next to advance to the screen for payment information. The next section tells you how to fill in your payment info.

Payment information

When you specify a few details about your loan payments, Loan Manager can calculate a schedule of payments for you. To make sure you don't forget a loan payment (and incur outrageous late charges), you can tell Loan Manager to create a QuickBooks reminder for your payments. Here's how:

1. In the "Due Date of Next Payment" box, choose the next payment date.

For a new loan, choose the date for the first payment you'll make. For an existing loan, choose the date for your next payment, which usually appears on your last loan statement.

2. In the **Payment Amount** box, type the total amount of your next payment including principal and interest.

If you don't know what your payment amount is, you can find it in your loan documents. Loan Manager automatically fills in the Next Payment Number box with the number 1. For loans that you've made payments on already, type the number for the next payment (this, too, should appear on your last loan statement).

3. In the **Payment Period** drop-down list, choose the frequency of your payments.

Loans typically require monthly payments, even when their terms are in years. Regardless of which period you specified on the first Add Loan screen in the Term drop-down list, in the Payment Period drop-down list, choose how often you make loan payments.

4. If your loan includes an escrow payment, choose the **Yes** option.

Specify the amount of escrow you pay each time and the account to which you want to post the escrow, as shown in Figure 15-11.

Figure 15-11:

Most mortgages include an escrow payment for property taxes and property insurance. Escrow accounts are asset accounts, because you're setting aside some money to pay expenses later. When you add an escrow payment, Loan Manager updates the value of the Total Payment to include principal, interest, and escrow.

5. If you want a reminder before a loan payment is due, turn on the “Alert me 10 days before a payment is due” checkbox.

Loan Manager then tells QuickBooks how often and when payments are due, so QuickBooks can create a loan payment reminder in the Reminders List (page 585). You can't set the number of days before a payment is due for the reminder, but 10 days is usually enough to get your payment in on time.

6. Click **Next** to advance to the screen for entering interest rate information.

The next section tells you how enter your interest rate info.

Interest rate information

For Loan Manager to calculate your amortization schedule (the amount of principal and interest paid with each payment) you have to specify the interest rate. Here's how:

1. **In the Interest Rate box, type the loan's interest rate.**

Use the interest rate that appears on your loan documents. For example, although you probably make monthly payments, the documents usually show the interest rate as an annual rate.

2. **In the Compounding Period box, choose either Monthly or Exact Days, depending on how the lender calculates compounding interest.**

If the lender calculates the interest on your loan once a month, choose Monthly. The other option, Exact Days, calculates interest using the annual interest rate divided over a fixed number of days in a year. In the past, many lenders simplified calculations by assuming that a year had 12 months of 30 days each, resulting in the Compute Period choice 365/360. Today, lenders often use the number of days in a year, which is the Compute Period 365/365.

3. **In the Payment Account drop-down list, choose the account from which you make your payments, whether you write checks or pay electronically.**

Loan Manager includes all your bank accounts in the Payment Account drop-down list.

4. **In the Interest Expense Account drop-down list, choose the account you use to track the interest you pay. In the Fees/Charges Expense Accounts drop-down list, choose the account you use for fees and late charges you pay.**

Expense accounts and Other Expense accounts are comingled in these drop-down lists, because accounts appear in alphabetical order, not sorted by account type.

5. **Click Finish.**

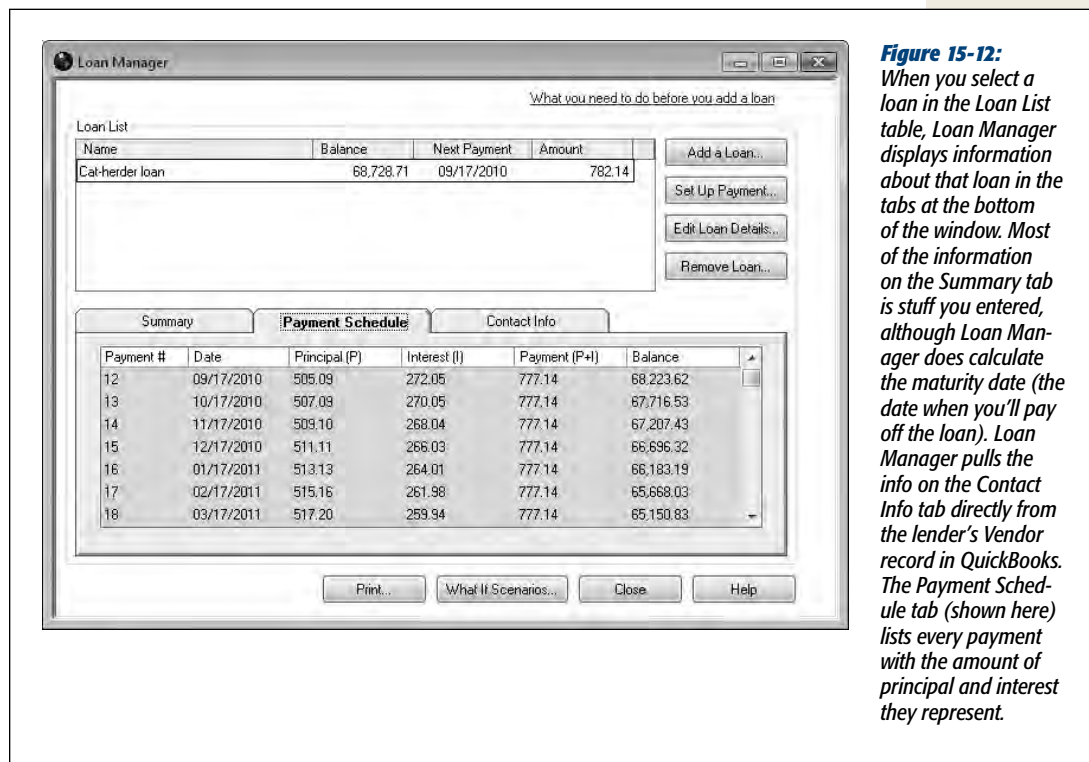
Loan Manager calculates the payment schedule for the loan and adds it to its list of loans, shown in Figure 15-12.

Note: If Loan Manager shows the loan's balance as zero, you aren't off the hook for paying back the loan. Loan Manager grabs this balance from the QuickBooks liability account you created for the loan. The loan balance in Loan Manager is zero if you forgot to create a journal entry to set the liability account's opening balance. To correct this, click the Remove Loan button. In QuickBooks, create the journal entry for the liability account's opening balance, and then restart Loan Manager and set up the loan again.

Modifying Loan Terms

Some loan characteristics change from time to time. For example, if you have an adjustable-rate mortgage, the interest rate changes every so often. And your escrow payment usually increases as your property taxes and insurance go up. To make

changes like these, in the Loan Manager window (choose Banking→Loan Manager), select the loan, and then click Edit Loan Details.



Loan Manager takes you through the same screens you saw when you first added the loan. If you change the interest rate, the program recalculates your payment schedule. For a change in escrow, the program updates your payment to include the new escrow amount.

Setting Up Payments

You can set up a loan payment check or bill in Loan Manager, which hands off the payment info to QuickBooks so the program can record it in your company file. Although Loan Manager can handle this task one payment at a time, it can't create recurring payments to send the payment that's due each month. When you see the QuickBooks reminder for your loan payment, you have to run Loan Manager to generate the payment:

1. In the Loan Manager window, select the loan you want to pay and then click the Set Up Payment button.

Loan Manager opens the Set Up Payment dialog box and fills in the information for the next payment, as you can see in Figure 15-13.

Set Up Payment

This payment is: A regular payment

Why should I pay my loans from the Loan Manager?
What is the difference between a regular and an extra payment?

Account Information

Account Name: Cat-herder loan
 Lender: FuggedaboutitFinancial
 Bank Account: First Financial

Payment Information

Principal (P)	505.09	Fees & Charges	0.00	Payment Number	12
Interest (I)	272.05	Escrow	5.00		
Total P+I:	777.14	Total Payment:	782.14		

Payment Method

I want to: Write a check

OK Cancel Help

Figure 15-13: When you click **Set Up Payment**, **Loan Manager** fills in the **Payment Information** section with the principal and interest amounts from the loan payment schedule for the next payment that's due. It also fills in the **Payment Number** box with the number of the next payment due.

Note: If you want to make an extra payment, in the “This payment is” drop-down list, choose “An extra payment”. Because extra payments aren’t a part of the loan’s payment schedule, **Loan Manager** changes the values in the Principal (P), Interest (I), Fees & Charges, and Escrow boxes to zero. If you want to prepay principal on your loan, type the amount that you want to prepay in the Principal (P) box. Or, if you want to pay an annual fee, fill in the Fees & Charges box.

2. In the **Payment Method** drop-down list at the bottom of the window, choose “Write a check” or “Enter a bill”, and then click **OK**.

Loan Manager opens the **QuickBooks Write Checks** or **Enter Bills** window, respectively, and fills in the boxes with the payment information. You can change the payment date or other values if you want.

Note: Because **Loan Manager** and **QuickBooks** are separate programs, you might notice a delay as the programs communicate.

3. In the **QuickBooks Write Checks** or **Enter Bills** window, click **Save & Close**.

The window closes and you’re back in the **Loan Manager** window. You’ll see the value in the loan’s **Balance** cell reduced by the amount of principal that the payment paid off. Click **Close**.

If you want to print the payment schedule for your loan, in the Loan Manager window, click Print. Or, if you pay off a loan and want to remove it from Loan Manager, select the loan, and then click Remove Loan. (Removing a loan from Loan Manager doesn't delete any loan transactions or loan accounts in QuickBooks.)

Note: If your loan payments include escrow, each payment deposits the escrow amount into your QuickBooks escrow asset account. When your loan statement shows that the lender paid expenses from escrow—like insurance or property taxes—you can record the corresponding payment in QuickBooks: Open the escrow account's register window (page 396). In the first blank transaction, choose the date and the payee, such as the insurance company or the tax agency. In the Decrease field, type the payment amount (because the payment reduces the balance in the escrow account), and then click Record.

What-If Scenarios

Because economic conditions and interest rates change, loans aren't necessarily stable. For example, if you have an adjustable-rate loan, you might want to know what your new payment is. Or, you might want to find out whether it makes sense to refinance an existing loan when interest rates drop. Loan Manager's What-If Scenarios button is your dry-erase board for trying out loan changes before you make up your mind. When you click this button, Loan Manager opens the What-If Scenarios dialog box, where you can pick from these five scenarios:

- **What if I change my payment amount?** Paying extra principal can shorten the length of your loan and reduce the total interest you pay. Choose this scenario and then, in the Payment Amount box on the right side of the dialog box, type the new amount you plan to pay each month. When you click Calculate, Loan Manager calculates your new maturity date, shows how much you'll pay overall, and how much you'll pay in interest.

Note: The changes you make in the What-If Scenarios dialog box don't change your existing loans. And if you switch to a different scenario or close the dialog box, Loan Manager doesn't save the information. So if you want a record of different scenarios, click the Print button.

- **What if I change my interest rate?** If you have an adjustable-rate loan, choose this scenario to preview the changes in payment, interest, and balloon payment for a different rate (higher or lower).
- **How much will I pay with a new loan?** You don't have to go through the third degree to see what a loan will cost. Choose this scenario to quickly enter the key information for a loan and evaluate the payment, total payments, total interest, and final balloon payment.
- **What if I refinance my loan?** When interest rates drop, companies and individuals alike consider refinancing their debt to save money on interest. With this scenario, type in a new term, payment, interest rate, and payment date to see whether it's worth refinancing, as shown in Figure 15-14.

- **Evaluate two new loans.** Type in the details for two loans to see which one is better.

The screenshot shows the 'What If Scenarios' dialog box with two columns: 'Cat-herder loan' and 'New Loan'.

Field	Cat-herder loan	New Loan
Current Balance:	68,223.62	
Amount Borrowed:	70,000.00	68,223.62
Origination Date:	08/03/2009	08/26/2010
Maturity Date:	10/17/2019	
Term:		120 Months
Payment Amount:	777.14	674.64 (optional)
Payment Period:	Monthly	Monthly
Interest Rate:	4.750%	3.500%
Next Payment Date:	10/17/2010	10/01/2010
Total Payments:	\$83,986.26	\$80,954.13
Total Interest:	\$15,762.64	\$12,730.51
Balloon Payment:	N/A	\$1,346.61

Buttons at the bottom: Calculate, Print..., OK, Cancel, Help.

Figure 15-14:

Loan Manager's refinance calculator doesn't provide everything you need to decide whether to refinance. Many loans come with closing costs that you should take into account. In this example, the new loan costs \$80,954.13 over the life of the loan, and the current loan costs \$83,986.26. If closing costs are \$3,000, you won't save much money with the new loan.

Tracking Petty Cash

Dashing out to buy an extension cord so you can present a pitch to a potential client? Chances are you'll get money from the petty cash drawer at your office. *Petty cash* is the familiar term for money spent on small purchases, typically less than \$20.

Many companies keep a cash drawer at the office and dole out dollars for small, company-related purchases that employees make. But for the small business owner with a bank card, getting petty cash is as easy as withdrawing money from an ATM. Either way, petty cash is still company money, and that means you have to keep track of it and how it's spent. The following sections explain how to do that.

Recording ATM Withdrawals and Deposits to Petty Cash

In QuickBooks, adding money to your petty cash account mirrors the real world transaction. You either write a check made out to Cash (or the trustworthy employee who's cashing the check), or you withdraw money from an ATM. To write a check to withdraw cash for your petty cash account, you can simply open the Write Checks window (choose Banking→Write Checks or, on the Home page, click the

Write Checks icon). If you withdraw cash from an ATM, open the Transfer Funds window (choose Banking→Transfer Funds) instead.

If creating transactions in the account register window (page 397) is OK with you, you can use the same steps whether you replenish your petty cash with a check or ATM withdrawal:

1. **In the Chart of Accounts window (press Ctrl+A to open it), double-click your checking account to open its register window.**

QuickBooks fills in the current date automatically. If you added money to petty cash on a different day, choose the correct date.

2. **If you're withdrawing money from an ATM, clear the value in the Number cell.**

If you're writing a check to get petty cash and QuickBooks fills in the Number cell with the correct check number, continue to the Payee cell. Otherwise, type the correct check number in the cell.

3. **Whether you're writing a check or using an ATM, in the Payee cell, type a name such as Cash or Petty Cash.**

If you made a check out to one of your employees, in the Payee cell drop-down list, choose the employee's name.

4. **In the Payment cell, type the amount that you're moving from the checking account to petty cash.**

If you track classes in QuickBooks, this is one time to *ignore* the Class cell. You assign classes only when you record purchases made with petty cash.

5. **In the Account cell, choose your petty cash account.**

If you don't have a petty cash account in your chart of accounts, be sure to choose the Bank type when you create the account. That way, your petty cash account appears at the top of your balance sheet with your other savings and checking accounts.

6. **Click Record to save the transaction.**

That's it!

Recording Purchases Made with Petty Cash

As long as company cash sits in the petty cash drawer or your wallet, the petty cash account in QuickBooks keeps track of the cash. But when you spend some of the petty cash in your wallet or an employee brings in a sales receipt for purchases, you have to record what that petty cash purchased.

The petty cash account's register is as good a place as any to record these purchases. In the Chart of Accounts window, double-click the petty cash account to open its register window. Then, in a blank transaction, follow these guidelines to record your petty cash expenditures:

- **Number cell.** Although petty cash expenditures don't use check numbers, QuickBooks automatically fills in the Number cell with the next check number anyway. The easiest thing to do is ignore the number and move on to the Payee or Payment cell.
- **Payee cell.** You don't have to enter anything in this cell, and for many petty cash transactions, entering a Payee would just clog your lists of names, so just leave this cell blank.
- **Memo cell.** Type the vendor name or details of the purchase here.
- **Payment cell.** In this cell, type the amount that was spent.
- **Account cell.** Choose an account to track the expense.

Tip: To distribute the petty cash spent to several accounts, click Splits. In the table that appears, you can specify the account, amount, customer or job, class, and a memo for each split (page 237).

WORKAROUND WORKSHOP

Petty Cash Advances

Good management practices warn against dishing out petty cash without a receipt. But suppose an employee asks for cash in advance to purchase a new lava lamp for the conference room? There's no receipt, but you really want the lava lamp to impress the CEO of a tie-dye company.

The solution in the real world is to write a paper IOU and place it in the petty cash drawer until the employee coughs up a receipt. In QuickBooks, record the advance as if the purchase were already complete. For the lava lamp, create the transaction using entries like these:

- In the Amount cell, type the amount of money you advanced to the employee.

- In the Account cell, choose the account for the expenditure.
- In the Memo cell, enter a note about the employee who received the advance, the IOU in the petty cash drawer, and what the advance is for.

When the employee comes back with a receipt, you can update the transaction's Memo cell to show that the IOU has been repaid. If the employee brings change back, create a deposit to replace that money in the petty cash account.

Making Journal Entries

Intuit claims that you don't need to know double-entry accounting (page 6) to use QuickBooks. Most of the time, that's true. When you write checks, receive payments, and perform many other tasks in QuickBooks, the program unobtrusively handles the double-entry accounting for you. But every once in a while, QuickBooks transactions can't help, and your only choice is moving money around directly between accounts.

In the accounting world, these direct manipulations are known as *journal entries*. For example, if you posted income to your only income account but have since decided that you need several income accounts to track the money you make, journal entries are the mechanism for transporting money from that original income account to the new ones.

The steps for creating a journal entry are deceptively easy; it's assigning money to accounts in the correct way that's maddeningly difficult for weekend accountants. And unfortunately, QuickBooks doesn't have any magic looking glass that makes those assignments crystal clear. This chapter gets you started by showing you how to create journal entries and providing examples of journal entries you're likely to need.

Note: In the accounting world, you'll hear the term "journal entry," and see it abbreviated JE. Although QuickBooks uses the term "general journal entry" and the corresponding abbreviation GJE, both terms and abbreviations refer to the same account register changes.

Balancing Debit and Credit Amounts

In double-entry accounting, both sides of any transaction have to balance, as the transaction in Figure 16-1 shows. When you move money between accounts, you increase the balance in one account and decrease the balance in the other—just as shaking some money out of your piggy bank decreases your savings balance and increases the money in your pocket. These changes in value are called *debits* and *credits*. If you commit anything about accounting to memory, it should be the definitions of debit and credit, because these are the key to successful journal entries, accurate financial reports, and understanding what your accountant is talking about.

Account	Debit (USD)	Credit (USD)	Memo	Name	Billable
4100 Service Revenue	50,000.00				
4110 Service Corporation		50,000.00	reclassify income		
Totals	50,000.00	50,000.00			

Figure 16-1:

For each transaction, the total in the Debit column has to equal the total in the Credit column. To transfer money from one income account to another, you debit the original account (decrease its balance) and credit the new account (increase its balance).

Table 16-1 shows what debits and credits do for different types of accounts and can take some of the pain out of creating journal entries. For example, buying a machine is a debit to the equipment asset account because it increases the value of the equipment you own. A loan payment is a debit to your loan account because it decreases your loan balance. And (here's a real mind-bender) a credit card charge is a credit to your credit card liability account because purchases on credit increase the amount you owe.

Note: One reason that debits and credits are confusing is that the words have the exact opposite meanings when your bank uses them. In your personal banking, a debit to your bank account decreases the balance and a credit to that account increases the balance.

As you'll see in examples in this chapter, you can have more than one debit or credit entry in one journal entry. For example, when you depreciate equipment, you can include one debit for depreciation expense and a separate credit for the depreciation on each piece of equipment.

Table 16-1. *How debits and credits change the values in accounts*

Account type	Debit	Credit
Asset	Increases balance	Decreases balance
Liability	Decreases balance	Increases balance
Equity	Decreases balance	Increases balance
Income	Decreases balance	Increases balance
Expense	Increases balance	Decreases balance

Some Reasons to Use Journal Entries

Here are a few of the more common reasons that businesses use journal entries:

- **Reassigning accounts.** As you work with QuickBooks, you might find that the accounts you originally created don't track your business the way you want. For example, suppose you started with one income account for all the consulting services you provide. But now you have three income accounts: one for income from designing consumer surveys, a second for income for conducting surveys, and a third for the money you make working the statistics to deliver the right results. To move income from your original account to the correct new account, you debit the income from the original account and credit it to the new account, as described on page 437.
- **Correcting account assignments.** If you assigned an expense to the wrong expense account, you or your accountant can create a journal entry to reassign the expense to the correct account. If you've developed a reputation for mis-assigning income and expenses, your accountant might ask you to assign any questionable transactions to uncategorized income or expense accounts. That way, when she gets the file at the end of the year, she can create journal entries to assign those transactions correctly. You can verify that the assignments and account balances are correct by running a trial balance (page 458).

Note: If you enter a transaction in QuickBooks by mistake, you can delete it. However, since most accountants prefer to keep records of *all* transactions, even erroneous ones, the most common approach to correcting mistakes is to create a journal entry that moves money to the correct accounts.

- **Reassigning jobs.** If a customer hires you for several jobs, that customer might ask you to apply a payment, credit, or expense from one job to another. For example, if expenses come after one job is complete, your customer might want to apply them to the job still in progress. QuickBooks doesn't have a command to transfer money between jobs, but a general journal entry does the trick as page 437 explains.

- **Reassigning classes.** Journal entries can transfer income or expenses from one class to another. For example, nonprofits often use classes to assign income to programs. If you need to transfer money to a program, create a journal entry that has debit and credit entries for the same income account, but changes the class (see page 435).
- **Depreciating assets.** Each year that you own a depreciable asset, you decrease its value in the appropriate asset account in your chart of accounts (page 41). Because no cash changes hands, you use a journal entry to handle depreciation of assets. As you'll learn on page 438, a journal entry for depreciation debits the depreciation expense account (increases its value) and credits the asset account (decreases its value).
- **Recording transactions for a payroll service.** If you use a third-party payroll service like Paychex or ADP, the payroll company sends you reports. To get the numbers from those reports into your company file where you need them, you can use journal entries. For example, you can reclassify owners' draw as salary and make other payroll-related transformations, as page 437 explains in detail.
- **Recording year-end transactions.** The end of the year is a popular time for journal entries, whether your accountant is fixing your more creative transactions or you're creating journal entries for non-cash transactions before you prepare your taxes. For example, if you run a small business out of your home, you might want to show a portion of your utility bills as expenses for your home office. When you create a journal entry for this transaction, you debit the office utilities account and credit an equity account for your owner's contributions to the company.

WORKAROUND WORKSHOP

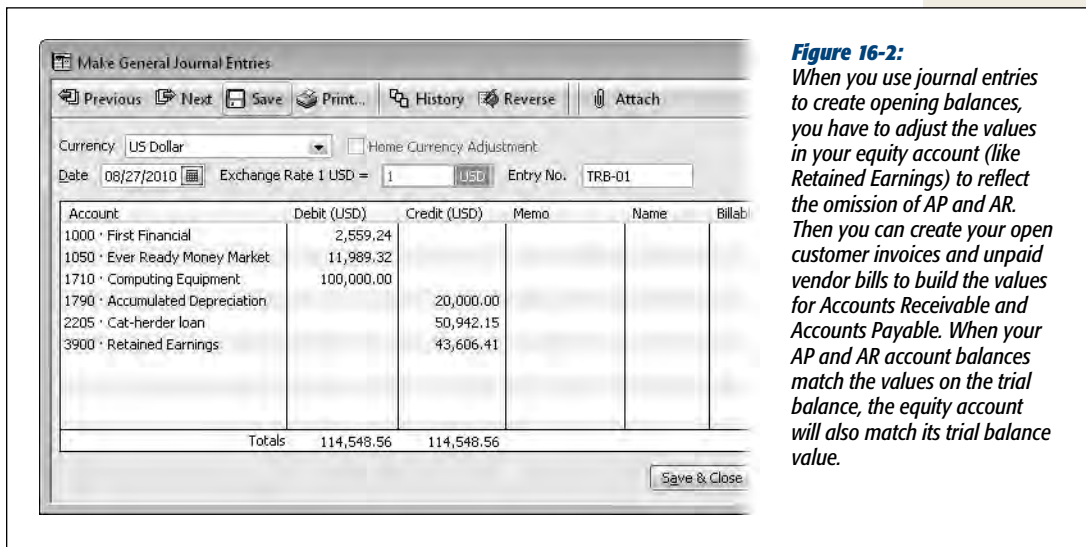
Creating Opening Balances with Journal Entries

QuickBooks has some arbitrary, but unyielding, rules about Accounts Payable (AP) and Accounts Receivable (AR) accounts in general journal entries. Each general journal entry can have only one AP or AR account, and that account can appear on only one line of the journal entry. And if you do add an AP account, you also need to choose a vendor in the Name field. For AR accounts, you have to choose a customer name in the Name field.

These rules are a problem only when you want to use general journal entries to set the opening balances for customers or vendors. The hardship, therefore, is minute, because

the preferred approach for building opening balances for vendors and customers is to enter bills and customer invoices. These transactions provide the detail you need to resolve disputes, determine account status, and track income and expenses.

You can get around QuickBooks' AP and AR limitations by setting up the opening balances in all your accounts with a journal entry based on your trial balance (page 54) from your previous accounting system. Simply create the journal entry without the amounts for Accounts Payable and Accounts Receivable, as shown in Figure 16-2.



Creating General Journal Entries

In essence, every transaction you create in QuickBooks is a journal entry: When you write checks, the program balances the debits and credits behind the scenes. To explicitly create general journal entries in QuickBooks, open the Make General Journal Entries window using any of the following methods:

- Choose Company→Make General Journal Entries.
- If the Chart of Accounts window is open, right-click anywhere and then choose Make General Journal Entries on the shortcut menu.
- If the Chart of Accounts window is open, click Activities and then choose Make General Journal Entries.

Here are the basic steps for creating a general journal entry in QuickBooks:

1. In the Make General Journal Entries window, choose the date on which you want the general journal entry to happen.

If you're creating a general journal entry to reassign income or an expense to the correct account, you should use the date that you make the correction. However, when you or your accountant make end-of-year journal entries—to add the current year's depreciation, say—it's common to use the last day of the fiscal year instead.

Note: If you turn on the multiple currency preference (page 582), the Make General Journal Entries dialog box includes boxes for the currency and the exchange rate. If you select an account that uses a foreign currency in a journal entry line, QuickBooks fills in the exchange rate and asks you to confirm that the rate is correct. If it isn't, open the Currency List (choose Lists→Currency List) and update the exchange rate for that currency (page 456).

2. Although QuickBooks automatically assigns numbers to general journal entries, you can specify a different number by typing the number you want in the Entry No. box.

When you type an entry number, QuickBooks fills in the entry number for your *next* entry by incrementing the one you typed. For example, suppose your accountant adds several journal entries at the end of the year and uses the entry numbers ACCT-1, ACCT-2, ACCT-3, and so on. When you begin using the file again, you can type a number to restart your sequence, such as DRP-8. When you create your next journal entry, QuickBooks automatically fills in the Entry No. box with DRP-9.

Since you can type both letters and numbers in this field, you can also use it to store words that indicate the type of journal entry you're creating. For example, you can label the journal entries that record payroll transactions for your out-side payroll service with PAY.

Tip: If you don't want QuickBooks to number general journal entries automatically, you can turn off the automatic numbering preference in the Accounting preferences section (page 565).

3. Fill in the first line of your general journal entry, which can be either a debit or a credit. (For details about filling in each field in a general journal entry line, see the next section.)

When you click the Account cell in the next line, QuickBooks automatically enters the offsetting balance, as shown in Figure 16-3.

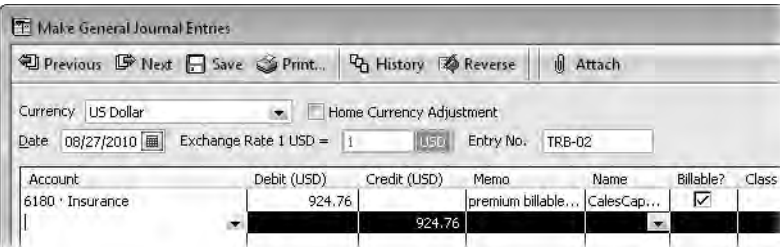


Figure 16-3:
If the first line you enter is a debit, QuickBooks helpfully enters the same amount in the Credit column in the second line, as shown here. If your first line is a credit, QuickBooks fills in the second line with the same amount in the Debit column.

4. Fill in the second line of the general journal entry.

If your second line doesn't balance the Debit and Credit columns, continue adding additional lines until you've added debit and credit amounts that balance.

If the offsetting value that QuickBooks adds to the second line is what you want, all you have to do is choose the account for that line, and then click Save & Close.

5. When the debit and credit columns are the same, click **Save & Close** to save the general journal entry and close the **Make General Journal Entries** window.

If you want to create another general journal entry, click **Save & New** instead.

Filling in General Journal Entry Fields

Each line of a general journal entry includes a number of fields, although for most such entries, the key fields are **Account**, **Debit** or **Credit**, and **Memo**. But every field comes in handy at some point, so they're all worth knowing about. Here's what each field does and when you might fill them in:

- **Account.** Choose the account that you want to debit or credit. Every line of every general journal entry has to have an assigned account.
- **Debit.** If you want to debit the account on the line, type the amount of the debit in this field.
- **Credit.** If you want to credit the account on the line, type the amount of the credit in this field.
- **Memo.** Entering a memo is a huge help when you go back to review your journal entries. For example, if you're reclassifying an uncategorized expense, type something like "Reclassify expense to correct account." For depreciation, you can include the dates covered by the journal entry.

Note: In QuickBooks Premier and Enterprise editions, the Autofill preference (Edit→Preferences→Accounting, on the My Preferences tab) tells the program to fill each subsequent Memo field with the text from the first one.

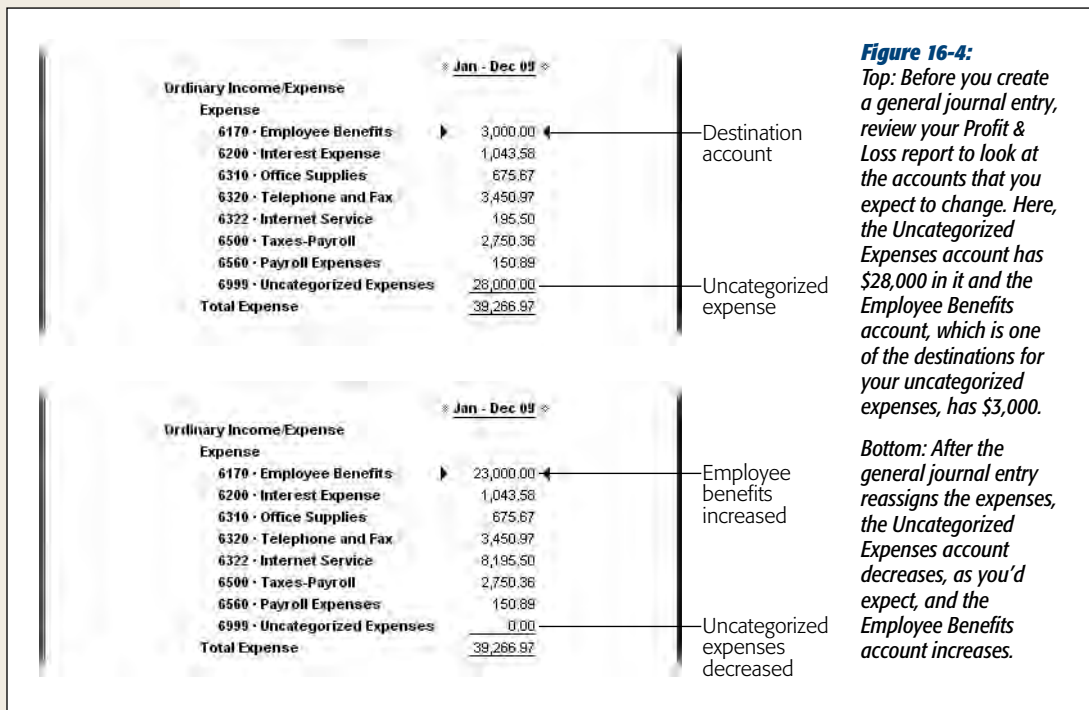
- **Name.** If you're debiting or crediting an AR or AP account, you have to choose a name, as explained in the box on page 432. However, you might also fill in the Name field if you're creating a journal entry for billable expenses and want to assign the expenses to a customer.
- **Billable?** This column lets you designate part of your journal entry as billable expenses. When you choose a name in the Name field, QuickBooks automatically adds a checkmark in this field, as shown in Figure 16-3. If you don't want to make the value billable to the customer, turn off the checkmark in the "Billable?" field. Leave this field checked when you create general journal entries to reassign some of your existing expenses to be billable to a customer.
- **Class.** General journal entries are transactions just like checks and invoices, which means you should choose a class for each line to keep your class reports accurate. If you create a general journal entry to reassign income or expenses to a different class, the Account on each line stays the same, but the class you choose is different.

Tip: You can use the Search and Find features to track down a journal entry. To use Search, choose Edit→Search. In the Search window, click the Advanced Search tab; click Unselect All and then turn on the Journals checkbox. To use Find, choose Edit→Find (or press Ctrl+F) to open the Find window. In the Filter list, choose Transaction Type. In the Transaction Type drop-down list, choose Journal. Then click Find to display the journal entries you've created.

Checking General Journal Entries

If you stare off into space and start mumbling “Debit entries increase asset accounts” every time you create a general journal entry, it's wise to check that the general journal entry did what you wanted. Those savvy in the ways of accounting can visualize debits and offsetting credits in their heads, but for novices, thinking about the changes you expect in your profit and loss report or balance sheet is easier.

For example, if you plan to create a journal entry to reassign expenses in the Uncategorized Expenses account to their proper expense account homes, you'd expect to see the value in the Uncategorized Expenses account drop to zero and the values in the correct expense accounts increase. Figure 16-4 shows how you use a profit and loss report (see page 447) to check your general journal entries.



Note: Some general journal entries affect both Balance Sheet and Profit & Loss reports. For example, as you'll see on page 438, a depreciation journal entry uses an asset account, which appears only in the Balance Sheet, and an expense account, which appears only in the Profit & Loss report. In situations like this, you have to review both reports to verify your numbers.

Reclassifications and Corrections

As you work with your QuickBooks file, you might realize that you want to use different accounts. For example, as you expand the services you provide, you might switch from one top-level income account to several specific income accounts. Expense accounts are also prone to change—when the Telephone account splits into separate accounts for landline service, wireless service, and Internet service, for example. Any type of account is a candidate for restructuring, as one building grows into a stable of commercial properties, say, or you move from a single mortgage to a bevy of mortgages, notes, and loans.

Reclassifying Accounts

Whether you want to shift funds between accounts because you decide to categorize your finances differently or you simply made a mistake, you're moving money between accounts of the same type. The benefit to this type of general journal entry is that you only have to think hard about one side of the transaction. As long as you pick the debit or credit correctly, QuickBooks handles the other side for you.

Debits and credits work differently for income and expense accounts, and Figure 16-5 shows you how to set them up for different types of adjustments.

Accountants sometimes create what are known as *reversing journal entries*, general journal entries that move money in one direction on one date and then move the money back to where it came from on another date. Reversing journal entries are common at the end of the year, when you need your books configured one way to prepare your taxes and another way for your day-to-day bookkeeping.

Tip: It's easy enough to create two general journal entries, each using the same accounts, but with opposite assignments for debits and credits. In QuickBooks Premier Edition, the Make General Journal Entries dialog box includes a Reverse command, which automatically creates a reversing journal entry for you.

Reassigning Jobs

If you need to transfer money between different jobs for the same customer, general journal entries are the answer. For example, your customer might ask you to apply a credit from one job to another, because the job with the credit is already complete, so your customer wants to apply that credit toward a job that's still in progress.

Top Screenshot Data:

Account	Debit (USD)	Credit (USD)	Memo	Name
4100 • Service Revenue	90,000.00			
4110 • Service Corporate		35,000.00		
4120 • Service Government		55,000.00		

Bottom Screenshot Data:

Account	Debit (USD)	Credit (USD)	Memo	Name
6999 • Uncategorized Expenses		28,000.00		
6170 • Employee Benefits	20,000.00			
6322 • Internet Service	8,000.00			

Figure 16-5:

Top: When you transfer money between income accounts, you debit the original income account to decrease its value and credit the new income accounts to increase their value.

Bottom: Expense accounts are the opposite: You credit the original expense account to decrease its value and debit new expense accounts to increase their value.

When you move money between jobs, you're transferring that money in and out of Accounts Receivable. Because QuickBooks allows only one AR account per journal entry, you need *two* journal entries to transfer the credit completely. (Figure 13-10 on page 348 shows what these journal entries look like.) You also need a special account to hold the credit transfers; an Other Expense account called something like Credit Transfers will do. After you have the transfer account in place, here's how the two journal entries work:

- **Transfer the credit from the first job to the transfer account.** In the first journal entry, you debit Accounts Receivable for the amount of the credit. (Be sure to choose the customer and job in the Name field.) This half of the journal entry removes the credit from the job's balance. In the second line of the journal entry, choose the transfer account. The amount is already in the Credit cell, which is where you want it for moving the amount into the transfer account.
- **Transfer the money from the transfer account to the second job.** In this journal entry, debit the transfer account for the money you're moving. Then, the AR account receives the amount in its Credit cell. In the Name cell, choose the customer and the second job. This journal entry transfers the money from the transfer account to the second job's balance.

Recording Depreciation with Journal Entries

When you own an asset, such as the deluxe Cat-o-matic cat herder, the machine loses value as it ages and clogs with furballs. *Depreciation* is an accounting concept,

intimately tied to IRS rules, that reduces the value of the machine and lets your financial reports show a more accurate picture of how the money you spend on assets links to the income your company earns. (See page 148 for an example of how depreciation works.) Typically, you'll calculate depreciation in a spreadsheet so you can also see the asset's current depreciated value and how much more it will depreciate.

But depreciation doesn't deal with hard cash, which is why you need to create a general journal entry to enter it. Unlike some other general journal entries, which have a wide choice of accounts, depreciation journal entries are easy to create because the accounts you can choose are limited. The debit account is an expense account, usually called Depreciation Expense. (If you don't have a Depreciation Expense account, see page 49 to learn how to create one.) The offsetting account is the account for the fixed asset that you're depreciating.

Tip: If you depreciate the same amount each year, memorize the first depreciation transaction you create (page 322). The following year, when it's time to enter depreciation, press Ctrl+T to open the Memorized Transaction List window. Select the depreciation transaction, and then click Enter Transaction. Another way to copy a journal entry is to click Previous until you see the journal entry you want. Then, right-click the Make General Journal Entries window and choose Duplicate Journal Entry from the shortcut menu. Make the changes you want and then click Save & Close.

For a depreciation general journal entry, you want to reduce the value of the fixed asset account and add value to the Depreciation Expense account. If you remember that debit entries increase the value of expense accounts, you can figure out that the debit goes with the expense account and the credit goes to the fixed asset account. Figure 16-6 shows how depreciation debits and credits work.

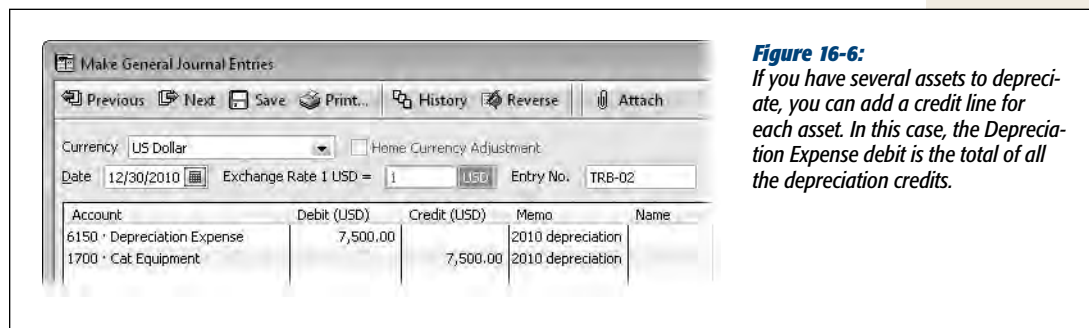


Figure 16-6: If you have several assets to depreciate, you can add a credit line for each asset. In this case, the Depreciation Expense debit is the total of all the depreciation credits.

Recording Owners' Contributions

If you're incorporating your company, most attorneys suggest that you contribute some cash to get the company off the ground. However, you might make a non-cash contribution to your company, like your home computer, printer, and other office equipment. Then, as you run your business from your home, you may want to allocate a portion of your utility bills, homeowners' insurance premiums, repairs to

your home, and other home-related expenses to your company. In both these situations, journal entries are the way to get money into the accounts in your Chart of Accounts.

Tip: If you contribute cash to jumpstart your company's checking account balance, simply record a deposit to your checking account (page 361) and assign that deposit to your owners' equity account.

When you contribute equipment to your company, you've already paid for the equipment, so you want the value of your equipment to show up in your company file. You can't use the Write Checks window to make that transfer, but a journal entry can record that contribution:

- Credit the owners' equity (or common stock for a corporation) account with the value of the equipment you're contributing to your company.
- Debit the equipment asset account so its balance shows the value of the equipment that now belongs to the company.

The money you spent on home-office expenses is already out the door, but those expenditures are equivalent to personal funds you contribute to your business. Here's how you show this contribution in QuickBooks:

- Credit the total expenses for your home office to an equity account for your owner's contributions to the company.
- Debit the expense accounts for each type of home-office expense, as shown in Figure 16-7.

Account	Debit	Credit	Memo
3045 • Owner's Contribution/Draw		2,560.00	Close Owner's Contributions/Draws to Retained Earnings
3052 • Home Office - Utilities	352.00		Close Owner's Contributions/Draws to Retained Earnings
3053 • Home Office - Repairs	2,021.00		Close Owner's Contributions/Draws to Retained Earnings
3054 • Home Office - Insurance	187.00		Close Owner's Contributions/Draws to Retained Earnings

Figure 16-7:
After you credit the owner's contribution account and debit the home-office expense accounts, your home-office expenses show up in a Profit & Loss report (page 442) and your owner's contribution appears on the Balance Sheet (page 448).

Generating Financial Statements

When you keep your company's books day after day, all those invoices, checks, and other transactions blur together. But hidden within that maelstrom of figures is important information for you, your accountant, your investors, and the IRS. When consolidated and presented the right way, your books can tell you a lot about what your company does right, does wrong, could do better, and has to pay in taxes.

Over the years, the Financial Accounting Standards Board (FASB) has nurtured a standard of accounting known as GAAP (Generally Accepted Accounting Principles). GAAP includes a trio of financial statements that together paint a portrait of company performance: the income statement (also known as the Profit & Loss report), the balance sheet, and the statement of cash flows.

Generating financial statements in QuickBooks is easy. But unless you understand what these statements tell you and you can spot suspect numbers, you may end up generating fodder for your paper shredder. If you're new to business, get started by reading the first part of this chapter, which is about what the income statement, balance sheet, and statement of cash flows do. If you're already an expert in all that, jump to the section on generating these reports in QuickBooks (page 445).

Note: When you close out a year on your company's books, these three special financial reports are a must. You'll learn how financial statements fit into your year-end procedures in Chapter 18. If you're a business maven and need a bunch of additional reports to manage your business, Chapter 21 has instructions for finding the reports you need and customizing them to your demanding specifications.

The Profit & Loss Report

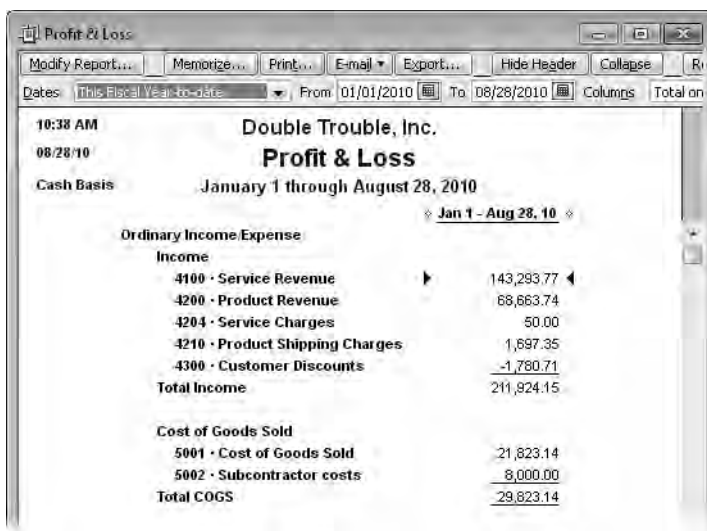
The Profit & Loss report is more like a video than a snapshot. It covers a period of time, usually a month, quarter, or a full year, and it shows whether your company is making money—or hemorrhaging it.

The money you make selling services or products (called *revenue* or *income*) sits at the top of the Profit & Loss report. Beneath it, your expenses gradually whittle away at that income until you're left with a profit or loss at the bottom. The Profit & Loss report (Reports→Company & Financial→Profit & Loss Standard) and the following list explain the progression from sales to the net income your company earned after paying the bills:

- **Income.** The first category in a Profit & Loss report is income, which is simply the revenue your company generates by selling products and services. Regardless of how you earn revenue (selling services, products, or even charging fees), the Profit & Loss report shows all the income accounts in your chart of accounts and how much you brought into each, as shown in Figure 17-1.

Figure 17-1:

The Income section at the top of the Profit & Loss report lists the accounts that represent the money you make when you sell to customers. Frustratingly, most companies have to subtract the cost of goods sold from income to figure out how much they really brought in. Cost of goods sold may include the cost of materials and labor to build products, the cost of products you purchase for resale, and the cost of sales activities.



The screenshot shows the Profit & Loss report for Double Trouble, Inc. for the period from January 1 to August 28, 2010. The report is on a cash basis. The income section lists several accounts: Service Revenue (143,293.77), Product Revenue (88,663.74), Service Charges (50.00), Product Shipping Charges (1,697.35), and Customer Discounts (-1,780.71). The total income is 211,824.15. The cost of goods sold section lists Cost of Goods Sold (21,823.14) and Subcontractor costs (8,000.00). The total COGS is 29,823.14.

Double Trouble, Inc.	
Profit & Loss	
Cash Basis January 1 through August 28, 2010	
Jan 1 - Aug 28, 10	
Ordinary Income/Expense	
Income	
4100 • Service Revenue	143,293.77
4200 • Product Revenue	88,663.74
4204 • Service Charges	50.00
4210 • Product Shipping Charges	1,697.35
4300 • Customer Discounts	-1,780.71
Total Income	211,824.15
Cost of Goods Sold	
5001 • Cost of Goods Sold	21,823.14
5002 • Subcontractor costs	8,000.00
Total COGS	29,823.14

Tip: The Profit & Loss report lists accounts in the order they appear in QuickBooks' chart of accounts. If you want to report your income and expenses in a specific order, you can rearrange the accounts in the Chart of Accounts window (press Ctrl+A to open it). To do that, hover your cursor over the diamond to the left of an account's name. When the cursor changes to a four-headed arrow, drag the account to where you want it.

- **Cost of Goods Sold.** Unless you gather rocks from your yard and then sell them as alien amulets, the products you sell carry some initial cost. For example, with products you purchase for resale, the cost is the original price you paid for them, the shipping costs you incurred to get them, and so on. In the Profit & Loss report, Cost of Goods Sold adds up the underlying costs associated with your product sales.

Note: If you don't sell inventory items, you might not have a Cost of Goods Sold section in your report. QuickBooks creates a Cost of Goods Sold account when you create your first inventory item. However, if you want to track the costs of other goods, labor to build the products you sell, shipping, the cost of sales, and so on, you can create as many additional Cost of Goods Sold accounts (page 47) as you want.

- **Gross Profit.** Gross profit is the profit you make after subtracting the Cost of Goods Sold from your total income. For example, if you sell equipment for \$100,000 and you paid \$60,000 to purchase that equipment, your gross profit is \$40,000. The box below explains how to see whether your gross profit is in line with your industry.

UP TO SPEED

Profit Percentage

There's no question that sales are important. But the *percentage gross profit* you achieve is your first test of whether you're keeping up with your competitors. Compare the ratio of gross profit to sales to see if your company is in line with your industry. For example, in construction, gross profit between 40 and 60 percent is typical. (The business reference section of your local library is a great place to find industry statistics. Many libraries offer online access to their reference materials.)

QuickBooks is happy to calculate percentage gross profit for you. Here's what you do:

1. In the Profit & Loss report window's menu bar, click the Modify Report button.
2. In the Modify Report: Profit & Loss dialog box, click the Display tab (if it isn't already visible).
3. Turn on the "% of Income" checkbox and then click OK.

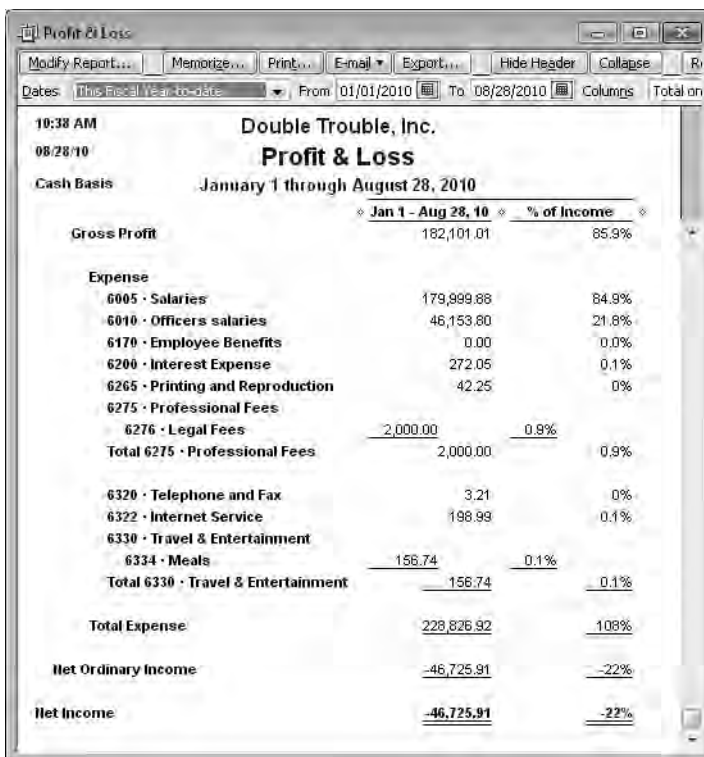
QuickBooks adds another column to the report showing the percentage of income that each row in the report represents, as you can see in Figure 17-2. The value for Gross Profit in the % of Income column is your gross profit for the company.

Figure 17-2:

You can use the percentages in the “% of Income” column to analyze company performance in various ways. For example, when you’re trying to find places to cut costs, look for expense accounts that take up a large percentage of your income. Or compare the percentage of net profit to the average for your industry.

Double Trouble, Inc.		
Profit & Loss		
Cash Basis January 1 through August 28, 2010		
	Jan 1 - Aug 28, 10	% of Income
Ordinary Income/Expense		
Income		
4100 • Service Revenue	143,293.77	67.6%
4200 • Product Revenue	68,863.74	32.4%
4204 • Service Charges	50.00	0%
4210 • Product Shipping Charges	1,697.35	0.8%
4300 • Customer Discounts	-1,780.71	-0.8%
Total Income	211,924.15	100.0%
Cost of Goods Sold		
5001 • Cost of Goods Sold	21,823.14	10.3%
5002 • Subcontractor costs	8,000.00	3.8%
Total COGS	29,823.14	14.1%
Gross Profit	182,101.01	85.9%

- **Expenses.** The next and longest section is for expenses—all the things you spend money on running your business, which are sometimes called *overhead*. For example, office rent, telephone service, and bank fees all fall into the overhead expense bucket. The name of the game is to keep these expenses as low as possible without hindering your ability to make money.
- **Net Ordinary Income.** QuickBooks uses the term “Net Ordinary Income” to describe the money that’s left over after you pay the bills. You’ve probably also run across this measure referred to as *net profit* or *net earnings*. Figure 17-3 shows the expenses and net ordinary income portion of a Profit & Loss report.
- **Other Income/Expense.** Income and expenses that don’t relate to your primary business fall into the Other Income/Expenses category. The most common entrants are the interest income you earn from your savings at the bank, the interest you pay on your loans, and bad debt. In this category, income and expense are bundled together and offset each other. The result is called Net Other Income. For example, if you have only a smidgeon of cash in savings but a honking big mortgage, Net Other Income will be a negative number.
- **Net Income.** At long last, you reach the end of the report. Net Income is the money that’s left after subtracting all the costs and expenses you incur. If Net Income is positive, congratulations—your company made money! If Net Income is negative, your expenses were more than your income, and something’s gotta give.



Double Trouble, Inc.		
Profit & Loss		
Cash Basis January 1 through August 28, 2010		
	Jan 1 - Aug 28, 10	% of Income
Gross Profit	182,101.01	85.9%
Expense		
6005 • Salaries	179,999.88	84.9%
6010 • Officers salaries	46,153.80	21.8%
6170 • Employee Benefits	0.00	0.0%
6200 • Interest Expense	272.05	0.1%
6265 • Printing and Reproduction	42.25	0%
6275 • Professional Fees		
6276 • Legal Fees	2,000.00	0.9%
Total 6275 • Professional Fees	2,000.00	0.9%
6320 • Telephone and Fax	3.21	0%
6322 • Internet Service	198.99	0.1%
6330 • Travel & Entertainment		
6334 • Meals	156.74	0.1%
Total 6330 • Travel & Entertainment	156.74	0.1%
Total Expense	228,826.92	108%
Net Ordinary Income	-46,725.91	-22%
Net Income	-46,725.91	-22%

Figure 17-3:

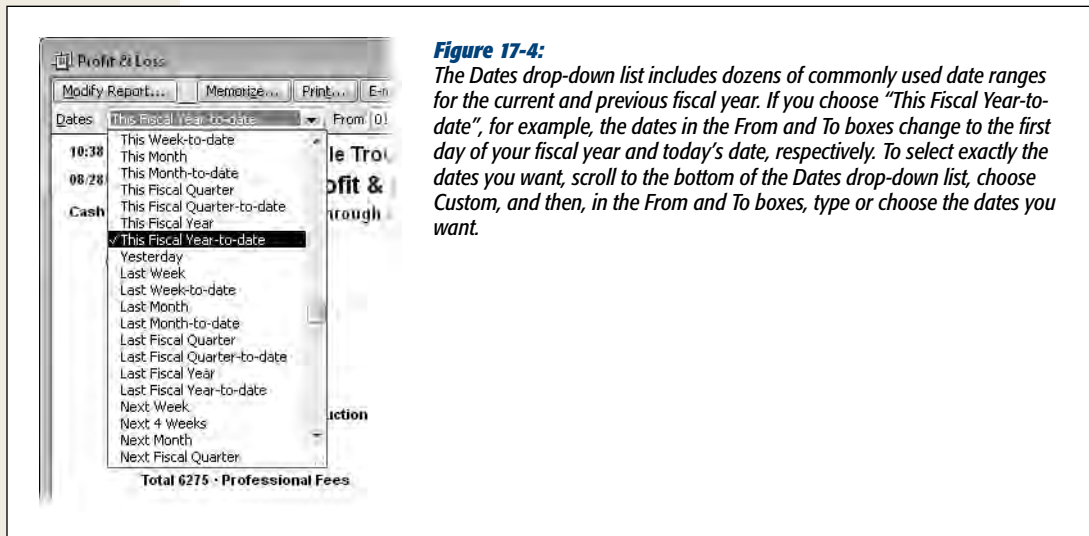
If your company makes more money than it spends, your net income (also called net profit) is a positive number. Despite the report's name, QuickBooks doesn't label your result a loss when your company spends more than it makes. Instead, a loss shows up as a negative number for net income, as shown here.

Generating a Profit & Loss Report

If you choose Reports→Company & Financial, QuickBooks gives you several built-in Profit & Loss reports to choose from. Choose Profit & Loss Standard to see a month-to-date report, which, if you've built your mom-and-pop shop into a merchandising monster, might be just the one you want.

Note: Before you generate your first financial statements, be sure that QuickBooks reports your numbers using your company's accounting basis. The Summary Reports Basis preference (page 589) sets your reports to use either accrual or cash accounting. If you choose the Cash option instead, your Profit & Loss reports show income only after you receive customer payments, and show expenses only after you pay bills. With the Accrual option, income appears in Profit & Loss reports as soon as you record an invoice or other type of sale, and expenses show up as soon as you enter bills.

But for many small companies, month-to-date numbers can be rather sparse. You can change the month-to-date report that QuickBooks produces into a quarter-to-date or year-to-date Profit & Loss report, as described in Figure 17-4. (Page 516 tells you how to save a Profit & Loss report after you tweak it to look the way you want.)



Tip: In accounting, *pro forma* reports are financial statements that show results *excluding* unusual or one-of-a-kind transactions. In business lingo, on the other hand, *pro forma* reports show projected results. QuickBooks doesn't produce either type of *pro forma* report out of the box, but you can trick it into doing so: Create a new company file (page 20) using the same accounts as your real company file and create a journal entry (page 433) to set the values for all your accounts. Then, any time you want to create a *pro forma* report, edit the account debits and credits in the journal entry to the values you want, and then run whichever report you want.

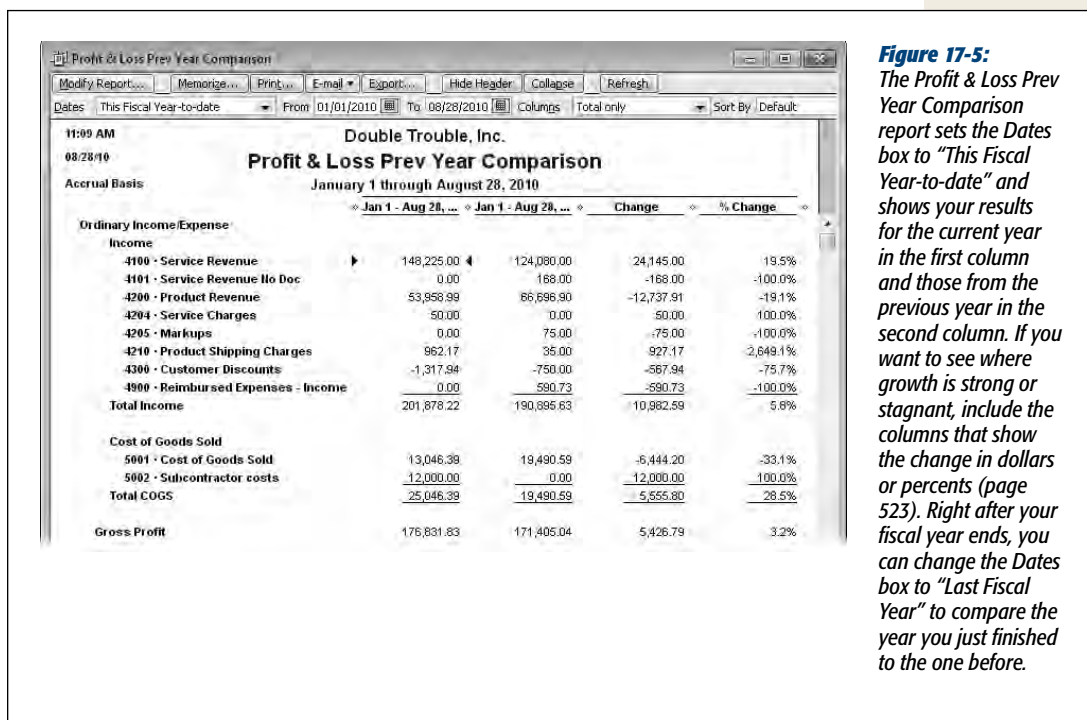
Other Profit & Loss Reports

If the Profit & Loss Standard report described in the previous section isn't what you want, take a few minutes to see if any of the other built-in Profit & Loss reports fit the bill. Here's a guide to the other Profit & Loss reports on the Reports→Company & Financial menu and when you might use them:

- **Profit & Loss Detail.** Only the tiniest of companies—or the most persnickety of bookkeepers—uses this report regularly. It's a year-to-date report that includes a separate line for every service and product you sold, every other charge that produced revenue, and every item on every bill you paid. It comes in handy when, for example, you restore a backup copy of your company file and want to look at your previous company file to identify the transactions you have to recreate in the restored backup.

Tip: If you spot questionable numbers in a Profit & Loss report, double-click a number for a closer inspection. When you hover your cursor over a number, an icon that looks like a Z inside a magnifying glass appears; that's your clue that double-clicking the number will drill down into the details. For example, if you double-click a number in a Profit & Loss Standard report, QuickBooks displays a Transaction Detail By Account report with each transaction that contributed to the total. In a Profit & Loss Detail report, double-clicking a transaction opens the Create Invoices window (or corresponding window) so you can view that transaction.

- **Profit & Loss YTD Comparison.** This report puts the profit and loss results for two periods side by side: the current month to date and the year to date. However, most businesses compare a period to its predecessor from the previous year to see business trends more clearly, as the next report does.
- **Profit & Loss Prev Year Comparison.** If you own a gift shop or other seasonal business, you know that sales are highest around the holidays. If you compare the last quarter of one year to the first quarter of the next, the Profit & Loss report would look pretty grim: Sales would be down and possibly exacerbated by returns from holiday purchases. To see whether your business is growing, compare your previous year to the current year with the Profit & Loss Prev Year Comparison report shown in Figure 17-5.



- **Profit & Loss by Job.** If you suspect that some of your customers and jobs are less profitable than others—and you want to learn from your mistakes—run the Profit & Loss by Job report. In this report, each of your customers and jobs appears in its own column so you can compare how much profit you made for each. The box below tells you how to compare apples to apples in a QuickBooks Profit & Loss by Job report.
- **Profit & Loss by Class.** If you use classes to track performance for different business units or locations, use this report to produce a Profit & Loss report for each business entity. Each class has its own column in this report. If you'd rather generate a Profit & Loss report that shows only one class, modify this report to filter for that one class. The last column in this report is Unclassified, which shows all the transactions that don't have a class assignment.
- **Profit & Loss Unclassified.** Before you pretty up and print your class-based Profit & Loss reports, run this one to see the numbers for transactions without class assignments. Depending on how you use classes, unclassified transactions might be perfectly acceptable. For example, if you track income by partner, overhead expenses aren't related to individual partners. In that situation, most income accounts should have values, but expense accounts could have zero balances.

UP TO SPEED

Comparing Profitability

Because jobs vary in size, it's hard to compare profitability by looking at the raw numbers. For example, one job may produce \$50,000 in total income with \$10,000 in net income. Another job also produces \$50,000 in total income, but only \$5,000 in net income. To see how profitable customers and jobs truly are, percentages are the answer. For example, suppose each job's total income represents 10 percent of your total income for the year. The job with \$10,000 in net income may represent 15 percent of your net income, while the other job, at \$5,000 net income, is only 7.5 percent.

To add columns that show the percentage that a job contributes to your overall income and profit, do the following:

1. In the "Profit & Loss by Job" report window's menu bar, click Modify Report.
2. In the Modify Report: Profit & Loss dialog box, click the Display tab (if it isn't already visible).
3. Turn on the "% of Income" checkbox and then click OK.

QuickBooks adds another column for each job showing the percentage of income that each number in the job column represents. The Net Income value at the bottom of the % of Income column shows the net profit margin for a job. That's the number you want to focus on. When a job's Net Income percentage is higher than the Total Income percentage, the customer is more profitable than average.

The Balance Sheet

If a Profit & Loss report is like a video, a balance sheet is more like a portrait. This report shows how much your company owns (assets), how much it owes (liabilities), and the resulting equity in the company at a given point in time. While a Profit & Loss report tells you whether you're making money, the balance sheet (Reports→Company & Financial→Balance Sheet Standard) helps you analyze your company's financial strength.

Understanding the Balance Sheet

One thing you can count on with a balance sheet is that there's a steady relationship between the total assets, total liabilities, and equity, as you can see in Figure 17-6. The Balance Sheet report earns its name from math, not magic; here's the formula that puts the "balance" into balance sheets:

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

As you buy more or borrow more, the value of your equity changes to make up the difference between the value of your assets and liabilities. Another way to look at this equation is that your asset value equals the sum of your liabilities and equity.

Total Fixed Assets	52,499.10	
TOTAL ASSETS	570,942.91	
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
2000 • Accounts Payable	25,815.75	
20000 • Accounts Payable - CHY	731.90	
Total Accounts Payable	26,547.65	
Credit Cards		
2050 • Easy Credit	156.74	
Total Credit Cards	156.74	
Other Current Liabilities		
2100 • Payroll Liabilities	28,264.68	
2200 • Customer Prepayments	-8,000.00	
2201 • Sales Tax Payable	5,585.14	
Total Other Current Liabilities	25,849.82	
Total Current Liabilities	52,554.21	
Long Term Liabilities		
2205 • Cat-herder loan	68,223.62	
Total Long Term Liabilities	68,223.62	
Total Liabilities	120,777.83	Liabilities much less than assets is good
Equity		
3000 • Opening Bal Equity	8,024.75	
3900 • Retained Earnings	493,761.72	
Net Income	-51,621.39	
Total Equity	450,165.08	Equity in company
TOTAL LIABILITIES & EQUITY	570,942.91	

Figure 17-6:

The key to a good-looking balance sheet is not having too much debt. How much is too much? It depends on the industry you're in, but the acid test is if you closed up shop today and sold all your assets, would you have enough money to pay off your liabilities? If the answer is no, you'll have a hard time finding a bank willing to loan you more money. A balance sheet is strong when it shows a lot of assets and few liabilities.

Here's what to look for in each section of a balance sheet:

- **Assets.** Assets are things of value that a company owns, such as equipment, land, product inventory, accounts receivable, cash, and even brand names. On a balance sheet, you want to see significantly more money in the asset section than in the liabilities section.

Note: Even with assets, you can have too much of a good thing. Assets aren't corporate collectors' items—companies should use assets to make money. A measure called *return on assets* (the ratio of net income to total assets) shows whether a company is using assets effectively to produce income. Return on assets varies from industry to industry, but, typically, less than five percent is poor.

- **Liabilities.** Liabilities include accounts payable (bills you haven't yet paid), unpaid expenses, loans, mortgages, and even future expenses, such as pensions. Debt on its own isn't bad; it's *too much* debt that can drag a company down, particularly when business is slow. Debt payments are due every month whether your business produced revenue or not.
- **Equity.** Equity on a balance sheet is the corporate counterpart of the equity you have in your house. When you buy a house, your initial equity is the down payment you make. But both the decreasing balance on your mortgage and the increasing value of your house contribute to an increase in your equity. Equity in a company is the dollar value that remains after you subtract liabilities from assets.

Generating a Balance Sheet Report

A balance sheet is a snapshot of accounts on a given date. The various built-in balance sheet reports that QuickBooks offers differ in whether they show only account balances or all the transactions that make up those balances. Choose Reports→Company & Financial and you can pick from any of the following reports:

- **Balance Sheet Standard.** This report includes every asset, liability, and asset account in your chart of accounts except for accounts with zero balances. QuickBooks automatically sets the Dates box to “This Fiscal Year-to-date”, so the report shows your balance sheet for the current date. If you want to see the balance sheet for the end of a quarter or end of the year, in the Dates box, choose This Fiscal Quarter, This Fiscal Year, or Last Fiscal Year.
- **Balance Sheet Detail.** Printing this report is a good way to use up the last of your old printer paper, but it isn't that useful for managing your business. This report shows the transactions over a period in each of your asset, liability, and equity accounts. If a number on your regular balance sheet report looks odd, use this report to verify your transactions. Double-click the value for a transaction to open the corresponding window, such as Enter Bills.
- **Balance Sheet Summary.** If you want to see the key numbers in your balance sheet without scanning past the individual accounts in each section, this report shows subtotals for each category of a balance sheet, as shown in Figure 17-7.
- **Balance Sheet Prev Year Comparison.** If you want to compare your financial strength from year to year, this report has four columns at your service: one each for the current and previous years, one for the dollar change, and the fourth for the percentage change.

Note: When you review your Balance Sheet Prev Year Comparison report, you typically want to see decreasing liabilities. If liabilities have *increased*, then assets should have increased as well, because you don't want to see more debt without more assets to show for the trouble. Equity is the value of your—and your shareholders'—ownership in the company, so it should increase each year. (If you use QuickBooks to keep the books for your one-person consulting company, the equity may not increase each year if, for example, you don't have many company assets, and you withdraw most of the profit you make as your salary.)

Figure 17-7:
For assets and liabilities, the Balance Sheet Summary report separates current assets from other assets. Current assets are those you can convert into cash quickly to keep things going when business is slow. Similarly, liabilities can be either current or long-term. Credit cards are current liabilities, since you have to pay the bill each month. With long-term loans, the next twelve months of payments are current liabilities and the rest of the balance is long-term liability.

ASSETS	
Current Assets	
Checking/Savings	
1000 - First Financial	40,962.45
1010 - First Financial Payroll	42,776.37
1050 - Ever Ready Money Market	390,481.67
Total Checking/Savings	474,220.49
Accounts Receivable	
1200 - Accounts Receivable	27,581.93
Total Accounts Receivable	27,581.93
Other Current Assets	
1300 - Inventory Asset	16,591.39
1400 - Loan Escrow	50.00
Total Other Current Assets	16,641.39
Total Current Assets	518,443.81
Fixed Assets	
1700 - Cat Equipment	52,499.10
Total Fixed Assets	52,499.10
TOTAL ASSETS	570,942.91

- **Balance Sheet by Class.** If you use classes to differentiate business units, this report is helpful because it includes a column for each business entity. You can use this report in conjunction with the “Profit & Loss by Class” report to evaluate the performance of each business unit. The last column in this report is labeled Unclassified; it represents all the balance sheet entries that don’t have a class assignment.

The Statement of Cash Flows

Thanks to non-cash accounting anomalies like accrual reporting and depreciation, profit and loss reports don’t tell you how much cash you have on hand. Looking at your cash flow helps you figure out whether your company generates enough cash to keep the doors open. Your balance sheet might look great—\$10 million in assets and only \$500,000 in liabilities, say. But if a \$50,000 payment is due and you only have \$3,000 in the bank, you have cash flow problems.

Understanding the Statement of Cash Flows

The concept of cash flow is easy to understand. In the words of every film-noir detective, follow the money. Cash flow is nothing more than the real money that flows in and out of your company—not the non-cash transactions, such as depreciation, that you see on a Profit & Loss report. Figure 17-8 shows sources of cash in a sample statement of cash flows.

Statement of Cash Flows	
Double Trouble, Inc.	
Statement of Cash Flows	
January through December 2010	
◇ Jan - Dec '10 ◇	
OPERATING ACTIVITIES	
Net Income	-50,694.39
Adjustments to reconcile Net Income to net cash provided by operations:	
1200 • Accounts Receivable	3,097.94
1300 • Inventory Asset	-5,273.61
1400 • Loan Escrow	-5.00
2000 • Accounts Payable	20,496.05
2050 • Easy Credit	156.74
2100 • Payroll Liabilities	40,558.14
2201 • Sales Tax Payable	2,067.89
Net cash provided by Operating Activities	10,403.56
FINANCING ACTIVITIES	
2205 • Cat-herder loan	-505.09
Net cash provided by Financing Activities	-505.09
Net cash increase for period	9,898.47
Cash at beginning of period	465,249.02
Cash at end of period	<u>475,147.49</u>

Figure 17-8:

A Statement of Cash Flows report organizes transactions into various activity categories. Cash from operating activities is the most desirable; when a company's ongoing operations generate cash, the business can sustain itself without cash coming from other sources. Buying and selling buildings or making money in the stock market using company money are investing activities. Borrowing money or selling stock in your company brings in cash from outside sources, called financing activities. (New companies often have no other source of cash.)

Warning: When you sell an asset, which is an investing activity, it shows up as a gain or loss on the Profit & Loss report, which *temporarily* increases or reduces your net income. Beware: the effect of investing activities on the Profit & Loss report can hide problems brewing in your operations, which is why you should examine the Statement of Cash Flows report. If your income derives mainly from investing and financing activities, instead of operating activities, you've got a problem.

Generating a Statement of Cash Flows

To create a Statement of Cash Flows, QuickBooks automatically assigns the accounts that appear in your company's balance sheet into one of the three cash flow categories—Operating, Investing, and Financing—and the program almost always gets those assignments right. For example, Accounts Receivable and Inventory appear as operating accounts, fixed asset accounts show up as investing, and accounts for loans fall under financing. Unless you're a financial expert or your accountant gives you explicit instructions about a change, you're better off leaving QuickBooks' account classifications alone. If you need to reassign accounts for your "Statement of Cash Flows" report, this section tells you how.

Generating a statement of cash flows is easy because you have only one report to choose from. Simply choose Reports→Company & Financial→“Statement of Cash Flows” and QuickBooks creates a report like the one shown in Figure 17-8 with your cash flow for your fiscal year to date. To view the “Statement of Cash Flows” for a quarter or a year, in the Dates box, choose This Fiscal Quarter or This Fiscal Year.

Note: The Operating Activities section of the report includes the unfortunate label: “Adjustments to reconcile Net Income to net cash provided by operations”. QuickBooks calculates the net income at the top of the “Statement of Cash Flows” report on an accrual basis (meaning income appears as of the invoice date, not the day the customer pays). But the “Statement of Cash Flows” is by nature a cash-based report, so the program has to add and subtract transactions to get net income on a cash basis.

POWER USERS’ CLINIC

Expert Cash Flow Analysis

Thanks to today’s accounting rules, cash isn’t always connected to revenues and expenses. And a dollar in sales isn’t necessarily a dollar of cash. Here’s what financial analysts look for when they evaluate a company’s health based on its statement of cash flows:

- Net income on the Profit & Loss report that’s close to the cash from operating activities means net income is mostly from business operations and the company can support itself.
- Cash from operations that’s growing at the same rate or faster than the growth of net income indicates that the company is maintaining—or even improving—its ability to sustain business.
- Cash that’s increasing means the company won’t have to resort to financing to keep the business going.
- Negative cash flow is often the sign of a rapidly growing company—without financing, the company grows only as fast as it can generate cash from operations. If a company isn’t growing quickly and still can’t generate cash, something’s wrong.
- If an increase in cash comes primarily from selling assets, the company’s future looks grim. Selling assets to raise cash sometimes means the company can’t borrow any more, because banks don’t like what they see. Because assets often produce sales, selling assets means less cash generated in the future—and you can see where that leads.

The account assignments for the “Statement of Cash Flows” report are a collection of preferences you can find in the Preferences dialog box. Here’s how to view the account assignments or change them:

1. In the “Statement of Cash Flows” report window’s toolbar, click the Classify Cash button.

The Preferences dialog box opens to the Reports & Graphs section and selects the Company Preferences tab. You can also open this dialog box by choosing Edit→Preferences→Reports & Graphs.

2. Click the Classify Cash button.

QuickBooks opens the Classify Cash dialog box. As described in Figure 17-9, this is where you change your account categories.

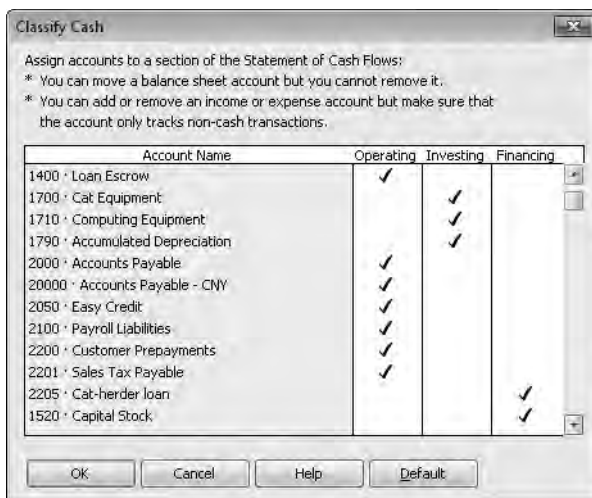


Figure 17-9:

To change the category to which an account belongs, click the cell in the column for the new category. If you made changes and fear you've mangled the settings beyond repair, click Default to reset the categories to the ones QuickBooks used initially.

3. When the assignments are the way you want, click OK to close the dialog box.

That's it—you've reassigned the accounts.

Other Helpful Financial Reports

Although financial statements are the ones that people like shareholders and the IRS want to see, other financial reports help you, the business owner, keep tabs on how your enterprise is doing. This section describes a few QuickBooks reports that help you evaluate your business's performance.

Note: Reports that apply to specific bookkeeping and accounting tasks are explained in the chapters for those tasks, such as accounts receivable reports in Chapter 13, "Managing Accounts Receivable."

- **Reviewing income and sales.** If you're introducing enhanced services to keep your best customers—or you're looking for the customers you *want* your competition to steal—use the "Income by Customer Summary" report. Choose Reports→Company & Financial→"Income by Customer Summary" to see total income for each of your customers; that is, the total dollar amount from all of a customer's invoices and statement charges. Customers with low income totals might be good targets for more energetic sales pitches. If you find that most of your income comes from only a few customers, you may want to protect your income stream by lining up more customers. (One thing this report doesn't show is how profitable your sales to customers are. Page 448 explains how to see that.)

Tip: If you want to produce a report showing performance over several years to evaluate trends, you can set a report's date range to include the years you want to compare. Then modify the report to show values by year (page 521).

- **Reviewing expenses.** On the expense side, the “Expenses by Vendor Summary” report (Reports→Company & Financial→Expenses by Vendor Summary) shows how much you spend with each vendor. If you spend tons with certain vendors, maybe it's time to negotiate volume discounts, find additional vendors as backups, or set up electronic ordering to speed up deliveries.
- **Comparing income and expenses.** The Income & Expense Graph (Reports→Company & Financial→Income & Expense Graph) includes a bar graph that shows income and expenses by month and a pie chart that breaks down either income or expenses. You can't change the time periods for each set of bars on the graph, so it's not much help with spotting trends. You can click Income or Expense at the bottom of the report's window to see the breakdown of income or expense. To specify how income or expense is broken down, click By Account, By Customer, or By Class in the window's icon bar.
- **What you've sold.** Most companies analyze their sales to find ways to improve. Maybe you want to beef up sales to customers who haven't bought from you in a while, turn good customers into great ones, or check how well your stuff is selling. The “Sales by Customer Summary” report (Reports→Sales→Sales By Customer Summary) is a terse listing of customers and how much you've sold to each one during the timeframe you specify; it initially shows “This Month-to-date” figures. The Sales Graph, on the other hand, presents sales data in a cheery rainbow of colors, but you can quickly switch the graph to show the breakdown of sales by customer, item, and sales rep. Choose Reports→Sales→Sales Graph to generate it. The bar graph shows sales by month for the year to date. If you want to change the duration covered by the graph, click Dates and specify the date range you want. The pie chart shows sales slices based on the category you choose. In the window's toolbar, click By Item, By Customer, or By Rep to switch between seeing pie slices for items, customers, and sales reps, respectively.

The “Sales by Item Summary” report (Reports→Sales→Sales By Item Summary) shows how much you sell of each item in your Item List, starting with inventory items, then non-inventory parts, and finally service items. This report includes a column for average cost of goods sold (COGS) and gross margin, which apply only to inventory items you sell.
- **Forecasting cash flow.** You may be wondering whether you have any invoices due that will cover a big credit card bill that's coming up or whether income over the next few weeks is enough to meet payroll. At times like that, use the Cash Flow Forecast report (page 455) to see how much cash you should have over the next four weeks, as shown in Figure 17-10. The Beginning Balance line shows the current balance for your Accounts Receivable, Accounts Payable, and bank accounts. The Proj Balance column shows how much money you should have in your bank accounts at the end of each week (or longer if you choose a different

period in the Periods drop-down list). If a number in the column starts flirting with zero, you're about to run out of cash. You'll have to speed up some customer payments, transfer cash from another account, or look into a short-term loan.

Cash Flow Forecast
Double Trouble, Inc.
August 22 through September 18, 2010

	Accts Receiv...	Accts Payable	Bank Accts	Net Inflows	Proj Balance
Beginning Balance	-913.75	14,758.65	503,042.61		487,372.21
Week of Aug 22, 10	22,795.68	0.00	-28,822.12	-6,026.44	481,345.77
Week of Aug 29, 10	0.00	0.00	927.00	927.00	482,272.77
Week of Sep 5, 10	0.00	9,700.00	0.00	-9,700.00	472,572.77
Week of Sep 12, 10	0.00	2,091.00	0.00	-2,091.00	470,481.77
Aug 22 - Sep 18, 10	22,795.68	11,791.00	-27,895.12	-16,890.44	
Ending Balance	21,881.93	26,547.65	475,147.49		470,481.77

Figure 17-10:
To view more than four weeks, in the From and To boxes, type the date range you want or in the Dates drop-down list, choose Next Fiscal Quarter or Next Fiscal Year. To change the length of each period in the report, in the Periods drop-down list, choose from Week, Two Weeks, Month, and so on.

POWER USERS' CLINIC

Realized Gains and Losses

If you work with more than one currency, changes in exchange rates can lead to gains or losses on your transactions. Say you send a customer an invoice for €1,000 when the euro-to-dollar exchange rate is 1.459. The invoice total in your home currency (dollars, in this example) is \$1,459. However, by the time you deposit the customer's payment, the euro-to-dollar exchange rate is 1.325, which means each euro is worth fewer dollars. At that exchange rate, your bank records a deposit of \$1,325 in your account. You've lost \$134 on the transaction.

To see how much you've gained or lost on foreign currency transactions, choose Reports→Company & Financial→Realized Gains & Losses. To see *potential* gains or losses based on the latest exchange rate, choose Reports→Company & Financial→Unrealized Gains & Losses. In the Enter Exchange Rates dialog box, enter the exchange rates you want to apply. When you click Continue, the Unrealized Gains & Losses report shows gains and losses for the balances in your AR and AP accounts.

To report your financial results accurately, you have to adjust the value of accounts set up in foreign currencies (page 52) based on the exchange rate as of the end date for the report. You can download the most recent exchange rates by choosing Company→Manage Currency→Download Latest Exchange Rates. Or, to find exchange rates for a given date, point your web browser to www.xe.com/ict. Then, in QuickBooks, you can choose Lists→Currency List and edit the currencies to enter the exchange rates you got online.

To adjust account values, choose Company→Manage Currency→Home Currency Adjustment. In the Home Currency Adjustment dialog box, select the date for the adjustment. Then, pick the currency and the exchange rate you want to use. Click Calculate Adjustment, and customers and vendors who use that currency appear in the dialog box's table. Select the ones you want to adjust, and then click Save & Close.

Performing End-of-Year Tasks

As if your typical workday isn't hectic enough, the end of the year brings an assortment of additional bookkeeping and accounting tasks. As long as you've kept on top of your bookkeeping during the year, you can delegate most of the year-end tasks to QuickBooks with a few mouse clicks. (If you shrugged off your data entry during the year, even the mighty QuickBooks can't help.) This chapter describes the tasks you have to perform at the end of each fiscal year (or other fiscal period, for that matter) and how to delegate them to QuickBooks.

Checking for Problems

If you work with an accountant, you may never run a report from the Reports→Accountant & Taxes submenu unless your accountant asks you to. But if you prepare your own tax returns, running the following reports at the end of each year will help sniff out any problems:

- Run the **Audit Trail** report frequently, especially if several people work on your company file, to watch for suspicious transactions, like deleted invoices or modifications to transactions after they've been reconciled. People make mistakes, and the Audit Trail is also good for spotting inadvertent changes to transactions. QuickBooks initially includes transactions entered or modified today, but you can choose a different date range to review changes since your last review (in the Audit Trail report's window, choose a date range in the Date Entered/Last Modified drop-down list, or type dates in the From and To boxes).
- The **Voided/Deleted Transactions Summary** and **Voided/Deleted transactions Details** reports focus on transactions that—not surprisingly—have been voided or deleted.

Viewing Your Trial Balance

The *Trial Balance* report is a holdover from the quaint days of paper-based accounting. The name refers to the report's original purpose: totaling the balances of every account in debit and credit columns to see whether pluses and minuses balanced. If they didn't, the bookkeeper had to track down the mistakes and try again.

QuickBooks doesn't make arithmetic mistakes, so you don't need a trial balance to make sure that debits and credits match. Nonetheless, the Trial Balance report is still handy. Accountants like to examine it for errant account assignments before diving into tax preparation or giving financial advice—and for good reason: The Trial Balance report is the only place in QuickBooks where you can see all your accounts *and* their balances in the same place, as shown in Figure 18-1.

		Dec 31, 10		
		Debit	Credit	
1000 • First Financial		41,889.45		Balance sheet accounts
1010 • First Financial Payroll		42,776.37		
1050 • Ever Ready Money Market		390,481.67		
1200 • Accounts Receivable		27,581.93		
1300 • Inventory Asset		16,591.39		
1400 • Loan Escrow		50.00		
1700 • Cat Equipment		52,499.10		
2000 • Accounts Payable			25,815.75	
20000 • Accounts Payable - CNY			731.90	
2050 • Easy Credit			156.74	
2100 • Payroll Liabilities			28,264.68	Income accounts
2200 • Customer Prepayments	8,000.00			
2201 • Sales Tax Payable			5,585.14	
2205 • Cat-herder loan			68,223.62	
3000 • Opening Bal Equity			8,024.75	
3900 • Retained Earnings			493,761.72	
4100 • Service Revenue			148,225.00	
4200 • Product Revenue			53,958.99	
4204 • Service Charges			50.00	
4210 • Product Shipping Charges			962.17	
4300 • Customer Discounts	1,317.94			Expense accounts
5001 • Cost of Goods Sold		13,046.39		
5002 • Subcontractor costs		12,000.00		
6005 • Salaries		179,999.88		
6010 • Officers salaries		46,153.80		
6115 • Bank Service Charges		25.00		
6170 • Employee Benefits		0.00		
6186 • Professional Liability Ins	1,510.00			
6200 • Interest Expense		272.05		
6250 • Office Equipment			900.00	
6265 • Printing and Reproduction		48.70		
6276 • Legal Fees		1,040.00		
6304 • Equipment Repairs			952.00	
6310 • Office Supplies		0.00		
6320 • Telephone and Fax		172.05		
6334 • Meals		156.74		
8200 • Other Expense		0.00		
TOTAL		835,612.46	835,612.46	

Figure 18-1:

If the account balances in your Trial Balance report look a little off, check the heading at the report's top left. If you see the words "Accrual Basis" in the heading, but you use cash accounting for your business (see page 589 to learn how to set this preference), you've found the culprit. The same goes if the heading says "Cash Basis" but you use accrual accounting. To set things right, click Modify Report in the report window's menu bar. In the Modify Report dialog box that appears, choose the Accrual option or the Cash option, and then click OK.

To display the Trial Balance report, choose Reports→Accountant & Taxes→Trial Balance. QuickBooks then generates a Trial Balance report for the previous month. If you want to see the trial balance for your entire fiscal year, choose This Fiscal Year in the Dates box. The accounts appear in the same order that you see in the Chart of Accounts window (page 49).

Generating Year-End Financial Reports

At the end of every year, tax preparation stimulates a frenzy of financial reporting as companies submit fiscal year Profit & Loss reports (page 448) and balance sheets (page 450) as part of their tax returns. But tax forms aren't the only reason for year-end reports. Before you hand over your company file to your accountant or prepare final reports for your tax return, run year-end reports for these reasons, too:

- If you work with more than one currency, adjust account balances to reflect the currencies' current values based on exchange rates (page 456 explains how).
- Inspect year-end reports for funny numbers. They might mean that you posted a transaction to the wrong account or created a journal entry incorrectly.
- Analyze your annual results to spot problems with your operations or look for ways to improve.

After you complete your initial review of the year-end reports and make any corrections to transactions, generate a revised set of year-end reports. Then your accountant (if you work with one) is next in line to see your company file (page 463).

GEM IN THE ROUGH

QuickBooks' Year-End Guide

QuickBooks' Help contains a guide to typical year-end tasks, which is especially handy if you aren't familiar with what you have to do to wrap up a year for your business. When you choose Help→Year-End Guide, the program opens a special browser window displaying the QuickBooks Year-End Guide (Figure 18-2). It includes a list of activities related to general tax preparation and end-of-year dealings with subcontractors or employees. You may find some end-of-year tasks you didn't know you had!

The first time you view the guide, turn on the checkmarks for each issue that pertains to your organization. Since the guide is an HTML document, it works just like a web page. If you need help with the steps for an activity, click its link to open the corresponding QuickBooks Help topic. Clicking the Save Checkmarks button stores your choices—a handy reminder of your to-do list for the next fiscal year.

Chapter 17 has the full scoop on generating financial statements. Here's a quick review of how to generate year-end reports:

- **Profit & Loss.** You'll need a Profit & Loss report for the whole fiscal year for your tax return. Like W-2s that show how much money individuals made in a year, the Profit & Loss report shows a company's annual net income. Generate a Profit & Loss report by choosing Reports→Company & Financial→Profit & Loss Standard. If the date on which you generate the report is after the end of your fiscal year, choose Last Fiscal Year in the Dates box.

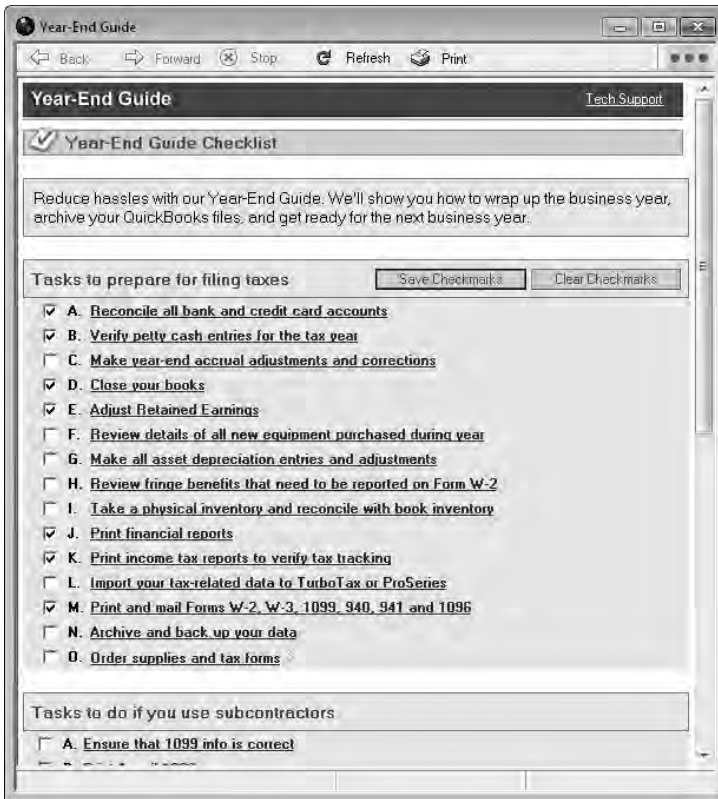


Figure 18-2:

Click the **Save Checkmarks** button to store your choices. That way, when you open the *Year-End Guide* again next fiscal year, the checkmarks will be there to remind you of your to-do list.

Tip: If you want to make a year-end Profit & Loss report as easy to access as the Profit & Loss Standard report, memorize your year-end report as described on page 531.

- **Balance Sheet.** A Balance Sheet report for the entire fiscal year also accompanies your tax return. Choose Reports→Company & Financial→Balance Sheet Standard. If the date on which you create the report is within the fiscal year for the report, choose This Fiscal Year in the Dates box. If you generate the Balance Sheet after the end of the fiscal year, choose Last Fiscal Year instead. See the box on page 461 to learn how the Retained Earnings account's value changes from one fiscal year to the next.
- **Statement of Cash Flow.** Although a "Statement of Cash Flows" report (page 451) isn't required for your corporate tax return, looking at cash flow can highlight financial problems before they snowball.

FREQUENTLY ASKED QUESTION

Net Income and Retained Earnings

I just changed the date on my Balance Sheet report from December 31 of last year to January 1 of this year and the Net Income and Retained Earnings numbers are different. What's the deal?

At the end of a fiscal year, account balances go through some changes to get your books ready for another year of commerce. For example, at the end of one fiscal year, your income and expense accounts show how much you earned and spent during the year. But come January 1 (or whatever day your fiscal year starts), all those accounts have to be zero so you can start your new fiscal year fresh. QuickBooks makes this happen by adjusting your net income behind the scenes.

Say your Net Income on the Profit & Loss report is \$29,305.61 on December 31, 2010. That number appears at the bottom of the Balance Sheet report as the value of the Net Income account (in the Equity section). At the beginning of the new fiscal year, QuickBooks automatically

moves the previous year's net income into the Retained Earnings equity account, which resets the Net Income account to zero.

Some companies like to keep equity for the current year separate from the equity for all previous years. To do this, you need one additional equity account and one simple journal entry. Create an equity account (page 48) called something like Past Equity with an account number greater than the one you use for Retained Earnings. (For example, if Retained Earnings is 3900, set Past Equity to 3950.) Then, when you close your books at the end of the year, create a journal entry to move the current value from the Retained Earnings account and add it to the equity in the Past Equity account. That way, when QuickBooks moves the current year's net income into the Retained Earnings equity account, you can see both equity values, as shown in Figure 18-3.

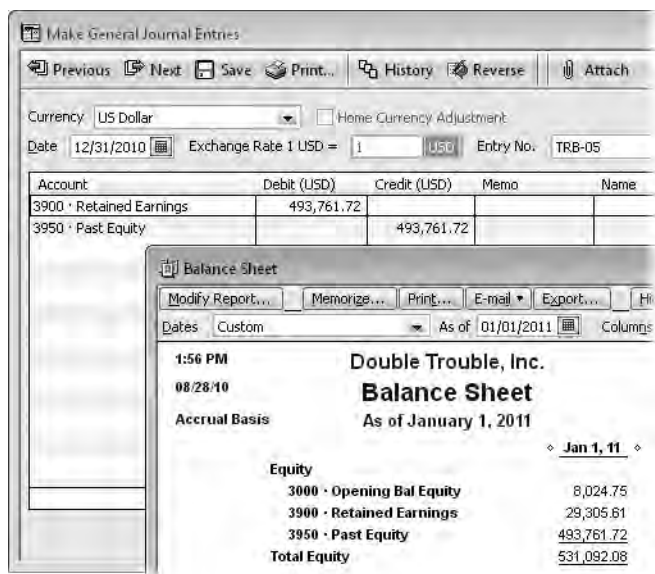
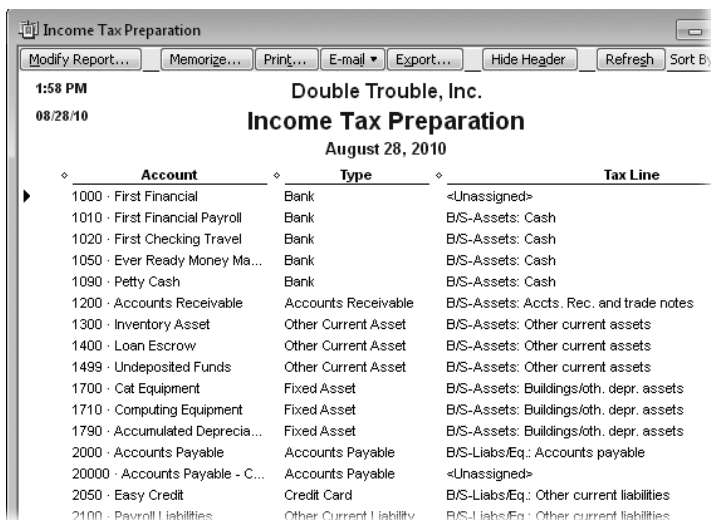


Figure 18-3: When you close your books at the end of a fiscal year, you can create a journal entry to transfer the previous year's retained earnings from the Retained Earnings account to the equity in the Past Equity account. Date the journal entry the last day of the fiscal year (like 12/31/2010, as shown in the background here). In effect, you debit the Retained Earnings account and credit the Past Equity account. The Balance Sheet for the first day of the next fiscal year then includes the previous year's retained earnings added to the Past Equity account and the previous year's net income (\$29,305.61 here) in the Retained Earnings account.

Generating Tax Reports

Whether your accountant has the honor of preparing your taxes or you keep that excitement for yourself, you can save accountant's fees and your own sanity by making sure your company file is ready for tax season. The key to a smooth transition from QuickBooks to tax preparation is linking each account in your chart of accounts to the correct tax line and tax form.

Whether you prepare your own taxes or let your accountant do the honors, reviewing the Income Tax Preparation report (choose Reports→Accountant & Taxes→Income Tax Preparation) can save you money on accountant's fees and IRS penalties (as well as keep more of your hair attached to your scalp). As shown in Figure 18-4, this report lists the accounts in your chart of accounts and shows the tax line to which you assigned it. If an account isn't linked to the correct tax line—or worse, not assigned to *any* tax line—the Income Tax Summary report, which lists each line on your tax return with the amount you have to report, won't give you the correct values. See page 53 to learn how to connect an account to a tax line.



Account	Type	Tax Line
1000 · First Financial	Bank	<Unassigned>
1010 · First Financial Payroll	Bank	B/S-Assets: Cash
1020 · First Checking Travel	Bank	B/S-Assets: Cash
1050 · Ever Ready Money Ma...	Bank	B/S-Assets: Cash
1090 · Petty Cash	Bank	B/S-Assets: Cash
1200 · Accounts Receivable	Accounts Receivable	B/S-Assets: Accts. Rec. and trade notes
1300 · Inventory Asset	Other Current Asset	B/S-Assets: Other current assets
1400 · Loan Escrow	Other Current Asset	B/S-Assets: Other current assets
1499 · Undeposited Funds	Other Current Asset	B/S-Assets: Other current assets
1700 · Cat Equipment	Fixed Asset	B/S-Assets: Buildings/oth. depr. assets
1710 · Computing Equipment	Fixed Asset	B/S-Assets: Buildings/oth. depr. assets
1790 · Accumulated Deprecia...	Fixed Asset	B/S-Assets: Buildings/oth. depr. assets
2000 · Accounts Payable	Accounts Payable	B/S-Liabs/Eq.: Accounts payable
20000 · Accounts Payable - C...	Accounts Payable	<Unassigned>
2050 · Easy Credit	Credit Card	B/S-Liabs/Eq.: Other current liabilities
2100 · Payroll Liabilities	Other Current Liability	B/S-Liabs/Eq.: Other current liabilities

Figure 18-4:

If you see "Unassigned" in the Tax Line column, you'll have to assign a tax line to that account. (The easiest way to identify the correct tax line is to ask your accountant.) To edit an account, press Ctrl+A to display the Chart of Accounts window. Select the account, and then press Ctrl+E to open the Edit Account dialog box. In the Tax Line entry drop-down list, choose the tax form for that account.

When all the accounts in your chart of accounts are assigned to tax lines, you can generate a report with all the values you need for your company's tax return. Choose Reports→Accountant & Taxes→Income Tax Summary. Because you usually run this report after the fiscal year ends and all the numbers are in, QuickBooks automatically fills in the Dates box with Last Tax Year.

Note: As one last reminder of unassigned accounts, the last two lines of the Income Tax Summary report are "Tax Line Unassigned (balance sheet)" and "Tax Line Unassigned (income/expense)". To see the transactions that make up one of these unassigned values, double-click the number in the corresponding line.

UP TO SPEED

Year-End Journal Entries

Journal entries run rampant at the end of the year. If your accountant makes journal entries for you or gives you instructions, you might be perfectly happy not knowing what these journal entries do. But if you go it alone, you need to know which journal entries to make.

For example, if you purchase fixed assets, you need to create a general journal entry to handle depreciation. You

might also create journal entries to record home-office expenses as owners' contributions to your company.

If you aren't an accounting expert, don't waste precious time trying to figure out your journal entry needs; the cost of an accountant's services is piddling in comparison. Once you know what journal entries you need, Chapter 16 explains how to create them.

Sharing a Company File with Your Accountant

If you work with an accountant who uses QuickBooks, there are times when a tug-of-war over your company file is inevitable. You want to perform your day-to-day bookkeeping, but your accountant wants to review your books, correct mistakes you've made, enter journal entries to prepare your books for end-of-quarter or end-of-year reports, and so on. QuickBooks has two ways for you and your accountant to share:

- With an **accountant's review copy**, you and your accountant can stop squabbling because you can each have your own copy of the company file. You work on everyday bookkeeping tasks while your accountant tackles cleaning up earlier periods.
- The **external accountant user** is a super-powered user (in QuickBooks 2009 and later) who can look at anything in your company file—except sensitive customer information like credit card numbers. You set up an external accountant user in your company file for your accountant so he can log into your file, review every nook and cranny of your company's data (with QuickBooks' Client Data Review tool designed specially for accountants), make changes, and keep track of which changes are his and which are yours.

This section explains how to use both these approaches.

Creating an Accountant's Review Copy

The secret to an accountant's review copy is a cutoff date that QuickBooks calls the *dividing date*. Transactions before this date are fair game for your accountant who can work in the comfort of his own office. Transactions after that date are under your command in your original company file. When your accountant sends a file with changes back to you, the program makes short work of merging your accountant's changes into the company file. The box on page 464 describes other ways you can collaborate with your accountant.

WORD TO THE WISE

Ways to Work with an Accountant

For most companies, QuickBooks is no substitute for an accountant. As financial professionals, accountants have the inside track on how best to monitor your business and keep you out of financial trouble. In addition to (or instead of) giving your account a review copy of your company file (page 463), here are other ways you can integrate your accountant's advice into your company file:

- **A backup or portable copy.** You can give your accountant *exclusive* access to your company file by sending her a backup or portable copy (page 171) of the file. When your accountant finishes evaluating your books and making the changes she wants, you can either begin using the copy she sends back to you or make corrections or adjustments in your company file based on her recommendations. For example, your accountant can send you a document listing the journal entries you have to create to adjust your accounts. After you create those journal entries, your company file contains all of your transactions and the adjustments your accountant requested.

- **Working onsite.** An accountant can work on the company file right in your office with a login password from you (in QuickBooks 2009 or later, the external accountant user feature gives your accountant special tools for working with your data). However, accountants are prone to doing things that require the company file to be in single-user mode, which might disrupt your day-to-day bookkeeping process.
- **The paper method.** If your accountant prefers to work with his own accounting system, you'll have to print the lists and reports that he requires. Then, when he gives you a list of changes and journal entries, you'll have to make those changes in your company file.

In addition to these options, QuickBooks Premier and Enterprise Editions include a remote access service, which lets your accountant access your QuickBooks company file over the Internet. Or you can use a remote access service like those offered at www.mypc.com or www.logmein.com.

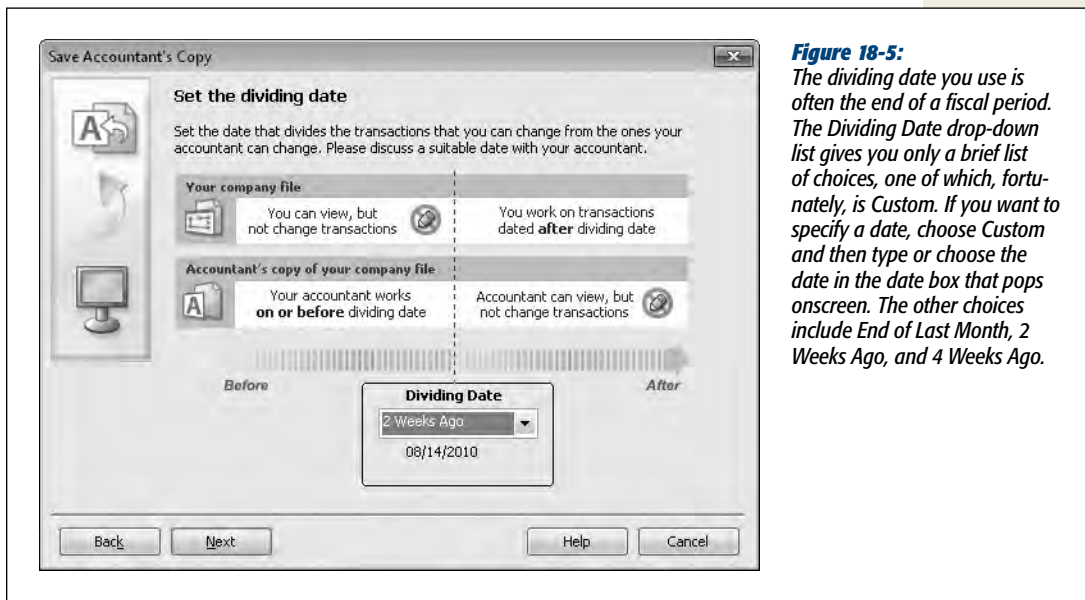
You can't create an accountant's copy in multi-user mode. To switch to single-user mode, first make sure that everyone else is logged out of the company file, and then choose File→"Switch to Single-user Mode". After that, creating an accountant's review copy is a lot like creating other kinds of copies of your company file:

1. **Choose File→Accountant's Copy→Save File.** Because the Save As Accountant's Copy dialog box automatically selects the Accountant's Copy option, click Next.

If your accountant needs unrestricted access to the file, select the Portable or Backup File option instead and see page 171 to learn how to create those types of files.

2. **On the "Set the dividing date" screen shown in Figure 18-5, choose the date when control over transactions changes hands.** Click Next and then, in the message box about closing windows, click OK.

Tell the "Set the dividing date" screen what date you want as the dividing line between your work and your accountant's work. Most of the screen explains what each of you can do before and after the dividing date.

**Figure 18-5:**

The dividing date you use is often the end of a fiscal period. The Dividing Date drop-down list gives you only a brief list of choices, one of which, fortunately, is Custom. If you want to specify a date, choose Custom and then type or choose the date in the date box that pops onscreen. The other choices include End of Last Month, 2 Weeks Ago, and 4 Weeks Ago.

Tip: If you have a few dozen windows open and laid out just the way you want, there's no need to wail or gnash your teeth as QuickBooks closes all your windows to create the accountant's copy. Before you create the accountant's copy, save the current window arrangement so the program can reopen all those windows for you: Simply choose Edit→Preferences→Desktop View and, on the My Preferences tab, choose the "Save current desktop" option.

3. Choose the folder or media where you want to save the copy.

QuickBooks sets the "Save as type" box to "QuickBooks Accountant's Copy Transfer Files (*.qbx)", and automatically names the accountant's review copy using the company file's name followed by "Acct Transfer" and the date and time you create the file. (The extension .qbx stands for QuickBooks Accountant Transfer File.) As usual, you're free to edit the filename. Accountant's review copies use the QuickBooks portable file format, so they're usually small enough to email or save to a USB thumb drive. For example, a 10-megabyte company file may shrink to an accountant's review copy that's less than 1 MB.

4. To create the accountant's review copy, click Save.

Once you create an accountant's copy, QuickBooks reminds you that it exists: In the QuickBooks program window's title bar, you'll see the words Accountant's Changes Pending immediately after the company name.

5. Send the file to your accountant.

Email the file to your accountant, or copy it to a CD or a USB thumb drive and send it.

Note: If you use a password on your company file (an excellent idea, no matter how tiny your company is), don't forget to tell your accountant the password for the account you've set up for him.

FREQUENTLY ASKED QUESTION

Bookkeeping During Accountant's Review

Are there any limitations I should know about before I create an accountant's review copy?

QuickBooks locks parts of your company file when an accountant's review copy exists, so both you and your accountant have to live with a few minor restrictions. Fortunately, most of the taboo tasks can wait during the few weeks that your accountant has a copy of your file.

While you're sharing the company file, you can work on transactions after the dividing date, so your bookkeeping duties are unaffected. You can also add entries to lists or edit the information in list entries, but you *can't* merge or delete list entries until you import your accountant's changes. Similarly, you can add accounts, but you can't edit, merge, or deactivate accounts. Adding subaccounts is a no-no, too.

With a few restrictions, your accountant can work on transactions dated on or before the dividing date, whether she's

adding, editing, voiding, or deleting transactions. For example, payroll, non-posting transactions (like estimates), transfers, sales tax payments, and inventory assemblies are completely off limits. Because the limitations vary depending on what your accountant is trying to do, QuickBooks highlights fields in an accountant's copy to show the changes she can make that go back to you. (Fields that aren't sent back to you aren't highlighted.)

Your accountant can reconcile periods that end before the dividing date or change the cleared status of these earlier transactions. However, lists aren't very accommodating. Your accountant typically can only view lists, because you may be using them. Your accountant can add accounts to the chart of accounts and add items to some lists. For example, she can add customers, vendors, items, classes, fixed assets, sales tax codes, employees, and other names. Whether she can edit, inactivate, merge, and delete list items depend on the list.

Sending a Copy Directly to Your Accountant

Intuit is happy to act as a go-between for accountant's review copies. In QuickBooks, you can tell the program to create an accountant's review copy and send it to your accountant. Actually, the copy goes up on an Intuit server and your accountant gets an email that the file is waiting there. As long as you don't mind your company file sitting on an Intuit server somewhere, this method may be faster than creating and shipping the accountant's copy yourself. Here's what you do to start the ball rolling:

1. **Choose File→Accountant's Copy→Send to Accountant.**

The Send Accountant's Copy dialog box opens and tells you about Intuit's Accountant's Copy File Transfer service. Click Next.

2. **In the "Set the dividing date" screen, choose the date that marks when you or your accountant is in charge, and then click Next.**

The Dividing Date drop-down list has the same options as if you were creating a copy without sending it.

3. In the “Information for sending the file (1 of 2)” screen, type your accountant’s email address twice.

Make sure this address is correct—you don’t want to accidentally send your financial information to the wrong person.

4. Type your name and email address in the other boxes, so your accountant knows who the copy came from, and then click Next.
5. In the “Information for sending the file (2 of 2)” screen, type a password to protect your file.

Type the password in the “Reenter password” box to prevent typos from sneaking in. The password has to be strong: at least seven characters, at least one number, and at least one uppercase letter. In the Note box, type any instructions for your accountant. *Don’t* include the password in the Note box; instead, tell your accountant what the password is over the phone or in a separate email.

6. Click Send.

QuickBooks closes all its windows and tells you that it’s creating and sending an accountant’s copy. You’ll see a confirmation dialog box in QuickBooks (click OK to close it) and a confirmation email in your inbox when the copy has settled successfully onto Intuit’s server.

Your accountant receives an email that the file is waiting with a link to the download page. (The link is good for 14 days; then Intuit deletes your file from their server.) All you have to do is wait for your accountant to send you a file with changes. Then, you import those changes as described in the next section.

Merging Accountant Changes into Your Company File

When your accountant sends back your company file, the file extension changes from .qbx to .qby—the file extension for an accountant’s review copy import file. (Y follows X in the alphabet. Get it?) If you’ve imported data (like customer records) into QuickBooks before (page 614), the following steps should be familiar:

1. If your company file isn’t open, open it and back it up (page 158) before you import your accountant’s changes.
2. Choose File→Accountant’s Copy→“Import Accountant’s Changes from File”. In the Import Changes From Accountant’s Copy dialog box, navigate to the disk or folder that contains the accountant’s file and then double-click the filename.

QuickBooks displays the changes your accountant made, as shown in Figure 18-6. Click the Expand All button to see the entire list. Review the changes to see if any of them conflict with work that you’ve done while your accountant worked on the copy. Each change comes with an explanation of how to deal with these conflicts.

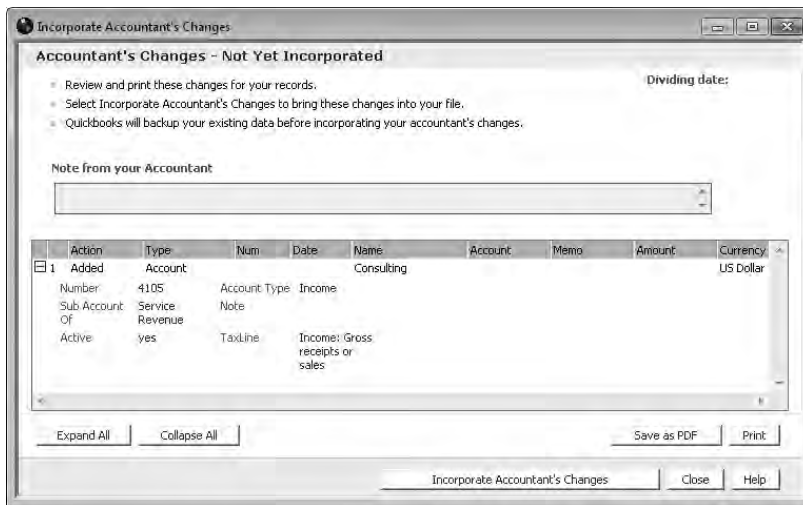


Figure 18-6:

*If you want a record of your accountant's changes, click the **Print** button. To save a copy as a PDF format file, click "Save as PDF".*

Note: If your accountant subscribes to Intuit's file-transfer service, she may tell you that the file she sent you is available on the Web. In that case, choose File→Accountant's Copy→"Import Accountant's Changes from Web" to retrieve your file.

3. To make the changes in your company file, click the **Incorporate Accountant's Changes** button. (If you decide not to import the changes, click **Close** instead.)

QuickBooks backs up your company file and then imports your accountant's changes. After you review the changes, click **Close**.

Tip: If your accountant has to correct some of your work, make a point of studying those corrections. Learning from your mistakes can translate into lower accountant's fees.

Canceling an Accountant's Review Copy

From time to time, you might want to get rid of an accountant's review copy without importing any of the changes. For instance, say you created an accountant's review copy by mistake or your accountant had so few changes that she told you what changes to make. Unlocking your company file so you can get back to performing any type of task requires nothing more than choosing File→Accountant's Copy→Remove Restrictions. The Remove Restrictions dialog box warns you that you won't be able to import changes from the accountant's review copy if you remove restrictions. To show that you know what you're doing, turn on the "Yes, I want to

remove the Accountant's Copy restrictions" checkbox, and then click OK. The words "Accountant's Change Pending" disappear from the QuickBooks window's title bar.

Setting Up an External Accountant User

In QuickBooks 2009, Intuit introduced the *external accountant user* feature, which lets your accountant peruse your bookkeeping data and make changes while protecting your customers' sensitive financial info. When your accountant logs in as an external accountant user, she can use the Client Data Review tool to look for problems and clean up any she finds. For example, your accountant can look at the changes you've made to lists like the chart of accounts and Items List, scan your company file for payments or credits you haven't applied, or find sales taxes or payroll liabilities that you didn't record correctly.

Note: An external accountant user lets an accountant use the Client Data Review tool from within clients' editions of QuickBooks. When someone logs in as an external accountant user, the Client Data Review command appears on the Company menu in any QuickBooks edition including Pro and Premier.

Here's how to set up an external accountant user:

1. **Log in to your company file as the administrator (page 644).**

Only an administrator can create an external accountant user (who can perform tasks that even someone with administrator privileges can't, like run the Client Data Review tool).

2. **Choose Company→"Set Up Users and Passwords"→Set Up Users.**

After you enter your password again, the User List dialog box opens.

3. **Click Add User.**

The "Set up user password and access" dialog box opens.

4. **In the User Name box, type the name for the external accountant user. In the Password and Confirm Password boxes, type the external accountant user's password and then click Next.**

The "Access for user" screen appears.

5. **Select the External Accountant option and then click Next.**

Because the external accountant user is so powerful, QuickBooks asks you to confirm that you want to give that level of access to the person. Click Yes.

6. **Click Finish.**

Note: You can also change an existing user to an external accountant user. To do that, log into your company file as an administrator and choose Company→"Set Up Users and Passwords"→Set Up Users. In the User List window that appears, select the person you want to change and then click Edit User. Change the name and password if you want and then click Next. On the "Access for user" screen, select the External Accountant option, click Next, and then click Finish.

1099s

In QuickBooks, paying independent contractors is no different than paying other vendors: You enter bills from your contractors and then you pay those bills. No messy payroll transactions; no fuss with benefits or other regulatory requirements. But at the end of the year, you have to generate 1099s for your independent workers.

If you set up QuickBooks to track 1099 payments (page 595) and your contractors as 1099 vendors (page 132), generating 1099s is a piece of cake. But before you push a stack of 1099 forms through your printer, it's a good idea to make sure your records are up-to-date and accurate.

Note: If you use one of QuickBooks' payroll services, you can print W-2s for your employees, as described on page 394. Choose Employees→Payroll Tax Forms & W-2s→Process Payroll Forms.

Generating 1099 Reports

To review the amounts you've paid to 1099 vendors, choose Reports→Vendors & Payables, and then select either of the following reports:

- **1099 Summary.** This report includes each vendor you've set up as a 1099 vendor and the total amount you've paid each vendor. If any amount looks questionable, just double-click it to display the transactions for that vendor. Although the report lists only the vendors you set up as eligible for 1099 status, as shown in Figure 18-7, you can modify it to make sure you haven't left any 1099 vendors out. In the first 1099 Options drop-down list, choose "All vendors".

If the 1099 Summary report is empty, your 1099 account mappings may be missing. In the 1099 Summary report window's toolbar, in the middle drop-down list, choose "All allowed accounts" to see payments you made to 1099 vendors regardless of the account. If your vendors leap into view, you need to map your accounts to 1099 boxes, as described on page 473.

Note: The federal government gives you the tiniest of breaks by setting thresholds for total payments to 1099 vendors. If you pay vendors less than the threshold, you don't have to generate 1099s for them. (For nonemployee compensation, the 2010 threshold is \$600.)

In the 1099 Summary report's window, QuickBooks sets the last box for 1099 options to "Use thresholds". This choice filters the vendors in the report to those that exceed the government's threshold. If you want to see all of your 1099 vendors, regardless of what you paid them, in the third box, choose "Ignore thresholds".

1099 Summary

Modify Report... Memorize... Print... E-mail Export... Hide Head

Dates: This Calendar Year From: 01/01/2010 To: 12/31/2010

1099 Options: Only 1099 vendors All allowed accounts Use thresholds

5:24 PM 08/21/10

Double Trouble, Inc.
1099 Summary
 January through December 2010

	Uncategorized	TOTAL
Beatrice Platt 888-88-8888	12,600.11	12,600.11
Ned Burke 999-99-9999	25,252.33	25,252.33
TOTAL	37,852.44	37,852.44

Figure 18-7:

Regardless of the fiscal year you use for your company, payroll and 1099 tasks run on a calendar year, because your employees and subcontractors pay taxes for each calendar year. That's why the Dates drop-down list for the 1099 Summary report includes calendar-year date ranges.

- **1099 Detail.** If you pay your independent contractors on a regular schedule, this report can pinpoint errors because it shows the transactions that produce the vendor's 1099 amount. If you see a gap in the payment schedule or two transactions in the same month, double-click a transaction amount to open the corresponding window, such as Write Checks.

Printing 1099-MISC Forms

The steps to start printing 1099 forms are simple but, as with any printing task, fraught with nagging details:

1. Order printable 1099-MISC and 1096 forms.

1099-MISC and 1096 forms use special ink so that government agencies can scan them. Intuit sells kits with preprinted 1099 forms. In your web browser, go to <http://intuitmarket.intuit.com>. In the page's horizontal navigation bar, click Tax Products, and then choose 1099 Kits.

You can also order 1099 forms directly from the IRS by going to www.irs.gov and clicking the "Forms and Publications" link. On the Forms and Publications page, under the Order heading, click the "Employer forms and instructions" link. In the value box for the 1099 MISC form (about halfway down the list), type the quantity of forms you need, scroll to the bottom of the page, and then click "Add to Cart".

Note: You can print 1099-MISC forms for up to 249 vendors. If you've got more than that, the IRS requires you to file 1099 forms electronically. In that case, bypass printing the forms in QuickBooks and use the government's hopelessly easy-to-use system instead.

2. Load your printer with preprinted 1099-MISC forms.

If you use a printer that feeds individual sheets, don't bother placing a Copy 2 form after each Copy 1 form so that you can print multiple copies for each vendor. It's a lot easier to load the Copy 1 sheets and print a set of 1099 forms on those sheets and then load the Copy 2 forms and print a second set of 1099 forms. You then send the Copy 1 sheets to the 1099 vendors, and the Copy 2 sheets to the government in one big batch.

Tip: If you use a dot matrix printer, you might have to adjust the printer to handle the thickness of the multiple-copy forms.

3. Choose Vendors→Print 1099s/1096.

QuickBooks opens the 1099 and 1096 wizard, which helps verify your 1099 information before you print.

4. In the 1099 and 1096 wizard, click Run Report to look at a Vendor 1099 Review report.

After QuickBooks runs the report, if you see vendors whose 1099 eligibility is incorrect, double-click their names to open the Edit Vendor dialog box and make changes. For example, if a vendor's record doesn't have a tax ID or address, in the Edit Vendor dialog box, add the missing information (see page 131). When you're done, close the Vendor 1099 Review report window.

5. In step 2 of the 1099 and 1096 wizard, click Map Accounts to review or modify your preferences for 1099 accounts. Click OK when you're done.

When you click Map Accounts, QuickBooks opens the Preferences dialog box to the Tax: 1099 section, as shown in Figure 18-8.

6. In step 3 of the 1099 and 1096 wizard, click Run Report to look at the 1099 Summary report.

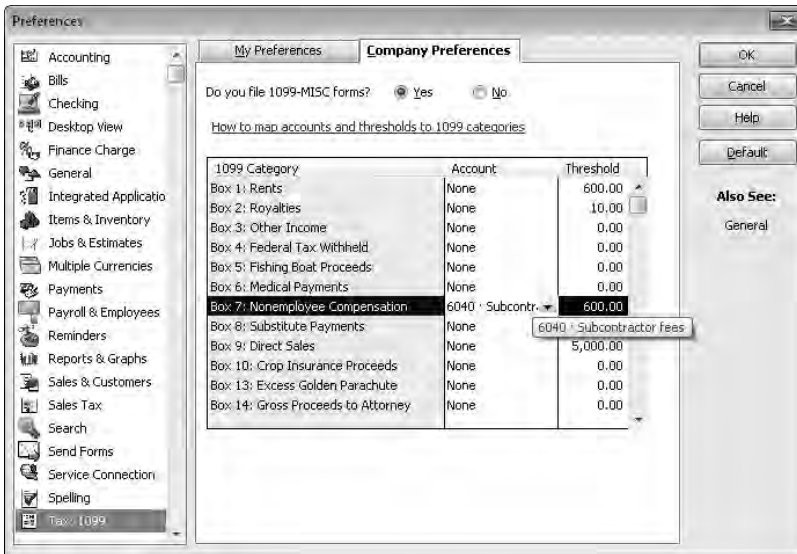
This is your chance to make sure you're printing 1099s for the right vendors and for the correct amounts.

7. In step 4 of the 1099 and 1096 wizard, click Print 1099s.

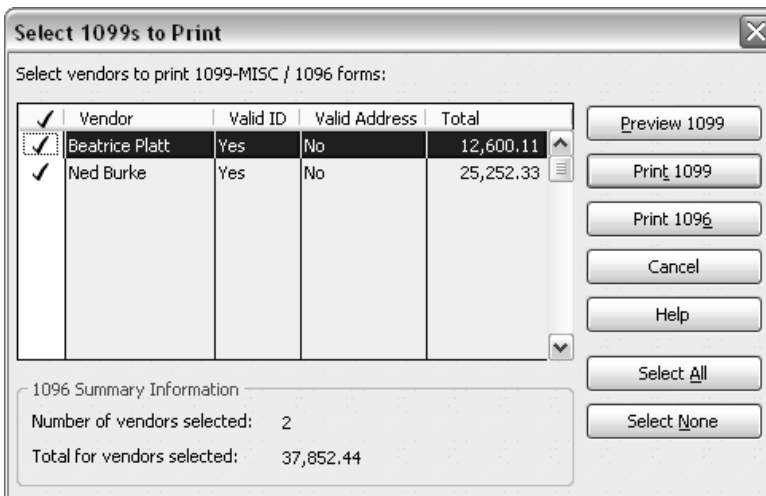
QuickBooks opens the "Printing 1099-MISC and 1096 Forms" dialog box with the date range set to the previous calendar year. If you're generating the forms during the calendar year, in the drop-down list for the top box, choose This Calendar Year.

8. Click OK.

QuickBooks opens the "Select 1099s to Print" dialog box shown in Figure 18-9, and automatically selects every vendor whose pay exceeds the government threshold (page 470).

**Figure 18-8:**

On the **Company Preferences** tab, assign an account to each 1099 category that you issue 1099s for. For example, if you pay subcontractors for work, you can assign the account for subcontractors' fees to the "Box 7: Nonemployee Compensation 1099" category.

**Figure 18-9:**

Besides columns for the vendor's name and total pay, this table includes the **Valid ID** and **Valid Address** columns. If you tend to create vendors on the fly without bothering to enter pesky details like their tax ID numbers or street address, scan these columns for the word **No**. If you see it in any cell, click **Cancel** and edit your vendors to add this essential information. Then, repeat steps 7 and 8 and verify that all the **Valid ID** and **Valid Address** cells say **Yes**.

9. When the Valid ID and Valid Address columns are replete with the word Yes, click **Preview 1099** to see the final forms before you print them.

In the Print Preview window, click **Zoom In** (if necessary) to verify the information. When you've reviewed the forms, click **Close**.

10. Click **Print 1099**.

QuickBooks opens the Print 1099 window. If the preprinted forms are waiting in a printer other than the one that the program chose, in the "Printer name" box, choose the printer that holds your preprinted forms.

11. Click **Print**.

Preprinted forms usually include Copy 1 for the vendor and Copy 2 for the government. But you'll also want a copy for your files. Instead of printing a third set of 1099s, run one of the printed sets through your copy machine or printer/scanner/copier.

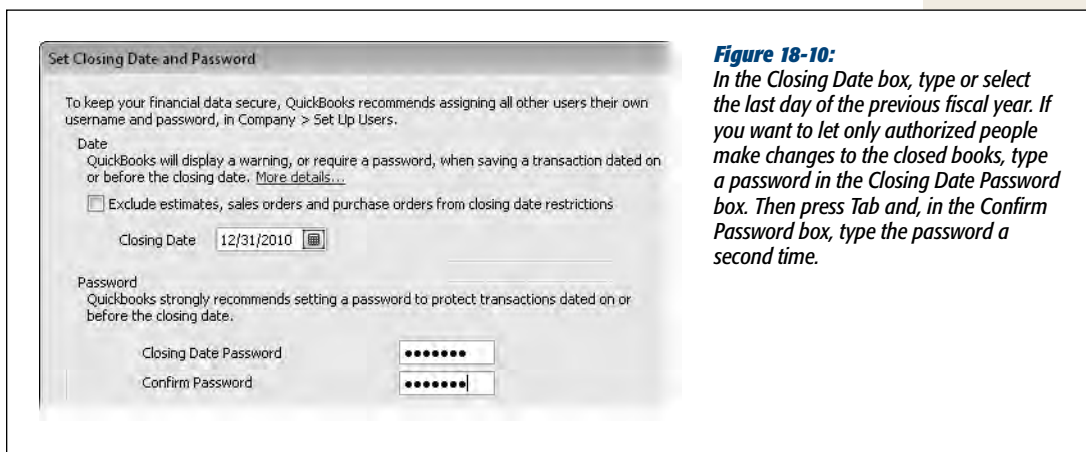
Closing the Books for the Year

A few months after the end of a fiscal year, when tax returns rest under the gimlet-eyed scrutiny of the tax authorities, most companies close their books for the previous fiscal year. The purpose of closing the books is to lock the transactions that you've already reported on tax returns or in financial results, because the IRS and shareholders alike don't look kindly on changes to the reports they've received.

QuickBooks, on the other hand, doesn't care if you close the books in your company file. The closing task is mainly to protect you from the consequences of changing the numbers in previous years (like altering the company file so that it no longer matches what you reported to the IRS). Once you've set a closing date for your company file (as described in a sec), changes to transactions on or before the closing date show up on the Closing Date Exception report (choose **Reports→Accountant & Taxes→Closing Date Exception Report**). But you're free to keep your books open if you're not worried about editing older transactions by mistake.

If you *do* close your books in QuickBooks, the program *still* gives you a way to edit transactions prior to the closing date. Unlike other bookkeeping programs in which closed means *closed*, in QuickBooks, folks who know the closing-date password can still change and delete closed transactions, say to correct an egregious error before you rerun all of your end-of-year reports.

Closing the books in QuickBooks takes place in an unlikely location: the Preferences dialog box. Switch to single-user mode before you close your books (page 157). When everyone else has logged off, choose **Edit→Preferences→Accounting** and then click the Company Preferences tab. (Only a QuickBooks administrator can set the password for the closing date.) To close the books as of a specific date, click the **Set Date/Password** button. Figure 18-10 shows what to do next.

**Figure 18-10:**

In the Closing Date box, type or select the last day of the previous fiscal year. If you want to let only authorized people make changes to the closed books, type a password in the Closing Date Password box. Then press Tab and, in the Confirm Password box, type the password a second time.

Tip: Don't cut and paste the password from the Closing Date Password box to the Confirm Password box. These boxes display filled circles instead of the actual characters, which means you can't see typos. So if you set a password with a typo in it, you'll be unlikely to stumble on the correct password, and your closed books will remain shut as tight as a clam.

After you've set a password for the closing date, you'll have to enter that password whenever you want to modify transactions prior to that date. For example, if you try to edit a check that you wrote before the closing date, QuickBooks opens a message box with a Password field in it. Type the closing-date password, and then click OK to complete your edit.

Tip: After you've completed all your year-end activities in QuickBooks, create a backup of your company file (page 158). With all the data that contributed to your financial reports and tax forms in this backup, it wouldn't be overkill to create two copies of this backup: one to keep close by in your office and one stored safely offsite in case of emergency.

Managing Inventory

As you record inventory purchases and sales in QuickBooks, the program keeps track of your inventory behind the scenes, just as the point-of-service system at the grocery store does when a cashier scans the items you buy. The seemingly automatic tracking in QuickBooks isn't truly automatic: this chapter begins by reviewing the setup tasks that make the program work its magic.

Good inventory management means more than just updating the number of items that QuickBooks thinks you have on hand. To keep the right number of items in stock, you also need to know how many you've sold and how many are on order. To make decisions like how much to charge or which vendor to use, you have to evaluate your purchases and the prices you pay for your inventory. QuickBooks' inventory reports can help you do this; in this chapter, you'll learn how to make the most of these reports.

Another important yet challenging aspect of inventory is keeping your QuickBooks records in sync with what's sitting on the shelves in your warehouse. Inventory can go missing due to theft and damage of all kinds, so you might not have as many products in stock as you think you do. QuickBooks can't help with the dusty business of rifling through boxes and counting carafes, coffee mugs, and the occasional centipede. But after the counting is complete, QuickBooks *can* help you adjust its records to match the reality in your warehouse. And adjusting inventory works for more than inventory counts. You can also use this process to write off inventory that you have in your warehouse but can't sell because it's dented, dirty, or too darned ugly.

The QuickBooks Inventory Process

Before you look at the inventory-management tools that QuickBooks offers, here's a quick review of how QuickBooks tracks inventory as you buy and sell products.

Setting Up Inventory Items

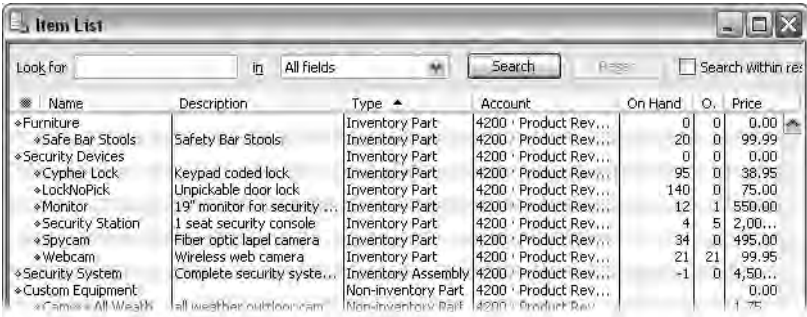
As you learned in Chapter 4, you set the stage for item tracking when you create inventory items in QuickBooks. Inventory items in your Item List include purchase costs, sales prices, and accounts, all of which direct the right amount of money into the right income and expense accounts as you buy and sell inventory.

Here are the fields in an item record that QuickBooks uses to track your inventory:

- **Cost.** What you pay for one unit of the item.
- **Sales Price.** The price you typically charge for the item (for the same unit size you used in the Cost field).
- **Asset Account.** The account that holds the value of the inventory you buy.
- **Income Account.** The account for the income you receive when you sell this item.
- **COGS Account.** The account to which you post the item's cost when you sell it (known as cost of goods sold).

Note: As you sell inventory, QuickBooks deducts dollars from the inventory asset account and adds them to the cost of goods sold account. For a refresher on how inventory postings work, see the box on page 109.

When you run low on inventory, it's time to buy more. For products that you keep in stock, knowing how many you have on hand is essential. Happily, QuickBooks keeps a running total of how many units you've purchased and how many you've sold. The difference between these two numbers conveniently tells you how many should be in your warehouse. The running total of inventory on hand stays with the item in your Item List, as Figure 19-1 shows.



Name	Description	Type	Account	On Hand	O.	Price
✦ Furniture				0	0	0.00
✦ Safe Bar Stools	Safety Bar Stools	Inventory Part	4200 - Product Rev...	20	0	99.99
✦ Security Devices				0	0	0.00
✦ Cypher Lock	Keypad coded lock	Inventory Part	4200 - Product Rev...	95	0	38.95
✦ LockNoPick	Unpickable door lock	Inventory Part	4200 - Product Rev...	140	0	75.00
✦ Monitor	19" monitor for security ...	Inventory Part	4200 - Product Rev...	12	1	550.00
✦ Security Station	1 seat security console	Inventory Part	4200 - Product Rev...	4	5	2,00...
✦ Spycam	Fiber optic lapel camera	Inventory Part	4200 - Product Rev...	34	0	495.00
✦ Webcam	Wireless web camera	Inventory Part	4200 - Product Rev...	21	21	99.95
✦ Security System	Complete security syste...	Inventory Assembly	4200 - Product Rev...	-1	0	4,50...
✦ Custom Equipment						0.00
✦ Camc... All Weather	All weather outdoor cam...	Non-inventory Part	4200 - Product Rev...			75

Figure 19-1:
The On Hand value in the Item List shows you how many of each product you have in stock. As you purchase inventory or sell it to your customers, QuickBooks updates the On Hand value with the number you bought or sold.

Buying and Selling Inventory

Unless you practice just-in-time inventory management, you need inventory in your warehouse to fill customer orders. Here's a quick review:

- **Ordering inventory.** Companies typically create purchase orders for inventory products they buy (page 210). These business forms don't change anything in your QuickBooks company file (that's why they're called *non-posting transactions*). But they're useful for verifying that the shipments you receive match what you ordered—not unlike opening a pizza box before you leave the parlor to make sure you didn't get an anchovy and garlic pizza by mistake. Chapter 9 explains how to order inventory and then pay for the inventory you receive.
- **Purchasing and receiving inventory.** When you receive a shipment, you record it in QuickBooks so you know you have products to sell. The program increases the number of products on hand by the number in the shipment and adds the value of the shipment to the inventory asset account.
- **Selling Inventory.** Finally, when you sell some of your inventory, the income makes all your bookkeeping seem worthwhile. When you create invoices (Chapter 10), sales receipts, or other sales forms (Chapter 11), QuickBooks deducts the units you sold from the item's On Hand value. The income from the sale posts to an income account, while the cost of the units you sold moves from the inventory asset account to a cost of goods sold account.

When you sell inventory, QuickBooks also compares the new On Hand value to your reorder point (page 110). When the inventory on hand drops below this point, the program reminds you that it's time to order more. The box below tells you how to shut off reminders for items you aren't selling at the moment.

TROUBLESHOOTING MOMENT

Working with Seasonal Items

The Item List is home to items for every service and product you sell, and it can get really long really fast, especially if you sell different items at different times of the year. For example, if you stock your store with lawn chairs in the spring, you don't want to scroll past dozens of outdoor items the other 9 months of the year. And QuickBooks' reminders about reordering out-of-season items are a distraction at best.

Fortunately, you can make seasonal items inactive, which temporarily removes them from the Item List and silences the reminders. In the Item List window (choose Lists→Item List to open it), right-click the item and then choose Make Item Inactive from the shortcut menu. Page 126 explains how to reactivate items when a new season rolls around.

Running Inventory Reports

Checking the vital signs of your inventory is the best way to keep it healthy. When products are hot, you have to keep them in stock or you'll lose sales. And if products grow cold, you don't want to get stuck holding the bag (or the lime-green luggage).

For all other temperatures, most companies keep tabs on inventory trends and compare them to what's going on in sales. For example, when the value of your inventory is increasing faster than sales, sales could be poor because your prices are too high, competition is encroaching on your market, or the Salvador Dali Chia Pets simply didn't catch on.

Good inventory management means keeping enough items in stock to meet your sales, but not so many that your inventory grows obsolete before you can sell it. QuickBooks' inventory reports aren't fancy, but they tell you most of what you need to know. You can run any of these reports by choosing Reports→Inventory and then picking the one you want.

Note: QuickBooks' inventory reports show only the active inventory items in your Item List. So if you run inventory reports without reactivating all your inventory items (page 126), the inventory values in the reports won't be correct. By contrast, financial statements such as the Balance Sheet include your total inventory value for active and inactive inventory items alike.

How Much Is Inventory Worth?

QuickBooks includes two reports that tell you how much your inventory is worth: Inventory Valuation Summary and Inventory Valuation Detail. Here's what each one does.

Inventory Valuation Summary report

The Inventory Valuation Summary report, shown in Figure 19-2, is an overview of the inventory you have on hand, what it's worth as an asset, and what it's worth when you sell it. (See the box on page 481 if your inventory isn't worth as much as it used to be.) The first column shows the names of the inventory items from your Item List; subitems appear indented beneath their parent items. QuickBooks initially uses the current month-to-date for the date range for this report.

Here are the other columns in the report and why they are (or aren't) important to inventory health:

- **Item Description.** This text is the description you entered in the item's record in the "Description on Purchase Transactions" box. A description doesn't help manage your inventory, but it does identify which item you're looking at, particularly when you use part numbers or abbreviations for item names.

Inventory Valuation Summary
Double Trouble, Inc.
As of August 20, 2010

Item Description	On Hand	Avg Cost	Asset Value	% of Tot Asset	Sales Price	Retail Value	% of Tot Retail
Inventory							
Security Devices							
Acme Security Co.	0	0.00	0.00	0.0%	488.88	0.00	0.0%
Cypher Lock	90	15.95	1,395.10	9.4%	38.95	3,017.10	8.0%
LockItPick	81	50.05	3,831.05	17.4%	75.00	6,025.00	15.7%
Monitor	8	300.00	2,399.98	11.5%	550.00	4,400.00	10.1%
semi-microphone	10	100.00	1,000.00	4.8%	175.00	1,750.00	4.0%
Security Station	2	898.85	1,799.90	8.6%	2,000.00	4,000.00	9.2%
System	59	210.25	1,199.75	39.2%	485.00	19,305.00	44.4%
Webcam	54	49.87	1,889.58	6.1%	89.85	3,388.30	7.8%
Security Devices - Other	0	0.00	0.00	0.0%	0.00	0.00	0.0%
Total Security Devices	262		20,892.78	100.0%		43,495.40	100.0%
Total Inventory	262		20,892.78	100.0%		43,495.40	100.0%
Assembly							
Security System	0	0.00	0.00	0.0%	4,500.00	0.00	0.0%
Total Assembly	0		0.00	0.0%		0.00	0.0%
TOTAL	262		20,892.78	100.0%		43,495.40	100.0%

Figure 19-2:

Because the report is a snapshot of inventory value, Month-to-date, Quarter-to-date, and Year-to-date ranges all produce the same results. But if you want to see the inventory value as of a different date, in the date box, choose the date you want.

TROUBLESHOOTING MOMENT

When Inventory Loses Value

Inventory valuation reports show the value of your inventory based on the average cost you paid for your items. But that value doesn't always tell the whole story.

If you have several cartons of oh-so-passé women's stirrup pants, the *true* value of that inventory is worthless. Although admitting that you made a mistake is painful, writing off that inventory as unsellable turns the inventory into a business expense, which reduces your net profit and, therefore, the taxes you pay.

In QuickBooks, you can write off obsolete inventory with an inventory adjustment (page 486). To remove the inventory from your QuickBooks item record, you change both the quantity on hand and the asset value to zero. Here's how:

1. Choose **Vendors**→**Inventory** **Activities**→**"Adjust Quantity/Value on Hand"**.
2. In the "Adjust Quantity/Value on Hand" dialog box's **Adjustment Account** drop-down list, choose an expense account, such as **Unsalable Inventory**. You're moving the value of the inventory from the inventory asset account into an expense account.
3. Click the item's **New Quantity** cell, and then type **0**.
4. Click **Save & Close**.

- **On Hand.** To calculate the On Hand value, QuickBooks subtracts the number of products you sold and adds the number of products you received. The numbers in this column can help you quickly check for items that are close to being out of stock. However, items sell at different rates, so the reorder point reminder (page 587) is a better indication that something is perilously close to selling out.

Note: When you add an out-of-stock item to an invoice, QuickBooks warns you that you don't have inventory, but it doesn't prevent you from selling products you don't have. When the On Hand value is negative, you know it's time to order more—and to ask for express shipping. Negative numbers can also remind you to update QuickBooks to reflect inventory items you received at the warehouse (page 215).

- **Avg Cost.** Average cost is the only way QuickBooks can value inventory. The program uses the price you paid for every unit you've purchased to calculate the average cost of an inventory item. If you want to watch price trends so you can adjust your sales prices accordingly, review your most recent bills for inventory purchases.
- **Asset Value.** Asset Value is the average cost multiplied by the number on hand. Although changes in asset value over time are more telling, a snapshot of asset value can show trouble brewing. An excessive asset value for one item is a sign that inventory might be obsolete—the item hasn't sold, so you have too many on hand. If you know that the item *is* selling, streamlining your purchasing process can reduce the number you need to keep on hand.
- **% of Tot Asset.** This column shows the percentage of an item's asset value compared to the total asset value of all inventory items. Higher percentages might mean that a product is a significant part of your sales strategy or that it isn't selling well and you have too much in stock. This measurement has meaning only in light of your business strategy and performance.
- **Sales Price.** You set this price in the item's record, but it's meaningless if you regularly change the item's price or charge different prices to different customers. If you didn't set a sales price for an item, you'll see 0.00 in this column.
- **Retail Value.** Because the retail value is the sales price multiplied by the number on hand, this number is useful only if the value in the Sales Price column is the typical sales price for the item.
- **% of Tot Retail.** This percentage is what the item's retail value represents of your total inventory's retail value. Different products sell at different profit margins, which you can see when the retail percentage differs from the asset value percentage.

Inventory Valuation Detail report

The Inventory Valuation Detail report lists every transaction that increases or decreases the number of items you have on hand. Although it can grow lengthy, this report can help you figure out where your inventory went (and perhaps jog your memory about inventory transactions that you forgot to record in QuickBooks). As in other reports, you can double-click a transaction to see its details.

Inventory Stock Status

As you might expect, Inventory Stock Status reports tell you where your inventory stands today and how that will change based on your outstanding purchase orders. The “Inventory Stock Status by Item” report is a great place to see which items you need to reorder, as Figure 19-3 shows.

Tip: If you want to use a bar code reader to scan your inventory, go to Intuit’s marketplace (<http://marketplace.intuit.com>). In the Find Apps search box, type *bar code* to find third-party bar code readers.

Double Trouble, Inc.									
Inventory Stock Status by Item									
August 1 - 20, 2010									
	Item Description	Prod Vendor	Reorder Pt	On Hand	QTY	Available	Order	On PO	Next Deliv
Inventory									
Security Devices									
	controller	Acme Security Co...	Acme secur...	5	0	0	0	0	0
	Cypher Lock	Cypher Lock	Acme equip	30	06	0	06	0	0
	LockItProck	Lock with harden...		30	91	0	91	0	0
	Monitor	19" monitor for sec...		8	0	8		0	01/31/2005
	omni-microphone	maxim100-2X		5	10	0	10	5	06/16/2010
	Security Station	1 sat outside		12	2	0	2	0	0
	Spycam	Fiber optic spycam		15	34	0	34	0	0
	Webcam	Wireless webcam		10	34	0	34	0	0
	Security Devices - Other			0	0	0	0	0	0
	Total Security Devices			292	0	292		10	7

Figure 19-3: For every active inventory item, the “Inventory Stock Status by Item” report shows you the reorder points (in the Reorder Pt column), the number you have on hand (On Hand), and how many are available to sell (Available). However, a checkmark in the Order column is the most obvious signal that you need to reorder. If you added an item to a purchase order, you can see whether that shipment is enough to restock your warehouse.

Note: If you upgrade to QuickBooks Premier or Enterprise, the Inventory Stock Status reports also show how many items you’ve added to sales orders for future delivery.

The “Inventory Stock Status by Vendor” report shows the same information, but groups and subtotals items by vendor. If you seem to run low on products from a particular vendor, you might want to increase the reorder point for those products to fine-tune your lead time.

Viewing One Inventory Item

The Inventory Item QuickReport is a fast yet thorough way to see what's going on with a particular item. To display this report, open the Item List window (Lists→Item List), select the item you want to review, and then press Ctrl+Q.

The Inventory Item QuickReport includes purchase and sales transactions for the item, such as bills and invoices (see Figure 19-4). In the On Hand As Of section, invoice transactions represent the sales you've made to customers, so the numbers are negative. Bills or Item Receipts (not shown in Figure 19-4) are your purchases from vendors, which increase the number on hand. The On Purchase Order As Of section includes the number of products you've ordered but haven't yet received. At the bottom of the report, the TOTAL As Of tells you how many products you'll have in stock when all your purchase orders are filled.

The screenshot shows the 'Inventory Item QuickReport' window for 'Double Trouble, Inc.' The report is for the item 'Security Devices' as of August 20, 2010. The window includes a menu bar with options like 'Modify Report...', 'Memorize...', 'Print...', 'E-mail', 'Export...', 'Hide Header', and 'Refresh'. Below the menu bar, there are date fields for 'Dates' (This Fiscal Year-to-date), 'From' (01/01/2010), and 'To' (08/20/2010). The report is organized into several sections: 'Inventory', 'Security Devices', 'Monitor', 'On Hand As Of 12/31/2009', 'On Purchase Order As Of 12/31/2009', 'On Sales Order As Of 12/31/2009', and 'TOTAL As Of 08/20/2010'. Each section contains a table of transactions with columns for Type, Date, Num, Name, Memo, and Qty.

Type	Date	Num	Name	Memo	Qty
Inventory					
Security Devices					
Monitor					
On Hand As Of 12/31/2009					
Bill	06/18/2010		GiamattiPorcia001	19" monitor ...	-1
Invoice	07/31/2010	130	EnergeticEvents001	19" monitor ...	-2
Invoice	08/12/2010	131	GiamattiPorcia001	19" monitor ...	-5
Invoice	08/12/2010	131	GiamattiPorcia001	19" monitor ...	-15
Bill	08/12/2010		Acme equipment	19" monitor ...	19
Tot On Hand As Of 08/20/2010					8
On Purchase Order As Of 12/31/2009					
Purchase Order	05/05/2010	16	Acme equipment	19" monitor ...	0
Tot On Purchase Order As Of 08/20/2010					24
On Sales Order As Of 12/31/2009					
Tot On Sales Order As Of 08/20/2010					0
Total Security Devices					32
Total Inventory					32
TOTAL As Of 08/20/2010					32

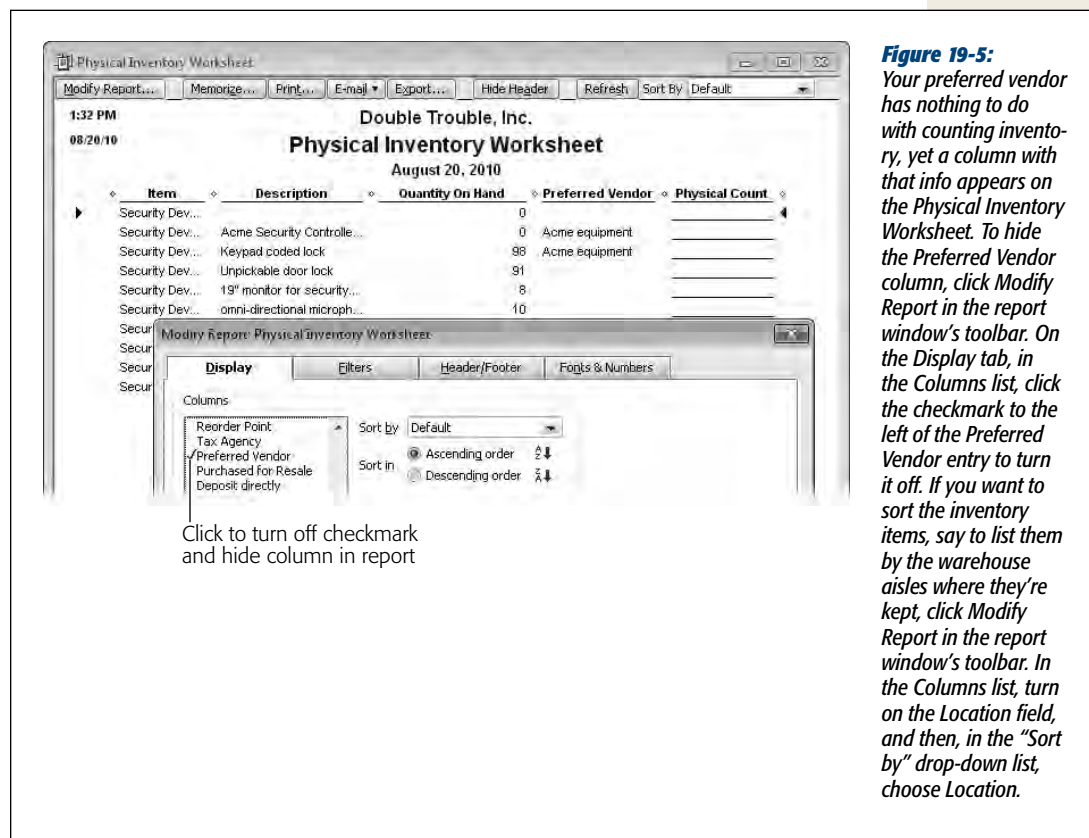
Figure 19-4:
The Inventory Item QuickReport summarizes how many of that item you have on hand as well as the number that are on order. You can generate this report in the Item List window by first selecting the item. Then, either press Ctrl+Q or, at the bottom of the window, click Reports→“QuickReport: <item name>” (where <item name> is the item you selected).

Performing a Physical Inventory

Although QuickBooks can calculate how many products you have on hand based on your purchases and sales, it has no way of knowing what's happening in your warehouse. Employees may help themselves to products; fire can consume some of

your inventory; or a burst pipe could turn your India ink sketches into Rorschach tests. Only a physical count of the items you keep in stock tells you how many units you *really* have to sell.

QuickBooks does the only thing it can to help you count your inventory: provides the Physical Inventory Worksheet report, which lists each inventory item in your Item List and how many units should be on hand. To see it, choose Reports→Inventory→Physical Inventory Worksheet. The Physical Count column has blank lines so you can write in how many you find, as you can see in Figure 19-5. (See the box on page 486 to learn how to count inventory while business continues to chug along.)



Adjusting Inventory in QuickBooks

As you probably know, inventory can succumb to breakage, theft, and the damage caused by a paintball fight in the warehouse. When these accidents happen, the first thing to do is report the loss to your insurance company. Adjusting the quantity of inventory in QuickBooks follows close behind. Similarly, if you have inventory that you can't sell—like personal computers with 10 MB of disk space and 11-inch monitors—adjust the inventory in QuickBooks when you take the computers to the recycling center.

TROUBLESHOOTING MOMENT

Freezing Inventory While You Count

It's sheer madness to ship customer orders out and receive inventory shipments while you're trying to count the products you have on hand. QuickBooks doesn't have a feature for freezing your inventory while you perform the physical count, but you can follow procedures that do the same thing.

Because a physical inventory count disrupts business operations, most companies schedule it during slow periods and off hours. To keep the disruption to a minimum, print the Physical Inventory Worksheet just before you start the count. Then, until the count is complete, do the following to keep your inventory stable:

- **Sales.** In QuickBooks, create invoices for inventory sales as you would normally. After you save an invoice, edit it, and mark it as pending (page 279). When you finish the count, edit the pending invoices again to mark them as final, fill the orders, and then send the invoices.
- **Purchases.** If you receive inventory shipments during the count, don't unpack the boxes or use any of QuickBooks' commands for receiving inventory (page 213) until you complete the physical count.

An inventory adjustment is also in order after almost every physical inventory count you perform, because the quantities for inventory in the real world rarely match the quantities in QuickBooks. *Shrinkage* is the polite name for the typical cause of these discrepancies. To be blunt, employees, repair people, and passersby attracted by an unlocked door may help themselves to a five-finger discount. And you not only take the hit to your bottom line—you're also stuck adjusting your QuickBooks records to account for the theft. If, on the other hand, you have more inventory than you expect, you may have forgotten to ship products to customers.

It's no surprise, then, that QuickBooks has a command for this multipurpose accounting task. You adjust both the quantity of inventory and its value in the aptly named "Adjust Quantity/Value on Hand" window.

Fiddling with inventory that you already own might not seem like a vendor-related task, but you purchase inventory from vendors, so QuickBooks keeps all inventory commands in the same place: the Vendors menu. To open the "Adjust Quantity/Value on Hand" window, choose Vendors→Inventory Activities→"Adjust Quantity/Value on Hand" or, on the Home page, in the Company panel, click Inventory Activities→Adjust Quantity/Value On Hand.

Adjusting Quantities

When you adjust inventory quantities, QuickBooks fills in or calculates some of the fields for you. Here are guidelines for filling in the remaining fields of the "Adjust Quantity/Value on Hand" window:

- **Adjustment Type.** To adjust the quantities for your inventory items to match what's in your warehouse or reflect inventory you're writing off, choose Quantity from this drop-down menu, as shown in Figure 19-6. QuickBooks

uses the average cost of each item to calculate the dollar value that the new quantities represent.

- **Adjustment Date.** QuickBooks fills in this box with the current date. If you like to keep your journal entries and other bookkeeping adjustments together at the end of a quarter or year, type the date when you want to record the adjustment.

Adjust Quantity/Value on Hand

Previous Next Attach

Adjustment Type: **Quantity**

Adjustment Date: 06/31/2013

Adjustment Account: 8220 - Inventory Adjust...

Reference No.: 1

Customer/Job:

Class:

Add Multiple Items...

Item	Description	Qty on Hand	New Quantity	Qty Difference
Security Devices:contr...	Acme Security Controller SX-100 ...	0		
Security Devices:Cyph...	Keypad coded lock	98	95	-3
Security Devices:LockN...	Unpickable door lock	91	90	-1
Security Devices:Monitor	19" monitor for security console	8	10	2
Security Devices:omni...	omni-directional microphone supe...	10		
Security Devices:Secur...	1 seat security console	2		
Security Devices:Spycam	Fiber optic lapel camera	39	36	-3
Security Devices:W...	Wireless web camera	34		

Memo:

Total Value of Adjustment: -130.59

Number of Item Adjustments: 4

Item Info After Adjustment:

Quantity on Hand: 34

Avg Cost per Item: 49.97

Value: 1,698.95

Save & Close Save & New Clear

Figure 19-6: QuickBooks shades the columns you can't change. When you choose **Quantity** in the **Adjustment Type** box, as shown here, the **New Qty** and **Qty Difference** columns are the only ones you can edit.

- **Adjustment Account.** Choose an expense account to which you want to post the cost of the inventory adjustment. For example, if you adjust an item's quantity to match the physical count, choose an account such as Inventory Adjustment. If you're writing off obsolete or damaged inventory, choose an expense account, such as Unsalable Inventory. Because you can assign only one account to each inventory adjustment, create one adjustment for physical count changes, and then click **Save & New** to start a separate adjustment for write-offs.

Tip: If the expense account you want to use doesn't exist, at the top of the Adjustment Account drop-down list, choose **<Add New>** and then fill in the boxes in the New Account dialog box. When you click **OK**, QuickBooks fills in the Adjustment Account box with the account you just created.

- **Reference Number.** QuickBooks doesn't require you to enter a reference number, but they come in handy when discussing your books with your accountant. If you don't type anything in this box, QuickBooks increments the number here by one each time you adjust inventory.

- **Customer:Job.** If you want to send products to a customer or job without adding the items to an invoice, choose the customer or job in this drop-down list. QuickBooks then assigns the cost of the adjustment to that customer or job.

Tip: A better way to give products to a customer or job is to add them to an invoice with a price of \$0.00. That way, your generosity remains on the record lest your customer forgets.

- **Class.** If you use classes to track sales, choose the appropriate one here. For example, if one partner handles sales for the item you're adjusting, choose the class for that partner so the expense applies to her.
- **New Quantity/Qty Difference.** When you choose Quantity in the Adjustment Type box, you can type a number in either the New Quantity or the Qty Difference cell. If you're making an adjustment due to a physical count, in the New Quantity cell, type the quantity from your physical count worksheet. On the other hand, if you know you lost four cartons of *Chivalry Today* magazine in a feminist demonstration gone bad, it's easier to type the number you lost (such as -400) in the Qty Difference cell.

Note: If you're ready to admit that the pet rock fad isn't coming back, you can write off your entire inventory by filling in an item's New Quantity cell with 0. In the Adjustment Account drop-down list, choose an expense account, such as Unsalable Inventory.

- **Memo.** To prevent questions from your accountant, in the Memo cell, type the reason for the adjustment, such as "2010 end-of-year physical count."

After you fill in all the boxes, click the Save & Close button (or the Save & New button if you want to create a second adjustment, for instance, for write-offs). If you decreased the quantity on hand, QuickBooks decreases the balance in your inventory asset account (using the average cost per item). To keep double-entry bookkeeping principles intact, the decrease in the inventory asset account also shows up as an increase in the expense account you chose. Conversely, if the adjustment increases the quantity or value of your inventory, the inventory asset account's balance increases and the expense account's balance decreases.

Adjusting Quantities and Values

Calculating inventory value using the average cost for your items is convenient—and in QuickBooks, it's the only reasonable choice. Using other methods for calculating inventory, like "first in/first out" and "last in/first out" (see the box on page 490) quickly turn into a full-time job. But if that's what you want, you can make the program do it.

Because QuickBooks can handle only average cost for inventory, your sole work-around for achieving LIFO or FIFO costing is to adjust dollar values in the "Adjust Quantity/Value on Hand" window. When you choose Total Value in the window's

Adjustment Type box, QuickBooks displays the New Value column. To adjust the value of an item in inventory, in the New Value column, type the dollar value of the inventory. For example, to write off your entire inventory of pet rocks, in the New Value cell, type 0.00.

Note: You can change both quantities and values, for example, to change the quantity to reflect what's in your warehouse and the value to reflect its poor condition. To do this, in the Adjustment Type box, choose "Quantity and Total Value". QuickBooks then activates the New Quantity, Qty Difference, and New Value columns.

Mimicking LIFO or FIFO costing takes some effort because you have to review the bills for all your purchases of the inventory item. Here's what you have to do to value your inventory using LIFO:

1. Choose Reports→Purchases→"Purchases by Item Detail".

QuickBooks generates a report that shows your purchase transactions grouped by inventory item.

2. For the quantity of the item that you have on hand, add up the prices you paid for your earliest purchases.

As shown in Figure 19-7, the "Purchases by Item Detail" report's Cost Price column shows how much you paid for an item with each purchase. In this example, the first 25 monitors cost \$325.00 each and the last 53 cost \$300.00 each. The LIFO value for 60 monitors would be 53 multiplied by \$300.00 and 7 multiplied by \$325.00, or \$18,175.00.

Type	Date	Item	Memo	Source Name	Qty	Cost Price	Amount	Balance
Bill	04/23/2006			SecretSlash001	20	325.00	6,500.00	6,500.00
Item Receipt	11/12/2006	12-3...	19" monitor ...	SecretSlash001	5	325.00	1,625.00	8,125.00
Bill	11/24/2006	45-0...	19" monitor ...	SecretSlash001	4	300.00	1,200.00	9,325.00
Bill	09/03/2007		19" monitor ...	Acme equipment	15	300.00	4,500.00	13,825.00
Bill	05/18/2010		19" monitor ...	Acme equipment	15	300.00	4,500.00	18,325.00
Bill	08/12/2010		19" monitor ...	Acme equipment	19	300.00	5,700.00	24,025.00
Total Monitor					78		24,025.00	24,025.00

Figure 19-7:
To value the inventory using FIFO instead, start with the costs for the items purchased first: 25 monitors at \$325.00 and 35 at \$300.00, or \$18,625.00.

3. In the "Adjust Quantity/Value on Hand" dialog box (Vendors→Inventory Activities→"Adjust Quantity/Value on Hand"), type the amount you just calculated in the New Value cell.

When you click Save & Close, QuickBooks decreases the balance in your inventory asset account using the value in the New Value cell instead of the average cost per item.

UP TO SPEED

FIFO and LIFO Inventory Costing

“First in/first out” (FIFO) costing means that a company values its inventory as if the first products it receives are the first ones it sells. (Your grocery store always puts the milk closest to its expiration date at the front of the refrigerator, doesn’t it?)

“Last in/first out” (LIFO) costing, on the other hand, assumes that the last products in are the first ones sold. This method is like unpacking a moving van: The last valuables you packed are the first ones that come out.

The costing method you use doesn’t have to match the order in which you sell products. When you start your business, you can choose whichever costing method you want—but you have to stick with it. For example, when prices

are on the rise (as they almost always are), LIFO costing reduces your profit and taxes owed because you’re selling the products that cost the most first. However, with the steady decrease in electronics prices, FIFO costing probably produces the least profit. Unless you’re sure which method you want to use, you’re better off asking your accountant for advice.

Unfortunately, even with the “Adjust Quantity/Value on Hand” dialog box, you can’t achieve true LIFO or FIFO costing in QuickBooks. The program always uses average cost to move money from your inventory asset account to your cost of goods sold account when you add products to an invoice or sales receipt.

Budgeting and Planning

As you've no doubt noticed in business and in life, the activities that cost money almost always seem to outnumber those that bring money in. For many small businesses, you may not need to use a budget. But most companies want to make money and most nonprofits want to do the most with the funds they have, so budgeting and planning are essential business activities.

Like any kind of plan, a budget is an estimate of what's going to happen. You'll never produce exactly the numbers you estimate in your budget. (If you do, someone's playing games with your books.) But comparing your actual performance to your budget can tell you that it's time to crack the whip on the sales team, rein in your spending, or both.

Budgeting in QuickBooks is both simple and simplistic. The program handles basic budgets and even provides some handy shortcuts for entering numbers quickly. On the other hand, you can't see whether your budget is working as you build it, and playing what-if games with budgets requires some fancy footwork.

QuickBooks also lets you create forecasts of future performance, although forecasts look just like budgets and have all the same data-entry tools—and the same limitations. The bottom line: If you gather budget numbers from dozens of divisions and perform statistical analysis on the results to build your final budget, you'll need a program other than QuickBooks (like Excel) to massage the numbers. Then you can import your budgetary masterpiece into QuickBooks to compare your actual performance to the budget.

Tip: QuickBooks also includes a couple of planning tools, the Cash Flow Projector (Company→Planning & Budgeting→Cash Flow Projector) and the Business Plan Tool (Company→Planning & Budgeting→Use Business Plan Tool). These wizards ask a bunch of questions, but are often short on the in-depth answers that businesses need, so they're not covered in depth in this book.

GEM IN THE ROUGH

Budgets and Forecasts

The Set Up Budgets and Set Up Forecast commands on the Company→Planning & Budgeting submenu open dialog boxes that look strikingly similar. In fact, other than replacing the word “Budgets” with “Forecast,” they're identical. So how do you decide whether to use a budget or a forecast?

In QuickBooks, you can have only one budget for a given period. For example, your budget for 2011 might be a profit-and-loss budget. A forecast, on the other hand, lets you create another set of planning numbers for the same timeframe. So, you can create a profit-and-loss budget for 2011 and a separate forecast for the same fiscal year, using the budget to reflect your most likely results and the forecast to show the numbers under more optimistic (or pessimistic) conditions.

QuickBooks has reports that compare your actual performance to budgets and forecasts (Reports→Budgets & Forecasts), so you can use either feature to compare your estimated numbers to your actual performance.

As you'll learn in this chapter, you can actually create several budgets for the same period, but you can have only one of them loaded in QuickBooks at a time. The same is true for forecasts. And if you want to turn a forecast into a budget, you have to go through the export-import procedure you'll learn on page 501.

The bottom line: Use budgets unless you want a second set of planning numbers readily available. If you decide to create forecasts instead of or in addition to budgets, the instructions in this chapter apply to them, too.

Types of Budgets

To most people, the word “budget” means a profit-and-loss budget—one that estimates what your income and expenses will be over a period of time. QuickBooks provides profit-and-loss budgets that are based on the income and expense accounts in your chart of accounts (see Chapter 3) and typically span the fiscal year for your company. (See the box above to learn how forecasts differ from budgets.)

Balance-sheet budgets aren't as common, but you can create them in QuickBooks as well. Balance sheets are snapshots of your assets and liabilities, and balance-sheet budgets follow the same format by showing the ending balance for your asset, liability, and other balance-sheet accounts.

Note: Most companies plan for major purchases and their accompanying loans outside of the budgeting process. If a company needs an asset to operate, executives usually analyze costs, benefits, payback periods, internal rates of return, and so on before making purchase decisions. They evaluate cash flow to decide whether to borrow money or use cash generated by operations. But after that, the additional income generated by the assets and the additional interest expense for the loans show up in the profit-and-loss budget.

QuickBooks' profit-and-loss reports come in three flavors, each helpful in its own way:

- **Company profit and loss.** The most common type of budget includes all the income and expenses for your entire company. This is the budget that management struggles to meet or strives to exceed—whether that's to produce the net profit that keeps shareholders happy or to generate the cash needed to run the company. With QuickBooks' "Budget vs. Actual" report (page 505), you can compare your actual results to your budget.
- **Customer or job budget.** A customer- or job-based profit-and-loss budget forecasts the income and expenses for a single customer or job. Projects that come with a lot of risk have to offer the potential for lots of profit to be worthwhile. By generating a profit-and-loss budget for a customer or job, you can make sure that the profitability meets your needs.
- **Class budget.** If you use classes to track income and expenses—for different regions of the country, say—you can create profit-and-loss budgets for each class. Class budgets work particularly well when you track income and expenses for independent sections of your company: regions, business units, branches, and so on.

Ways to Build Budgets

If you've just started your business, you may have a business plan that includes estimates of your income and expenses, but you don't have any existing financial data to use as a basis for a budget. Or, you may have run your business for a while without a budget. Either way, there's a method for building a QuickBooks budget. And, if you're willing to import and export data, QuickBooks gives you two additional ways to build budgets. Here are your options and what each has to offer:

- **From data in another program.** The best way to build a budget is to create it in a program like Excel and then import it into QuickBooks. As you'll learn on page 501, QuickBooks doesn't make it easy to copy budgets. So by setting up a spreadsheet for your company budget in Excel or some other program, you can copy that file into QuickBooks to create what-if scenarios or easily create next year's budget based on the previous year's budget. After you set up the Excel file with rows for each account and columns for months and other fields, save it as a template for building all your budgets.
- **From scratch.** This method is the most tedious, but it's your only option when you don't have budget numbers or existing data to use. You have to type in all the numbers, but fortunately you only have to use this approach for your first budget.
- **From previous year's budget.** If you created a budget for the previous year, you can use it as the basis for next year's budget. Although playing with multiple budgets might seem like Business 101, copying budgets requires some exporting and importing games in QuickBooks (page 501).

- **From previous year's actual results.** Building a new budget from a previous budget usually requires less editing than building one from actual results. However, if this is your first budget and you have at least a year's worth of data in QuickBooks, it's much easier to use existing data as a starting point and edit only the values that change.

Creating Budgets in QuickBooks

If you want to build a budget directly in QuickBooks, the Set Up Budgets wizard is all you need. Profit and loss budgets; balance sheet budgets; budgets for customers, jobs, and classes; and budgets built from scratch or from previous year's data—the Set Up Budgets wizard does it all.

Before you dive into building a budget, you have to perform two setup steps if you want your budgets to work properly:

- **Fiscal year.** QuickBooks uses the first month of your fiscal year as the first month in the budget. To check that you defined your fiscal year correctly, choose Company→Company Information. At the bottom of the Company Information dialog box, make sure that the month in the “First month in your Fiscal Year” box is correct.
- **Active accounts.** QuickBooks budgets cover only the accounts that are active in your chart of accounts. To activate any accounts you want to budget, press Ctrl+A to open the Chart of Accounts window, and then turn on the “Include inactive” checkbox. (If no accounts are inactive, the “Include inactive” checkbox is grayed out.) For any inactive account that you want in your budget, click the X to the left of the account's name to reactivate that account.

To start the budget wizard, choose Company→Planning & Budgeting→Set Up Budgets. Depending on whether you already have a budget in QuickBooks, the program displays one of two different wizards. The Create New Budget wizard, shown in Figure 20-1, appears if this is your first budget in this company file.

The steps for setting up a new budget are the same whether QuickBooks displays the Create New Budget wizard automatically or you click the Create New Budget button in the Set Up Budgets wizard:

1. On the “Create a New Budget” screen (Figure 20-1), choose a fiscal year and type for the budget, and then click Next.

QuickBooks automatically fills in the next calendar year (perhaps assuming that you're done budgeting for the current year). Click the up and down arrows to the right of the year box to choose the fiscal year you're budgeting for.



Figure 20-1:

In the Create New Budget wizard, you tell QuickBooks about the budget you want to create: the year, the type, and whether it works with customers, jobs, or classes. If you already have at least one budget in your company file, QuickBooks opens the Set Up Budgets wizard to the most recent budget you created. To create another budget in that wizard, click the Create New Budget button to launch the wizard shown here.

Below the year setting, the program automatically selects the “Profit and Loss” option, because most budgets cover income and expenses for a year. If you want to create a balance-sheet budget instead, select the Balance Sheet option.

Note: If you create a balance-sheet budget, you don’t have to set any additional criteria before you build the budget for your balance-sheet accounts. In the Create New Budget wizard, clicking Next displays a screen that simply tells you to click Finish. When you do, a table containing your balance-sheet accounts appears in the Set Up Budgets window, and you can begin typing ending balances.

2. On the “Additional Profit and Loss Budget Criteria” screen, select the flavor of profit-and-loss budget you want, and then click Next.

QuickBooks automatically selects the “No additional criteria” option, which creates the most common type of budget: a profit-and-loss budget for the entire company. Choose the Customer:Job option to build a budget for a specific customer or job. And if you have QuickBooks classes turned on (page 564), you can also choose the Class option to build a class-based budget.

3. On the “Choose how you want to create a budget” screen, select the “Create budget from previous year’s actual data” if you have actual data you want to use.

This option transfers the monthly income and expense account totals from the previous year into the budget. Although QuickBooks selects the “Create budget from scratch” option initially, the data entry it requires is necessary only when you don’t have any other numbers to use.

Tip: You're probably looking for the one option that the "Choose how you want to create a budget" screen doesn't have—one that creates a new budget by copying an existing budget. See page 501 to learn how to create a budget in this way.

4. Click Finish.

QuickBooks opens the Set Up Budgets wizard, which includes a monstrous table. The rows represent each active account in your chart of accounts; each column is one month of the fiscal year. If you opted to create a budget for a customer, job, or class, the Set Up Budgets window includes either the Current Customer:Job drop-down list containing all your active customers and jobs, or the Class drop-down list containing all your active classes. Before you start entering values for a customer, job, or class budget, choose the customer, job, or class.

Note: If your monitor's resolution is less than 1024 x 768, the Set Up Budgets window also includes the Show Next 6 Months button, because your screen can't display the entire year. In that case, QuickBooks initially displays January through June. Click Show Next 6 Months to display July through December (the button's label changes to Show Previous 6 Months).

UP TO SPEED

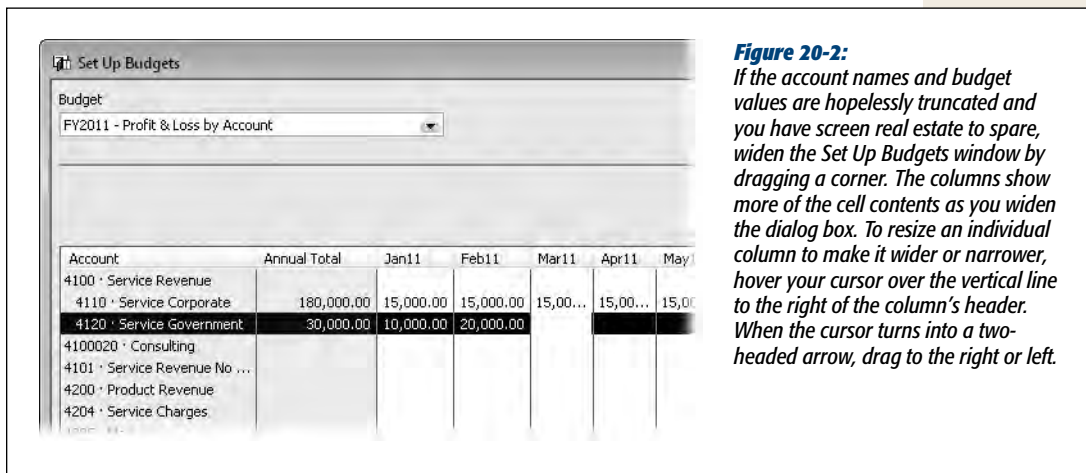
The Set Up Budgets Buttons

In the Set Up Budgets window, several buttons help you manage the work you do on your budgets. Although you're probably familiar with their functions based on similar buttons in other dialog boxes, here's a quick overview:

- **Clear.** Click this button to clear all the values for a budget—in every account and every month. This is the button to click if you want to start over.
- **Save.** When you've added or updated all the values in a budget, click this button to save your work. You can also click Save so you don't lose the work you've done so far. And don't worry if you forget to click this button: If you click OK or choose another budget, QuickBooks asks whether you want to record the one you've been working on.
- **OK.** Clicking this button records the values you've entered and closes the Set Up Budgets window.
- **Cancel.** Clicking this button closes the window *without* saving your work.

Filling in Budget Values

Regardless of which type of budget you create, the way you fill in and edit values is the same. To add budget values to an account, in the Account column, click the account. When you do, QuickBooks automatically selects the cell in the first month column in that row. If you're filling in the entire year's worth of numbers, type the value for the first month, press Tab to move to the next month, and continue until you've entered values for all 12 months. As you add values to each month, the Annual Total column displays the total for all months, as shown in Figure 20-2.

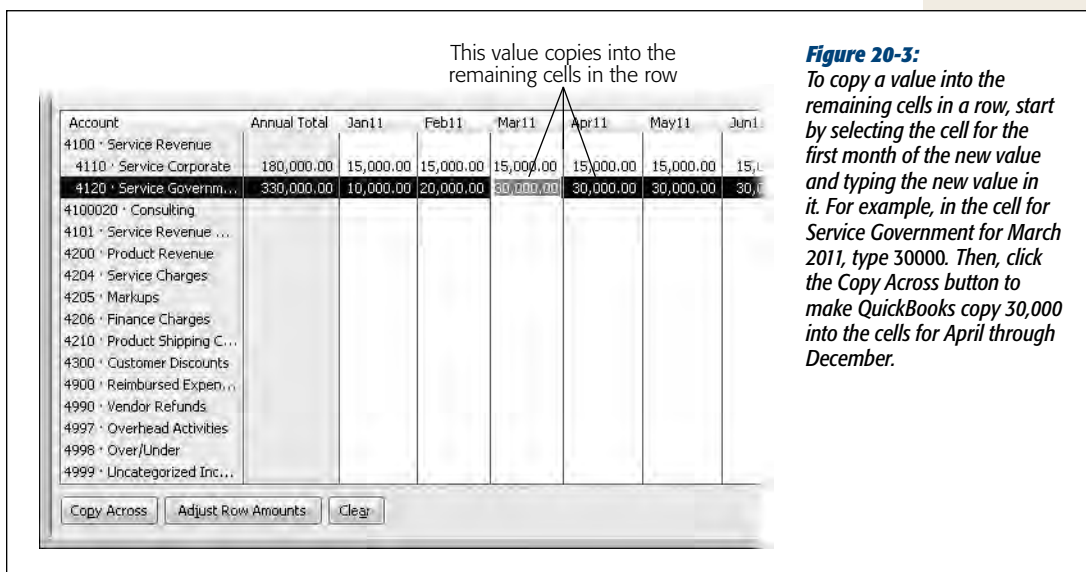
**Figure 20-2:**

If the account names and budget values are hopelessly truncated and you have screen real estate to spare, widen the Set Up Budgets window by dragging a corner. The columns show more of the cell contents as you widen the dialog box. To resize an individual column to make it wider or narrower, hover your cursor over the vertical line to the right of the column's header. When the cursor turns into a two-headed arrow, drag to the right or left.

Filling in a few budget cells is usually enough to convince you that data entry shortcuts are in order. Luckily, QuickBooks gives you two ways to enter values faster, described next.

Copy Across Columns

Because budgets are estimates, you don't need extraordinarily detailed or precise values. In the Set Up Budgets window (Company→Planning & Budgeting→Set Up Budgets), you can copy a number from one cell in a row to all the cells to the right in the same row, as demonstrated in Figure 20-3.

**Figure 20-3:**

To copy a value into the remaining cells in a row, start by selecting the cell for the first month of the new value and typing the new value in it. For example, in the cell for Service Government for March 2011, type 30000. Then, click the Copy Across button to make QuickBooks copy 30,000 into the cells for April through December.

This shortcut is fabulous when a monthly expense remains the same throughout the year, like office rent, for example. But it also works if a price changes mid-year. For example, suppose the corporate concierge you've hired to run errands for your employees announces that his rates are going up in May. If your budget contains the old rate in every month, click the cell for May and type the new rate. Then, when you click Copy Across, QuickBooks lists the new rate for May through December.

Tip: If you mistakenly add values to cells that should be blank, Copy Across is the fastest way to empty a row. Clear the first month's cell by selecting the value and then pressing Backspace. Then click Copy Across to have QuickBooks clear all the other cells in that row.

Adjust Row Amounts

In the Set Up Budgets window (Company→Planning & Budgeting→Set Up Budgets), the Adjust Row Amounts button lets you increase or decrease monthly values by a specific dollar amount or a percentage, which has zillions of useful applications. Say you created a budget from previous year's data, but you want to increase all the values in the current year by 10 percent. Or maybe your company is growing quickly and you want to apply some heat to your sales force by increasing the income you aim to pull in each month. In that case, you can tell QuickBooks to compound the increase, so each month's sales target is a little higher than the previous month's value.

Changing all the cells in a row by a fixed dollar amount isn't as useful as you might think, because Copy Across basically does the same thing in most cases. But when you change budget amounts by percentages, QuickBooks takes care of the calculations for you. On the other hand, calculating compounded values for each month is tedious, so QuickBooks comes in handy in that situation. Here's what you do to adjust row amounts in both of these ways:

1. **Click the row you want to adjust.**

If you want to start the adjustment with a specific month, click the cell for the starting month.

2. **Click the Adjust Row Amounts button.**

QuickBooks opens the Adjust Row Amounts dialog box and, in the "Start at" box, automatically selects the option that you chose the last time you opened this dialog box. "1st month" starts adjustments in the first month of the fiscal year. To start at the month you selected instead, from the "Start at" drop-down list, choose "Currently selected month".

3. **Select the appropriate option for how the prices change.**

QuickBooks automatically selects the "Increase each remaining monthly amount in this row by this dollar amount or percentage" option because prices usually go up. But if prices are decreasing, select the "Decrease each remaining monthly amount..." option.

4. In the text box for the option you selected, type the dollar amount or percentage, and then click OK.

If the landlord tells you that rent is going up five percent, in the box for the “Increase” option, type 5%, and QuickBooks increases the value in all the remaining cells by five percent. So if your rent was \$5,000 a month, the values in all the remaining months change to \$5,250.

To add a dollar amount to the remaining cells instead, type that dollar value. For example, to add \$1,000 a month to the Rent cells, in the box for this option, type 1000. Each subsequent cell in the Rent row increases by 1,000. (Of course, you can do the same thing by typing the new rent amount in the cell for the first month to which it applies, and then clicking Copy Across.)

Note: The Adjust Row Amounts command is for adjusting *existing* budget values, not filling in blank cells. For example, when you select the “Increase each remaining monthly amount in this row by this dollar amount or percentage” option and type 100 in the text box, QuickBooks adds 100 to the values in the month cells. So if the January cell is set to 1,000, it increases to 1,100. However, if the remaining months’ cells are zero (0), they increase to 100.

5. If you set the “Start at” box to “Currently selected month”, the “Enable compounding” checkbox appears; turn it on if you want to adjust each month’s value based on the previous month’s value.

When you compound dollar amounts, QuickBooks adds the dollar amount you specify to the next month’s value. For example, if January’s value is 25,000 and you change the value by 1,000, February’s value is 26,000, as shown in Figure 20-4. Then, March’s value increases by another 1,000 to 27,000.

Creating Additional Customer:Job or Class Budgets

In QuickBooks, there’s no way to store several versions of a fiscal-year budget that covers your entire operation. But you *can* create additional budgets for the same fiscal year for different customers and jobs, or for classes.

After you create your first budget, the Set Up Budgets dialog box opens displaying the most recent fiscal-year budget. But if you’ve created at least one budget for a customer or job for a fiscal year, the Budget drop-down list includes an entry like “FY2011-Profit & Loss By Account and Customer:Job”. Class budgets show up in the Budget drop-down list looking something like “FY2010-Profit & Loss By Account and Class”.

Note: Class budgets work the way Customer:Job budgets do. In fact, if you replace every instance of “Customer:Job” in the following tutorial with “Class”, you’ll have the instructions for creating Class budgets.

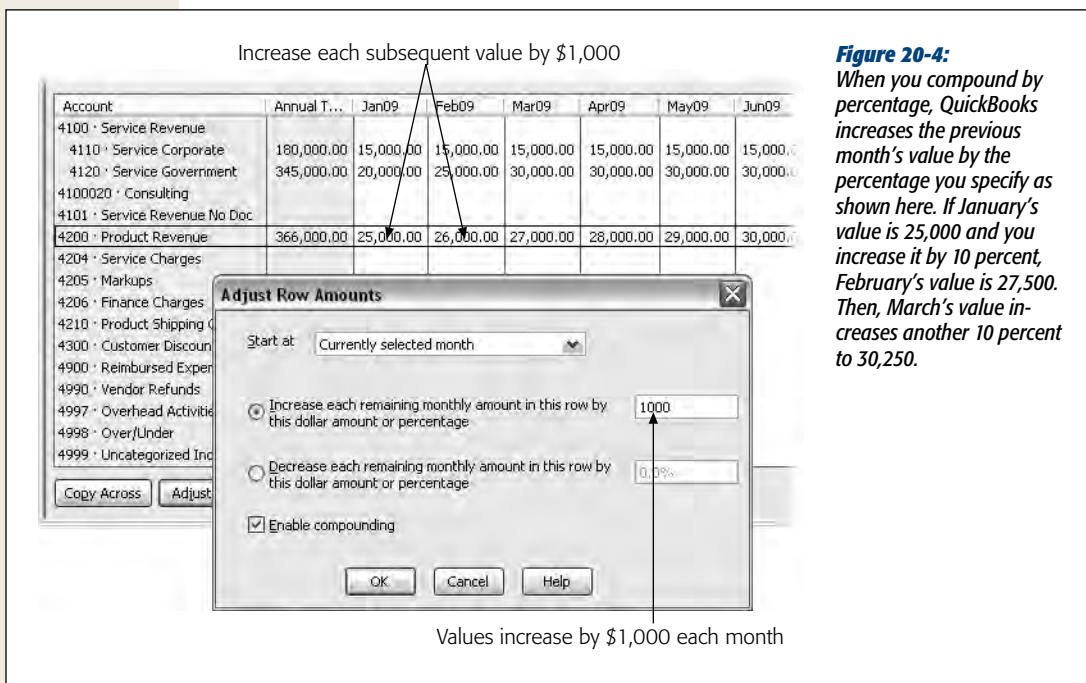


Figure 20-4:
When you compound by percentage, QuickBooks increases the previous month's value by the percentage you specify as shown here. If January's value is 25,000 and you increase it by 10 percent, February's value is 27,500. Then, March's value increases another 10 percent to 30,250.

Here's how you create and save additional Customer:Job or Class budgets:

1. In the Budget drop-down list, choose the customer and job budget for the fiscal year you want to budget.

QuickBooks adds the Current Customer:Job box to the Set Up Budgets window between the Budget box and the table.

2. In the Current Customer:Job drop-down list, choose the customer or job that you want to budget.

Any budgetary numbers you've previously entered for the customer or job for the selected fiscal year appear in the budget table.

3. In the budget table, fill in values for the Customer:Job budget using any of the techniques you learned in the previous section.

Unlike a budget for your entire operation, customer and job budgets may have values for only a few accounts. For example, for a job that includes products, services, and reimbursable expenses, your budget may have values only for income accounts and the expense accounts for reimbursable expenses.

4. When you're finished entering values, click Save.

If you choose another customer or job without clicking Save, QuickBooks asks if you want to record the budget. In the Recording Budget message box, click Yes.

Copying Budgets and Creating What-if Budgets

If next year's budget is almost identical to this year's, you'd expect that copying your current budget and changing a few numbers would be quick and easy. But QuickBooks lacks a built-in mechanism for copying an existing budget to a new one! (A command that copies a budget would be convenient—even Quicken, Intuit's software for personal finances, has one—but so far Intuit hasn't added one to QuickBooks.) Similarly, because QuickBooks allows only one budget of each type for the same fiscal year, you can't create what-if budgets within the program to see which one is the best.

To do *any* kind of budget modification beyond typing in values or using Copy Across and Adjust Row Amounts, you have to export your budgets to a spreadsheet program and make modifications or what-if copies there. Then, when you've got the budget you want, you can import the file back into QuickBooks to use the new budget. For example, you can export your QuickBooks budget into Microsoft Excel and copy the budget into several worksheets. One worksheet could be a bare-bones budget in case a client with shaky finances disappears. A second worksheet could represent your happy-dance budget if you snag that big new project. And a third worksheet could be your most likely results, somewhere between the two extremes.

Exported budget files list entries for fiscal years and accounts in no particular order. For that reason, the easiest way to create budgets or play budget what-if games is in Excel and then import the final budget into QuickBooks.

Note: You can't export only the budget you want to copy or play with—when you export QuickBooks' Budgets list, the export file includes entries for every budget for every fiscal year. If you created budgets for customers, jobs, and classes, you'll get entries for those, too. When you work on the budgets in a spreadsheet, you can ignore the entries for those other budgets—or you can delete those rows from the spreadsheet to prevent inadvertent changes to budgets you're happy with.

Here's how you export QuickBooks budgets and import your changes:

1. **Choose File→Utilities→Export→“Lists to IIF Files”.**

QuickBooks opens an Export dialog box with checkboxes for each type of list you can export.

2. **In this first Export dialog box, turn on the Budgets checkbox, and then click OK.**

QuickBooks opens a second Export dialog box, which looks like a Save As dialog box. However, the “Save as type” box is automatically filled in with “IIF Files (*.IIF)”.

3. **In the second Export dialog box, navigate to the folder where you want to save the export file and in the “File name” box, replace “*.IIF” with the name for your export file.**

To keep your files organized, save all your export files in the same folder, called something like Export_Files. Name the export file something like *QBBudgets.iif*.

4. Click Save to export the budgets from QuickBooks.

When a QuickBooks Information box appears telling you that the export was successful, click OK to dismiss it.

5. In a spreadsheet program like Excel, open the export file.

IIF files are tab-delimited text files (see page 610). To open one in Excel 2010, click the program's File tab and then choose Open (in Excel 2007, choose Office→Open). In the Open dialog box, head to the "Files of type" box, and then choose All Files so you can see all the files in your folders. Navigate to the folder that contains the IIF export file and double-click its filename. The Excel Text Import Wizard appears. You don't have to specify any special formats to tell Excel how to read the file; you can just click Finish to import the file into Excel.

6. To change the order of the budget rows to show budgets by fiscal year, select all the rows below the one that begins with !BUD (Figure 20-5). Then choose Data→Sort and sort the workbook first by start date (STARTDATE) and then by account (ACCNT).

At first, rows for different year's budgets and account names are in no particular order. By sorting the rows, you can see all the entries for each fiscal year grouped together. (If you have customer and job budgets, you can also sort by customer.) This sort method intersperses income and expense accounts, but because companies typically have fewer income accounts, you can quickly move the rows for income accounts above the expense accounts.

7. While you're still in Excel, if you want to use an existing budget to create next year's budget, simply change the year in the STARTDATE column.

The Excel worksheet includes a column labeled STARTDATE, which contains the date that the fiscal year for the budget begins. Use Excel's Replace command (press Ctrl+H) to change the year to the new budget (Figure 20-5). For example, the budget entries for 2010 budgets include "1/1/2010" in the STARTDATE column. To create a budget for 2011, change the contents of these cells to "1/1/2011".

In Excel 2007 and 2010, you can also choose the Home tab and then click Find & Select→Replace (at the right end of the ribbon); in Excel 2003, choose Edit→Replace.

To modify budget numbers, edit the budget values in the Excel worksheet.

Note: If you create several what-if budgets in Excel, be sure to copy the data for only your final budget into a file for importing into QuickBooks. Compare the keywords and column headings in the Budget list export file to those in the file you plan to import to make sure that the data imports the way you want. For example, a row that begins with !BUD lists the keywords that identify columns, such as ACCNT for your accounts and AMOUNT for your budget values. (Rows for budget entries have to begin with a cell containing the keyword BUD.) For more on importing and exporting data, see Chapter 24.)

The screenshot shows an Excel spreadsheet titled 'Budgets' with columns A through P. The data includes budget entries for various categories like Payroll Expenses, Service Revenue, and Product costs, with dates ranging from 2007 to 2010. A 'Find and Replace' dialog box is open, showing 'Find what: 1/1/2010' and 'Replace with: 1/1/2011'. The dialog box has buttons for 'Find', 'Replace', 'Find All', 'Find Next', 'Close', and 'Options >>'.

	A	B	C	D	E	F	G	H
1	!HDR	PROD	VER	REL	IIFVER	DATE	TIME	
2	HDR	QuickBooks Premier Version 2. Release R1P				1	8/20/2010	1282337448
3	!BUD	ACCNT	PERIOD	AMOUNT	AMOUNT	AMOUNT	AMOUNT	STARTDATE
4	BUD	Payroll Expenses	MONTH			150.89		1/1/2007
5	BUD	Payroll Expenses	MONTH			150.89		1/1/2008
6	BUD	Payroll Expenses	MONTH			150.89		1/1/2008
7	BUD	Service Revenue	MONTH	-4,000.00	-12,000.00	-12,000.00	-12,000.00	1/1/2010
8	BUD	Service Revenue N	MONTH					1/1/2010
9	BUD	Product						2010
10	BUD	Service						2007
11	BUD	Service						2008
12	BUD	Service						2010
13	BUD	Service						2008
14	BUD	Product						2010
15	BUD	Customer						2010
16	BUD	Cost of						2010
17	BUD	Product						2007
18	BUD	Product						2008
19	BUD	Subcontractor fees	MONTH					1/1/2010

Figure 20-5:
The budget entries for 2010 budgets include "1/1/2010" in the STARTDATE column. To create a budget for 2011, change the contents of these cells to "1/1/2011". Budget entries for customer, job, or class budgets include the customer and job name in the CUSTOMER column or the class name in the CLASS column. If you leave all the rows for budgets that you aren't changing in the spreadsheet, QuickBooks imports those budgets, too. However, if you didn't change any values, the newly imported budgets look the same in QuickBooks as they did before you imported them.

8. In Excel 2010, click the File tab and then choose Save As→Other Formats. (In Excel 2007, choose Office→Save As.) In the Save As dialog box, save the modified file with a new filename.

In the Save As dialog box, Excel chooses "Text (tab delimited)" as the file type.

9. To import the modified IIF file, back in QuickBooks, choose File→Utilities→Import→IIF Files.

QuickBooks opens the Import dialog box and automatically chooses "IIF Files (*.IIF)" in the "Files of type" box. If you don't see your file, in the "Files of type" box, choose "All Files (*.*)".

10. Double-click the name of the IIF file that contains your edited budget.

When a QuickBooks Information box appears telling you that the import was successful, click OK to dismiss it.

11. Choose Company→Planning & Budgeting→Set Up Budgets.

If you created a budget for a new fiscal year, in the Set Up Budgets window, the Budget drop-down list now contains an entry for the budget for that year. If you used a spreadsheet to edit an existing budget, in the Budget drop-down list, choose the entry for that budget to see your updated values in the budget table.

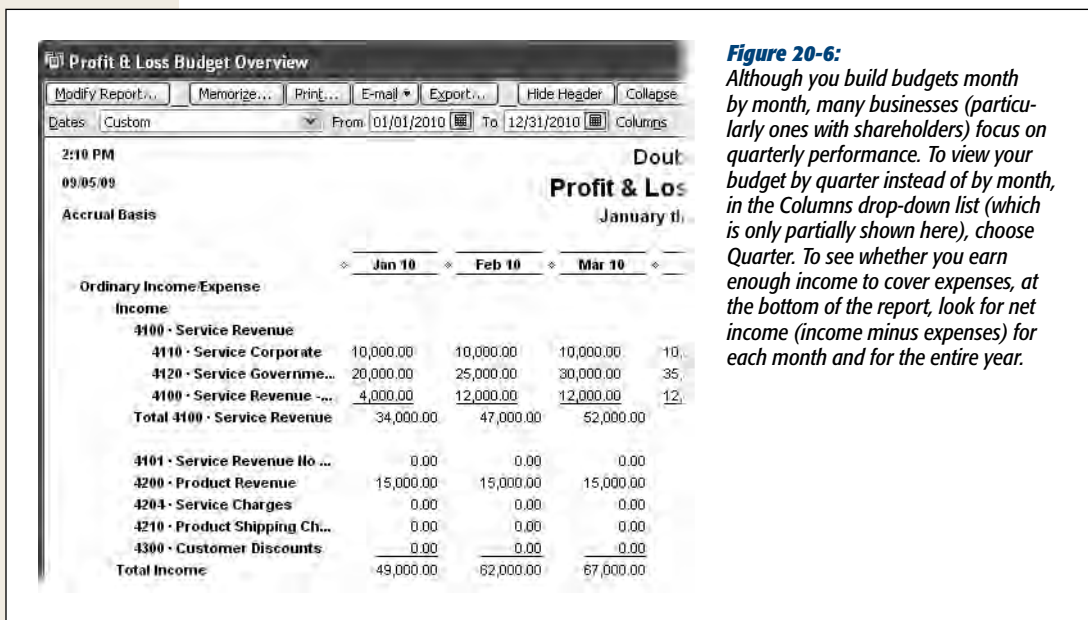
Running Budget Reports

A budget gives you a target to aim for. The Set Up Budgets window lets you type values for income and expense accounts, but it doesn't show you whether your budget results in a net profit or loss. For that, you need a budget report (or your budget exported to a spreadsheet, as described on page 501). And to see how your business is doing compared to your budget, you need a budget report that shows budget and actual numbers side by side. QuickBooks provides four types of budget reports: one to review budgets you've created and three to compare your performance to your plan. This section describes the various budget reports, what they're useful for, and how to create and format them.

Note: To learn about *all* the options for customizing any kind of report, see Chapter 21.

The Budget Overview Report

Because the Set Up Budgets window shows your accounts and the values you enter for each month, you can't see whether your budget actually works. The Budget Overview Report shows budget numbers for each account and month, but it also subtotals values if you use top-level accounts and subaccounts in your chart of accounts, as shown in Figure 20-6.



To view the Budget Overview Report, choose Reports→Budgets & Forecasts→Budget Overview. In the Budget Report dialog box, first choose the budget you want to view and then a layout (explained in a moment). When you click Finish, QuickBooks opens the Budget Overview Report window.

Note: The Budget Overview Report includes only accounts that have budget values.

Report layouts

If you create a report for a profit-and-loss budget for your entire company, the only layout option in the Budget Report dialog box is Account By Month, which lists the accounts in the first column with each subsequent column showing one month of the fiscal year. You can change the columns to different durations in the Budget Overview window (Figure 20-6).

If you choose a Customer:Job budget in the Budget Report dialog box and then click Next, the Budget Overview Report includes these layout options:

- **Account By Month** lists accounts in the first column with months of the fiscal year in the subsequent columns. The values in the monthly columns represent the totals for *all* the Customer:Job budgets you've created.
- **Account By Customer:Job** lists accounts in the first column and includes additional columns for each customer or job you've budgeted. Each customer and job column shows its annual totals.
- **Customer:Job by Month** adds a row for each customer and additional rows for each job that customer has. The columns are for each month of the fiscal year. The value for a job and month represents the total budgeted value for all accounts.

Budget vs. Actual Report

The “Budget vs. Actual” report compares the budget you created to the actual income and expenses your business achieved. Run this report monthly for early warnings should your performance veer off track. For example, if your income is short of your target, the “% of Budget” column shows percentages less than 100 percent. If you're making more than you planned, this column shows percentages greater than 100 percent. On the other hand, costs greater than 100 percent indicate that expenses are ballooning beyond your budget.

The column with the heading for a month and year (or quarter like “Jan - Mar 10”) is your actual performance. The Budget column includes the budgeted values for the same month and year. You can also show the difference between the two in dollars (the Over Budget column) and percentage (% of Budget column).

UP TO SPEED

Memorizing Budget Reports

When you generate budget reports, you have to specify which budget you want to see and the layout of rows and columns. In addition, in the report window that opens when you run a report, you might click Modify Report to change the date range, the columns that appear, and so on. All in all, to get the budget report you really want might require a dozen or more small customizations.

Rather than reapply all these tweaks each time you generate the report, have QuickBooks memorize the customized report so you can regenerate it with one click. Here's how:

1. In the report window for the budget you want to memorize, click Memorize. QuickBooks opens the Memorize Report dialog box.
2. In the Name box, type a name for the customized report, such as "P&L Budget vs. Actual 2011".

3. If you want to save the report in a special group, turn on the "Save in Memorized Report Group" checkbox. In the drop-down list, choose the group. For example, for budget reports, you might store the report in the Company group. If you don't save the report to a special group, QuickBooks adds the memorized report to the Memorized Report submenu.

4. Click OK.

To run the report, choose Reports→Memorized Reports. If you didn't save the report to a memorized group, choose the report's name on the Memorized Reports submenu. If you did save the report in a memorized group, on the Memorized Reports submenu, choose that group and then choose the report's name.

To view the "Budget vs. Actual" report, choose Reports→Budgets & Forecasts→"Budget vs. Actual". Choose the budget you want to view and a layout. When you click Finish, QuickBooks opens the "Budget vs. Actual" report window.

Tip: If the numbers in your report don't seem right, the culprit could be the wrong choice of accrual or cash reporting. Click Modify Report and click the Accrual or Cash option to match your reporting style. (Page 7 explains the difference between cash-basis and accrual reporting.)

Profit & Loss Budget Performance Report

The Profit & Loss Budget Performance report (Reports→Budgets & Forecasts→Profit & Loss Budget Performance) also compares budgeted and actual values, but initially shows the actual values for the current month with the budgeted values for the entire month in the Budget column. Two additional columns show the actual and budgeted values for the year to date.

Use this report to check your performance before the end of each month. Because the budget numbers represent the entire month, you shouldn't expect a perfect match between actual and budgeted values. But if your income or expenses are way off the mark, you can take corrective action.

Budget vs. Actual Graph

To have QuickBooks automatically generate a graph comparing your budget to actual performance, choose Reports→Budgets & Forecasts→“Budget vs. Actual Graph”. This graph displays the differences between your budgeted and actual values in two ways:

- The upper bar graph shows the difference between your actual net income and budgeted net income for each month. When your actual net income exceeds the budgeted value (meaning you made more money than you planned), the bar is blue and appears above the horizontal axis. If the actual net income is less than the budget, the bar is red and drops below the horizontal axis.
- The lower bar graph sorts accounts, customers, or classes (depending on the report you chose) that are the furthest from your budgeted values (either above or below). For example, if you display a “P&L by Accounts and Jobs” graph, you can see the customers and jobs that exceeded your budget by the largest amount or fell the furthest short.

Working with QuickBooks Reports

QuickBooks comes with loads of built-in reports that show what's going on with your company's finances. But a dozen report categories with several reports tucked in each category can make for a frustrating search, particularly if you're new to both business *and* QuickBooks. The first challenge is knowing what type of report tells you what you need to know. For example, a profit and loss (P&L) report tells you how much income and expenses you had, but a balance sheet shows how much your company is worth.

The second challenge is finding the report you want. After you decide you want to compare the profit of the items you sell, do you look for the corresponding QuickBooks report in the Sales category, Inventory category, or "Jobs, Time & Mileage" category? (If you guessed "Jobs, Time & Mileage" despite that category's project-oriented name, you're right.) On the other hand, the "Profit & Loss by Job" report appears in both the Company & Finance category and the "Jobs, Time, & Mileage" category.

The Report Center is a handy way to find the reports you want. Flipping through this book can be even faster, which is why each chapter in this book describes the built-in reports that correspond to the bookkeeping tasks the chapter covers, what they're good for, and where you can find them.

A third challenge—for even the most knowledgeable QuickBooks aficionado—is that the built-in reports might not do exactly what you want. A date range could be off, information that you don't want might show up, or the data could be grouped in ways that don't make sense for your business. After using QuickBooks for a while, most businesses tweak the program's built-in reports. This chapter explains how to customize reports to get what you want.

There's no point in letting good customization go to waste, so you'll also learn how to memorize your customized reports, add them to QuickBooks' menus for fast access, and even how to exchange particularly handy customized reports between company files.

Finding the Right Reports

If you know what kind of report answers your burning business question, finding that report can be as simple as dragging your mouse through the Reports menu to a likely category, and then, on the category's submenu, clicking the name of the report you want. But if you need help figuring out what a report does and what one looks like, the Report Center could be your new best friend.

On the QuickBooks icon bar, click Report Center (or choose Reports→Report Center). (Page 622 explains how to add this icon to the icon bar if it isn't visible.) This window shows a clickable list of the same report categories and reports as on the Reports menu. But unlike the menu, the Report Center gives you all sorts of hints for finding the right report. The Report Center also offers several shortcuts for getting to the right report fast, as you can see in Figure 21-1.

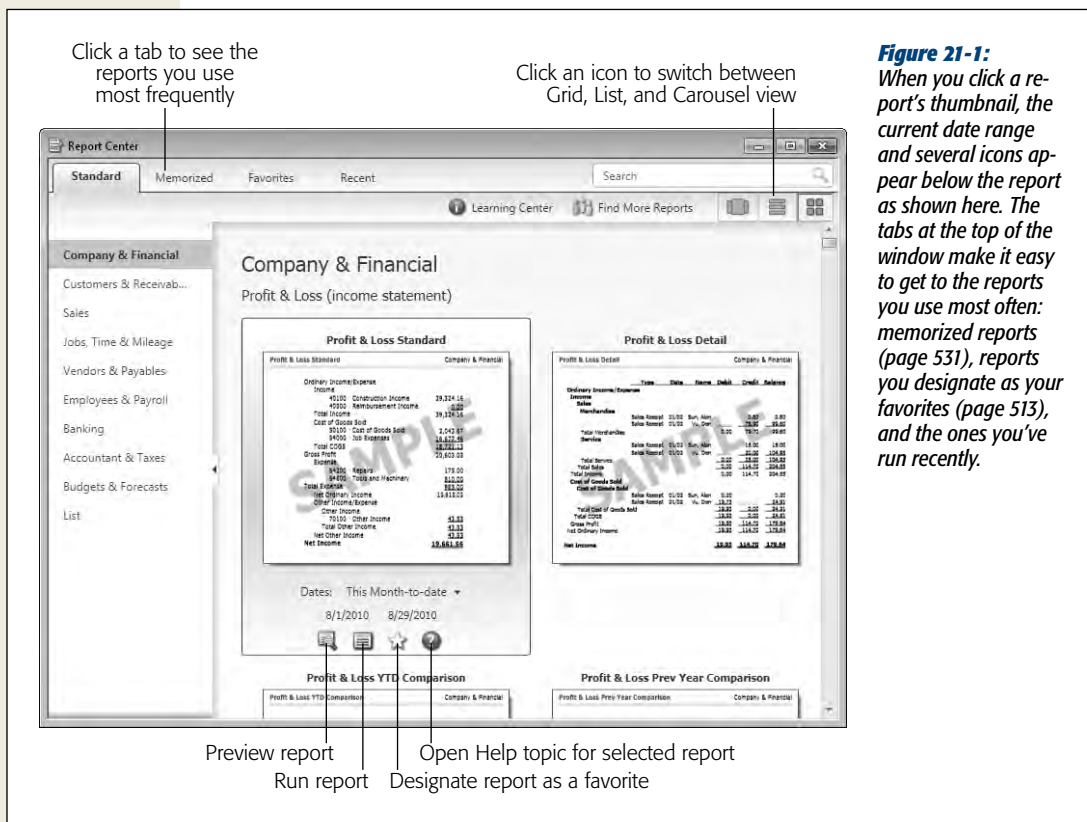


Figure 21-1: When you click a report's thumbnail, the current date range and several icons appear below the report as shown here. The tabs at the top of the window make it easy to get to the reports you use most often: memorized reports (page 531), reports you designate as your favorites (page 513), and the ones you've run recently.

On the left side of the Report Center, you'll initially see built-in report categories. To see the reports in a category, click the category's name, like Company & Financial, Sales, or Banking. These categories are the same ones you see on the Reports menu (page 514).

Reviewing Reports in the Report Center

The Report Center gives you three ways to view the reports in a category. You can choose one based on your preference and your computer's horsepower:

- **Grid View**, shown in Figure 21-1, is ideal when you need a little help finding the right report. It displays previews of each type of report in the category selected on the left side of the window. To see more reports in that category, scroll down. When you select a report, its date range and report-related icons appear below the title. In the upper-right part of the Report Center, click the Grid View icon (which looks like four small boxes in a grid) to display this view.
- **List View** is your best bet when you want brief hints about the right reports and want to get to those reports quickly. Select a category on the left side of the Report Center, and the titles of that category's reports and the questions they answer appear in a space-saving list. When you select a report, its date range and report-related icons appear below the title, which you'll learn about shortly. To use this view, click the List View icon in the window's upper right, which looks like three horizontal bars.
- **Carousel View** is more eye candy than a useful search tool and it takes some computer horsepower, so it might run slowly if your machine is low on memory and CPU speed. When you pick a report category with this view, a sample report (one that doesn't use your company accounts or data) appears in the center of the window. In addition to the report's title, the question that the report answers appears above the sample, such as "What are my company's total expenses for each vendor?" for the "Expenses by Vendor Summary" report. Other reports in the category wait in the wings to the left and right of the selected report. The only way to access the other reports in the category is to click these angled reports until the one you're looking for appears front and center. (To use this view, click the Carousel View icon, which looks like a slide projector if you use your imagination, in the upper-right corner of the Report Center toolbar.)

Below the report, you can change the date range by clicking the arrow to the right of the current date range and choosing a new one. To run the report, double-click the report's preview or click the "Run report" icon (it looks like a piece of paper).

Tip: If you don't see the kind of report you want, you may not have to customize a report yourself. The Reports Library within the online Intuit Community has dozens of reports and spreadsheets that you can download. In the Report Center to the left of the view icons, click Find More Reports, which opens a browser window to the Reports Library. In the Search drop-down list, click the category of report you want, such as Company & Financial, Customers & Receivables, or Banking. To download reports, simply click the link in the Download column. See page 534 for how to import reports into your company file.

Working with Reports in the Report Center

When you select a report in the Report Center, you'll see the date range for that report and icons for performing report-related tasks appear below the report preview. Here's you can do with each one:

- **Date range.** QuickBooks displays the name of the current date range for the report and the dates the range represents, for example, This Fiscal Year and "1/1/2011 12/31/2011". To change the date range before you run the report, click the range's name (This Fiscal Year, in this example) and then choose a new range from the drop-down list. (See page 521 to learn about the date ranges you can choose from.)
- **Preview a report.** Hover your cursor over the icon that looks like a magnifying glass in front of a piece of paper to see a sample of the report you've selected. (This icon isn't available in Carousel view.) These samples are only helpful for built-in reports that QuickBooks provides. On the Report Center's Memorized tab, the report icons and the samples say nothing more than "Memorized Report"; you have to run the report to see what it looks like.
- **Run a report.** The icon that looks like a piece of paper has a tooltip that says "Display report". If you click this icon, QuickBooks runs the report and displays it in a report window. You can then click Modify Report in the report window toolbar to make changes to the report (page 519).

Note: The star icon lets you designate your favorite reports. You'll learn how to do that in the next section.

- **Learn more.** If you want to know more about a report and how you can customize it, in the Report Center, select the report and then click the "Learn more about this report" icon (a blue circle with a white question mark). QuickBooks opens the Help topic for that report, which gives hints about how to use the report and customize it. If you click this icon for a memorized report, QuickBooks opens the "Work with memorized reports" Help topic instead.

Finding Frequently Used Reports

The Report Center initially displays its built-in reports and the categories to which they belong. However, the Center also offers quick access to reports that you run often:

- **Memorized reports.** If you modify reports to suit your needs, you can memorize them (page 531) and run them again and again with all your customized settings in place. In the Report Center, click the Memorized tab to see your memorized report groups (page 532). When you select a group, the window displays the reports within that group.

Note: Grid View and Carousel View aren't very helpful for memorized reports. The previews that appear simply say Memorized Report because QuickBooks doesn't have any samples of the reports you've memorized.

- **Favorite reports.** QuickBooks lets you vote for your favorite reports so you can get to them in a jiffy. In the Report Center, the Favorites tab displays all the reports that you designate as favorites. Whenever you select a report in the Report Center, a “Mark as Favorite” icon (a white star with a yellow border) appears. If the report is one that you run more often than you check email, simply click this icon, and QuickBooks adds the report to the Favorites tab and turns the star yellow to indicate that this is one of your favorite reports.
- **Recent reports.** You can quickly rerun a report you used recently by clicking the Recent tab and then choosing the report you want. For example, if you produced a “Sales by Customer” report a few days ago and need to run it again, on the left side of the Recent tab, click the “Last 1-7 days” heading, click the report's name, and then click the “Display report” icon.
- **Search.** If you don't know which built-in report you want, you can use keywords to narrow down your choices. For example, if you know you want to see how much equity you have in your company, in the Search box at the upper right of the Report Center, type *equity*. A Search Results tab appears with a list of reports that include equity, such as Balance Sheet Standard, Net Worth Graph, and Balance Sheet Prev Year Comparison.

Note: If you type more than one keyword, your search results are likely to grow longer, not shorter, because QuickBooks looks for reports that contain *any* of the keywords you provide.

Running Reports

While you're learning about QuickBooks' reports, stick with the Report Center (described in detail on page 510). Once you're more familiar with what QuickBooks' reports do, the Reports menu is the quickest route to running reports, as shown in Figure 21-2. Or you can click one of the report links QuickBooks scatters throughout the program in windows, menus, and centers. The box on page 515 tells you about a shortcut you can use when you want to run several reports at the same time.

You can run reports from many locations in QuickBooks. Here's how you run reports depending on where you find them in the program:

- **Reports menu.** This menu patiently waits in the QuickBooks menu bar. To run a report, choose Reports, and then select the report category you want (such as Memorized, Company & Financial, or Vendors & Payables). On the submenu that appears (Figure 21-2), choose the report you want to run. (If another submenu appears, drag until you can pick the report you want.) A report window opens to the report you chose.
- **The Report Center.** Select the report you want to run. If you want to change the date range before you run the report, click the current date range's name and then choose the new range on the drop-down list. To run the report, click the icon that looks like a piece of paper, shown in Figure 21-1.
- **Favorites menu.** The Favorites menu is to the right of the Lists entry on QuickBooks' main menu bar. If you add a report to the Favorites menu, run the report by choosing Favorites→<report name>.
- **Icon bar.** You can customize QuickBooks' icon bar (page 622) to include your all-time favorite reports or a category of reports. To run a report from the icon bar, simply click the report's icon.

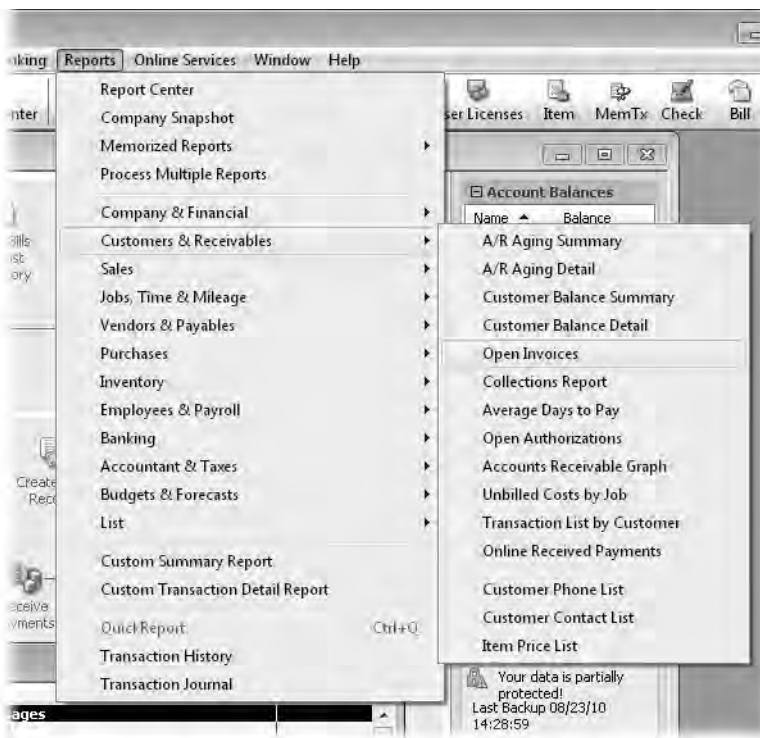


Figure 21-2:

The Reports menu not only includes built-in QuickBooks reports and reports you memorize; it can also launch the Report Center and the Company Snapshot, and it contains the Process Multiple Reports command, described in the box on page 515.

GEM IN THE ROUGH

Running Multiple Reports

Perhaps you perform the same tasks every month—calling customers with overdue invoices, checking inventory, and reviewing sales by item, for example—and you need reports to complete each task. If you run reports one at a time, you might sit for hours in front of the computer with nothing but the occasional click to break the monotony, while QuickBooks slowly transforms your data into printed reports.

But you don't have to do it that way. Tucked away on the Reports menu is the Process Multiple Reports command, which runs all the reports you choose one after the other. You can stock your printer with paper, make sure the toner cartridge isn't running low, and then use this command to run dozens of reports while you do something else—or even better, head home (as long as the printer is in a secure location).

Process Multiple Reports works only with memorized reports, because you don't get the opportunity to customize the reports it runs. So customize each report you run regularly to include the correct information, apply the formatting you want, and then memorize each one (page 531).

When you choose Reports→Process Multiple Reports, QuickBooks opens the Process Multiple Reports window. It lists all of your memorized reports in the order that they appear on the Memorized Reports submenu—but doesn't automatically select them, as shown in Figure 21-3.

To include or remove a report to process, click its checkmark cell to toggle the checkmark on or off. When all the reports you want to print have checkmarks, click Print. QuickBooks opens the Print Reports dialog box. All you have to do is choose the printer name and the “Number of copies”, and then click Print to start pushing reports through the printer.

Another way to run multiple reports is to create a report group with all the reports you want to run (see the box on page 533). Call it something like MonthlyReports or QuarterlyReports. Then, you can run the reports by opening the Memorized Reports window (Reports→Memorized Reports→Memorized Reports List). Right-click the report group you want to run and then choose Process Group on the shortcut menu that appears.

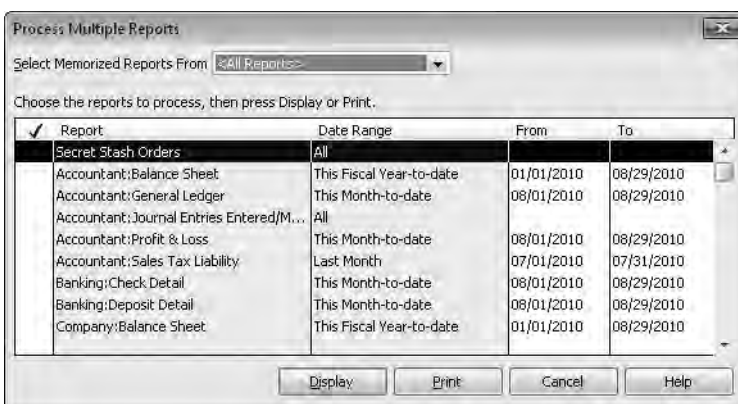


Figure 21-3:

To streamline Process Multiple Reports, create a memorized group (see the box on page 533) for each collection of reports you process and call it something like EndofMonth or EndofQuarter. Then, in the Process Multiple Reports dialog box's Select Memorized Reports From drop-down list, select the entry for that memorized group and QuickBooks prints them all at once.

- **List windows.** In a list window, such as the Chart of Accounts window, Item List window, or Payroll Item List window, click the Reports button at the bottom of the window and then choose the report you want to run on the drop-down list that appears.
- **Vendor, Customer, and Employee Centers.** To run reports about a specific customer or vendor, open the Customer Center or Vendor Center. Select the customer, job, or vendor to display info about it on the right side of the Center's window. Then, click one of the report links like QuickReport or Open Balance. In a center's toolbar, choose Print or Excel to create a hard copy (as explained in the next section) or to export an Excel file (page 611) of a Vendor List, Customer List, or Employee List report.

Note: Some features on reports should remain consistent for every report that a company generates, such as whether you use cash or accrual accounting. (Page 7 describes the difference between cash and accrual accounting and why you might choose one or the other.) A QuickBooks administrator can set company-wide report preferences to ensure that reports show financial information correctly and consistently. But even without administrator powers, you can still specify a few settings for the reports and graphs you run. See page 587 to learn how to set report and graph preferences.

Some reports take a long time to generate because they pull data from every corner of your company file, and running your company file in multi-user mode exacerbates the problem. If you're hunkering down to a report-running session of epic proportions, here are some tips for speeding up your work:

- Wait until everyone else has logged out of the company file.
- If possible, log into QuickBooks from the computer that contains the company file. Otherwise, log into the fastest computer on your network.
- In QuickBooks, switch the file to single-user mode by choosing File→“Switch to Single-user Mode”.

Printing and Saving Reports

In QuickBooks, you can turn any report you create into either a hard copy or an electronic file. If you save a report as a file, you can feed it to other programs or edit the report in ways that you can't do in QuickBooks.

Printing a report doesn't take any imagination: In the toolbar at the top of a report window, click the Print button. In the Print Reports dialog box that opens, QuickBooks offers most of the same printing options you find in other programs, as you can see in Figure 21-4.

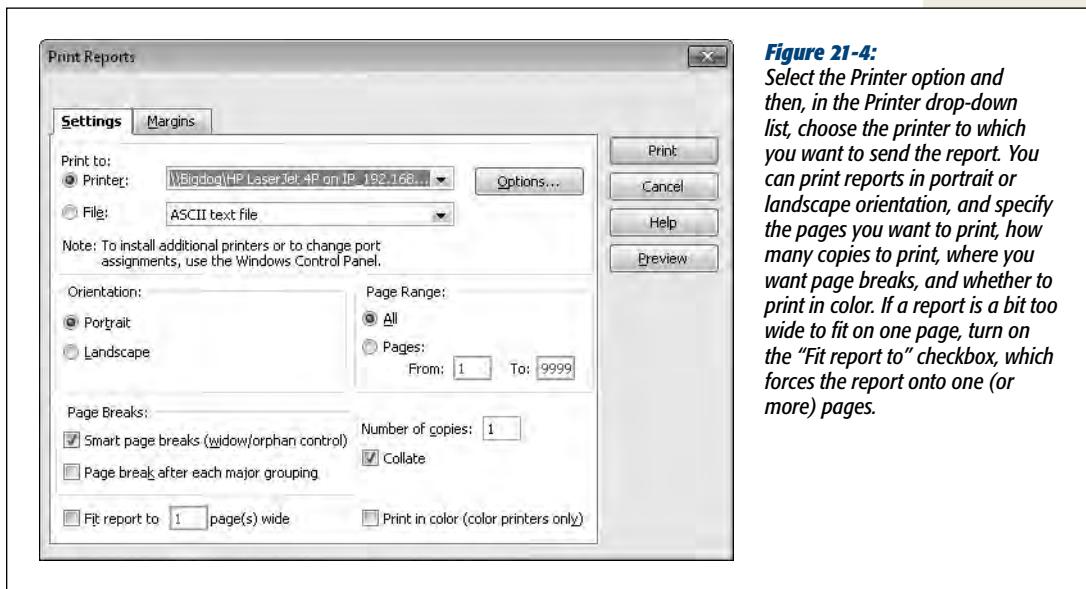


Figure 21-4:
Select the Printer option and then, in the Printer drop-down list, choose the printer to which you want to send the report. You can print reports in portrait or landscape orientation, and specify the pages you want to print, how many copies to print, where you want page breaks, and whether to print in color. If a report is a bit too wide to fit on one page, turn on the “Fit report to” checkbox, which forces the report onto one (or more) pages.

In the Print Reports dialog box, the Page Breaks section has two checkboxes that control where page breaks are placed in a report:

- To stuff as much report as possible onto the fewest pages, turn off the “Smart page breaks (widow/orphan control)” checkbox. When you do, QuickBooks prints to the very last line of a page, even if it means that a single row of a section appears on one page with the rest of the section on another. (The box on page 526 describes another way to squeeze more report onto a page.)
- To add a page break after major sections of the reports like Income and Expenses in a Profit & Loss report, turn on the “Page break after each major grouping” checkbox. When this checkbox is turned off (as it is initially), the report starts a new section on the same page.

Saving Reports As Files

Intuit gives you four places to transform reports into files. The Print Reports dialog box has an option to create ASCII text files, tab-delimited files, and comma-delimited files. But you can also create comma-delimited files and Excel workbooks by choosing Export in any report window. (The comma-delimited files that you create in both dialog boxes are identical, so you can generate them whichever way you prefer.) You can also print forms or reports as .pdf files or create files to email.

Tip: If you plan to import your report into another program, use a tab- or comma-delimited file, which use tab characters or commas, respectively, to separate each value. Many programs can read files in these formats.

Here are the four ways you can create files for reports and the differences among them:

- **Print to file.** In a report's window, click Print to open the Print Reports dialog box. Just below the Printer option are the File option and a drop-down list, which includes "ASCII text file", "Comma delimited file", and "Tab delimited file". After you choose a type of file and then click Print, QuickBooks opens the Create Disk File dialog box, which is just a File Save As dialog box where you can specify the filename and where you want to save the file.

The ASCII text file format produces a text file that *looks* like the report, but it uses different fonts and uses space characters to position values in columns. This type of file isn't suitable for importing into spreadsheets or other programs, but you can use it to store an electronic version of your report.

- **Export to spreadsheet file.** In a report's window, click Export to open the Export Report dialog box. There, if you choose to export the report to a new workbook or a worksheet in an existing Excel workbook, click Export to open the report in Excel. If you want to tell QuickBooks how to set up the Excel spreadsheet, click the Advanced tab, and then choose your settings, as shown in Figure 21-5, before you click Export.

If you choose the "a comma separated values (.csv) file" option on the Basic tab and then click Export, QuickBooks opens the Create Disk File dialog box, where you can type a filename and choose where to save the file.

- **Save as a .pdf file.** To save a report as a PDF (Acrobat) file, run the report. Then, when the report is open, choose File→Save As PDF. In the "Save document as PDF" dialog box, navigate to the folder where you want to save the file, type the filename in the "File name" box, and then click Save. (File→Save As PDF also works for saving forms like invoices and sales receipts as PDF files. When you tell QuickBooks to email forms, the program automatically creates a .pdf file of the form and attaches it to the email message.)

Note: In QuickBooks 2011, printing to a .pdf file no longer uses a printer driver. The new approach is supposed to be more reliable.

- **Email an Excel file or .pdf file.** To email a report, in the report's window, click Email and then choose "Send report as Excel" or "Send report as PDF".

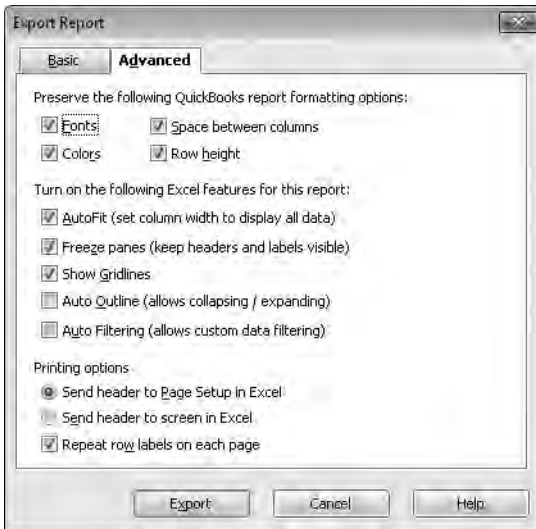


Figure 21-5:

The *Advanced* tab has three sections for setting up a report in Excel. The first section focuses on whether to transfer the fonts, colors, and spacing that you set up in your QuickBooks reports to the Excel workbook. The second section provides checkboxes for turning on Excel features such as *AutoFit*, which makes columns wide enough to display all the data. The *Printing options* section lets you decide whether you want the report's header to appear in the Excel header area (in *Page setup*) or at the top of the worksheet grid.

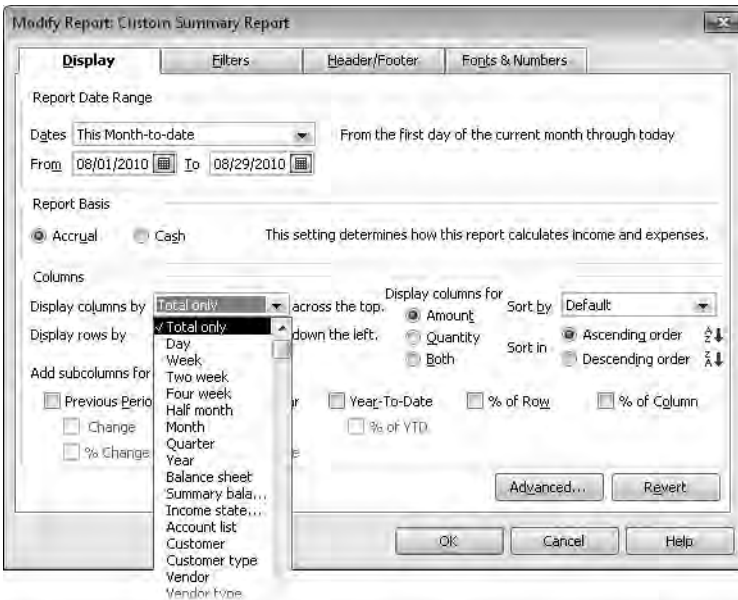
Customizing Reports

The report window is teeming with ways to customize reports. Some tools are easy to spot like the buttons and drop-down lists at the top of the window. But you can also drag and right-click elements in a report to make smaller changes. This section describes all the techniques you can use to make a report exactly what you want.

Here's where you go to customize a report:

- **Run custom reports from the Reports menu.** If you make it all the way through QuickBooks' report categories without finding the report you want, don't give up hope. The Reports menu includes two entries for building custom reports from scratch. Choose Custom Summary Report to build a report that displays subtotals by some kinds of categories. For instance, you could customize a summary report to create an income statement for all customers of a particular type. The Custom Transaction Detail Report entry, on the other hand, lets you customize transaction reports to show exactly the fields you want.

As soon as you choose one of these custom report entries, QuickBooks opens both the report window and the Modify Report dialog box—because a custom report needs *some* kind of customization. You can set up the contents and appearance of the report any way you want, as shown in Figure 21-6. For a custom transaction report, the Modify Report dialog box includes a list of fields that you can turn on and off, as well as checkboxes for specifying how you want to sort and total the results.

**Figure 21-6:**

In addition to date ranges, filters, and other customizations, you can control what QuickBooks displays in a custom report's rows and columns. The entries in the "Display columns by" and "Display rows by" drop-down lists are the same, so you can set up a report to show your data across or down. A report that uses the same category for both columns and rows doesn't make any sense, so be sure to choose different entries for columns and rows. The Modify Report dialog box for custom reports also includes checkboxes for comparing values to previous periods as well as showing dollar and percentage differences, like Budget vs. Actual reports do.

- **Report window button bar.** The bar across the top of the report window includes the Modify Report button, which opens the all-powerful customization tool—the Modify Report dialog box. This bar also includes other handy customization buttons like Hide Header and Collapse, discussed in the box on page 521.
- **Report window toolbar.** Below the button bar is a customization toolbar, where you can choose the date range, the columns to display, and which column to use for sorting the report's contents.
- **Report window.** Hidden within the report itself are a few customization features. For example, by right-clicking text in a report, you can format its appearance. Dragging the small diamonds between columns changes the column width and, for detailed reports, you can drag columns to new locations.

FREQUENTLY ASKED QUESTION

Viewing More of a Report

How can I see more of a report on my screen?

If your computer monitor is a closer relative to your mobile phone than to your widescreen TV, you can use several techniques to stuff more of the report onto your monitor:

- **Hide Header.** While you're working on a report, you don't need the report's header to tell you which type of report you're using, your company's name, or the date range. In the report window's button bar, click Hide Header to hide the report header and display more report content. (The printed report that you send to others still includes the header.) To redisplay the hidden header, in the button bar, click Show Header.
- **Collapse.** If the report window's button bar has a Collapse button, you can click it to get a high-level view of a report that hides subaccounts, the individual jobs for your customers, and subclasses. QuickBooks totals the results for the subaccounts, jobs, or subclasses under the main account, customer, or class, respectively. Unlike the Hide Header button, the Collapse button affects the onscreen view *and* your printed report. To redisplay the collapsed entries, click Expand.

Date Ranges

Different reports call for different date ranges. Financial statements typically use fiscal periods, such as the last fiscal quarter or the current fiscal year. But many companies manage month by month, so your reports may cover the current month or month to date. Payroll reports span whatever period you use for payroll, whether that's one week, two weeks, or a calendar month. And tax reports depend on the tax periods required by the tax agencies you answer to.

The best place to choose the date range depends on how much report modification you have in mind:

- **If the date range is the only thing you want to change**, the report window's toolbar is the way to go. In the Dates drop-down list, choose the date range you want, or, in the From and To boxes, pick a starting date and ending date for the report, respectively.
- **If you plan to change more than the date**, in the report window, click the Modify Report button instead. In the Modify Reports dialog box, the Report Date Range section includes the same date-setting features as the report window's toolbar, as well as several additional tabs and sections for every other type of customization.

QuickBooks has two dozen preset date ranges that work based on today's date. For example, if it's June 15, 2011 and your company uses the calendar year as its fiscal year, This Fiscal Year represents January 1 through December 31, 2011, but Today is simply 6/15/2011. And, if none of these date ranges do what you want, in the report window's toolbar, you can set specific start and end dates in the From and To boxes.

The preset date ranges are numerous because they mix and match several types of date ranges.

- **Durations.** Some preset periods represent durations, such as Week, Month, Fiscal Quarter, Fiscal Year, Tax Quarter, and Tax Year. At the extremes, you can pick All to encompass every date in your company file, or Today, which includes only today.
- **This, Last, and Next.** For each duration, you can choose the current period (such as This Fiscal Quarter), the previous period (Last Fiscal Quarter), or the next period in the future (Next Fiscal Quarter).
- **Full and to-date.** You can also pick between a full period and the period up to today's date. For example, on June 15, "This Month" covers June 1 through June 30, and "This Month-to-date" represents June 1 through June 15.

Note: QuickBooks includes one additional choice, Next Four Weeks, which many businesses use when checking cash flow.

Subtotals

Many of QuickBooks' built-in reports calculate subtotals. For instance, Profit & Loss summary reports include subtotals by income, cost of goods sold, expenses, and so on. Sales reports by customer subtotal the sales for all the jobs you do for each customer.

When you create a detailed report, such as "Sales by Customer Detail", the report shows every transaction for that report, and you can subtotal the results in any way that makes sense for that type of report, as shown in Figure 21-7.

Depending on the report you pick, some choices in the "Total by" drop-down list are more appropriate than others. For example, you might decide to subtotal a sales report by Customer Type, Rep, or the Account list to see which types of customer provide the most business, which sales rep makes the most sales, or which income account pulls in the most money. But subtotalling a sales report by Workman's Comp Code doesn't make any sense—and QuickBooks isn't subtle about saying so: The report displays a zero balance and no rows of data.

Tip: When a selection in the “Total by” drop-down list empties your report, choosing a different field might *not* bring back your report’s contents. If that happens, close the report by clicking the report window’s Close button (the X in the window’s upper-right corner). In the Memorize Report box that QuickBooks displays, be sure to click No or you’ll memorize an empty report. Then run the report anew by choosing it from the appropriate category within the Reports menu.

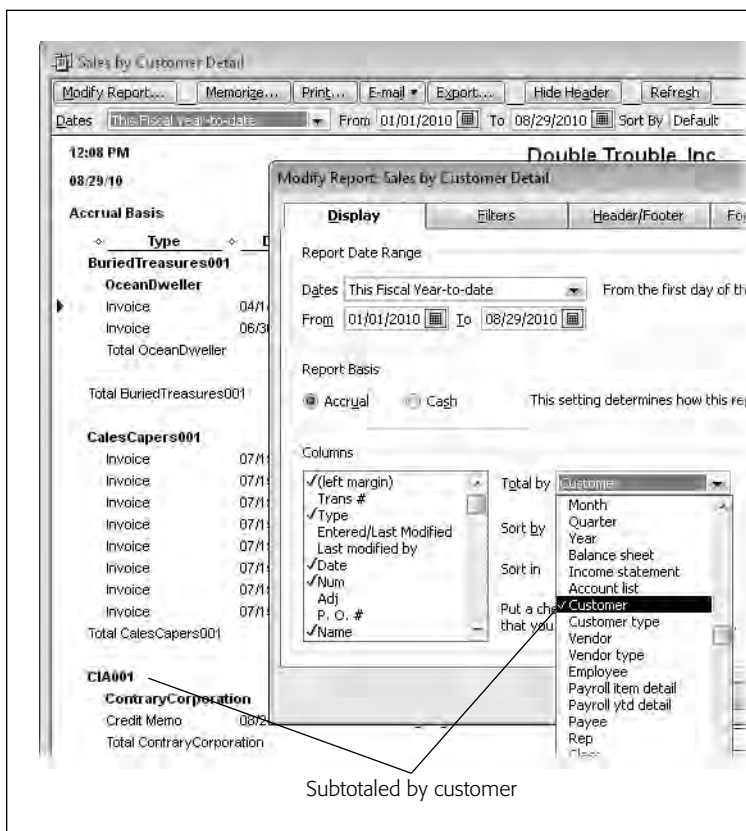


Figure 21-7:

When you run a report with transaction details, QuickBooks picks a category for subtotals. For example, the “Sales by Customer Detail” report starts with sales subtotaled by customer. To change the subtotal category, in the report’s window, click *Modify Report*, and in the “Total by” box, choose another field, like *Class* or “Customer type”.

Customizing the Columns in Reports

Some reports start with only one column, but they don’t have to stay that way. Depending on the type of report, you can change the columns that appear in several ways, like showing columns for each time period or choosing fields to display in separate columns. Then, if you find that your appetite for columns is larger than your computer screen, you can remove, resize, and reorder the columns.

Adding and removing columns in summary reports

As you manage your business, you'll want to see results for different date ranges in the reports you generate. For example, during a year, you might create a Profit & Loss report to show your financial status by month, for each fiscal quarter, and for the entire year. If the report window's toolbar includes a Columns drop-down list (which it does for summary-type reports), choosing an entry there is the quickest way to change the categories that columns represent (see Figure 21-8). You can make the same choices in the Modify Report dialog box using the "Display columns by" drop-down list.

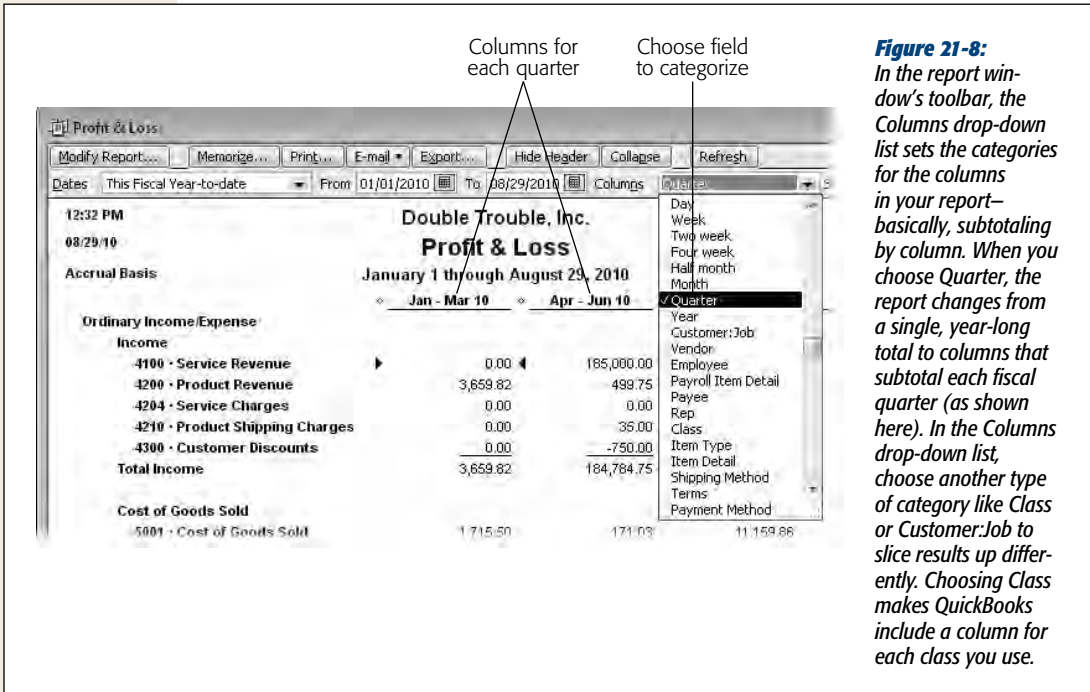


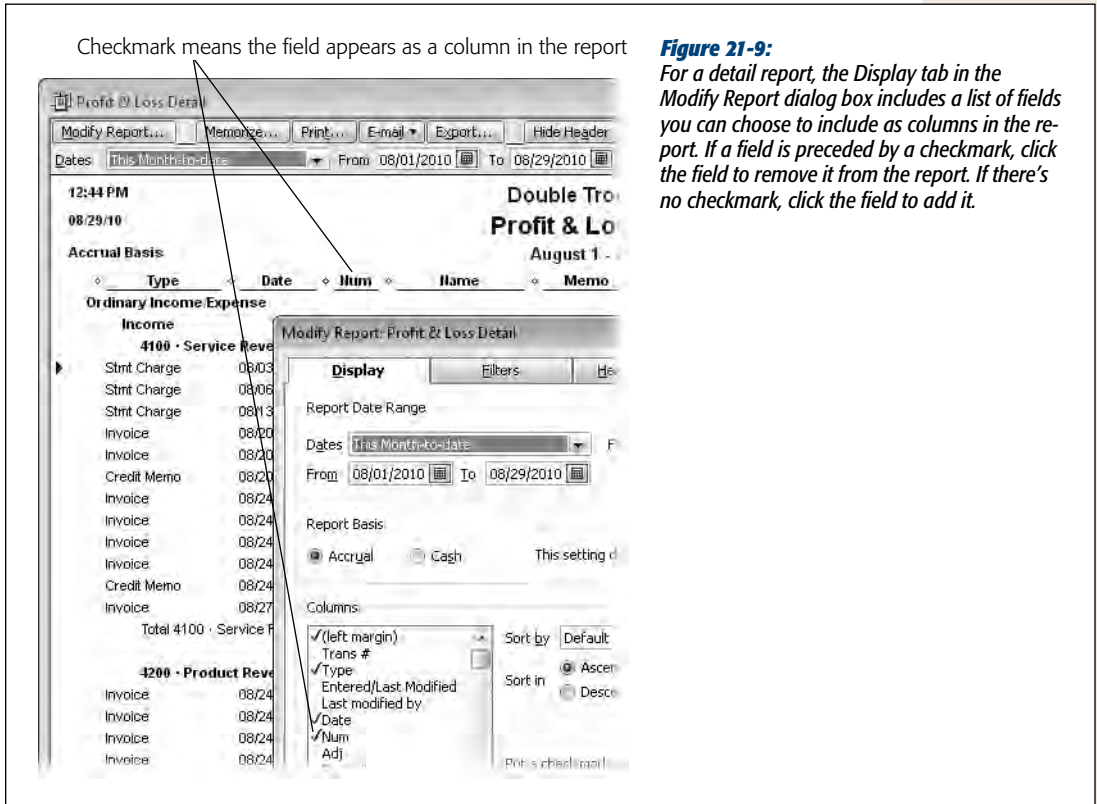
Figure 21-8: In the report window's toolbar, the Columns drop-down list sets the categories for the columns in your report—basically, subtotaling by column. When you choose Quarter, the report changes from a single, year-long total to columns that subtotal each fiscal quarter (as shown here). In the Columns drop-down list, choose another type of category like Class or Customer:Job to slice results up differently. Choosing Class makes QuickBooks include a column for each class you use.

The Modify Report dialog box provides different comparison checkboxes for each type of report. For example, when you click the Modify Report button in a Profit & Loss report's window, you'll find additional checkboxes to compare results to the previous period, previous year, or the year to date, *and* to show dollar and percentage comparisons. If you want to focus on the percentage difference, then turn off the Change checkbox and turn on the "% Change" checkbox.

The Profit & Loss Modify Report dialog box even includes checkboxes for "% of Column", "% of Row", "% of Income", and "% of Expense". If you generate a Profit & Loss report by quarter and turn on the "% of Row" checkbox, the report shows each quarter's performance as a percentage of the full year's results.

Adding or removing columns in detail reports

Reports that show transaction details, such as Profit & Loss Detail or Inventory Valuation Detail, use columns for data fields like Name or Memo. To change the columns that appear in a detail report, in the report's window, click the Modify Report button, and then choose the columns you want to add or remove, as shown in Figure 21-9.

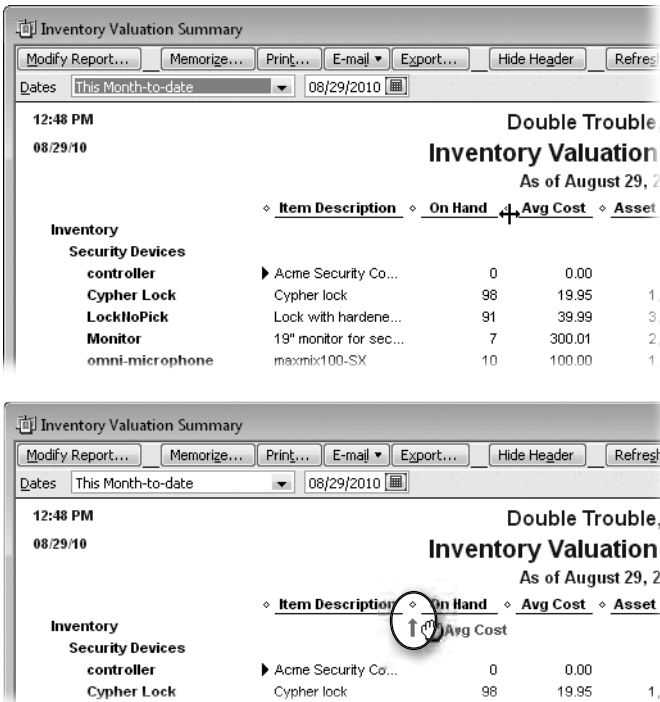


Resizing and moving columns

Some columns seem to use more room than they need, while others truncate their contents. Figure 21-10 shows you how to resize columns or rearrange the order in which they appear.

Sorting Reports

QuickBooks' built-in reports come pre-sorted, but the order is rarely obvious. When you first generate a report, the Sort By box is set to Default, which means different things for different reports. For example, if you create a "Sales by Customer Detail" report, QuickBooks groups the transactions by customer, but it sorts the transactions for each customer from earliest to most recent. (Unlike Excel, QuickBooks sorts by only one field at a time.)

**Figure 21-10:**

Top: Any report that has more than one column also has a small diamond between each column heading. If you mouse over the diamond, your cursor turns into a two-headed arrow. Drag to the right to make the column on the left wider, or to the left to make that column narrower. After you do that, a Resize Columns dialog box asks if you want to set all the columns to the same size. Click Yes to resize all the columns, or click No to resize only the one.

Bottom: In detail and list reports, when you position your cursor over a column heading, it turns into a hand icon to indicate that you can move the column to another location. As you drag, the pointer shows both the hand icon and the name of the column. When you get close to the left side of a column, a red arrow appears to show where the program will move the column if you release the mouse button (circled). You can also drag the diamond out of the window to remove the column from the report.

WORKAROUND WORKSHOP

Fitting More Report onto Each Page

When a report is rife with columns, it's hard to fit everything onto a single piece of paper. QuickBooks automatically prints the columns that don't fit on additional pages, but reports that span multiple pages cause paper rustling and lots of grumbling. Try these approaches for keeping your reports to one page:

- Before you click Print, reduce the width of the columns. In the report window, drag the diamond to the right of a column heading to make the column narrower (or wider), as shown in Figure 21-10, top.
- In the Print Reports dialog box (in a report's window, click Print to open it), turn on the "Fit report to page(s) wide" checkbox and, in the number box, type 1.
- In the Print Reports dialog box, choose the Landscape option for page orientation. When a report almost fits on an 8.5" x 11" sheet of paper, switching to landscape orientation should do the trick.
- Use legal-size paper (8.5" x 14") if your printer can handle it.

The fields you can use to sort depend on the report. For the "Sales by Customer Summary" report, you can choose from only two columns to sort by. The Sort By box includes Default and Total. Default sorts the report by customer name in alphabetical

order. Total sorts the report by the total sales for each customer, from the smallest to largest dollar amount. On the other hand, the “Sales by Customer Detail” report includes several columns of information, and you can sort by any of them.

If a report is sortable, in the report window’s toolbar, you’ll see the Sort By box. In the Sort By drop-down list, choose the column you want to use to sort the report. As soon as you change the Sort By box to something other than Default, the Ascending/Descending button appears to the right of the Sort By box. (It has the letters A and Z on the left and a blue arrow that points down when the sort order is descending and up when the sort order is ascending.) Clicking this button toggles between sorting in ascending and descending order.

Note: The Modify Report dialog box also includes a Sort By drop-down list. In this dialog box, select the Ascending or Descending option to change the sort order.

Filtering Reports

Detail reports (the ones that list individual transactions) usually show more information than you want. For example, a “Purchases by Item Detail” report could run page after page, listing your weekly purchases of Turtle Chow. Filtering a report removes transactions that don’t meet your criteria, so you can home in on just the Turtle Chow purchases from Myrtle’s Turtle Mart.

In QuickBooks, you can apply as many filters as you want at the same time. Each filter adds one more test that a transaction has to pass to appear in your report. For example, when you set the date range for a report, what you’re really doing is adding a filter that restricts transactions to the ones that happened between the starting and ending dates. Then, if you want to find the sales for only your corporate customers, you can add a filter based on the Customer Type field.

QuickBooks provides dozens of filters, from the most common—such as dates, items, and transaction types—to the less useful, such as Workmen’s Comp Codes and FOB (that’s “free on board,” discussed on page 260).

Built-in reports already have filters, but you can customize a built-in report by adding extra filters or editing or removing the existing filters. Here’s how:

1. **In the report’s window, click Modify Report and then, in the Modify Report dialog box, click the Filters tab.**

The left side of the Filters tab lets you choose the field you want to filter by and specify the filter’s test. The right side of the tab shows all the filters you’ve applied.

2. **In the Choose Filter list, select the field you want to filter by.**

Depending on the field you choose as a filter, QuickBooks provides different criteria, one example of which is shown in Figure 21-11.



Figure 21-11:
When you pick a field in the Choose Filter list, the criteria for that field appear. If you're not sure what a field and its criteria settings do, click the "Tell me more" button (not shown) to open the QuickBooks Help window to the topic about that filter.

3. Using the drop-down lists or options that appear, specify the filter criteria you want to apply.

For instance, if you filter by account, in the Account drop-down list, you can choose a category such as "All bank accounts", or you can choose "Selected accounts" and then click each one you want to include. Or you can click a single account. QuickBooks adds the filter to the list of Current Filter Choices.

If you choose a numeric field, you can specify a test, like "> =" (great than or equal to) and then specify the test value. For example, to look for invoices that are late by more than 30 days, select the "> =" option and then type 30 in the box.

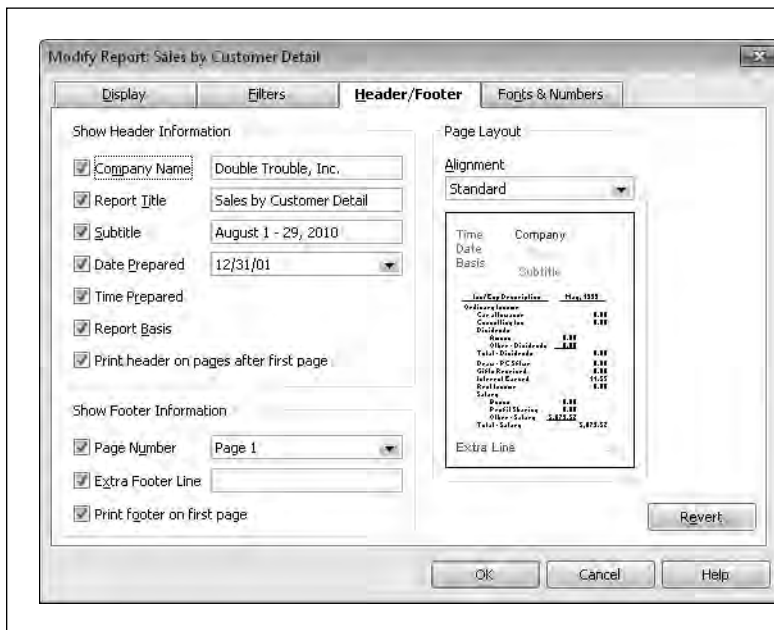
4. To remove a filter, in the Current Filter Choices list, select the filter and then click Remove Selected Filter.

QuickBooks removes the filter from the list.

5. To edit a filter, in the Current Filter Choices box, select the filter you want to change. Then, in the Choose Filter section, make the changes you want.

Report Headers and Footers

You don't have complete control over what appears in report headers and footers, but you can choose from several fields common to all of them. For example, fields like Company Name, Report Title, and Date Prepared are options for a header, and page number is one option for footers. To change the header and footer contents for the report you're working on, in the Modify Report dialog box, click the Header/Footer tab (Figure 21-12).

**Figure 21-12:**

If you want to realign the header and footer contents, in the Alignment drop-down list, choose Left, Right, Centered, or Standard. QuickBooks chooses Standard automatically, which centers the Company name and title; places the date, time, and report basis (cash or accrual) on the left; and puts the extra line and page number in the left and right corners of the footer.

Note: To set standards for all report headers and footers, open Report preferences (page 587) and then set the fields you want.

QuickBooks pulls data from your company file to automatically fill in the header and footer text boxes. For example, if you use a built-in “Sales by Customer Detail” report, the program fills in the Report Title box with—you guessed it—“Sales by Customer Detail”. If you have a more eloquent title for the report, type it in the box.

The Show Footer Information section provides the Extra Footer Line box for typing whatever you want. This text appears in the bottom-left corner of the report page. This text isn’t associated with any field in QuickBooks, so it’s blank unless you type something.

The last checkbox in both the Show Header Information and Show Footer Information sections controls the pages on which the headers and footers appear. To conserve paper, turn off the “Print header on pages after first page” checkbox so QuickBooks includes the header on the first page only. If you want to omit the page number on the first page, turn off the “Print footer on first page” checkbox.

The right side of the Header/Footer tab is the Page Layout section, which lets you position header and footer fields to a very limited extent, as explained in Figure 21-12.

Fonts and Numbers

The fonts you use or the way you display numbers doesn't change the underlying financial message, but an attractive and easy-to-read report can make a good impression. Just like the fields that appear in the header and footer, you can set QuickBooks' preferences to assign the same font and number formats for all your reports.

On the other hand, changing fonts directly in a report is quick and has the added advantage of letting you see exactly what the report looks like with the new formatting, as Figure 21-13 shows.

Right-click to format that type of text

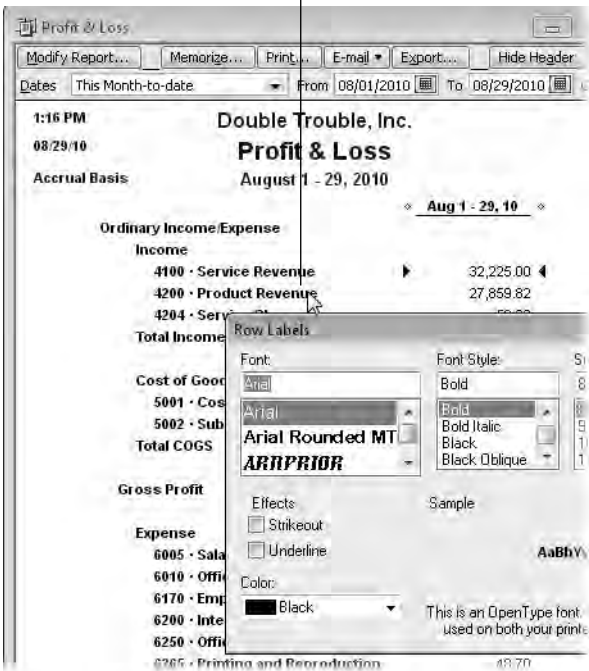


Figure 21-13:

Right-click the text you want to format like a row label, a column label, or values. Then change the format in the dialog box that opens. Other than the dialog box's title—which tells you which report element you're formatting—the choices are the same for every element. When you click OK, QuickBooks opens a Changing Font box that asks if you want to change all related fonts. If you click No, it changes the font for only the report element you chose. If you click Yes, it changes related elements—often the entire report. If you don't like the format, right-click the text and try something else.

If you already have the Modify Report dialog box open, click the Fonts & Numbers tab. The Fonts section on the left side of the tab lists the different text elements in your report, such as Column Labels, Company Name, and Transactions. To change a font, select a text element and then click the Change Font button, which opens the same dialog box you get when you right-click the element in the report.

The right side of the Fonts & Numbers tab has options for changing the appearance of numbers. Negative numbers are usually something to pay attention to in the financial world, so accountants use several methods to make them stand out. If you're not sure which style of negative number you like, choose an option and then check

out the number in the Example area. In QuickBooks, you can choose among three ways to show negative numbers:

- **Normally.** This option shows negative numbers preceded by a minus sign, like -1200.00.
- **In Parentheses.** This option places negative numbers within parentheses without a minus sign: (1200).
- **With a Trailing Minus.** This option places the minus sign after the number: 1200-.

Tip: If you use a color printer or display reports on your computer screen, make negative numbers even harder to ignore by turning on the In Bright Red checkbox.

To make big numbers easier to read, in the Show All Numbers section, turn on the “Divided by 1000” checkbox. This removes one trio of zeros from numbers, so that \$350,000,000 shows up as \$350,000 in a report. And, if a report tends to contain mostly zero values, you can keep it lean by turning on the “Except zero amounts” checkbox. Turn on the Without Cents checkbox to show only whole dollars.

Memorizing Reports

If you take the time to customize a report to look just the way you want, it’d be silly to jump through those same hoops every time you run that report. By memorizing your modified reports, you can run them again and again with all your customizations just by choosing Reports→Memorized Reports, and then picking the report’s name on the appropriate submenu.

When you memorize a report, QuickBooks remembers the settings—like date range and filter criteria—but not the data itself. So if you memorize a report whose date range is set to This Month, the report shows the results for June when you run the report in June, but shows results for December when you run it in December.

Here’s how you memorize a report you’ve customized:

1. **Review the report to make sure it has the information and formatting you want.**

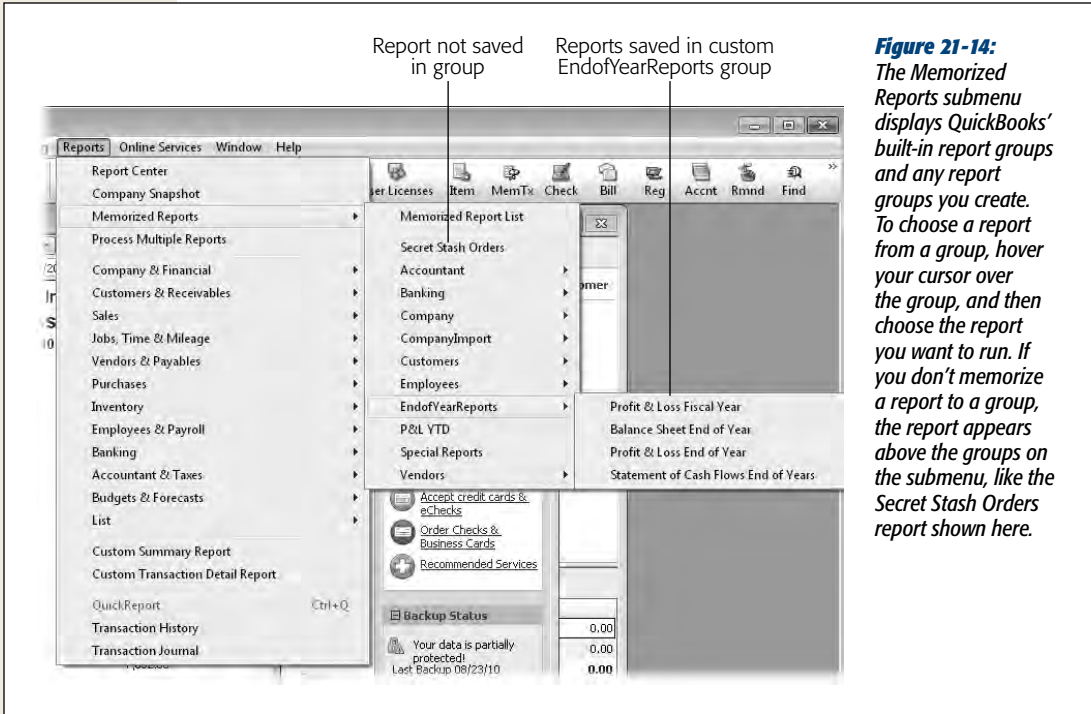
If you notice later that you missed a setting, you can make that change and memorize the report again.

2. **In the report’s window, click the Memorize button.**

QuickBooks opens the Memorize Report dialog box, which is small and to the point. If you’re memorizing a standard report, the dialog box contains a Name box and a checkbox for choosing a memorized report group. If you’re remembering an existing memorized report, the dialog box contains Replace, New, and Cancel buttons. Click Replace to remember the existing report with the new settings. Click New to create a new memorized report from the current one.

3. In the Name box, type a name that indicates what the report shows, like *Dead-beat Customers*.
4. If you want to save the report in a special group, turn on the “Save in Memorized Report Group” checkbox.

You can then choose the group. QuickBooks comes with several built-in groups like Accountant, Company, and Customers, which appear on the Memorized Reports submenu shown in Figure 21-14. But you can create your own groups as the box on page 515 explains.



5. Click OK to memorize the report.

Voilà—you're done. If you're going to use the report over and over, consider adding it to the Favorites menu or to QuickBooks' icon bar (page 625) so you can run the report by choosing it from the Favorites menu or clicking its icon, respectively.

Tip: The Memorized Report List window comes in handy if you want to edit or delete reports. Choose Reports→Memorized Reports→Memorized Reports List. In the window, select the report you want to work on and then click Memorized Report at the bottom of the window. On the drop-down menu, choose Edit to change the report's name or the group where it's memorized. Choose Delete Memorized Report to obliterate it from the list.

Swapping Reports Between Company Files

Suppose you're one of several business owners who meet to share ideas. Some of your colleagues rave about the QuickBooks reports they've customized, and you'd like to use the reports they've created. If they're willing to share their ideas, you can swap reports by trading report template files.

Report templates contain the layouts, filters, and formatting for memorized reports. Someone can export a memorized report as a report template, and someone else can then import that file to save the report in a different company file. For example, if your accountant likes to see information in very specific ways, she can give you a report template file so you can produce the reports she wants to see.

TROUBLESHOOTING MOMENT

The Memorized Group Doesn't Exist

In the Memorize Report dialog box, search all you want, but you won't find a way to create a new memorized group. That's because you have to create a memorized group *before* you can add a memorized report to that group.

Unfortunately, QuickBooks doesn't make it easy to find the command for creating a memorized group. Here's the secret:

1. Choose Reports→Memorized Reports→Memorized Report List. QuickBooks opens the Memorized Report List window, which includes memorized groups and the reports they contain.

2. At the bottom of the window, click Memorized Report and then choose New Group.

3. In the New Memorized Report Group dialog box's Name box, type the group's name, and then click OK.

Now, when you memorize a report, the new group appears in the "Save in Memorized Report Group" drop-down list.

Most of the time, report templates play well between different QuickBooks editions (Premier, Pro, and Enterprise) and from version to version (2008, 2009, and so on). However, here are a couple points to keep in mind:

- If you use QuickBooks Pro, you can only import templates that others create. You need QuickBooks Premier edition to *export* report templates.
- QuickBooks patches can affect the compatibility between versions. In that case, you might have to install the most recent QuickBooks update if you want to use someone else's report templates. (QuickBooks displays a warning if an update or version incompatibility exists in a report template you try to import.)

Exporting a Report Template

Whether you export one report or an entire group, QuickBooks stores the report settings in a single file with a .qbr file extension (for "QuickBooks report"). Because

report templates are meant to move between QuickBooks company files, you don't have to specify any more than the reports you want to export and the file to which you want to export them:

1. **Choose Reports→Memorized Reports→Memorized Report List.**

QuickBooks opens the Memorized Report List window.

2. **Select the report or memorized group that you want to export.**

For example, if your customized reports are all memorized in the Special Reports memorized group, select Special Reports.

Note: In the Memorized Report List, you can select only a single report or a single group; Ctrl+clicking and Shift+clicking don't select several individual reports.

3. **Click Memorized Report and then choose Export Template.**

QuickBooks opens the “Specify Filename for Export” dialog box, which is nothing more than a Save As dialog box that automatically sets the file type to “QuickBooks Report Files (*.QBR)”. The program also automatically applies the report or group name as the name in the “File name” box. If you want to use a different name, say to add the date you exported the reports, type a new name in that box.

4. **Navigate to the folder where you want to save the template and then click Save.**

QuickBooks saves the settings for the report or reports to the file. The next section tells you how to *import* a report template.

Note: QuickBooks won't export memorized reports with filters that reference an account, customer, or other entry specific to your company file, because those report filters won't work in a company file that doesn't contain that account, customer, or entry.

Importing Report Templates

Importing reports from a template file is even easier than exporting reports. In the Memorized Report List window (choose Reports→Memorized Reports→Memorized Report List), click Memorized Report, and then choose Import Template. QuickBooks opens the “Select File to Import” dialog box with the “Files of type” box set to “QuickBooks Reports Files (*.QBR)”. All you have to do is navigate to the folder that contains the report template file and double-click the filename (or select the filename and then click Open).

Note: If you try to import a report or group with the same name as a report or group already in your company file, QuickBooks displays a warning and recommends that you change the name of the report or group that you're importing. Click OK and remember to change that name before you save the imported report or group.

Depending on whether you're importing one report or a group, QuickBooks opens a different dialog box:

- **Single report.** QuickBooks opens the Memorize Report dialog box. As you would if you were memorizing a custom report of your own design, in the Name box, type the name you want for the report, and if you wish, choose a Memorized Report group.
- **Report group.** When you import a report group, the program opens the Import Memorized Reports Group With Name dialog box. QuickBooks fills in the Name box with the group name from the original company file, but you can type a different name. When you click OK, the program memorizes all the imported reports with their original names in the new group in your company file.

Online Banking Services

In the 20th century, you had to wait until your bank statement arrived (by snail mail) to find out what your account balances were and which transactions had cleared. But with online banking, you can view those balances and transactions any time, and even download them into your company file. By synchronizing your real bank accounts with the bank accounts in QuickBooks, you'll always know how much cash you have on hand. Before repaying your aunt the start-up money she loaned you, you can hop online and check your balance—and avoid an embarrassing family blowout caused by giving her a check that bounces.

Besides managing your cash flow, online banking services are much more convenient than the old methods. You have a lot of transactions in your account register already (from receiving payments against invoices or making payments to your vendors) and you can easily match these transactions to the ones you download from the bank so you know how much money you really have in your account—and whether someone is helping themselves to your money without your permission. Or you can transfer money between your money market account and your checking account when you find yourself awake at two in the morning.

If you use online billing, you can pay bills without having to write checks, lick stamps, or walk to the mailbox. After you submit payment transactions online, the billing service either transfers funds from your bank account to the vendors or generates and mails paper checks. Online billing also lets you set up recurring bills so you can go about your business without worrying about missing a payment.

All this convenience requires some setup. QuickBooks needs to know how to connect to your bank, and your bank needs to know that you want to use online services. This chapter explains how to apply for and set up online services. With your

accounts set up and your online services activated, you'll learn how to download transactions from your bank and make online payments. If you enter transactions in QuickBooks, you'll learn about matching them with the ones you download—and correcting any discrepancies.

Note: QuickBooks' Merchant Services and Billing Solutions transmit deposits and payments electronically. To find out where to learn about and sign up for these services, see the box on page 541.

Setting Up Your Internet Connection

QuickBooks uses an Internet connection for more than online banking, so chances are you've already told the program how you get online. If not, start by choosing Help→Internet Connection Setup. QuickBooks opens the Internet Connection Setup wizard. The first screen has three options, which cover the three possibilities for the state of your Internet access, as shown in Figure 22-1.

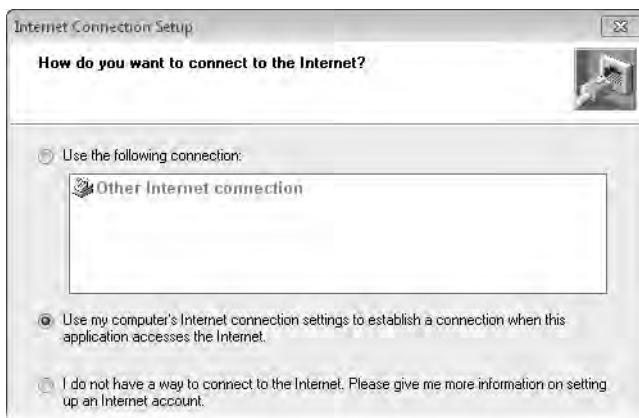


Figure 22-1:

If you see telephone icons in the “Use the following connection” box, you know that they’re dial-up connections. If you dial into the Internet through your Internet service provider, select this option, click the connection you want to use, and then click Done. For Internet connections that are always available, including a company network, broadband, or cable, select “Use my computer’s Internet connection settings to establish a connection when this application accesses the Internet.” Click Next to review the connection that QuickBooks found, and then click Done.

Note: In addition to online banking, QuickBooks connects to the Internet to update your version of the program, access support and other information on the Intuit website, and run any of QuickBooks' add-on services.

If you don't have Internet access, don't bother choosing the third option. The screen that appears simply tells you that you have to sign up with an Internet service provider. Instead, click Cancel and do your homework to find an Internet service provider and get online. When you have an Internet connection, return to this wizard and choose the appropriate option.

TROUBLESHOOTING MOMENT

When Connections Don't Appear

The dial-up connections you've configured for your computer *outside* of QuickBooks should appear in the "Use the following connection" box. If your dial-up connection isn't listed, click Cancel to close the Internet Connection Setup wizard. Then, use your dial-up connection to access the Internet as if you were planning to check email. While the connection is running, reopen the Internet Connection Setup wizard, which should now list your connection. Choose the connection, and then click Done.

If QuickBooks doesn't recognize your dial-up connection no matter what you do, don't panic. Choose the "Use my computer's Internet connection settings..." option. Then, before you perform any task in QuickBooks that requires Internet access, be sure to dial into the Internet outside of the program.

Setting Up Your Accounts for Online Services

Connecting your bank accounts to your accounts in QuickBooks is a lot like running a dating service: You have to prepare each participant for the relationship and then get them together.

The services you can subscribe to and the price you pay depends on your financial institution, but the services fall into one of these three categories:

- **Online account access.** This service is often free. It lets you check transaction status and download transactions into QuickBooks. Your bank won't admit it, but letting you check your account balance and transaction status online is cheaper than having you chat on the phone with customer service representatives.
- **Online credit card access.** You can download credit card transactions as you do checking transactions, as long as you set up your credit card in QuickBooks as a liability account (page 397) and enter individual credit card charges. Setting up a credit card as a vendor and entering only the monthly bill payment won't work.
- **Online bill paying.** This service usually comes with a fee, which is often a good deal when you consider the price of stamps and printed checks.

Note: QuickBooks' online banking works only with U.S. dollar-based accounts. If you have a bank account that uses a foreign currency, you have to handle your transactions the old-fashioned way.

Applying for Online Services

The first step in linking QuickBooks to your bank accounts is to apply for online banking services with your financial institution. If you use more than one bank, you have to apply to each one separately. If you've already started the application ball

rolling, you can skip this section. If you haven't, QuickBooks helps you apply for the services your bank offers.

Choose Banking→Online Banking→Participating Financial Institutions. Peruse the Financial Institution Directory to find your bank and apply for its online services, as shown in Figure 22-2. In the Online Financial Services section, click one of the four buttons to limit the list to institutions providing that service. (QuickBooks automatically selects “Any services,” so you see every financial institution that the program works with.) Scroll through the directory to find your financial institution. If your bank doesn't offer the online services you want, check out Intuit's online banking services, described in the box on the next page.

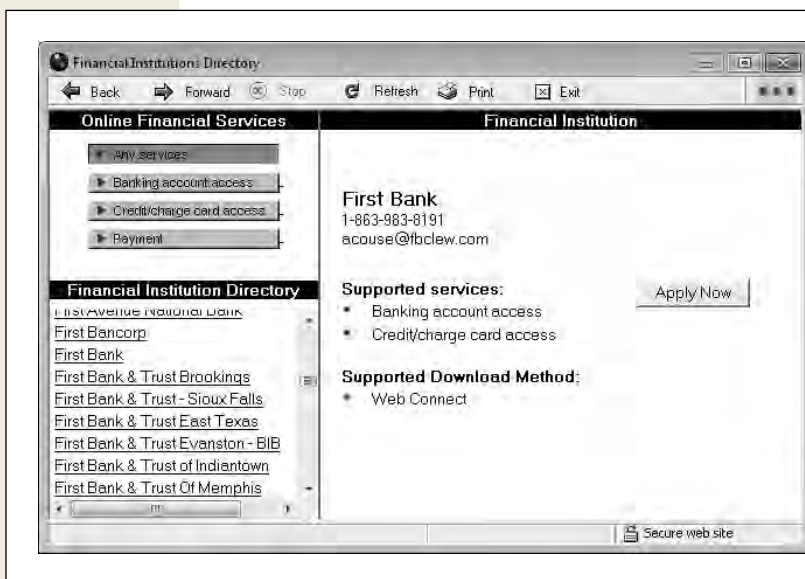


Figure 22-2:
When you click the link for your bank, you'll see its phone number and email address, the online banking services it provides, how to connect to it, and any special sign-up offers it has, such as a 30-day trial. An Apply Now button appears if the bank gives you the option of applying online.

When your financial institution processes your application and sends you a confirmation and a PIN (personal identification number) or password, check that the information you received is correct, like the account number. Now you're ready to set up your account for online services.

Activating Online Services for Your QuickBooks Account

When you receive a letter from your bank confirming that your online services are ready to go and you have your customer ID and password (or PIN), all you have to do is set your corresponding account in QuickBooks to use these online services. The Online Banking Setup Interview wizard walks you through the steps:

1. Choose Banking→Online Banking→“Set Up Account for Online Services”.

In the message box that opens, click Yes to give QuickBooks permission to close any open windows. QuickBooks launches the “Set Up Account for Online Services” wizard.

UP TO SPEED

Using Intuit's Online Banking Services

If your bank is behind the times and doesn't have an on-line bill-payment service, Intuit is happy to earn more of your business. The company provides an add-on bill-pay service.

Unfortunately, the Intuit website doesn't make it easy to find this service. To learn about QuickBooks Bill Pay, go to http://quickbooks.intuit.com/product/add_ons/bill_pay.jsp, or just use your favorite search engine to find "QuickBooks Bill Pay".

On the Intuit website's navigation bar (www.quickbooks.intuit.com), you have to choose QuickBooks→Products & Services→More Products & Services. Scroll down to the Bill Pay Services heading and click the Learn More link.

The Intuit website includes information on other services. For example, if you're interested in letting your customers pay by credit card, click Payment Solutions (page 618) on the navigation bar. To get Intuit's help paying your employees (page 372), click Payroll.

You can also start online setup in the New Account dialog box. If you create a new account and type the account number, when you save the account, the Set Up Online Services message box asks if you want to set up online services. Click Yes to set it up now or No to do it later. In the Edit Account dialog box, click the Set Up Online Services button at the bottom of the window to set up the service.

2. In the "Select your QuickBooks account" drop-down list, choose the account you want to activate and then click Next.

The "Select the Financial Institution for this account" screen shown in Figure 22-3 appears.



Figure 22-3:

In the "Enter the name of your Financial Institution" drop-down list, choose your bank or start typing its name. As you type the bank's name, QuickBooks jumps to the name that matches what you've typed so far. If QuickBooks highlights your bank's name, press Enter to choose it.

3. In the “Enter the name of your Financial Institution” drop-down list, choose your bank, and then click Next.

QuickBooks connects to the Internet to download info about your bank. If the program needs more information, the Account Activation Required screen appears. Select the “Yes, my account has been activated for QuickBooks online services” option and then click Next.

4. Fill in the Customer ID, Password, and Confirm Password boxes, and then click Sign In.

The Customer ID is the ID that the bank assigned to you for online services and should be on the confirmation letter they sent you. If you don’t have your customer ID and password, click Cancel. You can repeat this process after you receive your ID and password.

5. The next screen asks you to select the account at your financial institution. In the table, click the account you want to activate and then click Next.

QuickBooks and your financial institution start talking. When they’re done, you see a screen telling you that the account is set up for online services and how many transactions it downloaded, as shown in Figure 22-4.

Note: If you have more than one account, you have to repeat the steps in this section to activate your other accounts at the same financial institution.



Figure 22-4:
The “Set Up Account for Online Services” dialog box shows how many transactions it downloaded during setup. When you click Finish, you may see the Choose Your Online Banking Mode window. If you do, you can choose the QuickBooks register mode to tell it how you want to work with downloaded transactions.

6. Click Finish.

If the Choose Your Online Banking Mode window opens, it tells you which register mode you're using. The register mode (page 543) controls how you work with downloaded transactions. To keep the mode that's set, click Continue. If you want to switch modes, click Change Mode. After you make your choice, the Online Banking Center window (explained below) opens and you're ready to bank electronically.

An Intro to Exchanging Data with Your Bank

Your financial institution takes the lead in controlling how QuickBooks can communicate with it. Your bank can set up this pipeline in two ways:

- **Direct connection** uses a secure Internet connection that links directly to your bank's computers. With this type of connection, you can download your bank statements and transactions, transfer funds between accounts, pay bills online, and email your bank (assuming, of course, that your financial institution provides all these services). When your bank uses a direct connection, you set up your fund transfers, requests for downloads, online bill payments, and emails *before* you connect.
- **WebConnect** uses a secure connection to your bank's website to download your statement info. With WebConnect, you then have to import the downloaded information into QuickBooks.

Note: Regardless of the method you use, the online balance usually isn't a true picture of your cash balance, because it doesn't show *all* transactions, such as checks you've written that the bank hasn't received.

The first step in QuickBooks' online banking is exchanging data with your bank. You send any online banking items you've created, like online bill payments or transactions that have cleared at your financial institution. Connecting to your financial institution begins in the Online Banking Center (choose Banking→Online Banking→Online Banking Center), regardless of which type of connection you use.

Once you've exchanged data, QuickBooks tries to match the transactions it has with the ones you've downloaded. If it can't match some of the transactions, you step in and tell it what to do. The rest of this chapter explains the whole process.

QuickBooks' Online Banking Modes

The Online Banking Center offers two modes to satisfy everyone's taste. The side-by-side mode is more flexible, but you can stick with the old-style register mode if you like. Here's what each Online Banking Center Mode does:

- **Side-by-side mode.** The best feature of Side-by-side mode—which is covered in detail beginning on page 547—is that you can match downloaded transactions to any transaction in your company file without leaving the Online Banking Center. For example, you can match a downloaded deposit to an open invoice

or a paid invoice where the money is sitting in the Undeposited Funds account (page 583). Or you can simply add the downloaded transaction to QuickBooks. You can add multiple unmatched transactions to your register (something that QuickBooks 2009's Side-by-side mode left out) or delete downloaded items that you've already taken care of in QuickBooks.

Side-by-side mode also automatically creates renaming rules to rename the often inscrutable names that banks give payees. These renaming rules (page 554) are more flexible than the aliases that Register mode sets up. For example, if the payee for a downloaded credit card charge shows up as "Conoco #123-63?#^\$&*", you can edit a renaming rule so that the new name in the Payee field is, say, Conoco. From then on, QuickBooks replaces "Conoco #123-63?#^\$&*"" with Conoco.

Tip: Although you can switch between online banking modes, you're more likely to pick the mode you prefer and stick with it. To switch modes, choose Banking→Online Banking→Change Online Baking Mode. QuickBooks opens the Preferences dialog box to the Checking section's Company Preferences tab, so you can choose the Side-by-Side Mode or Register Mode option. When you click OK, QuickBooks closes all open windows to switch modes and discourteously doesn't reopen them when it's done.

- **Register mode.** If you thought that QuickBooks 2008's Online Banking Center was just fine, you can continue to use it by choosing Register mode. This mode lets you see your full account register when you're matching transactions, which is helpful if QuickBooks doesn't find a match. You can scroll through the register and correct a discrepancy that prevented the program from finding a match. In Register mode, you can create aliases to rename payees, similar to Side-by-side mode's renaming rules. Register mode is covered in detail starting on page 556.

Note: Register mode doesn't recognize renaming rules created in Side-by-side mode, nor does Side-by-side mode recognize the aliases you create in Register mode.

Downloading Statements with WebConnect

If your bank communicates via WebConnect, your first steps are the same as the ones for a direct connection. In the Online Banking Center, you choose the financial institution to connect to and then click Send/Receive Transactions (or Send/Receive if you're in Register mode). A browser window opens and displays your bank's website; use your customer ID and PIN or password to log in. On the website, click the "Download to QuickBooks" button (or one that creates a file of your transactions). Then you can import that file (Choose Banking→Online Banking→Import Web Connect File) to load the recent transactions into your company file.

Tip: Depending on your financial institution, you don't have to go through QuickBooks to access your bank's website. You can simply use your browser to log into the site directly and then download the file of your transactions and import it into QuickBooks.

Creating Online Items for Direct Connections

Banks that work with direct connections can do more than those that use WebConnect. Depending on which services your bank provides, you can do some or all of these tasks online:

- Receive transactions that cleared in your account
- Pay bills
- Exchange messages with your bank
- Transfer funds between accounts

You don't have to take any action to receive transactions from your accounts. QuickBooks automatically sets up a request for cleared transactions from your bank accounts every time you open the Online Banking Center. This section describes what you have to do in QuickBooks to set up electronic bill payments, messages you want to send to your bank, and online transfers between accounts.

Note: If you use the Online Banking Center's Side-by-side mode, in the Items Ready To Send section, QuickBooks displays links to create online items for the online services you've signed up for with your financial institution or Intuit (see Figure 22-5 on page 548).

Paying bills online

Whether you use the bill-paying service that your bank provides or subscribe to QuickBooks Bill Pay service, you don't have to use any special dialog boxes to make electronic payments. Here's how you turn the three ways you make payments into electronic transactions:

- **Pay Bills.** In the Pay Bills window (page 221), in the Payment Method drop-down list, choose Online Payment.
- **Write Checks.** In the Write Checks window (page 234), turn on the Online Payment checkbox.
- **Account register window.** If you "write" checks by entering a transaction in your checking account's register window (page 236), you can turn a transaction into an online payment by right-clicking it and then choosing Edit Check. When the Write Checks window opens, turn on the Online Payment checkbox and save the transaction.

Note: Changing the payment method in any of these ways works only when the bank account associated with the payments is activated for online bill payment.

When you set up a payment as an online transaction, QuickBooks adds the payments to your list of items to send. When you open the Online Banking Center window, you'll see these online bill payments in the Items Ready To Send section (or Items To Send section if you're in Register mode).

When you tell QuickBooks to send transactions (page 547), it sends these electronic payments along with any of your other requests. Once the bill-payment service receives your online payment information, it transfers money from your account to the vendor's account—providing the vendor accepts electronic payments. Otherwise, the bill-payment service generates a paper check and mails it to the vendor.

Sending a message to your bank

If you have an email address for your bank, you can send messages from outside QuickBooks using your regular old email program. But when you use online banking services, your bank sends you messages that you receive in the Online Banking Center. By sending messages back through the Center, you can see all the messages that you've exchanged (until you decide to delete them).

Choose Banking→Online Banking→Create Online Banking Message, and QuickBooks opens the Online Banking Message dialog box. If you're addicted to email, you shouldn't have any trouble figuring out what to do in the window's fields:

- In the "Message to" drop-down list, choose the bank you want to send a message to. QuickBooks automatically timestamps the message with the current date and time and adds your company's name to the From box.
- In the Subject box, type a short but informative subject.
- If you have more than one account enabled for online services, in the Regarding Account drop-down list, choose the account.
- In the Message box, type your message or question.
- If you want to save a copy of the message, click Print before you click OK to send it.

Transferring funds between accounts

When you have two accounts at the same financial institution and they're both set up for online banking services, you can set up online funds transfers in QuickBooks. Choose Banking→Transfer Funds as you would for a non-electronic transfer (page 405). But in the Transfer Funds dialog box, in addition to filling in the fields, be sure to turn on the Online Funds Transfer checkbox. When you save the transaction, QuickBooks adds the transfer as an item to send to your bank.

Note: Online fund transfers using QuickBooks work only with two Web-enabled accounts at the same bank. In other words, you can't transfer funds electronically using QuickBooks if the accounts are at different financial institutions. You also can't transfer funds electronically using QuickBooks if one of the accounts at your bank is set up for online services but the other isn't.

Online Banking Using Side-by-side Mode

Side-by-side mode makes it easy to see what's going on with your accounts at financial institutions. You can see online balances, downloaded transactions, and the work you have to do to match them to transactions in your company file. You can do everything you need to do to match downloaded transactions to the ones in QuickBooks without leaving the Online Banking Center.

Sending and Receiving Transactions

Every time you go online, QuickBooks automatically requests newly cleared transactions from your financial institution. If you've set up items to send to your bank, going online pushes those along, too. Here's what you do to send requests and receive replies in Side-by-side mode:

1. **Choose Banking→Online Banking→Online Banking Center.**

The Online Banking Center opens.

2. **If you have online services with more than one bank (say, a checking account with one bank and a credit card with another), in the Financial Institution drop-down list, choose the one you want to connect to.**

To the right of the Financial Institution heading, you see all the accounts you have at the institution you selected. QuickBooks automatically turns on all the Download checkboxes (Figure 22-5) to grab transactions from all your accounts at that financial institution. If you don't want to download transactions for an account, turn off its checkbox.

As Figure 22-5 shows, the Online Balance column shows your balance according to your financial institution as of the last update. The Last Update column shows the date of that last update.

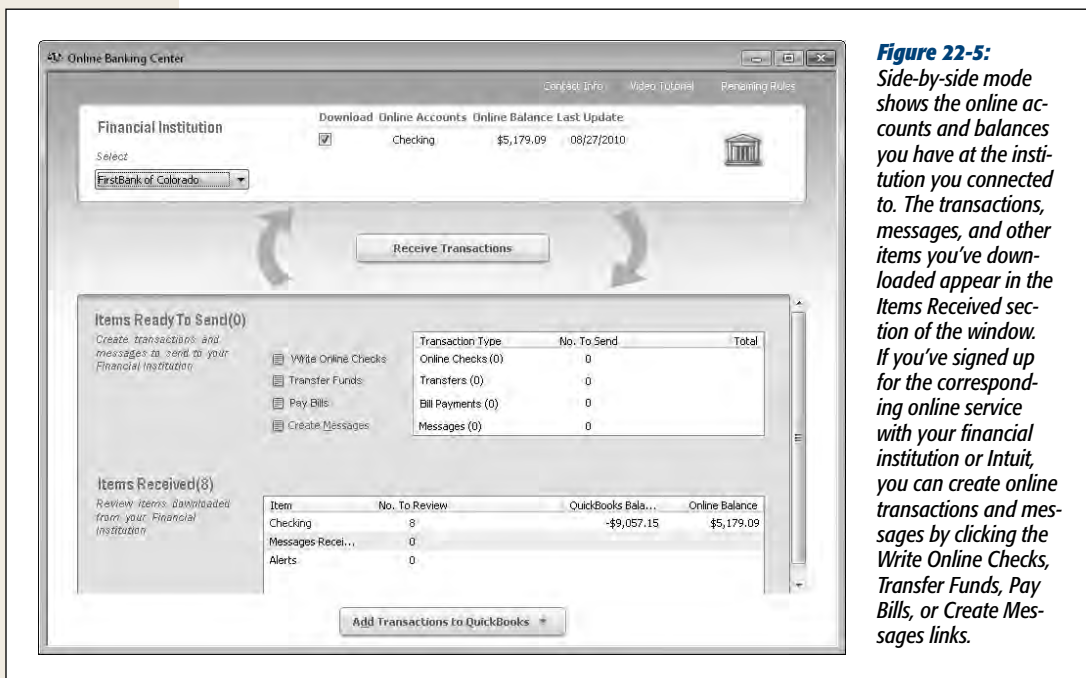
If you have any items to send to your bank (like messages you've written or online transfers you've created as described on page 546), they appear in the Items Ready To Send section. QuickBooks selects all the requests you have set up to send to your bank.

3. **If you want to edit or delete any items in the Items Ready To Send section, do that now—before you go online. Once you're connected, it's too late.**

To edit an item like a funds transfer or bill payment you're sending, select the item and then click Edit. Make the changes you want and then click OK. If you want to remove an item like a fund transfer you no longer need, select the item and then click Delete.

4. **When the items you want to send are ready, click the Send/Receive Transactions button.**

If you don't have any items to send, the button's label reads "Receive Transactions" instead, as in Figure 22-5.



5. In the “Access to <institution name>” dialog box that appears, type your password or PIN and then click OK.

You enter your password or PIN so QuickBooks can communicate with your financial institution. The Online Status dialog box shows the progress QuickBooks is making communicating with your bank. When the two are done talking, the Online Transmission Summary dialog box tells you how many accounts it updated and how many transactions it downloaded.

6. In the Online Transmission Summary dialog box, click Close.

The Items Received section shows the number of items QuickBooks received and the balances for your online accounts (see Figure 22-5).

Matching Transactions

Every time you connect to your financial institution (see page 547), QuickBooks downloads all the transactions that have cleared since the last time you went online. This section describes how to match downloaded transactions using Side-by-side mode.

Note: The first time you download transactions for an online account, QuickBooks looks at transactions marked as cleared in your account register. For all subsequent downloads, the program tries to match only transactions that haven't already cleared.

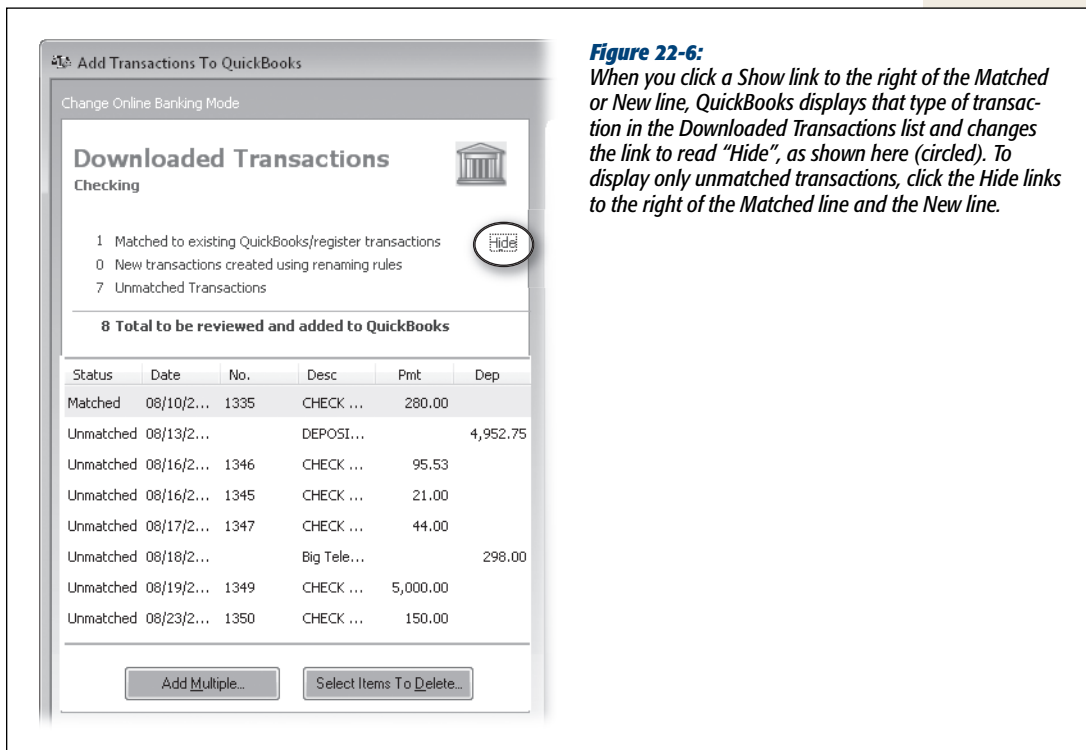
After you connect, the Items Received section displays information about the transactions QuickBooks retrieved, as shown in Figure 22-5, including the number of items received and your current online balances. Here's how you process the items that QuickBooks received:

1. At the bottom of the Online Banking Center, click the **Add Transactions To QuickBooks** button and choose the account you want to work on from the drop-down menu.

QuickBooks opens the Add Transactions To QuickBooks window and tries to match the downloaded transactions to the ones you've already entered in the program. The top of the window's Downloaded Transactions section summarizes how many transactions the program matched on its own, how many new transactions it created, and how many transactions you have to help it with. Initially, only unmatched transactions appear in the list, because those are the ones you have to work on.

2. If you want to see matched or new transactions in the list, click the **Show** link to the right of the Matched or New lines.

In the downloaded transactions list, the status of matched transactions is set to Matched, as shown in Figure 22-6, and you don't have to do anything to them. QuickBooks automatically marks them as cleared in the bank account register (page 410).



Transactions that the program can't match have a status of Unmatched, as you can see in Figure 22-6. The next section tells you how to handle unmatched transactions.

Note: For transactions without check numbers, QuickBooks matches a downloaded transaction with the oldest transaction of a matching amount. For example, suppose you withdrew \$200 from your checking account twice last month. When you download a \$200 withdrawal transaction, QuickBooks matches it to the oldest matching transaction in your register.

If QuickBooks matches every transaction, your work is done. If you open the account register (page 396), you'll see a lightning bolt in the Cleared column for every matched transaction. If you're not so lucky, read the next section.

Note: When you reconcile an account, the mark in the Cleared column changes from a lightning bolt to a checkmark for transactions that have been reconciled.

Matching Unmatched Transactions

Unsuccessful attempts to match transactions can happen for several reasons, but the source of the problem is *almost* always a mistake or omission in your QuickBooks account register. If you forgot to record a transaction in QuickBooks before you downloaded transactions, this section tells you how to make everything match up. The box on page 555 describes other problems you might encounter and the steps to take to correct them.

Matching deposits

When you use the Receive Payments window to record check or credit card payments you receive, you might place the payment in your Undeposited Funds account and forget to make the deposit to your bank account using the Make Deposits window (page 361). As shown in Figure 22-7, QuickBooks can match these deposits to payments in your Undeposited Funds account or even to invoices that are still open.

If QuickBooks can't match the downloaded deposit, in the Downloaded Transactions list, select the unmatched deposit that you want to match (the amount is in the Dep column). The "Record a QuickBooks Deposit" pane appears on the right side of the window, as shown in Figure 22-7. In QuickBooks, there are three ways to handle deposits. Here's what you do for each:

- **Payments in the Undeposited Funds account.** If you used the Receive Payments window to record a customer payment and the money is sitting in the Undeposited Funds account (page 583), click the Undeposited Funds tab. Turn on the checkbox for the received payment that corresponds to the deposit, and then click the "Add to QuickBooks" button. If you look at your bank account register, you'll see the deposit with a lightning bolt in the Cleared cell to indicate that it's matched with a transaction downloaded from the bank.

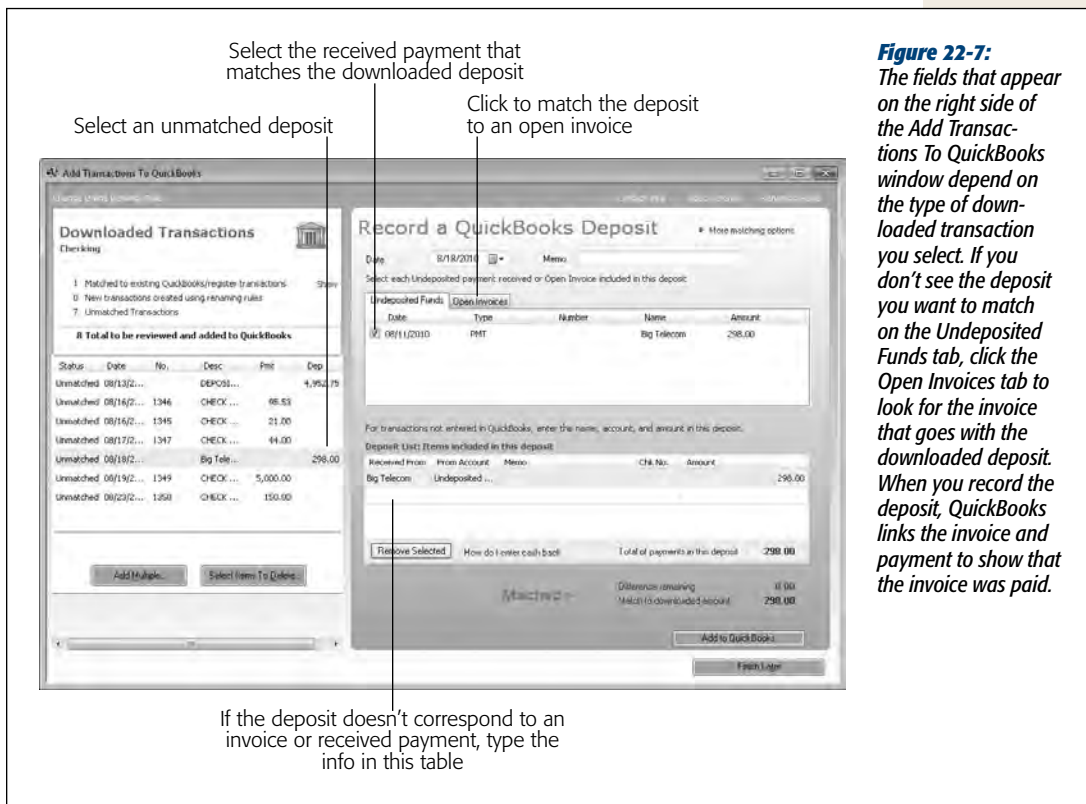


Figure 22-7: The fields that appear on the right side of the Add Transactions To QuickBooks window depend on the type of downloaded transaction you select. If you don't see the deposit you want to match on the Undeposited Funds tab, click the Open Invoices tab to look for the invoice that goes with the downloaded deposit. When you record the deposit, QuickBooks links the invoice and payment to show that the invoice was paid.

- **Deposits for open invoices.** If you haven't recorded a received payment in QuickBooks, the money is still tied up in an open invoice, which means it's sitting in the Accounts Receivable account. To match a deposit to an open invoice, click the Open Invoices tab (Figure 22-7). Turn on the checkbox for the invoice that corresponds to the deposit, and click "Add to QuickBooks".
- **Other deposits.** If you receive some other type of deposit that you haven't recorded in any way in QuickBooks (like an insurance claim refund, say), you can record the deposit information on the right side of the window directly in the "Deposit List: Items included in this deposit" table. In the Received From drop-down list, choose the customer or vendor who sent the money, and in the account drop-down list, choose the account to which you want to assign the deposit. QuickBooks automatically fills in the Amount cell with the value from the downloaded deposit. Type a memo and check number if you want, and then click "Add to QuickBooks".

Tip: If your bank deposit represents several checks from several customers, you can select more than one open invoice or undeposited funds entry, and add more than one item directly in the Deposit List table. Below the Deposit List, the “Difference remaining” value shows the difference between the deposit amount and the items you’ve selected. When the difference equals 0.00, you’re ready to click “Add to QuickBooks”.

Matching checks and expenses

When there’s no sign of a check transaction in QuickBooks for the one you downloaded, you may have forgotten to enter the transaction, someone is stealing from your account, or you created a bill but forgot to record that you paid it. Even with on-line banking, you don’t know what your bank charges are until you download them.

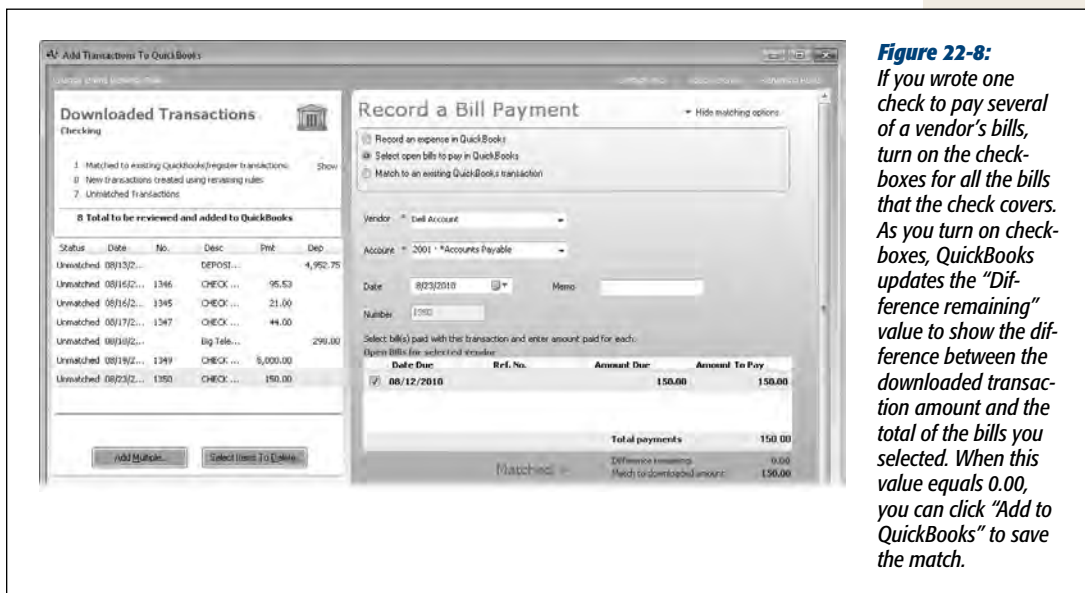
In the Downloaded Transactions list, the amount of a check or payment appears in the Pmt column. A value in the No. column tells you the payment is a check. If there’s no value in this column, the payment is a bank charge or bank transaction.

In the Downloaded Transactions list, select the unmatched check or payment that you want to match. The “Record an Expense” screen appears on the right side of the window. Here’s how you match checks and payments:

- **Checks or charges that aren’t bill payments.** These payments include any checks you wrote or electronic payments you made without recording a bill in QuickBooks, or bank charges like monthly service fees and bounced-check charges. To record one of these expenses, in the “Record an Expense” pane, choose the name of the payee in the Payee drop-down list (or type the payee’s name if it isn’t in the list). Then choose the account for the expense in the Account drop-down list. Finally, click “Add to QuickBooks”.

Tip: If you want to add more information about the transaction like splitting the amount between several accounts or adding a memo, click the “Show splits, memo, date, number” link.

- **Bill payments.** For downloaded transactions that correspond to QuickBooks bill payments, you need to link the payment and the bill so that the bill shows up as paid in QuickBooks. If you didn’t record the bill payment in QuickBooks (page 221), at the top-right of the Add Transactions To QuickBooks window, click the “More matching options” link. QuickBooks displays three options, shown in Figure 22-8, and the link changes to read “Hide matching options”. Click the “Select open bills to pay in QuickBooks” option. In the Vendor drop-down list, choose the vendor you paid. The “Open Bills for selected vendor” table displays all the open bills for that vendor. Turn on the checkbox for the open bill and then click “Add to QuickBooks”.

**Figure 22-8:**

If you wrote one check to pay several of a vendor's bills, turn on the check-boxes for all the bills that the check covers. As you turn on check-boxes, QuickBooks updates the "Difference remaining" value to show the difference between the downloaded transaction amount and the total of the bills you selected. When this value equals 0.00, you can click "Add to QuickBooks" to save the match.

- **Match an expense manually.** The "Match to an existing QuickBooks transaction" option (click the "More matching options" link at top right to see it) covers all the other bases. Say QuickBooks doesn't match an ATM withdrawal correctly. When you choose this option, QuickBooks displays the "Match to a Register Transaction" panel on the right side of the window, and the values for the downloaded transaction appear in the panel. The "Unmatched transactions in QuickBooks" table shows register transactions that haven't yet been matched. For example, if you have two ATM withdrawals, you can pick the one that goes with the downloaded transaction, and then click Confirm Manual Match.

Adding Multiple Transactions

If you write only a few checks and receive a few payments each month, matching each one individually isn't too painful. But you have better things to do than match hundreds of transactions one by one. As long as you don't need to match downloaded transactions to open transactions in QuickBooks or do anything fancy like create splits, you can add multiple transactions with the Add Multiple Transactions dialog box.

In the Add Transactions To QuickBooks window, click Add Multiple. The Add Multiple Transactions to QuickBooks window (Figure 22-9) opens and shows renamed, unmatched, and matched transactions. (See the box on page 554 for the scoop on renaming rules.)

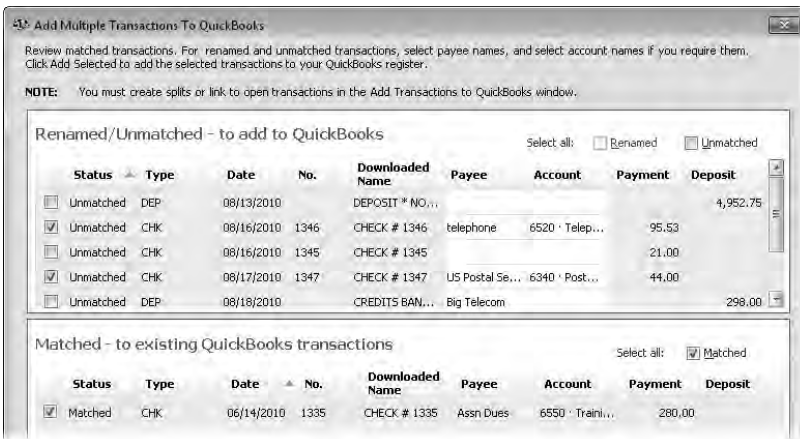


Figure 22-9: QuickBooks automatically turns on the checkboxes for renamed and matched transactions because they're ready to add to QuickBooks. To turn on all the unmatched checkboxes, just turn on the Unmatched checkbox above the right end of the Renamed/Unmatched table. If you want to turn off all the transaction checkboxes, turn off the appropriate "Select all" checkbox.

GEM IN THE ROUGH

Renaming Downloaded Payee Names

One drawback to downloading transactions is the crazy payee names that often show up. For example, a gas-station credit card charge downloads with the station's ID number—*Conoco #00092372918027*—or a payment to your favorite office supply store appears as *Internt PMT Have a Great Day 1429AZ#2*. You want payee names that make sense, like *Gasoline*, or are at least consistent, like *Office Supply Heaven #121*. QuickBooks' renaming rules let you replace downloaded payee names with something short, sweet, and meaningful.

QuickBooks automatically creates renaming rules whenever you change the payee name for a downloaded transaction. Problem is, the renaming rules it creates are so restrictive that they rarely help. For example, if you change the downloaded payee *Conoco #00092372918027* to *Conoco*, the renaming rule looks for the exact payee name *Conoco #00092372918027* in the future. What you want is a renaming rule that recognizes *any* downloaded payee containing "Conoco" and renames it Conoco.

Here's how you edit a renaming rule:

1. At the top-right of the Add Transactions To QuickBooks window, click Renaming Rules.
2. In the Edit Renaming Rules dialog box, select the payee name stored in QuickBooks (Conoco, in this example). On the right side of the dialog box, you'll see all the renaming rules that exist for that payee.
3. In the first drop-down list (whose value is probably set to "Exactly matches"), choose Contains for the most flexible rule.
4. In the second box, type the value that appears in all the downloaded payee names for that vendor, like Conoco in this example.
5. Click Save.
6. If you want to remove one of the existing renaming rules, click the Remove button to the right of the renaming rule boxes.
7. Repeat steps 2 through 5 to edit other renaming rules.

To add unmatched transactions to QuickBooks, simply fill in the Payee and Account cells (they have a white background to indicate that they're editable) and turn on the transaction's checkboxes. When you're ready to add the transactions to QuickBooks and you've turned on all their checkboxes, click Add Selected.

TROUBLESHOOTING MOMENT

Why Transactions Don't Match

If you recorded all your transactions in QuickBooks but your downloaded transactions refuse to match up with what's in your company file, small discrepancies are probably to blame. For example, with downloaded transactions that include check numbers, QuickBooks first looks for a matching check number and, if it finds one, only then does it look at the amount. The program considers check transactions matched only if both the check number and amount match. If the check already exists in QuickBooks, there are two reasons that QuickBooks wouldn't be able to match it:

- **The check number in your register is wrong.** For example, if you wrote several checks at the same time, you might have entered them in QuickBooks in a different order than the paper checks you wrote out. Open the account's register window (in the Chart of Accounts window, double-click the name of the account), and then find the check transaction and edit the check number. QuickBooks might warn you about duplicate check numbers, but go ahead and use the number. After you've edited all the check transactions, you should be back to unique check numbers.
- **The amounts on the checks don't match.** If the amounts disagree, first look at the account register to see if you typed the amount correctly, and correct it if necessary.

If transactions from the bank don't include check numbers, QuickBooks scans transactions without check numbers in your account register for matching amounts. If the program doesn't find a match, you might have forgotten to record it in the Make Deposits window (page 361) or the deposit doesn't link to a customer payment. If you work in Side-by-side mode, you can rectify these omissions as described on page 550.

If you're sure that a check amount you recorded is correct, but the downloaded check amount is different, change the check amount in QuickBooks. (Your bank won't go back and edit that transaction.) Then contact your bank and work out the discrepancy. If the bank was at fault, it will issue a separate transaction to correct the error, and you can then download the corrected version.

QuickBooks can't match other types of transactions like ATM withdrawals or debit card purchases if the amounts don't match or you haven't recorded the transactions in QuickBooks.

Deleting Downloaded Transactions

Say you've reconciled your credit card account to your statement. You go online and download transactions only to find that you've downloaded transactions you've already reconciled. You don't have to match the downloaded transactions because your account is already matched up with your bank's records, so you want to delete the downloaded transactions. In the Downloaded Transactions list, click Select Items To Delete; the Select Items To Delete dialog box opens. Here's how to select and delete transactions:

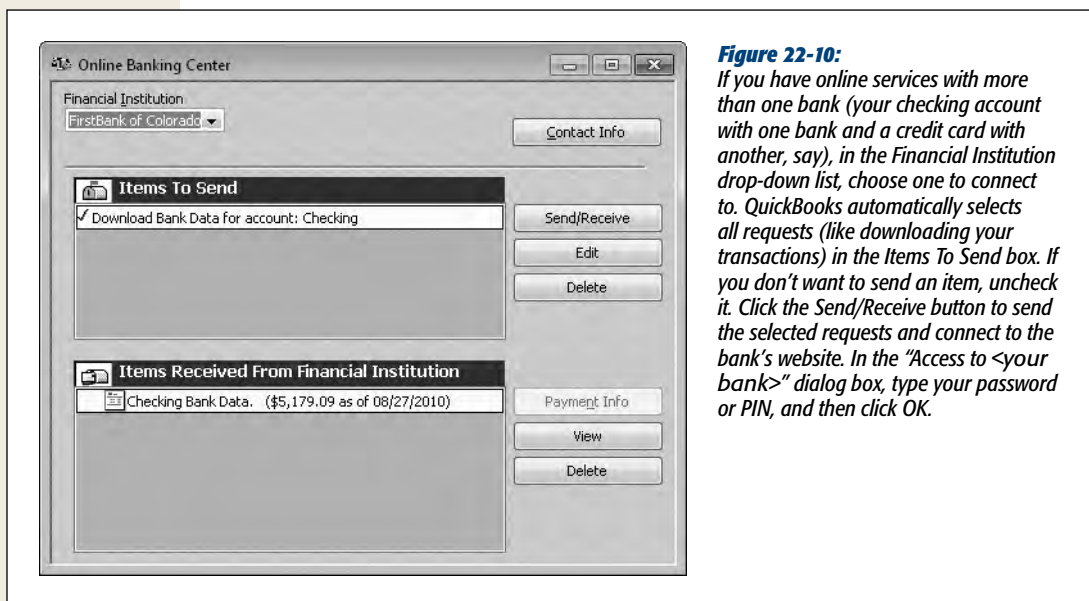
- **Select individual transactions.** QuickBooks selects this option automatically. To select a transaction to delete, turn on its checkbox, and then click Delete Selected.
- **Select all downloaded transactions older than.** This option is perfect if you want to delete transactions that you've already reconciled. Type the cutoff date in the box and QuickBooks automatically turns on the checkboxes for transactions that occurred before that date. Then just click Delete Selected.

Online Banking Using Register Mode

Register mode lets you see your full account register, which makes it easy for you to find a matching transaction that QuickBooks doesn't recognize. You can edit transactions in the register, for example, to correct a typo that prevented the program from making a match. This section explains how to do your online banking using Register mode.

Sending and Receiving Items

In Register mode, choose Banking→Online Banking→Online Banking Center to begin connecting to your financial institution. Register mode's Online Banking Center window is more compact than its Side-by-side sibling, as you can see in Figure 22-10.



To send requests to your bank, click Send/Receive. After you send your requests, the Online Transmission Summary dialog box tells you how many transactions QuickBooks downloaded from your bank. Click Close, and the Items Received From

Financial Institution box shows the balances for your online accounts and any messages that your bank sent you.

Working with Online Items

In the Online Banking Center window, you can make changes to items to send before you go online. After you receive items from your bank, you can view them or delete them. Here's how you use the buttons in the Online Banking Center window:

- **Edit.** Before you go online, you can edit any items other than a request for a statement, like a funds transfer or bill payment you're sending. Select the item and then click Edit. Make the changes you want and then click OK.

Note: QuickBooks adds a request for a statement to the Items To Send list every time you open the Online Banking Center window. In this context, a *statement* is simply a list of the transactions that cleared in your account since the last time you retrieved information formatted in a way that QuickBooks can import.

- **Delete.** If you set up a fund transfer between accounts that you no longer need or want to remove another type of item, in the Items To Send list, select the item and then click Delete.

You'll find that your bank is fond of sending you messages about new services or holidays. There's no reason to clutter the Items Received From Financial Institution with these messages. In the Items Received From Financial Institution box, select an item and then click the Delete button (at right).

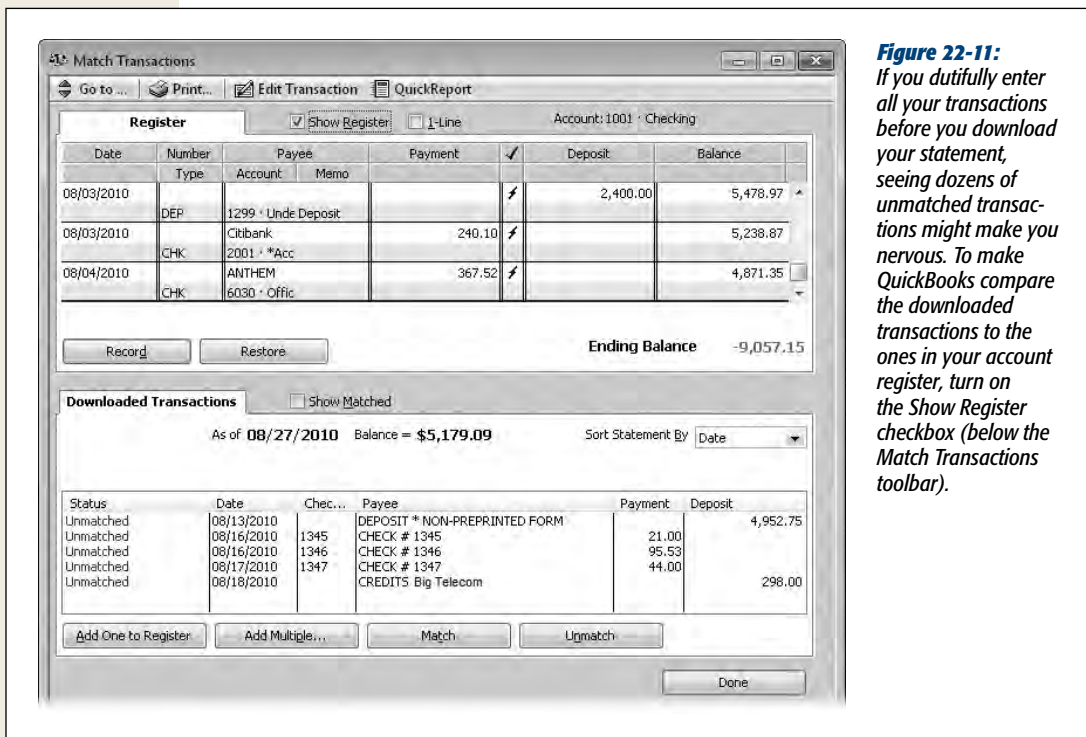
- **View.** In the Items Received From Financial Institution box, select an item and click View to see it in its entirety. When you want to match the transactions in a statement to your QuickBooks bank account transactions, select the statement and then click View; the next section has more details.

Matching Transactions

Every time you connect to your financial institution (by clicking Send/Receive in the Online Banking Center window), QuickBooks requests a statement of all the transactions that cleared since the last time you went online. After you connect, in the Items Received From Financial Institution box, you'll see an entry for the statement QuickBooks retrieved. To view the downloaded transactions and pull them into your company-file bank account, select the entry and then click View.

QuickBooks opens the Match Transactions dialog box and tries to match the downloaded transactions to the ones you already entered in the program. If QuickBooks automatically matches transactions, the "Results of Automatic Transaction Matching" dialog box tells you how many it paired up. Click OK to close the dialog box. At the bottom of the Match Transactions window on the Downloaded transactions tab, the status for those transactions is set to Matched and you don't have to do anything to them. QuickBooks automatically marks them as cleared in the

register. Transactions that the program *can't* match have a status of Unmatched, as you can see in Figure 22-11. The next section tells you how to handle unmatched transactions



Note: The first time you download transactions for an online account, QuickBooks looks at transactions marked as cleared in your account register. For all subsequent downloads, the program tries to match only transactions that haven't previously cleared.

If QuickBooks matches every transaction, your work is done. In the account register in the Cleared column, you'll see a lightning bolt for every matched transaction. If you're not so lucky, keep reading.

Unmatched checks

For checks that are payments for bills, you must first use the Pay Bills window to enter the transaction (page 221) so that your bills in QuickBooks show up as paid. For checks that aren't linked to bills or refunds, select the check that you didn't enter in QuickBooks and then click "Add One to Register". In the Account box, choose the account to which you want to post the expense and then click Record.

Unmatched deposits

When you use Register mode, you first have to record all your customer payments in QuickBooks and move deposits from the Undeposited Funds account into your bank account. If you have a deposit that doesn't link to a customer payment, you can add the transaction to the register from the Match Transactions window. In the list of downloaded transactions, select the deposit, and then click "Add One to Register". In the Account box, choose the account to post the deposit to and then click Record.

Bank charges

For charges including monthly service fees, bounced check charges, and so on, in the list of downloaded transactions, select the transaction and then click "Add One to Register". In the Account box, choose the account for the charge and then click Record.

Adding Multiple Transactions

If you have several unmatched transactions that you want to add to the register, click Add Multiple. The "Add Multiple Transactions to the Register" window opens and lists all the unmatched transactions. As you can see in Figure 22-12, the top half of the window lists transactions that are either ready to go or are missing an account. After you choose accounts for the transactions that don't have them, click Record.

Add Multiple Transactions to the Register

Transactions with recognized payees: (1)
All transactions must have an account selected.

Date	Payee	Account	Payment	Deposit
08/18/2010	Big Telecom	1299 - Undeposited Funds		298.00

Select All Select None Record Cancel Help

Transactions with unrecognized payees: (6)
These transactions must be added to the Register individually after clicking Record.

Date	Unknown Payee	Payment	Deposit
08/13/2010	DEPOSIT * NON-PREPRINTED FORM		4,952.75
08/16/2010	CHECK # 1345	21.00	
08/16/2010	CHECK # 1346	95.53	
08/17/2010	CHECK # 1347	44.00	
08/19/2010	CHECK # 1349	5,000.00	
08/23/2010	CHECK PYMT	150.00	

Figure 22-12:

In this window, you can't do anything for the transactions listed at the bottom of the window with unrecognized payees. To correct those transactions, close this window. In the Match Transactions window, select each one individually and then click "Add One to Register". You can then edit the payee name in the register.

Deleting Downloaded Transactions

Register mode doesn't give you a way to delete transactions on the Downloaded Transactions tab. If you already reconciled your account and then downloaded the transactions, you might think you have to live with those unmatched transactions forever. But with some fancy—though tedious—footwork, you can get rid of those downloaded orphans. Here's what you do:

1. **Scroll in the register to find the reconciled transaction that pairs with an unmatched transaction.**

An asterisk in the cleared cell means the transaction is cleared; a checkmark indicates that it's reconciled.

2. **Keep clicking its Cleared cell until the cell is blank.**

As soon as the Cleared cell is blank, QuickBooks automatically matches the register transaction and the downloaded transaction. You'll see a lightning bolt in the Cleared cell to indicate the match, and the downloaded transaction disappears from the Downloaded Transaction tab.

3. **Click the Cleared cell again until you see a checkmark.**

The register transaction is back to being reconciled and the downloaded transaction is gone forever.

Configuring Preferences to Fit Your Company

An organization's approach to accounting often depends on its business objectives, policies, procedures, and the industry in which the organization operates. Maybe you want inventory tracking and payroll or maybe you don't. The way you and your accountant like to work also influences your organization's accounting practices. For instance, you might prefer the simplicity of cash accounting or the more intimate pairing of income and expenses that accrual accounting offers (see page 7).

Enter QuickBooks, an accounting program with the Herculean task of satisfying every nuance of business operation and personal proclivity. QuickBooks *preferences* are configurable settings that accommodate different business styles and personal tastes. During installation, QuickBooks picks the settings likely to work for a majority of organizations. And if you set up your QuickBooks file using the EasyStep Interview (page 17), you might already have most preferences set the way you want.

But you can reset preferences to control all sorts of QuickBooks behaviors and features, such as whether you create estimates for jobs you go after or how you calculate the amount of inventory that's available. Preferences also let you turn on QuickBooks' features, such as inventory and payroll. Using QuickBooks for a while can make it clear which preferences you need to change. This chapter presents all the preferences that QuickBooks has and helps you determine which settings are appropriate for you and your organization.

Note: You can toggle most preferences at any time, but you can't turn the preference for multiple currencies off once you turn it on. Before you change any preferences, back up your company file. Then feel free to tweak and tinker with your preferences.

An Introduction to Preferences

You can't quibble over quantity when QuickBooks gives you 22 categories of preferences that control the program's behavior. Each preference category has several settings, so finding the preferences that do what you want is your biggest challenge. To view and set preferences, open the Preferences dialog box by choosing Edit→Preferences.

On the left side of the Preferences dialog box is a pane that lists each preference category, as shown in Figure 23-1. To display the preferences within a category, click the appropriate entry in the pane. QuickBooks highlights the icon you click to indicate that it's active.

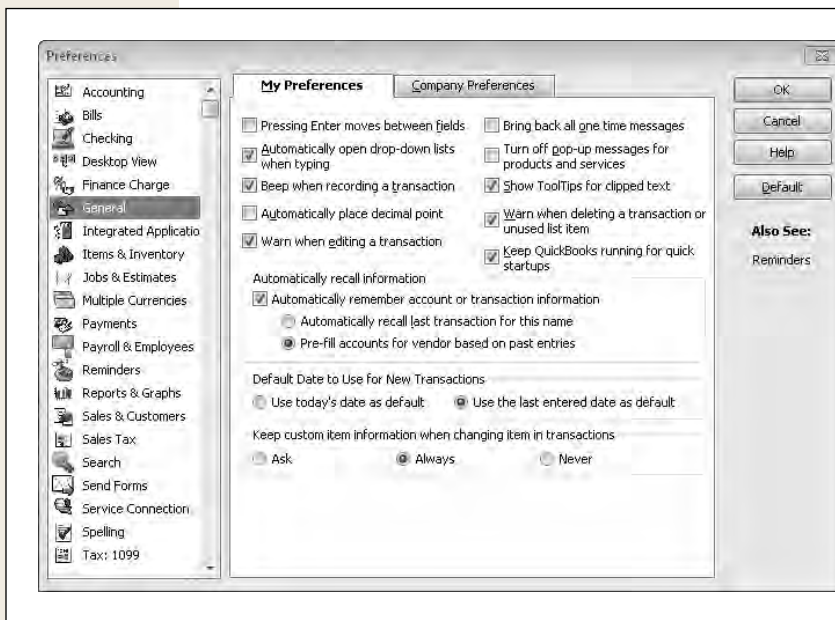


Figure 23-1:
The first time you open the Preferences dialog box, QuickBooks displays the General preference category, which is the sixth icon in the pane. (The preference categories are listed alphabetically, not in order of importance.) On subsequent visits to this dialog box, QuickBooks selects the last category you chose during your previous visit.

To accommodate both company and personal preferences, QuickBooks includes two tabs for each category:

- **My Preferences.** As you might expect, this tab contains options that people who log into QuickBooks can set for their QuickBooks sessions alone. For example, you can choose options in the Desktop View preference category if you want to look at multiple windows using a lurid purple color scheme (called Grappa Granite) without forcing your tastes on everyone else.
- **Company Preferences.** Some preferences have to remain consistent for everyone in an organization. For example, the IRS won't tolerate some financial reports produced using cash accounting and others using accrual accounting (see page 7 for the pros and cons of each). The preferences that appear on this tab ensure consistency because they're applied no matter who in your

company logs in. To make sure company preferences are set properly, only folks who log in as QuickBooks administrators (see page 644) can change the preferences on this tab.

Note: If you're puzzled by QuickBooks' habit of opening the Preferences dialog box to a My Preferences tab that has no preferences, rest assured that Intuit has its reasons. Only QuickBooks administrators can change settings on the Company Preferences tab. So rather than taunt the majority of people who log into QuickBooks with preferences they can't modify, QuickBooks displays the My Preferences tab. But, for most preference categories, the Company Preferences tab is where the action is.

When you click OK to close the Preferences dialog box, QuickBooks saves the changes you made in the current preference category. What if you're on an energetic mission to reset preferences in several categories? If you change preferences in one category and click the icon for another category, QuickBooks asks you whether you want to save the changes in the category you're about to leave. Make sure you save what you want by clicking one of the following:

- Click **Yes** to save the changes in the current category before switching to the category whose icon you clicked.
- Click **No** to discard your changes and move on to the category whose icon you clicked.
- Click **Cancel** to discard your changes and remain in the current category so you can make other choices.

The rest of this chapter explains each set of preferences. They're listed here in alphabetical order, just as they are in the Preferences dialog box. You'll also find preferences mentioned throughout this book where they apply to specific bookkeeping tasks.

Tip: On the right side of the Preferences dialog box, the Also See list identifies other preference categories that affect the one that's currently open.

Accounting

QuickBooks' accounting preferences control key accounting practices, such as requiring accounts assigned within transactions and closing the books at the end of a fiscal year. Accounting practices stay the same throughout a company, so the Accounting Preferences reside on the Company Preferences tab. Here's what they do:

Note: For QuickBooks Premier and Enterprise, the My Preferences tab has one preference: the "Autofill memo in general journal entry" checkbox. You can keep the debit and credit sides of general journal entries linked by adding memos to the lines of the entries. Turn on this checkbox if you want QuickBooks to copy the memo you type for the first line of a journal entry to every subsequent line of the entry.

- **Use account numbers.** In the accounting world, most people follow a numbering standard, which uses ranges of numbers for different types of accounts. Page 45 shows a common numbering standard. If you work with an accountant, she'll probably ask you to turn on this checkbox. By doing so, you can assign a number, in addition to a name, to each account you create.

Tip: When you assign an account to a transaction, such as applying your rent check to the Rent expense account, you can locate the account in the Account drop-down list by typing either the account's number or the first few letters of its name.

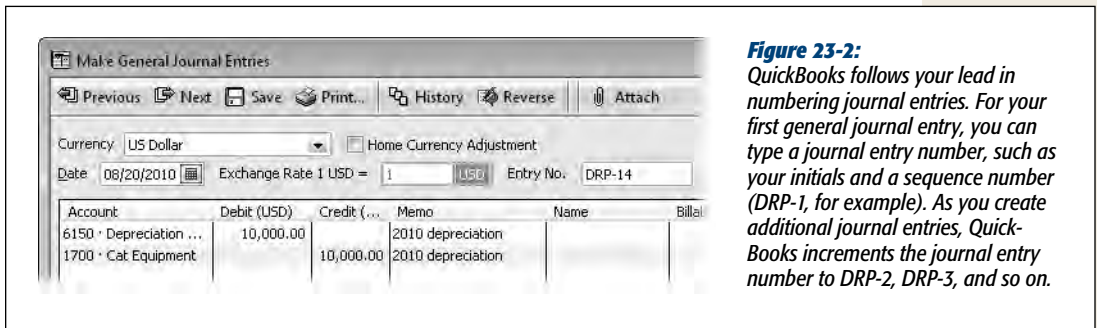
- **Show lowest subaccount only.** If you use only top-level accounts in your chart of accounts, you have no need for this behavior. But if your chart of accounts is a hierarchy of accounts and subaccounts as described in the box on page 52, turn on this checkbox to easily identify the subaccount you've selected in an Account field. With this checkbox turned on, the Account field shows the subaccount number and name, which is exactly what you need to identify the assigned account.
- **Require accounts.** Details help you manage your business, but they're *essential* to surviving the toughest of IRS audits. If detail isn't your strong suit, turning on this checkbox forces you to assign an account to every item and transaction you create, which, in turn, creates a trail that you, your accountant, and the IRS can follow. For example, with this checkbox turned on, when you click Record without an assigned account, QuickBooks warns you that you have to enter an account. To record the transaction, in the Warning message box, click OK. Then choose the account in the transaction Account field. Now, when you click Record, QuickBooks completes the transaction without complaint.

If you turn this checkbox off and record transactions without assigned accounts, QuickBooks assigns the transaction amounts to either the Uncategorized Income or Uncategorized Expense accounts. For example, if you receive a payment from a customer and don't assign an account to the deposit, that income posts to the Uncategorized Income account.

Warning: If the IRS decides to audit your tax returns, you'll have to go back and move your uncategorized income and expenses into the right accounts to prove that you paid the right amount of taxes. And, if you happened to pay too little, the IRS will charge you penalties and interest.

- **Use class tracking.** When you want to track your business in more ways than accounts, customer types, and job types can offer, you can use classes (page 135) to add another level of categorization to your reports. For example, you can create classes to track the income that business units generate, regardless of which types of customers they support or the type of work they do. To activate the Class feature, turn on the "Use class tracking" checkbox, which adds a Class field to every transaction window.

- **Prompt to assign classes.** If you turn on the Class feature, your reports by class won't accurately reflect your business performance unless you assign classes to *all* your class-related transactions. To make sure you assign classes consistently, turn on the "Prompt to assign classes" checkbox so that QuickBooks reminds you when you forget a class assignment for a transaction.
- **Automatically assign general journal entry number.** Journal entries (see the box on page 54) refer to the traditional approach to accounting, in which accountants assign credits and debits to accounts in paper-based journals. There's no reason to turn this checkbox off. With it on, QuickBooks makes sure that each general journal entry has a unique number. When you create a new general journal entry (see page 433), QuickBooks increments the previous general journal entry number by one, as shown in Figure 23-2, which makes it easier for you and your accountant to refer to the correct journal entries.



Note: If the previous entry number is blank, QuickBooks won't automatically assign a number to the next entry. If you notice that QuickBooks has begun to shirk its automatic numbering duties, look for a blank entry number. Add numbers to any existing journal entries without them. Then, when you add a new journal entry, QuickBooks will number the next entry as it should.

- **Warn when posting a transaction to Retained Earnings.** The program automatically turns on this checkbox, and it's a good idea to leave it that way. QuickBooks creates the Retained Earnings account to track past profits that you've retained in the company's coffers. For example, if your company earned \$50,000 in 2011 and didn't distribute that money to the owners or as profit-sharing bonuses to employees, the money becomes Retained Earnings once you begin 2012. QuickBooks updates the balance in the account automatically at the beginning of a new fiscal year by transferring the previous year's net profit into it. This preference warns you before you post a transfer directly to the Retained Earning account and inadvertently create inaccurate records. (See the box on page 461 to learn how to differentiate your most recent year's retained earnings from earlier retained earnings.)
- **Date Warnings.** If your books are up-to-date, then very old or very prescient dates are usually mistakes. To receive warnings for dates too far in the past or

too far in the future, turn on the “Warn if transactions are _ day(s) in the past” checkbox and its companion, “Warn if transactions are _ day(s) in the future” checkbox. The boxes are initially set to 90 for past dates and 30 for future dates, but you can change them.

- **Closing date.** After producing the financial reports for a fiscal year and paying corporate income taxes, most companies *close their books*, which means locking the transactions so no one can change anything. By closing the books, you ensure that your past transactions continue to match what you submitted to your accountant, reported to the IRS, and communicated to your shareholders.

When you use QuickBooks, your QuickBooks company file is synonymous with your “books.” Therefore, you close your books by clicking Set Date/Password and then choosing a date in the “Set Closing Date and Password” dialog box. For example, if you run your company on a calendar year and just reported and paid taxes for 2010, type or choose *12/31/2010*.

You can assign a password so that you can edit, delete, or create transactions that alter account balances in closed books. In the “Set Closing Date and Password” dialog box, type the password in the Closing Date Password and Confirm Password boxes, and then click OK. Then, if you have to edit a transaction prior to the closing date, you’ll first have to type the password to tell QuickBooks you mean it.

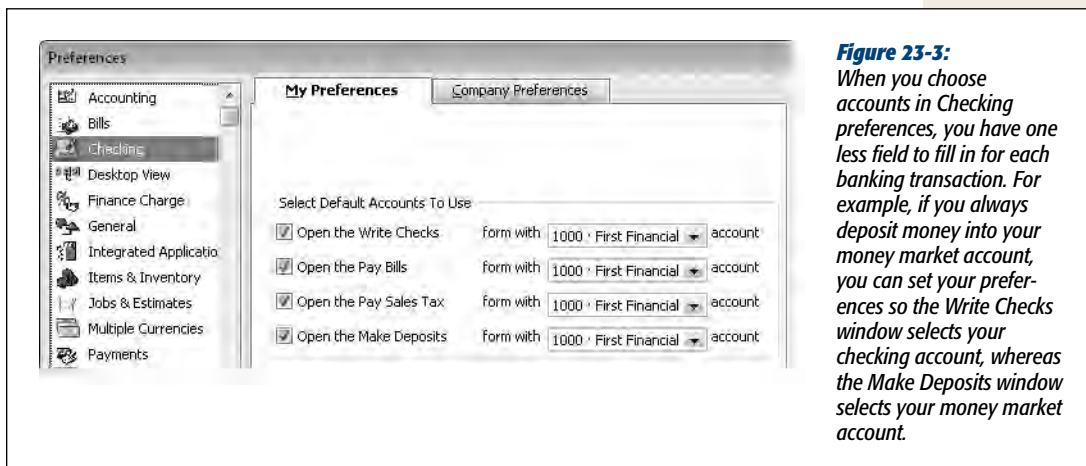
Bills

The Bills category lets you specify how you want to handle the bills that vendors send you. The My Preferences tab is empty, so these settings all appear on the Company Preferences tab:

- **Bills are due _ days after receipt.** The first time you access Bills preferences, you’ll find that QuickBooks has set this preference so that bills you enter show a due date 10 days after the date of the bill. For instance, if you receive a bill dated June 15, and you enter that date in the Enter Bills window’s Date field, QuickBooks automatically changes the Bill Due field to June 25. This value is fine in most cases. If a bill arrives that’s due in a different number of days, you can change its due date in the Enter Bills window’s Bill Due field.
- **Warn about duplicate bill numbers from same vendor.** Surely you don’t want to pay the same bill twice, so be sure to turn on this checkbox so that QuickBooks warns you that you’re entering a bill with the same number as one you already entered from the same vendor.
- **Paying Bills.** If you want QuickBooks to automatically apply to your bills any credits and discounts to which you’re entitled, turn on the “Automatically use credits” and “Automatically use discounts” checkboxes. For example, if you typically receive a 15-percent discount on all purchases and also have a \$100 credit, QuickBooks applies these adjustments to your bill before calculating the total. When you turn on the “Automatically use discounts” checkbox, in the Default Discount Account drop-down list, choose the account to which you usually post the discounts you take, such as an expense account specifically for vendor discounts.

Checking

Checking preferences let you adjust company-wide settings to control the appearance of the checks your company prints through QuickBooks. On the My Preferences tab in this category, you can also set preferences for the accounts that QuickBooks selects automatically for several types of financial transactions, as shown in Figure 23-3.



Choosing the Bank Accounts You Use

If you have only one bank account, you can ignore the preferences for default accounts. QuickBooks automatically chooses your checking account for writing checks, paying bills, paying sales tax, and making deposits. But suppose your company has stores in several states and each store has its own checking account. By setting the options on the My Preferences tab, each person who logs into QuickBooks can choose her store's bank accounts for financial transactions. The person in Miami wants the Florida checking account to appear in the Write Checks window, but the person in New York wants to see the Manhattan checking account. To save some time (and prevent folks from selecting the wrong account in a drop-down list), set your accounts according to the following guidelines:

- **Open the Write Checks form with _ account.** In the account drop-down list, choose the account you typically use to write checks. That way, when you open the Write Checks window (page 234), QuickBooks automatically fills in the Bank Account field with the account you specify here.
- **Open the Pay Bills form with _ account.** In real life, paying bills and writing checks usually mean the same thing. In QuickBooks, you can enter bills you receive and pay them at a later date, as described on page 221. For this preference, choose the account you typically use to pay bills from the account drop-down list here, which is often the same checking account that you chose in the “Open the Write Checks form with” preference. When you open the Pay Bills window,

QuickBooks automatically fills in the A/P Account field (A/P stands for “accounts payable”) with the account you specify in this preference.

- **Open the Pay Sales Tax form with _ account.** If you collect sales tax from your customers (see page 120), you have to remit the taxes you collect to the appropriate tax authority, such as the state where your business is located. When it's time to send the taxes in, you open the Pay Sales Tax dialog box and create a payment. This preference sets the account that QuickBooks uses in the Pay From Account field.
- **Open the Make Deposits form with _ account.** Unlike the other options on the My Preferences tab, this preference sets up the account you typically use when you *deposit* money. For many small businesses, the deposit account and the checking account are one and the same. But some businesses deposit money into an account that pays interest, and then transfer money (see page 405) into a checking account only when it's time to pay bills. After you choose the account you use to deposit money, the Make Deposits window (page 362) automatically fills in the Deposit To field with the account you specify here.

Setting the Way Company Checks Work

Although a company might have several checking accounts, QuickBooks assumes that company checks should look the same no matter who prints them. Most preferences on the Company Preferences tab let you set the company standard for printing checks from QuickBooks. (If you use preprinted checks and write them out by hand, you can skip some of these options.) Here's what these preferences do:

- **Print account names on voucher.** If the paper checks that you print include check stubs, you might as well turn on this checkbox. When you do, QuickBooks prints on the stub the account name for the account you used to pay the check. If you use only one bank account, printing the account name might not seem all that useful. But QuickBooks also prints the payroll item on the stub for payroll checks, and for checks used to purchase inventory, it prints the name of the inventory item you purchased—both of which can help you keep track of where your money is going.

Note: Regardless of how you set the “Print account names on voucher” preference, QuickBooks always prints the payee, date, memo, amount, and total amount on stubs.

- **Change check date when non-cleared check is printed.** When you turn on this checkbox, QuickBooks inserts the date that you *print* checks as the check date, which is just fine in most situations. You can enter checks into QuickBooks over several days, but date all the checks with the day you print them. Turn off this checkbox if you want to control the check dates, for example, to defer payments for a few days by post-dating checks for the day the payees receive them.

- **Start with payee field on check.** Turning on this checkbox is a small but satisfying timesaver. If you always write checks from the same account, or you use the “Open the Write Checks form with” preference to specify an account (page 567), tabbing in the Write Checks window to skip the Bank Account field for each check transaction gets old quickly. When you turn on this checkbox, you can save one pesky keystroke each time you write a check.

Turning on this preference also makes it so that the Enter Credit Card Charges window opens with the cursor in the Purchased From box.

- **Warn about duplicate check numbers.** Not surprisingly, turning on this checkbox means that QuickBooks warns you that you’re trying to record a check with the same number as one you already entered.
- **Autofill payee account number in check memo.** Just as you assign account numbers to your customers, the vendors you do business with assign your company an account number, too. Printing account numbers on the checks you write helps vendors credit your account, even if the check gets separated from its accompanying payment slip. If you enter your company’s account number in each Vendor record in QuickBooks (page 131), turn this checkbox on to print these account numbers on your checks.

Choosing Company-Wide Payroll Accounts

If you don’t use QuickBooks’ payroll features, don’t bother with these preferences. (To learn how to turn on QuickBooks’ payroll features, flip to page 583.) If you do use QuickBooks payroll services, the two Checking preferences in the Select Default Accounts To Use section of the Company Preferences tab let you set the accounts you use for payroll. QuickBooks might seem to jump the gun by offering company-wide settings for the accounts used for payroll and payroll liabilities, but most companies centralize payroll no matter how regional other operations are. Here are your options:

Tip: A separate bank account for payroll simplifies reconciling your regular checking account, particularly if your company has numerous employees and weekly paychecks. Otherwise, you’ll have to reconcile dozens or even hundreds of paychecks each month in addition to the other checks you write.

- **Open the Create Paychecks form with _ account.** In the account drop-down list, choose the account you use to write payroll checks. When you open the Create Paychecks window (page 387), QuickBooks automatically fills in the Bank Account field with the account you specify in this preference.
- **Open the Pay Payroll Liabilities form with _ account.** From the Account drop-down list, choose the account you use to pay payroll taxes.

Choosing an Online Banking Mode

QuickBooks lets you choose between two versions of the Online Banking Center (one from QuickBooks 2008 and earlier and another introduced in QuickBooks 2009). The Side-by-side mode is more flexible, but you can switch between the two modes any time you want by selecting the Side-by-side mode or Register mode option here. See page 543 to learn how the two modes work.

Desktop View

Each person can customize her own QuickBooks desktop. You can fulfill your every desktop desire with the preferences on the My Preferences tab—your choices don't affect anybody else who logs into QuickBooks. On the other hand, the Company Preferences tab includes preferences that control what appears on the QuickBooks Home page (page 31).

Window Preferences

You can keep your desktop neat with only one window at a time, or you can view multiple windows:

- **One Window.** If you're not good at multitasking or you simply prefer full-size windows, choose this option so that QuickBooks displays only one full-size window at a time. Although you can open multiple windows, they're stacked on top of each other so you see only the top one. With this approach, you can switch windows by choosing windows in the Open Window List (choose View→Open Window List to display it) or on the program's main menu bar, choose Window and then choose the name of the window you want to display.
- **Multiple Windows.** If you like to view several windows at a time or want to size windows based on how much information they display, as shown in Figure 23-4, choose this option. When you do, the Windows menu has commands for arranging windows such as Cascade and Tile Vertically.

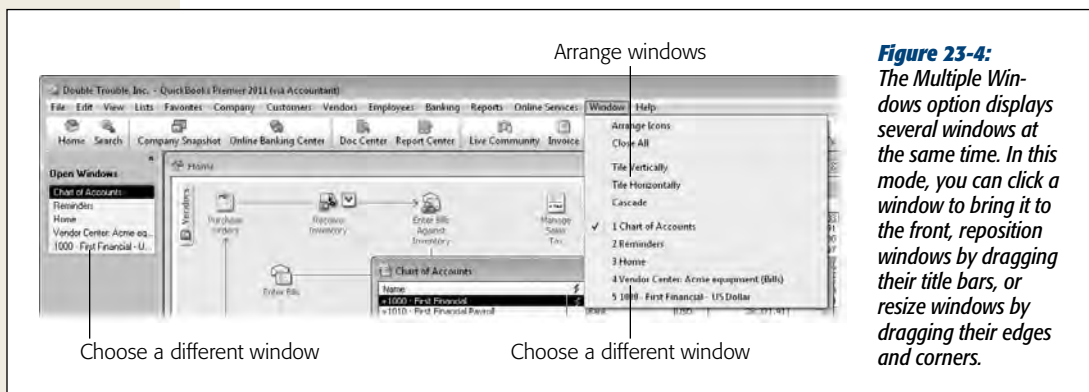


Figure 23-4: The Multiple Windows option displays several windows at the same time. In this mode, you can click a window to bring it to the front, reposition windows by dragging their title bars, or resize windows by dragging their edges and corners.

Preferences for Saving the Desktop

On the My Preferences tab, the Desktop category gives you four choices for what QuickBooks does with the windows that are open when you exit the program. For example, if you have your windows arranged just the way you like, you can save your QuickBooks desktop so the windows open in exactly the same arrangement the next time you log in. Here's the lowdown on why you might choose each option:

- **Save when closing company.** If you typically continue bookkeeping tasks from one QuickBooks session to the next, this option saves the open windows and their positions when you exit the program. The next time you log in, QuickBooks opens the same windows and positions them where they were so you can finish entering the remaining 300 checks you have to write.
- **Save current desktop.** If you have a favorite arrangement of windows that works well for the bulk of your efforts in QuickBooks, you can save that arrangement and display it every time you log in. To do this, first open the windows you want and position them. Then open the Preferences dialog box, choose this option, and then click OK. If you choose this option and click OK to close the Preferences dialog box, the next time you open it, QuickBooks adds the “Keep previously saved desktop” option to the My Preferences tab.
- **Don't save the desktop.** Choosing this option displays a desktop with only the menu bar, the icon bar, the Home page, and the Reminders window. QuickBooks opens faster, and the Home page gives you fast access to the windows and dialog boxes you use regularly.
- **Keep previously saved desktop.** Once you've saved a desktop you like, this option appears on the Desktop View My Preferences tab. Choose this option so that QuickBooks opens with the desktop as it was when you selected “Save current desktop” regardless which windows you've opened since or how you've rearranged them.
- **Show Home page when opening a company file.** The Home page (page 31) shows the entire workflow of your accounting tasks, as well as links to oft-opened windows like the Chart of Accounts. Keep this checkbox turned on to see the Home page each time you log in.
- **Show Getting Started Window.** With this checkbox turned on, the Getting Started section appears at the top-right of the Home page. Click the Quick Start Center button for guidance with basic bookkeeping tasks. After you know what you're doing, you can turn off this checkbox to use the full Home page for bookkeeping.
- **Show Live Community.** When this checkbox is turned on, QuickBooks displays the Live Community window (page 670) on the right side of the main window. If you want the Live Community and the help it offers to stay out of sight until you open it (choose Help→Live Community), turn off this checkbox.
- **Detach the Help Window.** Be sure to turn this checkbox on so you can position the Help window wherever you want, resize it to your heart's content, and minimize it—all without affecting the main QuickBooks window. (See page 668 to learn more about QuickBooks Help.)

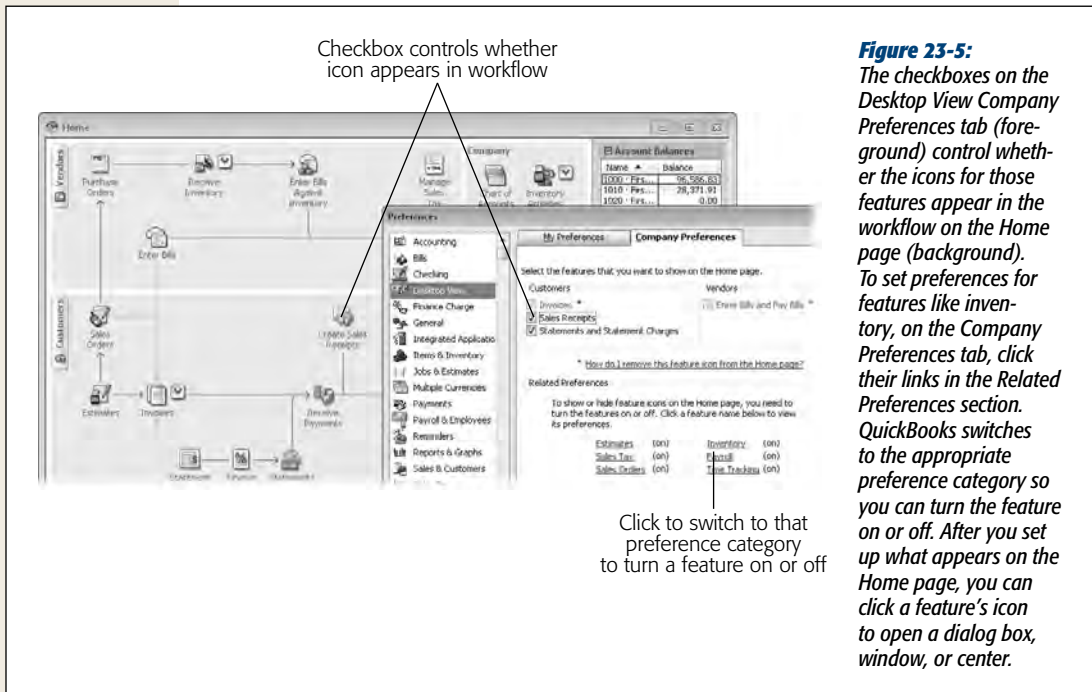
Choosing a Color Scheme

The last preference of note on the My Preferences tab is Color Scheme. The standard color scheme that QuickBooks applies is neutral and easy on the eyes. If you're color blind or simply like some color to brighten an otherwise dull financial day, choose one of the other built-in color schemes.

Note: The Windows Settings section at the bottom of the My Preferences tab has a Display button and a Sounds button. These buttons take you to the appropriate category of your Windows Control Panel to change your Windows settings, where any changes you make affect every program on your computer, not just QuickBooks.

Setting Up the QuickBooks Home Page

Since QuickBooks automatically displays its Home page when you launch the program, you probably know that this window lets you access almost any accounting task. As you can see in Figure 23-5 (background), the Home page has three horizontal panels for tasks related to vendors, customers, and employees (not shown in Figure 23-5). The Desktop View Company Preferences tab is where you can customize what you see here.



On the Desktop View Company Preferences tab, simply turn on checkboxes to display the Home page icons for various tasks like creating sales receipts, generating statements, and paying bills, as shown in Figure 23-5 (foreground). These checkboxes control only whether the icons appear in the workflow on the Home page. To set preferences for features like inventory, click their links in the Related Preferences section to switch to the appropriate preference category.

Note: If the checkboxes for invoices or bill-payment tasks are dimmed and you want to remove those tasks from the Home page, you first need to turn off other preferences. For example, for invoices, you have to turn off the Estimate and Sales Orders preferences (in the Jobs & Estimates and Sales & Customers preference categories). Click the “How do I remove this feature icon from the Home page?” link to read a Help topic that lists the settings you need to change.

Finance Charge

If you're lucky enough to have customers who always pay on time or if you run a nonprofit organization that graciously accepts donations, you can bypass this category of preferences. But if you want to add an incentive for customers to pay on time, finance charge preferences determine your level of leniency.

Because you probably want a consistent policy for charging customers for late payments, all the preferences in the Finance Charge category appear on the Company Preferences tab. That means only someone logged into QuickBooks as an administrator can change these settings. To learn how to add the finance charges configured here to the invoices you create, see page 306.

Tip: If you plan to charge late fees, include the finance charge terms in your contracts. Your customers are less likely to complain if the added charges aren't a surprise.

Here are the finance charge preferences you can set and what they mean to your customers:

- **Annual Interest Rate (%)**. Type the interest rate that you charge per year for overdue payments. For example, if you charge 18 percent per year, type *18* in this box. QuickBooks then calculates the finance charge due by prorating the annual interest rate to the number of days that the payment is late.
- **Minimum Finance Charge**. If you charge a minimum finance charge no matter how inconsequential the overdue amount, type that value in this box. For example, to charge at least 20 dollars, type *20*. If you work with more than one currency, you still specify your minimum finance charge in your home currency. QuickBooks converts the amount to the customer's currency when you apply finance charges.

- **Grace Period (days).** Just like the grace period that you probably enjoy on your mortgage, the grace period in QuickBooks is the number of days that a payment can be late before finance charges kick in. In the “Grace Period (days)” box, type the number of days of grace you’re willing to extend to your customers.
- **Finance Charge Account.** Choose the account you use to track finance charges you collect. Most companies create an Other Income account (page 48) to track finance charges, which are interest income.
- **Assess finance charges on overdue finance charges.** If a customer goes AWOL and doesn’t pay the bill *or* the finance charges, you can get tough and levy finance charges on the finance charges that the customer already owes. If your customer owes \$100 in finance charges and you assess an 18 percent finance charge, turning on this checkbox would result in an additional \$18 the first year on the outstanding finance charges alone.

Note: Most companies find it excessive to tack finance charges on overdue finance charges. Moreover, you should check the lending laws that apply to your location and business—some laws restrict your ability to charge interest on outstanding interest payments.

- **Calculate charges from.** You can calculate finance charges from two different dates, depending on how painful you want the finance charge penalty to be. Choosing the “due date” option is the more lenient approach. This option tells QuickBooks to assess finance charges only on the days that an invoice is paid past its due date. For example, if the customer pays 10 days after the due date, QuickBooks calculates the finance charges for 10 days. If you want to assess finance charges from the date on the invoice, choose the “invoice/billed date” option. If the customer pays 10 days late on a *Net 30 invoice* (meaning payment is due no more than 30 days after the invoice date), QuickBooks calculates finance charges based on 40 days—the 30 days until the invoice was due and the 10 days that the payment was late.
- **Mark finance charge invoices “To be printed”.** If you want QuickBooks to remind you to print invoices with finance charges, turn on this checkbox. Invoices that you haven’t printed yet appear as alerts in the Reminders window.

General

You might find it odd that the most common preferences appear in the middle of the preferences list. And it’s even stranger that QuickBooks selects the General preferences category the very first time you open the Preferences dialog box. What gives? Simple—the preference categories appear in alphabetical order.

The General settings can make your QuickBooks sessions either a breeze or an annoyance. Most of the General preferences appear on the My Preferences tab, but a few apply to everyone who logs into QuickBooks.

Tuning QuickBooks to Your Liking

The following settings on the My Preferences tab can help you fine-tune QuickBooks' behavior:

- **Pressing Enter moves between fields.** In the Windows world, pressing the Enter key usually activates the default button in a dialog box, while the Tab key advances the cursor to the next field. If you press Enter in QuickBooks and find that your dialog box closes unexpectedly, this checkbox can provide some relief. When you turn it on, pressing Enter moves the cursor between fields in a dialog box rather than closing it. However, because Enter no longer closes dialog boxes, you have to press Ctrl+Enter or click a button to do so, such as OK, Record, Save & Close, or Save & New (depending on the dialog box).
- **Automatically open drop-down lists when typing.** This preference makes drop-down menus spring open as soon as you type a letter in a field. You can then click the entry you want, as shown in Figure 23-6.

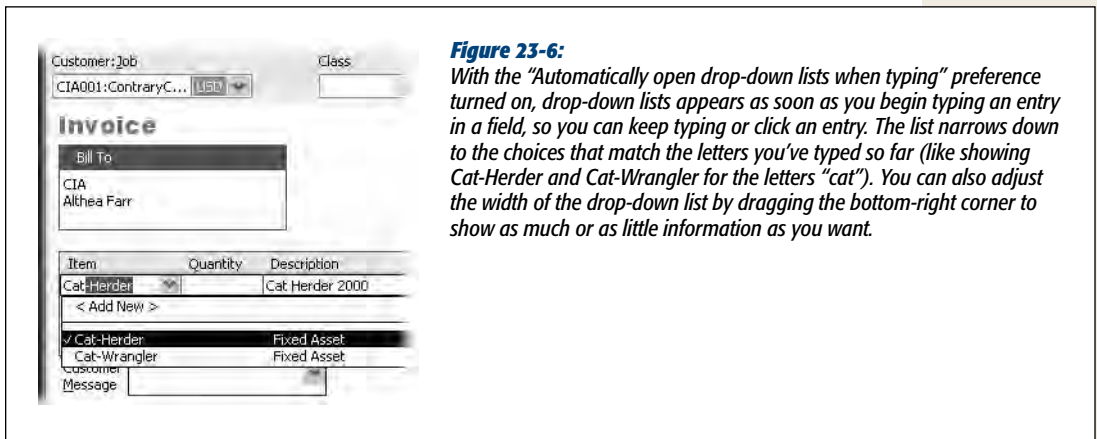


Figure 23-6:

With the “Automatically open drop-down lists when typing” preference turned on, drop-down lists appear as soon as you begin typing an entry in a field, so you can keep typing or click an entry. The list narrows down to the choices that match the letters you’ve typed so far (like showing Cat-Herder and Cat-Wrangler for the letters “cat”). You can also adjust the width of the drop-down list by dragging the bottom-right corner to show as much or as little information as you want.

- **Beep when recording a transaction.** If you like auditory assurance that your software is working, turn on this checkbox to have QuickBooks beep when it records a transaction. (Remember, you’ll hear beeps only if you haven’t muted the audio on your computer.) If you grow tired of QuickBooks sounding like an arcade game, simply turn off this checkbox.
- **Automatically place decimal point.** When you turn on this checkbox, QuickBooks places decimals so that the last two numbers you type represent cents. For example, typing 19995 automatically becomes 199.95. (If you want to enter a whole dollar, type a period at the end of the number.) Having QuickBooks place decimal points in numbers for you can be quite addictive once you get used to it, particularly if you haven’t graduated to rapid-fire numeric entry on your computer’s numeric keypad—or if you work on a laptop and haven’t realized that your keyboard *has* a numeric keypad.

- **Warn when editing a transaction.** QuickBooks turns on this checkbox automatically, which means that the program displays a warning if you edit a transaction and attempt to leave it (for instance, by clicking another transaction) without explicitly recording the change. If you inadvertently modify a check or invoice, this warning gives you a chance to exit without saving the changes.

If you decide to turn off this feature, QuickBooks automatically records transactions that aren't linked to other transactions. However, if a transaction has links—such as a payment that links to a customer invoice—you need to record transactions after you change them regardless of how you've set this preference.

- **Bring back all one-time messages.** One-time messages instruct beginners in the ways of QuickBooks, but for experienced folks, these messages are merely annoyances. The only time you might want to turn on this checkbox is if you were overly enthusiastic about hiding one-time messages and find yourself in need of QuickBooks' mentoring once more.
- **Turn off pop-up messages for products and services.** Out of the box, QuickBooks displays pop-up messages about other products and services Intuit would love to sell to you. Turn this checkbox off to stop the marketing.
- **Show ToolTips for clipped text.** Text in QuickBooks fields is often longer than what you can see on the screen. For example, if you see the text "Make sure you always" in a text box, you'll want to see the rest of the message. This checkbox, which is turned on initially, tells QuickBooks to display the entire contents of a field when you position your cursor over it.
- **Warn when deleting a transaction or unused list item.** QuickBooks turns this checkbox on automatically, so you have to confirm that you want to delete a transaction, such as a deposit or check, or a list item that's never been used in a transaction. Caution is a watchword in the financial world, so although QuickBooks lets you delete transactions, it's a good idea to include this extra step to make sure you're deleting what you want. If you turn off this checkbox, you can delete a transaction without confirmation.

Note: Regardless of how this preference is set, QuickBooks won't let you delete a list item, such as a customer type or shipping method you use, if it's been used even once in a transaction. Page 125 explains what you've got to do to delete or inactivate list items.

- **Keep QuickBooks running for quick startups.** If you fire up QuickBooks frequently, turn on this checkbox so the program launches faster (because it stays running in the background). If you turn off this checkbox, QuickBooks doesn't run in the background or use your computer's memory, and it takes longer to start up.
- **Automatically remember account or transaction information.** Say you write checks each month from the same account for your Internet access. Those transactions include the same vendor, the same amount, and post to the same account. QuickBooks turns on the "Automatically remember account or

transaction information” checkbox and selects the “Automatically recall last transaction for this name” option to make these recurring transactions easy. When you type a name in a transaction, QuickBooks fills in the rest of the fields with the values you used in the last transaction for that name.

If you select the “Pre-fill accounts for vendor based on past entries” option, QuickBooks automatically fills in the accounts you use consistently for vendor transactions. But since you can set up pre-fill accounts for vendors with other QuickBooks features (page 134), the “Automatically recall last transaction for this name” option gives more bang for the buck.

AutoRecall has a couple of limitations you should keep in mind. It can’t recall a transaction in one account if the previous transaction was in another account. In addition, it can recall transactions for bills, checks, and credit card charges only. For other transactions—such as purchase orders, invoices, sales receipts, and credit memos—you have to fill in all the fields or use a memorized transaction.

Tip: It’s a rare occurrence, but if you find this automated data entry more of a hindrance than help, turn off the “Automatically remember account or transaction information” checkbox. You can still reuse transactions by memorizing them and choosing them from the Memorized Transaction List, described on page 330.

- **Default date to use for new transactions.** In this section of the My Preferences tab, choose the “Use today’s date as default” option if you want QuickBooks to fill in the date field with the current date for every new transaction you create.

If you create invoices over the course of several days but want each invoice to reflect the first day of the month, choose the “Use the last entered date as default” option. In the first invoice you create, type the date you want for all your invoices. For subsequent invoices, QuickBooks fills in the Date field with the date you entered on the previous invoice. When you want to use a new date (after all the invoices are complete), simply type the new date in your next transaction.

Tip: When you select the “Use the last entered date as default” option, be sure to check the Date box in a transaction window (like Create Invoices) to make sure it’s the one you want.

- **Keep custom item information when changing item in transactions.** This setting determines how QuickBooks responds when you change an item in a transaction after customizing its description. Say you add an item to an invoice, edit the description in the invoice, and *then* realize that you added the wrong item. When you choose a new item to replace it, if you’ve selected the Ask option for this setting, QuickBooks asks you if you want to use the edited description for the new item. The Always option automatically applies the edited description to the new item. And with the Never option, QuickBooks discards the edited description and uses the description from the new item’s record.

Company-Wide General Preferences

The Company Preferences tab includes four preferences, shown in Figure 23-7. Only a QuickBooks administrator can change these settings. Here's what they do:

- **Show portions of an hour as.** You can enter hours in one of two ways: as decimal numbers that represent hours and fractions of hours, or as hours and minutes separated by a colon, as you can see in Figure 23-7. This preference tells QuickBooks which way to display time values.

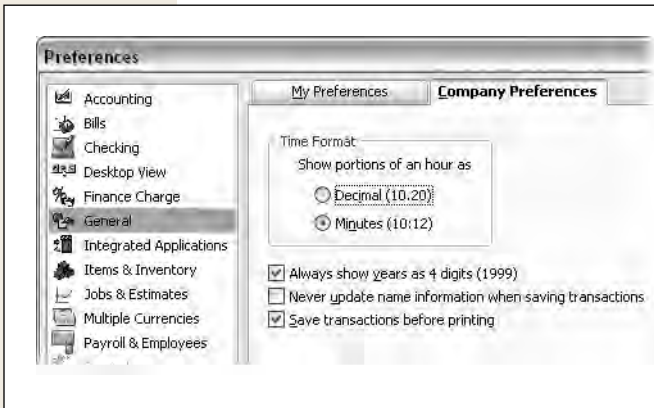


Figure 23-7:

To display hours and minutes as decimals, choose the Decimal option. For example, if you type 15:45 (15 hours and 45 minutes) in a time field, QuickBooks converts that to 15.75. To display hours and minutes, choose the Minutes option. With this option, QuickBooks displays the entry 5.4 as 5:24.

- **Always show years as 4 digits.** Turning on this feature tells QuickBooks to display all four digits of the year whether you type two digits or four. For example, if you type 09, then QuickBooks displays 2009. Turning off this checkbox shows years as two digits. When you type a two-digit number for a year, QuickBooks translates numbers from 00 through 39 as years 2000 through 2039. Numbers 40 through 99 become 1940 through 1999.

Tip: When you turn off the “Always show years as 4 digits” checkbox, QuickBooks does as it’s told and displays only two digits for the year. If a date field shows 40 and you want to see whether that stands for 1940 or 2040, in the date field, click the Calendar icon. The Calendar shows both the month and the full four-digit year.

- **Never update name information when saving transactions.** QuickBooks comes set so that, when you edit the name of a customer or vendor, for example, the program asks if you want to replicate that change back in the original record—on the Customer:Job List or Vendor List. Possibly the only time you might want to change this behavior (which you do by turning on this checkbox) is if you use generic names, such as Donor or Member. If you receive donations and your donors want receipts with their names and addresses filled in, you don’t want the names and addresses you enter on sales receipts to alter your generic donor record.

- **Save transactions before printing.** QuickBooks turns this checkbox on initially, and it's a good idea to leave it that way. It tells the program to save a transaction before you print it so that the transaction in QuickBooks is the same as the one you print. If you turn this checkbox off, you could print the transaction with one set of data and then close the dialog box without saving that data, thus making your QuickBooks books different from your paper records.

Integrated Applications

As you'll learn in more detail in Chapter 24, QuickBooks plays well with other programs, like Microsoft Excel and Access. For example, by integrating Microsoft Outlook with QuickBooks, you can easily keep your contact information synchronized in both programs. Third-party vendors create all sorts of programs that integrate with QuickBooks for tasks like document management, project tracking, creating bar codes, and so on. If you're a QuickBooks administrator, the Integrated Applications preferences category is where you control which programs can interact with QuickBooks and the extent of their interaction. For example, you can use another program to produce estimates and then transfer the completed estimates into QuickBooks to fill out invoices and other forms.

To access these preferences, choose Edit→Preferences and click the Integrated Applications icon. Here's a guide to setting the preferences on the Company Preferences tab to allow or restrict other programs' access to your QuickBooks file:

- **Don't allow any applications to access this company file.** The quickest way to keep other programs from using a QuickBooks file is to turn on this checkbox. When you do so, QuickBooks prevents integrated programs from accessing the file and stops displaying screens that allow people to authorize access. If you want QuickBooks to display access screens, turn off this checkbox. (Others can authorize access only if a QuickBooks administrator sets up their accounts to do so, as discussed on page 651.)
- **Notify the user before running any application whose certificate has expired.** The most security conscious of administrators might turn on this checkbox to see a warning if a program trying to access the QuickBooks file has an expired certificate. But an expired certificate doesn't mean that the program has changed or has morphed into malicious code—only that the certificate has expired. For most administrators, leaving this checkbox off is preferable.
- **Applications that have previously requested access to this company file.** When programs request access to a QuickBooks file, QuickBooks displays an access screen to the QuickBooks administrator who has to approve or deny access. Programs that have received approval to access your company file appear in this list. To deny access to one of these programs, click its checkmark in the Allow Access column, or select the program, and then click Remove.

Items & Inventory

The Items & Inventory preferences apply mainly to what QuickBooks does when you create purchase orders or invoices for inventory. The first checkbox is the most important: Turning on the “Inventory and purchase orders are active” checkbox tells QuickBooks that you want to track inventory, which activates the program’s inventory-related features (Chapter 19) and adds icons like Purchase Orders and Receive Inventory to the Home page. If you leave inventory tracking on, here are the settings you may want to adjust:

- **Warn about duplicate purchase order numbers.** Leave this checkbox on if you want QuickBooks to warn you when you’re creating a purchase order with the same number as one you already entered.
- **Calculating the quantity available.** QuickBooks actually tracks two quantities for inventory items. Quantity On Hand is always the actual number of items sitting in inventory. Quantity Available can equal Quantity On Hand, but you can also tell QuickBooks to calculate the quantity available by deducting the number of items on sales orders or used in pending builds (when you build products out of components).

If you use sales orders (page 280) to track orders that haven’t been invoiced, QuickBooks automatically turns on the “Quantity on Sales Order” checkbox. With this setting, QuickBooks calculates the number of inventory items available by deducting the number of items on sales orders from the number of items on hand, which helps prevent out-of-stock items. If you turn this checkbox off, the quantity available reflects only the inventory that’s been invoiced and shipped, so you won’t know that your inventory is low until you start filling the sales orders you created.

Note: In some QuickBooks Premier Editions (Accountant, Contractor, and Manufacturing & Wholesale) and QuickBooks Enterprise, you can specify one or more units of measure for inventory items, in case you sell wine by the bottle, by the case, and by the vat, for example. In the “Unit of Measure” section, click the Enable button.

You define units of measure in the Create Item or Edit Item windows (page 100). In the “Unit of Measure” section, click Enable and then select the Single U/M Per Item option or the Multiple U/M Per Item option. Click Next to open the “Unit of Measure” dialog box to the “Select a Unit of Measure Type” screen. To use one of the built-in units, like count, length, weight, volume, area, or time, select the corresponding option and then click Next. On the “Select a Unit of Measure” screen, choose a measure. For example, if you select the Length option as the unit of measure type, you can choose Foot, Inch, Yard, Mile, Millimeter, Meter, or Other. If you select Other on the “Select a Unit of Measure Type” screen and then click Next, you can type a name and abbreviation for the measure, like Space Warp Area or SWArea.

- **Warn if not enough inventory to sell.** If you prepare an invoice to sell more doodads than you have in stock, QuickBooks warns you—if this checkbox is turned on. Suppose you sell 500 quarts of sesame soy swirl frozen yogurt, but you have only 400 quarts in stock. When you attempt to save the invoice for the 500-quart order, QuickBooks displays a message box informing you of your

shortage. But QuickBooks doesn't go any further than that. You can save the invoice, but it's up to you to order more inventory. Besides giving you a heads-up that inventory is low, this setting helps you keep your customers happy, since you can ask them if they want to wait for a back-order to be filled.

Select the appropriate option to tell QuickBooks whether you want a warning based on the Quantity On Hand or the Quantity Available. Because Quantity Available can be lower than the Quantity On Hand, that's the safest route.

Jobs & Estimates

If you create estimates or document job progress in QuickBooks, head to the Jobs & Estimates preferences category to set up your progress terminology and estimating features. QuickBooks includes five fields for job status: Pending, Awarded, "In progress", Closed, and "Not awarded". Despite QuickBooks' field names, you can type any term you want for status in any of the five boxes. You can type *Waiting* in the Pending box, *Whoopie!* in the Awarded box, and *Finally!* in the Closed box, for example. Then, when you edit a job and display the Job Status drop-down list, you can choose from these terms.

Choose any or all of the following preferences on the Company Preferences tab to set up estimates and progress invoicing:

- **Do You Create Estimates?** This question is misleading. If you create estimates in a program other than QuickBooks, you still choose the No option. Only choose the Yes option if you want to create estimates *in QuickBooks*, as described on page 283, and add an Estimates icon to the Home page.
- **Do You Do Progress Invoicing?** Also known as "partial billing," progress invoicing means that you invoice your customer for work as you go instead of billing for the entire job at the end. For example, if you're building a shopping mall, you don't want to carry the costs of construction until shoppers walk in the front door—you want to charge your client as you meet milestones. To create invoices for portions of your estimates, choose the Yes option. Then, you can invoice for part of an estimate and show how much you billed previously, as described in detail on page 288.

Note: If you choose the No option, you can still create progress invoices from your entire estimate. After you bring the whole estimate into your invoice, remove entries until the invoice includes only what you want to bill. The flaw in this approach is that you can't show previous totals billed or compare the amount billed and remaining to your estimate.

- **Warn about duplicate estimate numbers.** Turn on this checkbox if you want QuickBooks to warn you if you're creating an estimate with the same number as one you already entered.

- **Don't print items that have zero amount.** If you don't turn on the "Do You Do Progress Invoicing?" preference, this checkbox is grayed out. If you do produce progress invoicing, you might not charge for every estimated item on every progress invoice. To keep your progress invoices tidy, suppress the items that you're not charging for by turning on this checkbox.

Multiple Currencies

If you use only one currency, you can skip these preferences, because QuickBooks automatically selects the "No, I use only one currency" option, as shown in Figure 23-8. But if you have customers who pay you in other currencies or vendors who want to be paid in their country's currencies, you can turn on the multiple currency preference. Once you do, it's on for good. However, if you stop doing business with foreign-currency customers and vendors, you can simply skip the currency boxes in QuickBooks' windows and dialog boxes. (QuickBooks automatically fills them in with your home currency.)

To turn on multiple currencies, in the Preferences dialog box, click the Multiple Currencies entry, and then click the Company Preferences tab. Select the "Yes, I use more than one currency" option and, in the "Select the home currency you use in transactions" drop-down list, choose the currency you use.

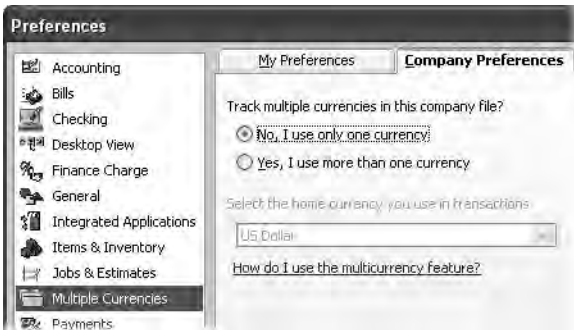


Figure 23-8:

QuickBooks initially sets the home currency to US Dollar, but you can change that in the "Select the home currency you use in transactions" drop-down list. In transaction windows and dialog boxes, QuickBooks initially fills in the Currency box with your home currency. However, after you set up a customer or vendor to use a foreign currency, QuickBooks automatically uses that currency instead. See page 64 for the full scoop on using multiple currencies.

Payments

Payments preferences let you control a few aspects of how you apply payments. Look for the Receive Payments section in the middle of the window to set the following options:

- **Automatically apply payments.** This checkbox is best left turned off, which means you have to manually match payments you receive to the corresponding customer invoices. If you turn this checkbox on, QuickBooks applies customer payments to invoices for you. If a payment doesn't match any of the invoice amounts, QuickBooks applies the payment to the oldest invoices first, which could mask the fact that a payment wasn't received or that a customer's check was for the wrong amount.

- **Automatically calculate payments.** This preference is also better kept turned off. When you receive a payment from a customer, in the Receive Payments window's Amount box, you typically type the amount that the customer sent. Then, as you choose the invoices to apply the payment to, you can see if the payment balances the amount the customer owes. If the customer underpaid, QuickBooks asks you if you want to keep the underpayment or write off the amount that the customer didn't pay. If you turn on this checkbox, QuickBooks calculates the payment for you as you choose invoices, so discrepancies aren't easy to spot.
- **Use Undeposited Funds as a default deposit to account.** If you typically collect a few payments before heading to the bank to deposit them, turn on this checkbox so QuickBooks automatically adds payments you receive to the Undeposited Funds account. With this setting turned on, QuickBooks doesn't show the "Deposit to" box in the Receive Payments window, so you have no choice but to deposit payments to Undeposited Funds. If you want a say in whether to deposit payments right away, keep this checkbox turned off. Then, in the Receive Payments window's Deposit To field, you can choose a bank account to deposit funds immediately, or you can choose Undeposited Funds to collect several payments before you make a deposit.

Note: The rest of the Company Preferences tab is filled with links to sign up for Intuit's Payment Solutions services, such as credit card, paper check, or eCheck processing services.

Payroll & Employees

Perhaps the most annoying things about employees is their insistence on being paid. Sad to say, but using QuickBooks for payroll doesn't eliminate the need to transfer money from your company into your employees' pockets, but it can simplify the task. If you choose one of the QuickBooks' payroll service options, the Payroll & Employees preference category is command central for configuring your payroll service and how it operates. Payroll and employee preferences appear on the Company Preferences tab, so only QuickBooks administrators can set them.

Tip: If you'd rather someone else incur brain damage figuring out government payroll requirements, on the QuickBooks menu bar, choose Employees→Payroll Service Options→Learn About Payroll Options. In a web browser window, the Intuit QuickBooks Payroll screen displays buttons you can click to learn more. If you like what you see, you can then sign up for one of Intuit's payroll services.

On the Company Preferences tab, the QuickBooks Payroll Features area gives you three options for choosing a payroll service: Full Payroll, No Payroll, and Complete Payroll Customers. Because these labels don't tell the whole story, here's some info that can help you determine which one you should choose:

- **Full Payroll.** This is the option you want if you plan to calculate payroll yourself and use QuickBooks' features to produce the documents, or if you use QuickBooks Basic Payroll, Standard Payroll, Enhanced Payroll, or Assisted Payroll to figure out payroll amounts. With this option selected, you can produce payroll documents such as paychecks; payroll reports; and payroll forms, including 940 (employer federal unemployment tax), 941 (employer quarterly federal taxes), W-2 (employee wage and tax statement), and W-3 (transmittal of W-2s).

Tip: If you want to allocate wages and payroll taxes to jobs, you have two choices. If you use a third-party payroll service, you can select the No Payroll option and then use journal entries to reassign payroll and payroll taxes to jobs. The other alternative is to choose the Full Payroll option and use QuickBooks' payroll features to assign payroll and payroll taxes to jobs. See page 372 for details.

- **No Payroll.** Only two situations warrant choosing this option: you don't run payroll in any way or you use a third-party payroll service. If you're a sole proprietor and pay yourself by taking owner's draws, this is the right option. Likewise, if you use an outside payroll service, such as Paychex or ADP, and have no need to print payroll documents or assign payroll costs to jobs, choose this option. With this option selected, you don't see payroll-related commands on the Employees menu or in the Employee Center.

Note: If you have transactions from prior payrolls and switch to using an outside payroll service, the past payroll data remains in your QuickBooks file.

- **Complete Payroll Customers.** If you use Intuit Complete Payroll choose this option. (Complete Payroll customers know who they are, because this service no longer accepts new customers.) When you use this service, you transmit your payroll data from QuickBooks to the service, and then import the processed payroll transactions from the service into QuickBooks.

The Payroll & Employees preference category has plenty of additional settings, which are intimately linked to payroll and described in detail in Chapter 14. For example, you can specify the deductions and payroll items that affect every employee, and you can control the fields that appear on paychecks and paycheck stubs.

Whether you run payroll or not, here's the lowdown on the remaining employee preferences that don't relate to payroll:

- **Display Employee List by.** When your company employs only a few people, you can choose the First Name option so that QuickBooks sorts the Employee List by first names. However, if you employ hundreds of employees, choose the Last Name option. Regardless of which option you choose, QuickBooks prints paychecks with employee names with the first name first and last name last.

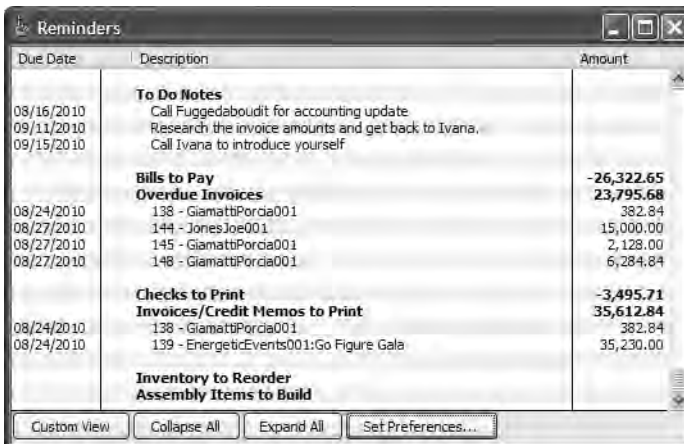
- **Mark new employees as sales reps.** If only a few of your employees act as customer contacts and receive commissions, you can reserve the Sales Rep List for them by turning off this checkbox and adding names to the Sales Rep List manually (page 141). On the other hand, if you consider every employee a potential sales rep, you can turn on this checkbox so that QuickBooks automatically adds every employee you create to the Sales Rep list, saving you a five-step process each time.
- **Display employee social security numbers in headers on reports.** QuickBooks automatically turns off this checkbox, which is preferable if you want to protect your employees' financial privacy.

Reminders

QuickBooks reminds you when to perform many of your accounting and business tasks, so you can save your brain cells for remembering more important things—like your employees' names. Even if you have a brain the size of a small planet, you're likely to rely on QuickBooks' reminders to nudge you when it's time to print checks or reorder inventory. And when you turn on reminders for To Do Notes, the program can give you hints about any task that you don't want to forget, whether it's for a customer, vendor, employee, or yourself.

Reminders on the My Preferences Tab

In the Reminders preference category, the My Preferences tab has only one preference, but it can render all of the settings on the Company Preferences tab useless. If your short-term memory is mere nanoseconds, turn on the "Show Reminders List when opening a Company file" checkbox. That way, QuickBooks displays the Reminders list window (Figure 23-9) whenever you open your company file, and it stays open unless you close it.



Due Date	Description	Amount
To Do Notes		
08/16/2010	Call Fuggedaboutit for accounting update.	
09/11/2010	Research the invoice amounts and get back to Ivana.	
09/15/2010	Call Ivana to introduce yourself	
Bills to Pay		
		-26,322.65
Overdue Invoices		
08/24/2010	138 - GiamattiPorcia001	23,795.68
08/27/2010	144 - JonesJoe001	382.84
08/27/2010	145 - GiamattiPorcia001	15,000.00
08/27/2010	148 - GiamattiPorcia001	2,128.00
		6,284.84
Checks to Print		
		-3,495.71
Invoices/Credit Memos to Print		
08/24/2010	138 - GiamattiPorcia001	35,612.84
08/24/2010	139 - EnergeticEvents001:Go Figure Gala	382.84
		35,230.00
Inventory to Reorder		
Assembly Items to Build		

Figure 23-9:

In the "Company name" field, on the Reminders Company Preferences tab, the Show Summary options tell QuickBooks to display a single reminder and the total amount of money in the Reminders window, like the "Bills to Pay" row here. Show List options display each transaction on a separate line, as shown below the Overdue Invoices heading. QuickBooks displays one line with the total for overdue invoices, followed by a line showing each overdue invoice.

Reminders for Everyone

The Company Preferences tab lists a plethora of different types of reminders, which are available only if you've turned on the corresponding QuickBooks feature. For example, if you don't use QuickBooks' inventory, the "Inventory to Reorder" reminder is dimmed. As shown in Figure 23-10, you can specify the level of detail for each type of reminder and when you want QuickBooks to remind you.

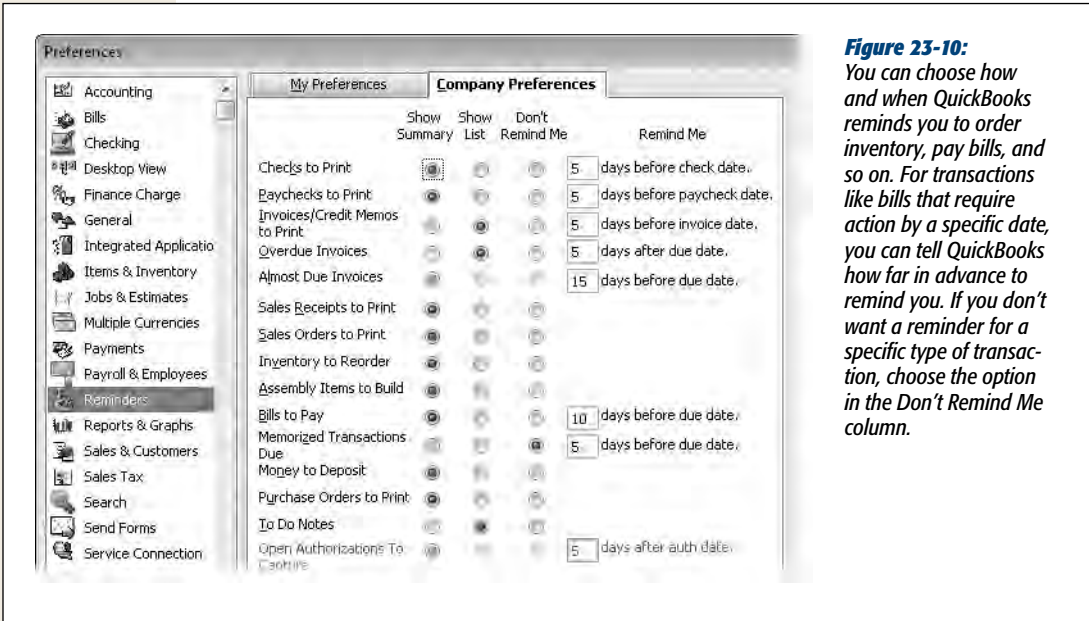


Figure 23-10: You can choose how and when QuickBooks reminds you to order inventory, pay bills, and so on. For transactions like bills that require action by a specific date, you can tell QuickBooks how far in advance to remind you. If you don't want a reminder for a specific type of transaction, choose the option in the Don't Remind Me column.

QuickBooks can generate reminders for the following transactions:

- **Checks to Print.** You can queue up checks to print in the Write Checks window (page 234) by turning on the To Be Printed checkbox for each check you create. This reminder tells you that you've got checks queued up to print. You can also specify how many days' notice you want before the date you entered to print the checks.
- **Paychecks to Print.** This reminder tells you that paychecks are waiting to print. You can specify how many days' notice you want before the payroll date you entered.
- **Invoices/Credit Memos to Print.** To print invoices or credit memos in batches, as described on page 315, in the Create Invoices window, turn on the "To be printed" checkbox. This reminder notifies you about unprinted invoices or credit memos. You can specify how many days' notice you want before the invoice or credit memo date you entered.

- **Overdue Invoices.** This reminder warns you about invoices that have passed their due dates with no payment from the customer. You can specify how many days an invoice is late before QuickBooks reminds you.
- **Almost Due Invoices.** This reminder tells you about invoices that are due soon. The Show Summary option is selected and you can't change it. However, you can change the number of days before the due date.
- **Sales Receipts to Print.** If you queued up sales receipts to print as a batch (page 315), this is the reminder about printing them. QuickBooks reminds you as soon as you have any sales receipts to print.
- **Sales Orders to Print.** This preference is available only if you use QuickBooks Premier or Enterprise, and it reminds you to print sales orders you've queued up.
- **Inventory to Reorder.** When you create inventory part items in QuickBooks, you can set a reminder for when you need to reorder inventory. This reminder warns you when a sales form you create reduces the number of items on hand below your reorder point. (The program generates a reminder immediately.)
- **Assembly Items to Build.** This preference is available only if you use QuickBooks Premier or Enterprise. It warns you when the quantity of assembled items drops below your build point (page 110).
- **Bills to Pay.** This reminder nudges you about the bills you have to pay. (Entering bills is described on page 200.) You can specify how many days' notice you want before the date the bills are due.
- **Memorized Transactions Due.** When you memorize transactions, you can specify a date for the next occurrence (page 323). This reminder tells you about recurring memorized transactions. You can specify how many days' notice you want before the date for the next occurrence.
- **Money to Deposit.** When you receive payments, you can group them with other undeposited funds so you aren't running to the bank every 5 minutes as checks pour in. If you want to put your money to work as soon as possible, turn on this checkbox to receive a reminder as soon as you have any funds to deposit.
- **Purchase Orders to Print.** This reminder gives you a prod about purchase orders you haven't yet printed.
- **To Do Notes.** To-do items that you associate with customers can include dates, as described on page 87. This reminder shows you when to-do items are due.

Reports and Graphs

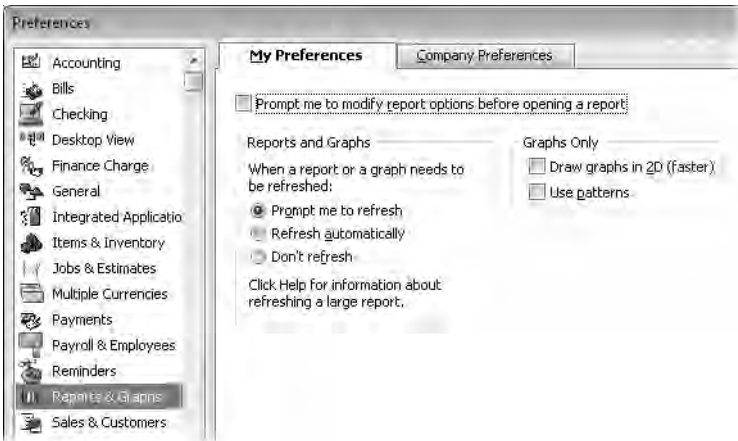
QuickBooks administrators can modify settings that apply to every report and graph their company produces. Each person who logs into QuickBooks can specify a few preferences for the reports and graphs she generates, too.

Preferences for the Reports You Generate

Here's a guide to the personal preferences shown in Figure 23-11 and the effects they have on performance:

- **Prompt me to modify report options before opening a report.** The reports you want usually require small tweaks—a different date range perhaps—so turning on this checkbox works for most people. With this checkbox turned on, QuickBooks automatically opens the Modify Report window when you generate a report so you can make any changes you want. (Click Refresh to view the results.) If you turn off this checkbox, in a report window, on the button bar, click Modify Report to make changes.

Figure 23-11:
Keeping reports up-to-date with the information in your company's QuickBooks file can be time-consuming. To accommodate the inclinations of each person who logs into QuickBooks, the preferences on the *My Preferences* tab control how QuickBooks updates reports and graphs.



- **Prompt me to refresh.** If your QuickBooks file changes frequently and you don't want to wait while the program incessantly refreshes every report you have open, choose this option. It's the best option if you want QuickBooks to remind you to refresh your reports when you've changed data that affects them. For example, suppose you generated a Profit & Loss report and then created a new invoice for a customer; QuickBooks would prompt you to refresh your report. When you're ready to refresh your report or graph, in the report's window, simply click Refresh.
- **Refresh automatically.** This option can be slow and disruptive to your work, particularly if numerous people are frantically changing data in the company file, as is often true as year-end approaches. However, if it's critical that your reports and graphs are always accurate, choose this option so QuickBooks automatically refreshes reports and graphs whenever the underlying data changes.
- **Don't refresh.** If you find yourself distracted by refreshes or even prompts about refreshing, choose this option. That way, QuickBooks won't refresh your reports and graphs or remind you—no matter how significant the changes to the underlying data. When you've finished your report and graph customizations, click Refresh to generate the report with the current data.

- **Draw graphs in 2D.** If you care about time more than fancy graphics, turn on this checkbox. QuickBooks then displays graphs in two dimensions, which is faster than drawing the 3-D graphs that appear if you leave this checkbox off.
- **Use patterns.** When you turn on this checkbox, QuickBooks uses black and white patterns instead of colors to differentiate areas on graphs. If you leave this checkbox off, QuickBooks displays colors on color monitors or shades of gray on black-and-white monitors.

Preferences That Apply to Every Company Report

The Company Preferences tab has several preferences for the reports and graphs you generate for your company. If you're a QuickBooks administrator, use the following preferences to format reports and graphs:

- **Summary Reports Basis.** Nothing starts adrenaline flowing like financial reports that aren't what you expect, particularly when the IRS auditors are dropping by to peruse your company books. Be sure to choose the correct option here—Cash or Accrual (page 7 explains the difference)—so that the reports you generate reflect your financial performance accurately.

Note: In most cases, when your accountant recommends cash or accrual accounting, you choose the appropriate option, and then you can forget about it. But if you upgrade or reinstall QuickBooks, make sure that QuickBooks didn't reset your Summary Reports Basis choice.

- **Aging Reports.** You can control how QuickBooks calculates age for invoices, statements, and bills. If you choose the "Age from due date" option, the program shows the number of days between the due date and the current date. If you choose "Age from transaction date", QuickBooks shows the number of overdue days from the date of the transaction to the current date instead. Suppose an invoice is dated September 1 with a due date of October 1. On October 10, the "Age from due date" option shows the invoice age as 10 days, whereas the "Age from transaction date" option shows the invoice age as 40 days.
- **Reports – Show Accounts by.** Reports typically list accounts by name. If you use especially short account names, you can use the account descriptions in reports instead. You can also show both names and descriptions.
- **Statement of Cash Flows.** Although QuickBooks does a great job of associating your accounts with the Operating, Investing, and Financing categories of the "Statement of Cash Flows" report, some companies are bound to require a customized cash flow report. In that case, click Classify Cash to open the Classify Cash dialog box. (See page 451 to learn how to generate and customize a cash flow statement for your company.)
- **Format.** Click this button to set up standards for all your reports. For example, you can choose the information that you want to appear in headers and footers, and whether they're aligned to the left, right, or center of the page.

Sales & Customers

With the Sales & Customers preferences category, shown in Figure 23-12, you can control how QuickBooks handles the sales you make to your customers, including the shipping method you use, tracking reimbursed expenses as income, and notifying you out that you've created a duplicate invoice number.

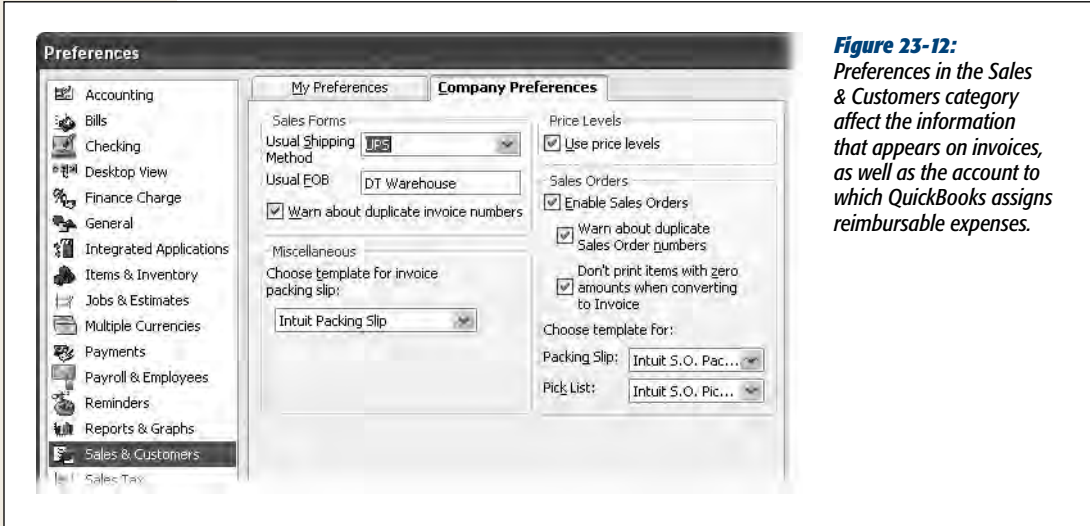


Figure 23-12: Preferences in the Sales & Customers category affect the information that appears on invoices, as well as the account to which QuickBooks assigns reimbursable expenses.

The My Preferences tab has one set of options that tell the program what to do about outstanding billable time and expenses. Here's what each option does:

- **Prompt for time/costs to add.** If you typically bill for time and expenses, select this option. That way, the "Choose Billable Time and Costs" dialog box (Figure 10-14, page 275) opens automatically when you create an invoice for a customer who has outstanding billable time charges or expenses.
- **Don't add any.** Select this option if you rarely have time or expenses to invoice and don't want to see the "Choose Billable Time and Costs" dialog box or receive a reminder that outstanding time and expenses exist.
- **Ask what to do.** This option merely adds an additional step to what the "Prompt for time/costs to add" option does. You have to tell QuickBooks whether or not to open the "Choose Billable Time and Costs" dialog box. Selecting the "Prompt for time/costs to add" option is your best bet.
- **Show Payment Toolbar on Receive Payment and Sales Receipt forms.** If you don't use Intuit's payment services like credit card processing or eCheck processing, turn off this checkbox to remove the Accept Payments panel that appears on the left side of the Receive Payment and Sales Receipt forms.

Here's a guide to the Sales & Customers preferences on the Company Preferences tab, all of which only QuickBooks administrators can change:

- **Usual Shipping Method.** If you negotiate a sweet deal with a shipping company and use them whenever possible, choose that company in the Usual Shipping Method drop-down list. When you do, QuickBooks automatically selects this method in sales forms' Ship Via fields. If the method you want to use isn't on the list, choose <Add New> to open the New Shipping Method dialog box (page 146).
- **Usual FOB.** FOB stands for "free on board" and represents the location at which the customer becomes responsible for the products you ship. For example, suppose you ship products from your warehouse in Severance, CO and you use Severance as your FOB location. As soon as your shipments leave Severance, the customer becomes the official owner of the products and is responsible for them if they get lost, damaged, or stolen in transit. Type a brief description of your FOB location in this box, and QuickBooks then puts this info in the FOB field on invoices and other sales forms.

Note: To keep you on your toes, the Intuit developers used a standard size for the Usual FOB text box, but you can type no more than 13 characters in the box.

- **Warn about duplicate invoice numbers.** Turn on this checkbox if you want QuickBooks to warn you when you create an invoice with the same number as one you already entered.
- **Choose template for invoice packing slip.** If you ship products to customers, you can print a packing slip from QuickBooks to include in your shipments. To specify the packing slip you want QuickBooks to use, in the drop-down list, choose a form. From then on, when you create an invoice and choose Print Packing Slip on the Print menu (page 318), QuickBooks automatically selects the template you specified. QuickBooks initially selects its predefined packing slip (Intuit Packing Slip), but you can create your own as described on page 634.
- **Use price levels.** You can set up multiple prices on the items you sell by setting price levels. To do so, first turn on this checkbox. Then refer to pages 137 and 139 to learn how to define and apply price levels.
- **Sales orders.** To use sales orders (QuickBooks Premier and Enterprise only) to record customer orders before you create invoices, turn on this checkbox. With it turned on, you can tell QuickBooks to warn you when you create a sales order with duplicate numbers. And you can tell the program to leave off any items with zero amounts when you convert the sales order into an invoice.

Sales Tax

Charging sales tax can be a complicated business, as the number of preferences on the Sales Tax Company Preferences tab indicates. If you don't charge sales tax, in the Do You Charge Sales Tax? area, simply choose the No option and move on to more important endeavors. If you do charge sales tax, you'll learn how to use the rest of the preferences as you set up Sales Tax items (page 122), charge sales tax on your sales, and pay sales tax to the appropriate authorities (page 242).

Search

You can search your company file to find customers, vendors, and other names; transactions like invoices and bills; amounts; dates; or text within memos, notes, and descriptions. In QuickBooks 2011, you can set preferences for how often QuickBooks updates the data it uses to search. Because these updates make QuickBooks run a little slower, you have to compromise between performance and up-to-date information.

QuickBooks turns on the “Update automatically” checkbox, initially, and that’s usually what you want. In the “Update every” drop-down list, choose a frequency for the automatic updates. In most cases, 30 or 60 minutes works well. If you want to update search info now, click the “Update search information” button.

Send Forms

As you’ll learn throughout this book, you can include a cover note when you send invoices, purchase orders, and other business forms via email. For example, if you email a purchase order, you can include details about the delivery in the note. Or, you can include a cover note along with an invoice to add some personal interaction with your customer. When you email an invoice or other form, QuickBooks opens the Send Invoice dialog box (or the dialog box corresponding to the form you’re sending) with your note filled in. The program attaches your invoice or other sales form as an Adobe PDF file.

QuickBooks includes standard messages for each type of form you send via email. These messages won’t win any awards for creativity, but fortunately, QuickBooks administrators can change them. You can create standard notes for invoices, estimates, statements, sales orders, sales receipts, credit memos, purchase orders, and reports. In fact, if your company has standard letters on file, you can copy and paste the contents of those letters from another program, such as Microsoft Word, into the QuickBooks cover note in the Send Forms preference Company Preferences tab.

To configure a standard note for a particular type of business form, follow these steps.

1. **To modify the note that accompanies a particular type of form, in the “Change default for” drop-down list, choose the form you want to customize.**

For example, if you want to set up a cover letter to go with your invoices, choose Invoices in the list.

2. **To specify the salutation you want, choose one from the drop-down list.**

Your choices include “Dear” and the impersonal “To”.

3. **To specify the format for the recipient’s name, choose it from the format drop down list.**

Depending on how formal or chummy you like to be, you can display the person’s first name only, the first and last name, or a title and last name. For example, if you choose <First>, your note begins with something like “To Dana” or “Dear Dana”. For more formal notes, choose <Mr./Miss/Ms.> <Last> to begin with “Dear Ms. Dvorak”.

4. Edit the content of the note using typical editing techniques.

For instance, click in the text to position the cursor where you want to add text, drag your cursor to select text you want to replace, and double-click a word to select the whole word.

5. To save the changes to your notes and close the Preferences dialog box, click OK or select another preference category.

If you make changes to notes and then click another preference icon, QuickBooks displays a Save Changes dialog box. To save the changes you made, click Yes.

On the My Preferences tab, QuickBooks automatically turns on the “Auto-check the ‘To be e-mailed’ checkbox if customer’s Preferred Send Method is e-mail” checkbox. That way, you don’t have to remember whether customers want to receive paperwork by email or snail-mail.

If you want to send QuickBooks email using Microsoft Outlook, select the Outlook option. (This option is available only if Outlook is installed on your computer.) If you use a Web-based email service, select the Web Mail option and then click the Add button to tell QuickBooks about your email service. In the Add Email Info dialog box, fill in your email address and select the email provider’s name (Gmail, Yahoo, and Hotmail, for example). QuickBooks then fills in the server name and the port with the typical settings for the provider you specified. If you use an email provider other than the ones on the list, you have to fill in the server name and port manually.

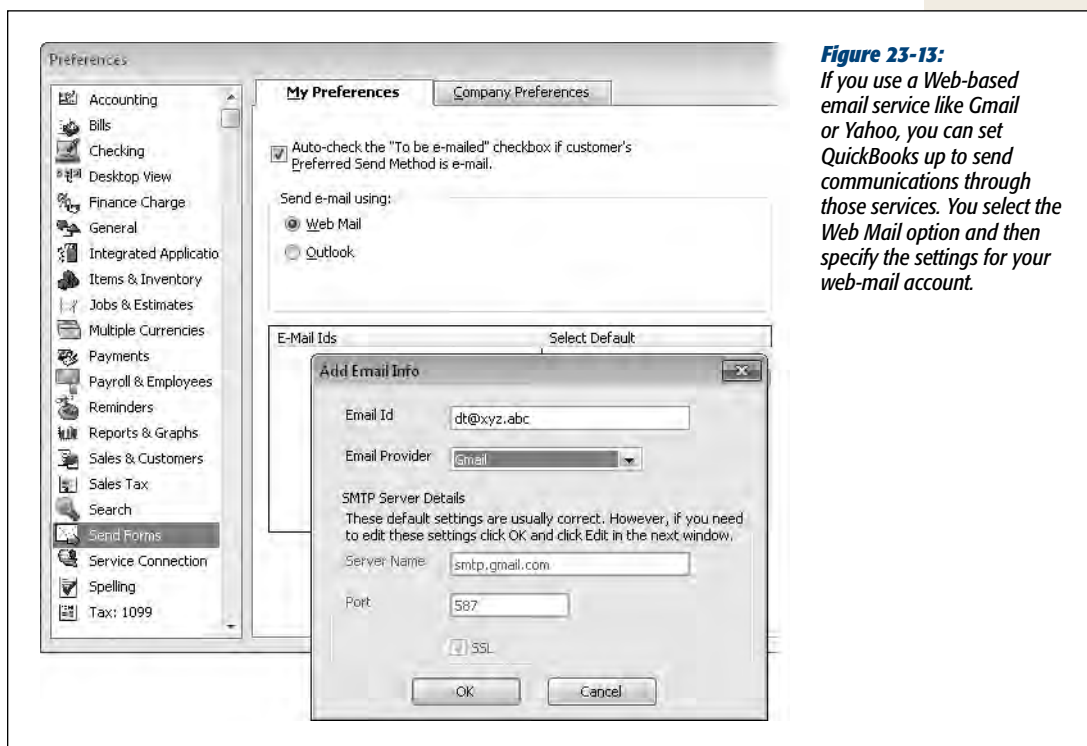


Figure 23-13: If you use a Web-based email service like Gmail or Yahoo, you can set QuickBooks up to send communications through those services. You select the Web Mail option and then specify the settings for your web-mail account.

POWER USERS' CLINIC

Service Connection Preferences

If your company uses QuickBooks' services, such as online banking, QuickBooks administrators can control how people log into those services. The easiest way to learn about or sign up for these services is to choose Help→Add QuickBooks Services and then click the link for the one you want.

Each person who uses QuickBooks services can control the behavior of online sessions, but security is a company-wide issue, so the options for whether to prompt for a password appear on the Company Preferences tab. Here are the service connection preferences that administrators can set and when you might want to use them:

- **Automatically connect without asking for a password.** Choosing this option automatically logs people into the QuickBooks Business Services network without a login name or password. This option is appropriate if you're the only person who accesses the network or you aren't concerned about security.
- **Always ask for a password before connecting.** Choose this option if you want everyone to provide a login name and password each time they access QuickBooks business services. This option is handy if several people access QuickBooks' business services or different people have different privileges with the services you use.
- **Allow background downloading of service messages.** If you want QuickBooks to check for messages

and updates when your Internet connection isn't tied up with other work, turn this checkbox on. QuickBooks then checks the Intuit website periodically and downloads updates or messages. If you turn this checkbox off, you can check for updates at a convenient time by choosing Help→Update QuickBooks.

If you aren't a QuickBooks administrator, you can still make some choices about your connection to QuickBooks Business Services. On the My Preferences tab, the "Give me the option of saving a file whenever I download WebConnect data" checkbox lets you decide when you want to process downloaded transactions. If you want QuickBooks to ask you whether to process downloaded transactions immediately or save them to a file, turn this checkbox on. If you turn it off, QuickBooks automatically processes downloaded transactions immediately.

You can launch QuickBooks by downloading WebConnect data or by double-clicking a QuickBooks file that contains WebConnect data that you downloaded previously. When you open the program this way, you often want to continue working in QuickBooks after you process the downloaded transactions. To keep QuickBooks open after processing transactions, turn the "If QuickBooks is run by my browser, don't close it after WebConnect is done" checkbox on.

Spelling

QuickBooks' spell checker isn't the all-knowing, willing-to-learn assistant that you find in other programs, but it helps you find common misspellings in most text fields. Spell checking is a personal preference: Each person who logs into QuickBooks can choose whether to use spell checking by turning on or off the "Always check spelling before printing, saving, or sending supported forms" checkbox.

If you turn spell checking on, you can also choose words that you want the spell checker to ignore. For example, you can ignore Internet addresses, words that contain numbers, words that begin with a capital letter, words that are in all uppercase letters, and words with a mixture of upper- and lowercase letters.

Tax: 1099

The Company Preferences tab in the Tax: 1099 preference category begins with the most important 1099 question: “Do you file 1099-MISC forms?” If you don’t use 1099 vendors, such as self-employed subcontractors, or you delegate 1099 generation to your accountant, simply choose the No option and ignore the rest of the preferences in this category. If you do file 1099-MISC forms, you can specify the accounts you use to track 1099 vendor payments and the minimum amount you have to report to the IRS. To learn how to generate 1099s and set the preferences that control them, refer to page 470.

Time & Expenses

The first option in this category is whether you track time at all. If you do, select the Yes option. Then you can choose the first day of the work week that appears if you use weekly timesheets in QuickBooks (see page 185).

The “Invoicing options” section has settings for how you handle billable time and expenses on invoices:

- **Create invoices from a list of time and expenses.** If you turn this checkbox on (it’s available only in QuickBooks Premier and Enterprise), the Customer menu includes the “Invoice for Time & Expenses” command. With this setting, you can view a list of all your unbilled time and expenses and select the customers you want to bill, as described on page 252.
- **Track reimbursed expenses as income.** Companies differ in their approach to reimbursed expenses, as explained on page 218. Some companies assign reimbursed expenses as income and then deduct the expenses as costs. The method you choose doesn’t affect the profit you earn—the reason for tracking reimbursable expenses as income is to charge sales tax on those expenses. If you want to post reimbursed expenses to an income account, turn this checkbox on.
- **Default Markup Percentage.** Suppose you’re an interior decorator and you mark up the furniture and bric-a-brac you sell by a standard percentage. When you specify your markup percentage in this text box and then create a new item (page 101), QuickBooks calculates the item’s sales price based on its cost. For example, if you create an inventory part for a black leather sofa and enter its cost as \$10,000, a 20-percent markup results in a sales price of \$12,000.
- **Default Markup Account.** To assign the income from your markup percentage to a specific account, select it in this drop-down list. You can choose an account dedicated to markup income or simply assign markup to your product-related income account.

If you charge a different markup on a few of the things you sell, then simply modify the sales price that QuickBooks calculates.

Integrating QuickBooks with Other Programs

Most businesses use other programs in addition to QuickBooks to keep things running smoothly. You can use QuickBooks data in other programs to study your company's financial ratios, calculate employee bonuses based on hours worked and services sold, send special sales letters to customers on their birthdays, and so on. Similarly, other programs may contain data that would be useful to pull into QuickBooks. For example, if you use an estimating program that has all the products and services you sell in its database, there's no reason to manually enter those in QuickBooks.

QuickBooks doesn't share its most intimate details with just any program. It reserves its data for a few select programs—or the ones you tell it to play nicely with. For example, you can set up letters in QuickBooks to send to customers, and the program automatically opens Microsoft Word with your customer data merged into form letters and envelopes. If you use Outlook (not Outlook Express) as your contact-management tool, keeping records up-to-date is easy. By synchronizing your QuickBooks company file and your contact database, you enter changes in one place and the programs automatically copy data from one file to the other.

Programs that can read a QuickBooks company file still have to ask permission to grab QuickBooks data. The QuickBooks administrator (or other QuickBooks users that the administrator anoints) can say whether another program can have access and how much. For software that can't read a company file directly but *can* provide valuable assistance processing your financial data (such as Excel, whose spreadsheets can calculate financial ratios that QuickBooks can't), you can export and import data between programs (page 608).

This chapter describes how to integrate QuickBooks at whatever level of trust you prefer. It also tells you about add-on services that Intuit provides and how to find third-party programs that work with QuickBooks.

Mail Merge to a Word Document

Business communications are the perfect marriage of QuickBooks data and word processing. You can generate your letters and envelopes in no time by combining QuickBooks' customer contact info and other data with Microsoft Word mail-merge documents. QuickBooks includes dozens of ready-to-mail letters as Word documents that cover the most common business communications, from customer thank-you notes to less friendly denials of requests for credit. If nothing less than Pulitzer-Prize quality will do for your business letters, you can modify the built-in letters and envelopes in Word or write your own.

The best place to start when you want to prepare letters in QuickBooks is Company→“Prepare Letters with Envelopes”, which displays a submenu with the following entries:

- **Collection Letters** include the invoices or statements that are overdue, and remind customers to pay up. QuickBooks automatically pulls the overdue balance and overdue invoices from your company file.
- **Customer Letters** pull only the customer's contact and address information from QuickBooks to address the letter and envelope. The rest of the letter is boilerplate for situations such as thanking customers for their business, apologizing for a mistake, or sending a contract.
- **Vendor Letters** include credit requests, disputed charges, payments on your account, and two blank templates for mailing or faxing a vendor.
- **Employee Letters** cover birthdays, sick time, vacation, and general communications.
- **Letters to Other Names** cover a hodge-podge of different recipients, so QuickBooks doesn't even try to guess what you need. The only template in this category is a blank letter with basic mail merge fields.
- **Customize Letter Templates** is a command that helps you create a brand new template, convert a Word document into a template, edit an existing template, or organize the templates you already have, as described in the box on page 599.

Creating Letters and Envelopes in QuickBooks

Although preparing any kind of letter with QuickBooks' letter wizard takes no more than a few clicks, the collection letter wizard has some extra smarts. For most letters, you can tell QuickBooks whether you want to include active and inactive names and then select the people who you want to receive letters. The collection letter wizard can also filter the customer list by how late payments are.

POWER USERS' CLINIC

Customizing Letter Templates

To create, edit, or otherwise manage customized letter templates, choose Company→“Prepare Letters with Envelopes”→Customize Letter Templates. (The first time you choose this command, QuickBooks may tell you it can't find the pre-installed letter templates in your company file folder. In that case, it asks if you want to copy its built-in templates. Click Copy to create copies of the built-in templates in the folder with your company file. If you store letter templates in another folder on your computer, click Browse to choose that folder.) Then, in the “Letters and Envelopes” wizard, choose one of these options:

- **Create a New Letter Template From Scratch.** You can specify the type of letter you want to create and the name of the template. QuickBooks sends a blank letter template to Word along with the toolbar shown in Figure 24-1. In addition to writing the content of the letter, you can add fields from QuickBooks to automatically fill in your company and customer or other recipient info.
- **Convert an Existing Microsoft Word Document to a Letter Template.** This option lets you use an existing

Word document as the basis for a new template. Then, once you specify the type of letter, you can add more text or QuickBooks fields to the document as if you were creating a new template from scratch.

- **View or Edit Existing Letter Template.** You can open and edit any existing template.
- **Organize Existing Letter Templates.** When you choose this option, you can navigate through each category of template, choose a template, and then delete, duplicate, rename, or move it to a different category.

QuickBooks stores the Word documents for letter templates in a document folder. For example, in Windows XP, your letter templates are in *C:\Documents and Settings\All Users\Shared Documents\Intuit\QuickBooks\Company Files\QuickBooks Letter Templates*. In Windows Vista and Windows 7, the templates are in *C:\Users\Public\Public Documents\Intuit\QuickBooks\Company Files\QuickBooks Letter Templates*. There's a subfolder for each category of template (Collections Letters, Customer Letters, and so on).

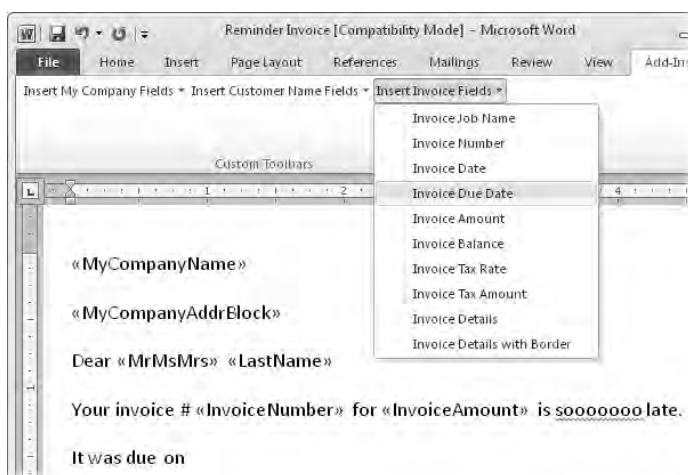


Figure 24-1:

In Word 2007 and 2010, click the Add-Ins tab to see the QuickBooks toolbar. Click one of the drop-down menus, and then choose a QuickBooks field to insert it into the letter for a mail merge. In Word 2003, choose Tools→“Templates and Add-Ins”.

Here are the steps for creating letters and envelopes using a collection letter as an example:

1. Choose Company→“Prepare Letters with Envelopes”→Collection Letters.

QuickBooks opens the “Letters and Envelopes” wizard and shows the recipient options for collection letters.

2. Choose options to filter who you send letters to (Figure 24-2), and then click Next.

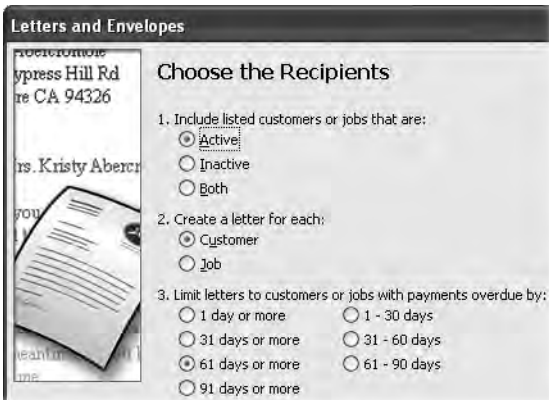


Figure 24-2:

For collection letters, on the “Choose the Recipients” screen, QuickBooks automatically selects the option to include active customers. The next set of options on the screen lets you choose whether to send a letter to each customer or to the contact person for each job a customer hires you to do. For collection letters, the third set of options asks you to specify how late the payment has to be before you send a letter.

Note: For non-collection letters, you still choose active or inactive customers and whether to send letters to each customer or each job, but those are your only choices. For a recall notice, for example, choose the Both option to send the letter to active and inactive customers alike. (The first screen you see for letters to vendors, employees, and people on the Other Names list combines the list of selected names and the options for filtering names.)

For collection letters, QuickBooks displays a message if any customers have unapplied credits or payments. Rather than embarrassing yourself by sending a collection letter to a customer whose payments are up-to-date, you’re better off clicking OK and then clicking Cancel to exit the wizard and apply credits and payments before preparing collection letters. The box on page 603 explains how to check for customer credits and payments.

The next screen is “Review and Edit Recipients”. QuickBooks automatically selects all the names that passed your filters.

3. If you've already talked to some customers and want to remove them from the list, click the checkmarks in front of their names to turn them off.

You can click Mark All or Unmark All to select or clear every name, respectively. If you want only a few names, it's faster to click Unmark All and then click each name you want. The recipient list is sorted by name initially, but you can select the Amount option to sort by the amount that's overdue if you want to send letters only to customers whose balances are greater than \$10,000, for instance.

4. When you've selected the customers you want to send letters to, click Next.

QuickBooks moves you to the "Choose a Letter Template" screen.

5. Select the collection letter template that you want to send, and then click Next.

QuickBooks includes three types of collection letters. The formal one is a straightforward request for payment. The friendly one assumes the customer simply forgot. And the harsh one includes the threat of turning the account over to a collection agency. The friendly and formal letters can't do any harm, but if you're considering sending harsh letters, you might want to create your own template for that communication.

To use a different template entirely, select the "Create or Edit a letter template" option. When you click Next, you can choose one of the options described in the box on page 599 (create a new template, convert a Word document, or edit an existing template).

6. In the "Enter a Name and Title" screen's Name box, type the name you want to include in the letter's signature block. In the Title box, type the signer's title.

When you click Next, QuickBooks sends the information to Microsoft Word, as shown in Figure 24-3. Depending on how many letters you're sending, you might have to wait a few minutes before Word launches with your letters.

Note: QuickBooks warns you if there's any info missing, like the recipient's address. If there is, you can fill in the missing info in Word or close the Word document, add the missing info to QuickBooks, and then re-run the steps in this section.

7. After you print the letters from within Word, go back to QuickBooks.

The "Print Letters and Envelopes" screen appears.



Figure 24-3:

All the letters you create are in one Microsoft Word document, with each letter starting on a new page. You can edit the letters in the Word document to make small changes, but you have to make the changes in each letter individually. (Editing the Word document doesn't alter the template in QuickBooks.) Word names the file automatically with the type of letter and the date. To print the letters, in Word 2010, choose File→Print. In Word 2007, choose Office→Print.

8. Click Next if you want to print envelopes that go with the letters you just printed in Word.

If you don't want to print envelopes, click Cancel. The wizard closes and you're done.

9. If you click Next to print envelopes, QuickBooks opens the Envelope Options dialog box. In the Envelope Size drop-down list, choose the type of envelope you use.

If your envelopes already include your return address, turn off the "Print return address" box. Turn on the Delivery Point Barcode checkbox if you're mailing letters in the U.S. and want the post-office bar code printed on the envelopes. When you click OK, you'll see a preview of the envelopes in Word.

10. When you've got envelopes in your printer, click OK.

QuickBooks starts printing your envelopes.

UP TO SPEED

Reviewing Customer Credits and Payments

The Open Invoices report shows unapplied credits and payments (along with open invoices), but you can modify this report to show only the payments and unapplied credits that are available. After you run this report, skip to pages 347 and 342 to learn how to apply those payments and credits to your customers' balances. Then, when you create collection letters, QuickBooks selects only the customers with overdue balances.

Here's how to produce a report of payments and unapplied credits:

1. Choose Reports→Customers & Receivables→Open Invoices.
2. To see only unapplied credits and payments, in the report window's toolbar, click Modify Report, and then click the Filters tab.

3. In the Filter list, choose Transaction Type.
4. In the Transaction Type drop-down list, choose Multiple Transaction Types.
5. In the Select Transaction Types dialog box, click Credit Memo and then click Payment.
6. Click OK to close the Select Transaction Types dialog box and then click OK once more to update the report to show only unapplied credit memos and payments.

For a quick view of one customer's transactions, open the Customer Center (on the Home page, click Customers) and select the customer on the Customers & Jobs tab. Then, at the top right of the Customer Information panel, click the QuickReport link.

Synchronizing Contacts

If you keep information about contacts in Microsoft Outlook (2000 through 2010)—*not* Outlook Express—you can synchronize those records with your QuickBooks contact data. In addition to saving time by not duplicating data entry, synchronizing your contact info helps reduce errors. As long as you enter an update correctly in the one program, you're sure to get the right info in your other contact database. Regardless of which program you update contact info in, you can transfer any changes to the other database.

Note: The only time synchronizing doesn't apply is when you delete names. So if you delete names in Outlook, QuickBooks doesn't delete them in your company file. If you really want those names gone, you have to make them inactive or delete them in QuickBooks. (Making them inactive is the best course, because deleting names can create problems, as page 90 explains.) On the other hand, if you delete a name in QuickBooks but don't delete it in Outlook, it'll reappear in QuickBooks unless you tell Contact Sync to ignore it (page 604).

Using QuickBooks Contact Sync for Outlook

If you use QuickBooks 2005 or later (and Outlook 2000 or later), you use QuickBooks' Contact Sync for Outlook tool to synchronize your contact data. Although

the command to synchronize is already on the File→Utilities menu, you have to install Contact Sync before you get started. Here's how to download this tool and put it to work:

1. Choose File→Utilities→Synchronize Contacts.

If Contact Sync isn't installed, a message box tells you that you have to download and install it. Click OK to do just that. QuickBooks opens a web browser to the QuickBooks Contact Sync for Outlook page (http://support.quickbooks.intuit.com/support/tools/contact_sync). Type the email address you used when you registered QuickBooks (page 662), and then click Continue To Download. You can save the installation file (click Save) or run it immediately (click Run) to install the software.

Installing is easy. First, be sure to close Outlook. Then, run the installation wizard as you do for other programs. Accept the license agreement, choose a destination folder, and then click Next or Install, and the installation begins.

2. After you install Contact Sync, launch both Outlook and QuickBooks.

Log into QuickBooks as the administrator and open the company file you want to synchronize.

In Outlook, the Contact Sync Setup Assistant appears, offering to help you import your contacts from QuickBooks. After you click Get Started, a "Connecting to QuickBooks" message box appears while Outlook and QuickBooks talk to each other. Eventually, the QuickBooks Contact Sync dialog box opens and selects the company file that's open in QuickBooks.

Note: If you want to import contacts from a different company file, click Cancel and, in QuickBooks, open the company file with the contacts you want to import.

3. In the QuickBooks Contact Sync dialog box, click Setup to begin the setup in earnest.

The Select An Outlook Folder screen appears. If you're like most people, you have only one folder for contacts, *\\Personal Folders\\Contacts* or *\\Outlook Data File\\Contacts*, which the wizard selects automatically.

4. If you want to synchronize to a different Outlook folder, choose it, and then click Next.

The Select QuickBooks List Types To Synchronize screen appears.

5. To synchronize all contacts, turn on the Customer, Include Customer Jobs, and Vendor checkboxes, and then click Next.

For each checkbox you turn on, the Setup Assistant creates a subfolder in the Outlook Contacts folder.

6. On the Exclude Contacts From Synchronization screen, turn on the checkboxes for the types of names you don't want to transfer back and forth, and then click Next.

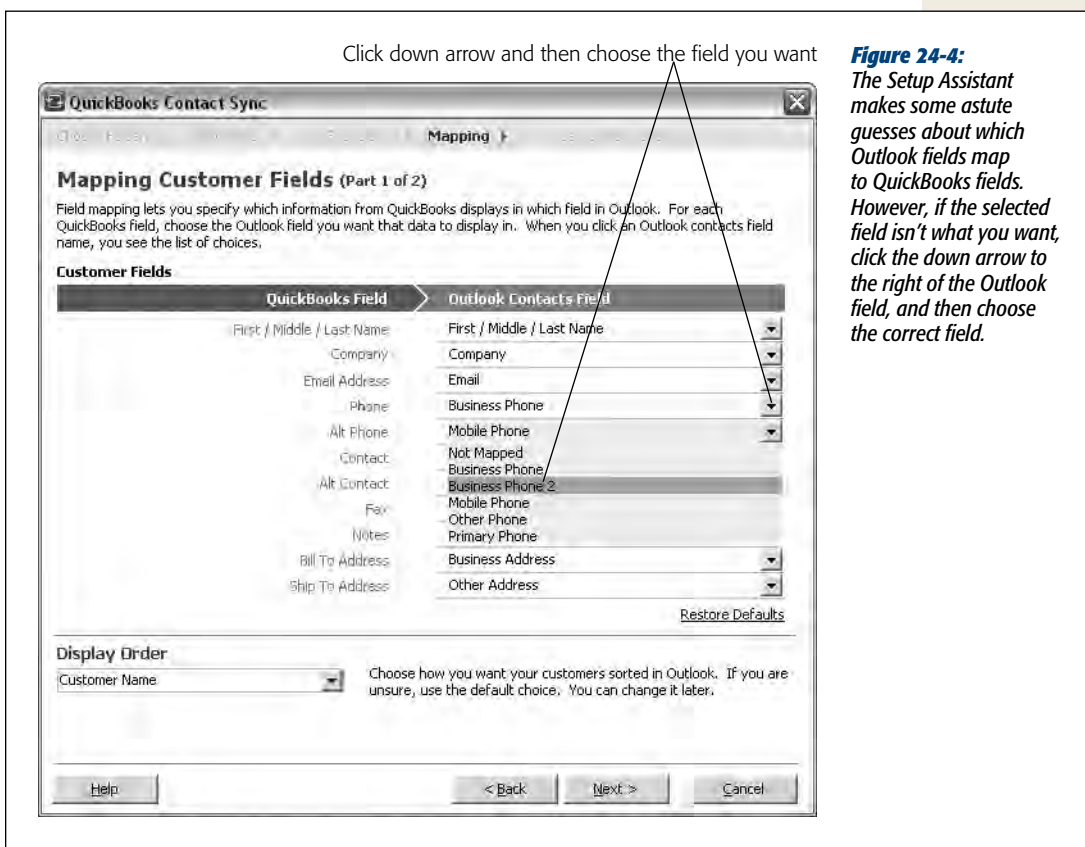
When you turn on these checkboxes, names assigned to Outlook's Personal category or marked as Private won't transfer to QuickBooks.

7. In the Mapping Customer Fields (Part 1 of 2) screen, change the field mapping for any QuickBooks field that doesn't point to the right Outlook fields, as shown in Figure 24-4. Click Next when the mappings are the way you want them.

The Mapping Customer Fields screen displays the QuickBooks contact fields on the left side, and its guesses about what Outlook fields to map to on the right.

8. If you turned on the checkboxes to import jobs and vendors, repeat step 7 to map job and vendor fields to the corresponding Outlook fields.

Chances are you'll make the same changes for jobs and vendors as you did for customer fields.



9. In the Set Conflict Action screen, select the option for how you want Contact Sync to resolve discrepancies between Outlook and QuickBooks, and then click Save.

Contact Sync automatically selects the “Let me decide each case” option, which means you get to tell QuickBooks what to do if the contact in Outlook differs from the data you have in QuickBooks. If you usually update contacts in Outlook, select the Outlook Data Wins option. Select the QuickBooks Data Wins option if you usually update contacts in QuickBooks.

10. In the “Change Settings or Synchronize Now” screen, click Setup to change any settings (you retrace your steps until you’re back in the “Change Settings or Synchronize Now” screen). When you’re ready to synchronize, click the Sync Now button.

The Contact Sync screen keeps you updated on the progress it’s making. When the synchronization is done, the Contact Overview Complete screen appears, showing you how many customers and vendors it found and either matched or added to Outlook.

11. When the Contact Overview Complete screen appears, click Next.

If contacts that already existed in Outlook don’t match up to a QuickBooks list (like Customer or Vendor), the “Select Categories for QuickBooks” screen appears. You can add an Outlook contact to a QuickBooks list by selecting the contact, choosing the QuickBooks list in the “Select list for contact” drop-down menu, and then clicking Apply.

If the contacts don’t match up to a QuickBooks list because they aren’t business contacts, you can tell Contact Sync to ignore them. Click the first contact and Shift-click the last contact to select them all. Then, in the “Select list for contact” drop-down menu, choose Ignore, and then click Apply.

12. After you’ve selected categories for Outlook contacts, click Next.

In the Accept Changes screen, you can review the changes that will occur in Outlook and QuickBooks. If the changes are OK, click Accept. If you don’t want to make the changes, click Cancel. If you click Accept, a progress box shows you where Contact Sync is in transferring data. The Synchronization Complete message box appears when your info is synchronized. Click OK and you’re done.

From now on, you can update contact information with just one click. In Outlook 2010, on the Add-Ins tab, click Synchronize Contacts to make Contact Sync analyze the changes in the two programs and update both as necessary.

Setting Up an Integrated Application

Integrated applications don’t read data from exported text files; they actually access your company file to get info. To protect your data from programs that *shouldn’t* read your company file, you have to tell QuickBooks which programs you *do* want digging into your financial data.

Letting programs access your data is something you set up with preferences. Choose Edit→Preferences→Integrated Applications, and then click the Company Preferences tab, shown in Figure 24-5. Here, you can turn on the “Don’t allow any applications to access this company file” checkbox to keep all programs out. But if you’re reading this section, you probably want at least one program to access your QuickBooks data.

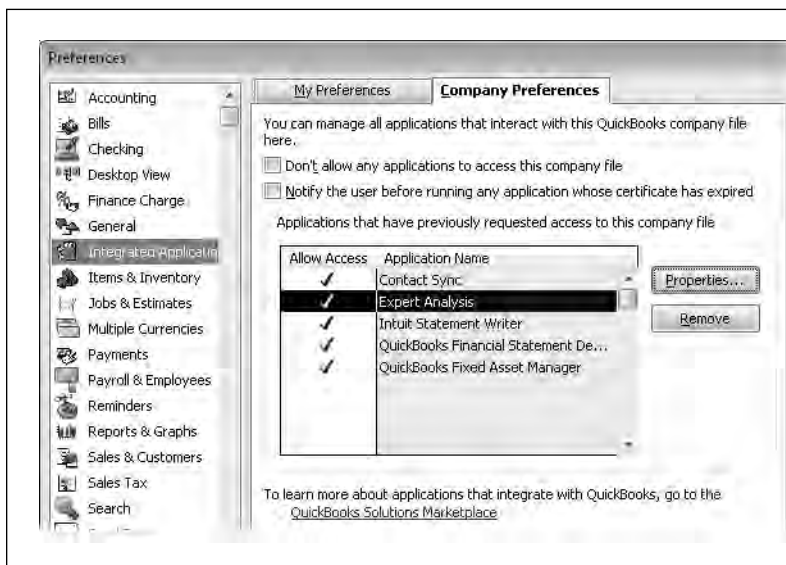


Figure 24-5: Initially, only the QuickBooks administrator can give programs access rights, but the administrator can grant other users that same power (page 654). If you want to find applications that work closely with QuickBooks, click the QuickBooks Solutions Marketplace link on the Integrated Applications Company Preferences tab. The box on page 609 explains other ways to find third-party applications.

As long as the “Don’t allow any applications to access this company file” checkbox is turned off, when a program tries to access your company file, QuickBooks displays an Application Certificate dialog box. If you’re the QuickBooks administrator or someone else with the permission to dole out file access, choose one of the dialog box’s options to set the program’s access to the company file. Obviously, choosing No keeps the program out. But you have three options when you want to let the program in:

- **Yes, prompt each time.** When you’re letting another program access your data, this is the safest option. The program can get in only when someone with the rights to approve access says so—a small obstacle that prevents the wrong person from running the program after breaking in after hours. If someone who can approve access isn’t available to say yes, the integrated application (or the person who’s running it) is out of luck.
- **Yes, whenever this QuickBooks company file is open.** This option is a bit more trusting. As long as someone is working on the company file, the integrated application can access the file without asking permission.

- **Yes, always; allow access even if QuickBooks is not running.** This is by far the most lenient choice. The integrated program can help itself to your financial data even if no one with a QuickBooks login is working on the file. This option is exactly what you need if the integrated application is a resource hog that you run at night.

When you choose this option, you can specify the QuickBooks user for the application to log in as. Rather than use one of your employee's logins, create a QuickBooks user (page 648) specifically for an integrated application. That way, you can control the type of data the program can access without affecting someone else's login and the Audit Trail report (page 655) shows you changes the application makes.

After a program has accessed your company file, you can change its access rights in the Properties dialog box, as shown in Figure 24-6.

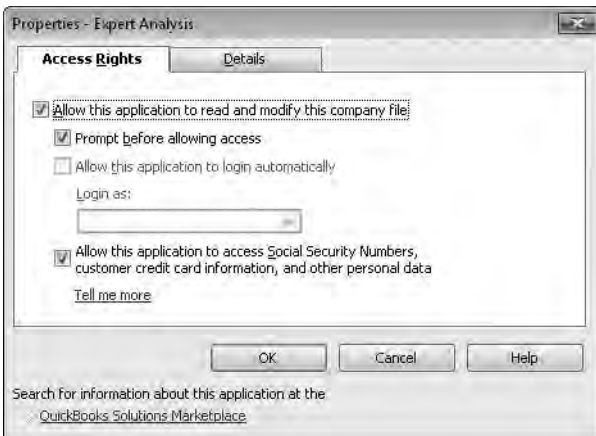


Figure 24-6:
To change access rights, on the Company Preferences tab, select the application and then click the Properties button. In the Properties dialog box, you can turn checkboxes on and off to remove access or change the level of access the program has. The Details tab shows the program's name, the company that developed it, the version, and its certificate.

Warning: Sometimes third-party programs alter QuickBooks features, like your chart of accounts. So before you integrate a new program, back up your QuickBooks file. After you integrate a program, check your QuickBooks file for unauthorized changes, like new accounts you don't want to use. If the program made changes you don't like, you can restore your backup or modify your lists manually in QuickBooks (see Chapter 4, 5, 6, or 7, depending on the list).

Exporting QuickBooks Data

Programs that don't integrate with QuickBooks can still do things that QuickBooks can't. For example, you can export a report to Excel and take advantage of that program's wider range of formatting options and calculations. To get data out of your QuickBooks company file and into another program, you have three choices:

UP TO SPEED

Finding Third-Party Integrated Applications

Because QuickBooks is so popular with small businesses, plenty of companies besides Intuit develop programs to fill the niches that QuickBooks doesn't handle—or doesn't handle very well. The Intuit Marketplace website (<http://marketplace.intuit.com>) is one place to look for third-party programs, most of which offer free trials that last from 30 to 90 days.

Programs listed in the Marketplace share data with QuickBooks but target different industries or services. Sure, QuickBooks has Premier editions for a few industries (see page 4); but the Marketplace offers additional software in those industries as well as accounting solutions for industries like agriculture, hotels and restaurants, transportation, and utilities. For example, the Construction/Contractors section has programs that produce estimates more easily than QuickBooks' Construction Edition and that generate documents that conform to industry association standards—while still sharing data with your QuickBooks company file.

Intuit lists third-party programs in two ways: by industry and by business function. For example, if you're looking for

contact-management software, you don't have to navigate every industry link looking for programs. Below Find Apps, click Search By Business Need. Then, choose Customer Management (CRM).

The Marketplace doesn't list every third-party program that integrates with QuickBooks. If you use Google to search for basic terms like "QuickBooks third-party application," you'll get tons more results. Of course, if you focus your search (add "medical office," for example) you can narrow the results. And, if you use all of the 10 keywords that you can enter in a Google search to describe the QuickBooks add-ons you seek, you might get a few dozen links worth investigating.

If you're familiar with websites like Download.com (www.download.com), try using "QuickBooks" as a keyword for a search. Download.com has dozens of programs that work with QuickBooks, some of which aren't industry-based at all but are still incredibly valuable. For example, you can download a database driver so you can access data in your QuickBooks company file from your database-management program.

- **Export file.** You can create a *delimited text file* (that is, a file that separates each field with a delimiter like a comma or tab) that contains data from your QuickBooks file. For example, you can generate export files for QuickBooks lists, such as your Item List. For the named records in QuickBooks like your Customer:Job and Vendor Lists, you can produce export files that contain all your contact information or only address information.
- **Report file.** Create any report in QuickBooks and you can then export it to a file that you can use in another program. Compared to exporting a list in its entirety, a report gives you more control over how much information you export. If you want to export data from specific customers, several lists, from transactions, or from specific fields, exporting reports is your *only* choice.

- **Excel file.** Throughout QuickBooks, you can get to the same Export dialog box that you see when you export reports. For example, at the bottom of the Item List window, click Excel, and then choose Export All Items. In the Customer Center's menu bar, click Excel, and then choose either Export Customer List or Export Transactions. (The Vendor Center and the Employee Center have similar commands.)

Exporting Lists and Addresses

When you export lists to QuickBooks delimited text files, the export file (called an IIF file because of its .iif file extension) contains values from all the fields associated with those QuickBooks lists. Creating export files is easy, and the only choice you have to make is which lists to export. If you export several lists, the IIF file that QuickBooks creates contains every field for every list you chose.

Exporting lists to a text file

Exporting one or more lists to a delimited text file takes only a few quick steps:

1. Choose File→Utilities→Export→“Lists to IIF Files”.

QuickBooks opens an Export dialog box, which contains checkboxes for each list in QuickBooks from the Chart of Accounts to the Sales Tax Code List, as shown in Figure 24-7.

2. Turn on the checkbox for every list you want to export into the same file, and then click OK.

If you want to export lists into separate files, you have to repeat all these steps for each export file you want to create. For example, if you want to export your Customer List and your Item List to two different files, repeat these steps twice through.

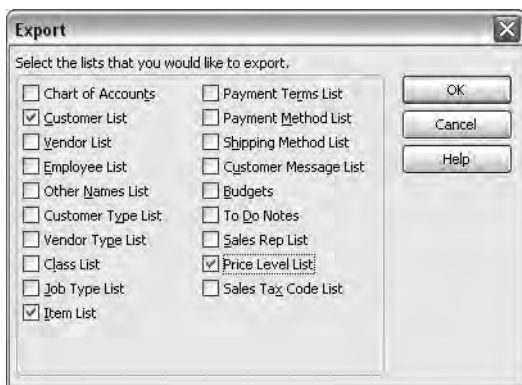


Figure 24-7:

Turning on a checkbox tells QuickBooks that you want to export all the records in that list. If you turn on more than one checkbox, the data for every list you choose gets dumped into a single export file.

3. In the second Export dialog box (which is basically a Save As dialog box), navigate to the folder where you want to save the export file and, in the “File name” box, type the name of the file.

Your export files are easier to find if you create a folder specifically for them. For example, you could create a subfolder called Export_Files within the folder that holds your company files.

4. Click Save to create the file.

When the QuickBooks Information message box tells you that your data was exported successfully, click OK to close the message box. Now, you’re ready to import the file into Microsoft Excel or another program, as described later in this chapter.

Tip: Exporting QuickBooks data can help you learn the format you need to *import* data into your company file. For instance, once you’ve entered a sales tax code or two (using the laborious process described on page 120), you can export them. Then, in the export file, create the rest of your codes using the same format and then import that file back into QuickBooks.

Exporting addresses

With QuickBooks features to generate mail merge letters, export contact list reports, and synchronize your company file with Outlook, you may not need the tab-delimited address files that QuickBooks produces. However, if you need a text file of names and addresses to import into another program, here’s what you do:

1. Choose File→Utilities→Export→“Addresses to Text File”.

The “Select Names for Export Addresses” dialog box opens.

2. In the “Select Names to be exported to your Address data file” box, choose the category of names you want to export, and then click OK.

Initially, QuickBooks chooses “All names” to export all names in your company file. You can also choose categories of names, like “All vendors”. To select individual names, choose “Multiple names”, and then pick the names you want.

3. In the Save Address Data File dialog box, select a folder where you want to save the exported file, type a filename in the “File name” box, and then click Save.

QuickBooks automatically assigns a .txt extension to the file. You can now import it into any program that can handle tab-delimited addresses.

Exporting Reports

If you remember all the way back to Chapter 21, you know that you can customize reports to contain just the information you want, presented just the way you want. When you want to export only *some* of your QuickBooks data or export it in a specific way, your best bet is customizing a report before you export it.

You can export a report to a comma-delimited file if that's what another program needs. (If the other program is as fussy about data as QuickBooks is, export the report to Excel where it's easier to make changes than trying to do the same in a text-editing tool such as Windows Notepad.) You can also export reports to extract some QuickBooks lists like the Item List, Customer List, Vendor List, and Employee List. Here are the different ways you can use this technique:

- **Running a report.** Start by running the report you want to export as you normally would just to view or print it (page 513). In the report window's toolbar, click Export. The Export Report dialog box lets you choose the file and options for the export, as shown in Figure 24-8.

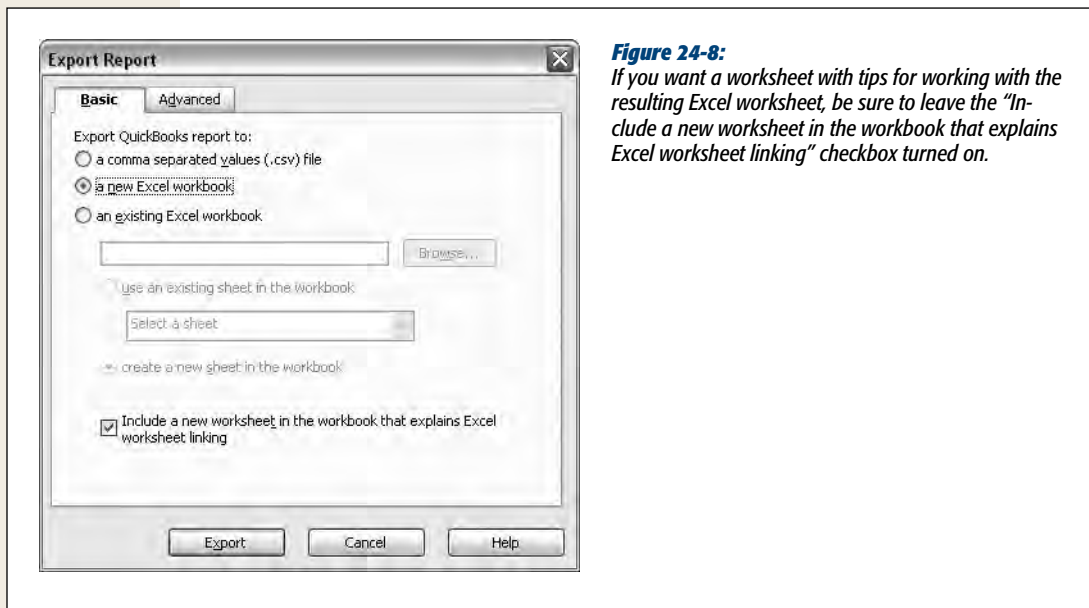


Figure 24-8:
If you want a worksheet with tips for working with the resulting Excel worksheet, be sure to leave the “Include a new worksheet in the workbook that explains Excel worksheet linking” checkbox turned on.

- **From the Item List window.** Open the Item List window (on the Home page, click the Items & Services icon). At the bottom of the window, click the Excel button and then choose Export All Items. QuickBooks opens the same Export dialog box you see when you export a report (Figure 24-8).
- **From a QuickBooks Center.** In the Customer Center's menu bar, click Excel, and then choose Export Customer List or Export Transactions. In the Vendor Center and Employee Center, choose Export Vendor List or Export Employee List, respectively.

The Export Report dialog box's Basic tab has options for you to specify where you want to save the exported report:

- The “a new Excel workbook” option is selected initially, which creates a brand-new Excel file for the report.

- The “**an existing Excel workbook**” option exports the report to an existing file. This option is ideal if you’re planning to calculate ratios and want your most recent financial statements in the same workbook as statements for previous periods. If you export to an existing file, you can also choose options to create a new worksheet for the report or add the report to a sheet already in the workbook.
- Turning on the “**Include a new worksheet in the workbook that explains Excel worksheet linking**” checkbox tells QuickBooks to create a worksheet of tips. At the bottom of the Excel window, click the QuickBooks Export Tips tab (shown in Figure 24-9) and read about how to customize, update, and manage the exported reports.



The Advanced tab of the Export Report dialog box lets you set the formatting you want to transfer from QuickBooks to Excel, which Excel features you want the workbook to use (like AutoFit to size the columns to display all the data), and where you want the report's header information stored. The “Send header to Page Setup in Excel” option copies the header into the Excel page header. The “Send header to screen in Excel” option copies the header into cells in the worksheet. Unless you have special requirements for your workbook, you won't go wrong keeping the choices that QuickBooks makes.

After you've selected the export file and options, click Export. QuickBooks launches Excel and copies the data in the report to the Excel workbook you specified, placing the data from the report's columns into columns in a worksheet, as shown in Figure 24-9.

Importing Data from Other Programs

Importing data from other programs comes in handy mostly for generating lists in QuickBooks. However, you can also import data to generate your chart of accounts (page 42) or to load different versions of your company budget (page 501). The biggest requirement for importing data is that the files have to be either Excel workbooks (.xls file or .xlsx file) or delimited text files, which separate each piece of information with commas or tabs.

Importing an Excel Spreadsheet

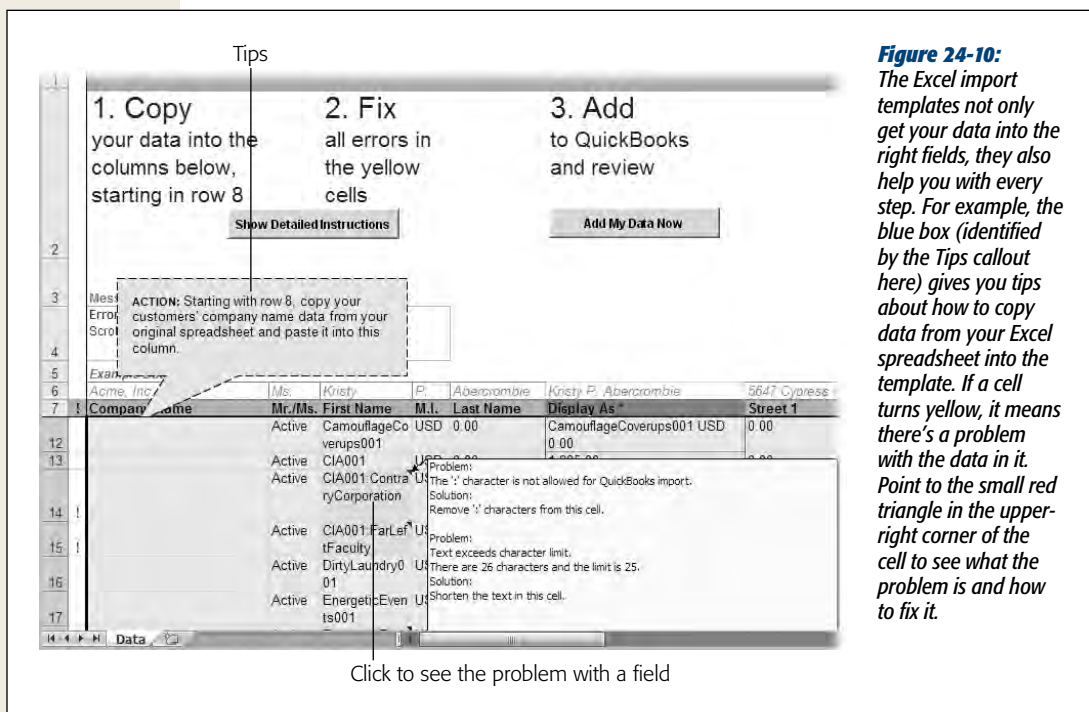
If you're familiar with importing Excel spreadsheets into other programs, importing them into QuickBooks is a snap. In fact, QuickBooks includes several Excel import templates that walk you through getting your Excel data for customers, vendors, and items into the format that QuickBooks requires. (If you have a file that's already formatted to work with QuickBooks, skip to the box on page 615 to learn how to import a preformatted file.) Here's how to use the QuickBooks' Excel import templates:

1. Choose File→Utilities→Import→Excel Files.

QuickBooks opens the Add Your Excel Data to QuickBooks wizard.

2. Click the button for the type of data you want to import: Customers, Vendors, or Products I Sell.

QuickBooks opens an Excel template for the type of data you're importing, as shown in Figure 24-10.



3. After you've copied all the data from your spreadsheet into the Excel template and none of the data cells are yellow, save the spreadsheet.

In Excel 2010, choose File→Save. In Excel 2007, choose Office→Save.

4. In the Excel template, click the Add My Data Now button.

QuickBooks resumes control, and the “Add Your Excel Data to QuickBooks” wizard shows the progress of the import. When it's done, it places green checkmarks to the left of all three steps and shows you how many records it imported. You can click the button that says “View <type of imported info>” to see the list you imported, or click Close and view your lists as you usually do. For example, to see your customer list, click Customer Center on the Home page.

POWER USERS' CLINIC

Importing Formatted Excel Files

QuickBooks veterans often amass all sorts of tools that they've built over the years, like Excel files set up to import information. Although QuickBooks has a wizard that shows you exactly where to put what kind of info in an Excel file, you can skip the handholding by following these steps:

1. Choose File→Utilities→Import→Excel Files.
2. In the “Add Your Excel Data to QuickBooks” wizard, click the Advanced Import button.
3. In the “Import a file” dialog box that opens, on the Set Up Import tab, click Browse and select the Excel file you want to import. (QuickBooks 2011 works with workbooks from Excel 97 through Excel 2010.)
4. QuickBooks fills in the “Choose a sheet in this Excel workbook” drop-down list with the worksheets from the workbook you selected. Choose the worksheet you want to import.
5. QuickBooks automatically turns on the “This data file has header rows” checkbox, which is the perfect choice when the first row of the Excel workbook contains text labels for the columns.
6. In the “Choose a mapping” drop-down list, choose <Add New>. Then, in the “Mapping name” box, type a name for the set of correspondences between fields and columns you're about to choose. (Once you've set up a mapping, you can reuse existing mappings by clicking Mappings and selecting the mapping you want.)
7. If you're defining a mapping, in the “Import type” drop-down list, choose the data you're importing: Customer, Vendor, Item, or Account.
8. For each QuickBooks field listed in the left column, in the “Import data” column, choose the corresponding Excel header or column name, as shown in Figure 24-11.
9. After you've mapped all the columns you want to import to QuickBooks fields, click Save.
10. On the “Import a file” dialog box's Preferences tab, tell QuickBooks how to handle errors and duplicate records. QuickBooks sets the Duplicate Handling option to “Prompt me and let me decide”, so you're in complete control.
11. To review the data you're about to import, click Preview. In the Preview dialog box, in the “In data preview show” drop-down list, choose “only errors” to see rows of data that contain errors. When you select an incorrect entry, the “Details for” table shows the values you're trying to import and what the error is so you can correct it. You can also select options to skip importing rows with errors or import records and leave error fields blank. Click OK to close the Preview dialog box.
12. In the “Import a file” dialog box, click Import. Importing isn't reversible, so take QuickBooks up on its offer of backing up your company file before continuing.

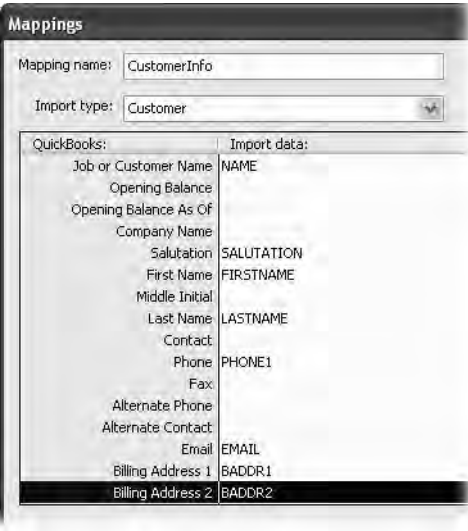


Figure 24-11:

The correct column is easy to pick when the Excel workbook contains column headers in the first row. Otherwise, you're left to guess what kind of information Column A and Column B hold.

Importing a Delimited File

If you're importing a Customer List, Vendor List, or Item List, don't even think about importing a delimited file. It's much easier to open that kind of file in Excel and then use the wizard described in the previous section. But if you want to import other kinds of lists or a budget, using a delimited file works just fine.

QuickBooks needs to know the *kind* of data you're importing—and it learns that from special *keywords* for row and column headers. Keywords are strings of characters in a delimited text file that identify QuickBooks' records and fields. Before you import data from another program into a QuickBooks list, you need to know the correct keywords for the fields you're importing. The easiest way to see the keywords for a list is to export that list from QuickBooks and examine the keywords at the beginning of the rows and at the tops of the columns.

Deciphering keywords requires a smattering of computerese. For example, when you see the column heading Billing Address, you know instantly what kind of information you're looking at. But the only way QuickBooks recognizes the first line of a billing address is from the keyword BADDR1. Figure 24-12 explains all (showing the delimited file in an Excel spreadsheet to make the fields easier to read).

CustomerList						
	A	B	E	F	G	
1	21	CUST NAME	BADDR1	BADDR2	BADDR3	BADDR4
	22	CUST BuriedTreasures001	Buried Treasures, Inc.	Davy Wav	PO 205	Coa
3	23	CUST Overhead				
	24	CUST Cash Sales				
	25	CUST CalesCapers001	Cale's Capers	Cale D'An	9912 High Sui	
	26	CUST CamouflageCoverups001	Camouflage Coverups	Clark Colb	3 Hidden 1 Gra	
	27	CUST CIA001	CIA	Althea Farr		
	28	CUST CIA001:ContraryCorpo	CIA	Althea Farr		
	29	CUST CIA001:FarLeftFaculty	CIA	Althea Farr		
	30	CUST DirtyLaundry001	Dirty Laundry	Luann Mo	1 Washbo Soa	
	31	CUST EnergeticEvents001	Energetic Events, LLC	Ellie Parsc	7215 2nd # Los	
	32	CUST EnergeticEvents001:O	Energetic Events, LLC	Ellie Parsc	7215 2nd # Los	
	33	CUST EnergeticEvents001:G	Energetic Events, LLC	Ellie Parsc	7215 2nd # Los	
	34	CUST FBI001	FBI			
	35	CUST FBI001:BombBust	FBI			

Figure 24-12:

1: In the first cell in the first row of a list, an exclamation point in front of the keyword tells QuickBooks that the data in the rows that follow are for that list. For example, !CUST represents data for the Customer List.

2: Keywords in the other cells of the same row specify the QuickBooks field names. In cell B21, the keyword NAME identifies the values in that column as the name of each customer. In cell G21, BADDR3 identifies the third part of the billing address.

3: A keyword is the first text in the row. Each row that begins with CUST in the first cell represents another customer record.

4: The other cells in a row contain the values that QuickBooks imports into the designated fields.

When you have an IIF file with the correct keywords, here's how to import it into QuickBooks:

- 1. Choose File→Utilities→Import→IIF Files.**

QuickBooks opens the Import dialog box with the file type set to “IIF Files (*.IIF)”.

2. Navigate to the folder where the file you want to import is saved and then double-click the filename.

QuickBooks displays a message box telling you that it imported the data successfully. If you didn't set up the keywords correctly or QuickBooks ran into other problems with the data in your IIF file, it tells you that it didn't import the data successfully.

QuickBooks Add-on Services

Intuit offers scads of business services you can subscribe to for additional fees. The price might be worthwhile when you take into account the cost of your employees' time or—far more valuable—you being able to relax on weekends instead of catching up on company paperwork.

QuickBooks isn't shy about promoting its add-on services. Within the program, you can't escape brazen ads. For example, click Receive Payments on the QuickBooks Home page, and the Receive Payments window includes a panel with buttons for "Add credit card processing", "Set up Recurring Payments", and "Add eCheck Processing", all of which are services that cost extra. (See the Note on page 340 to learn how to hide that panel.)

If you're looking for ways to save time and are willing to spend some money, you can review all of Intuit's business services using your web browser. Go to <http://quickbooks.intuit.com>. In the page's horizontal navigation bar, choose Products & Services and then choose More Products & Services.

Payroll services and payment solutions are popular add-ons, so they're even easier to access. To evaluate payroll services, on the horizontal navigation bar, choose Payroll. To learn about credit card processing and other payment solutions, on the horizontal navigation bar, click Payment Solutions.

Customizing QuickBooks

Laid out like the workflow you use when you're bookkeeping, the QuickBooks Home page provides instant access to all the accounting tasks you perform. Among the Centers for vendors, customers, and employees, and your old friend the QuickBooks icon bar, you can take your pick of helpful shortcuts to the features you use the most.

But your business isn't like anyone else's. If you run a strictly cash sales business, you couldn't care less about customer lists and invoices; making deposits, though, is a daily event. You don't have to accept QuickBooks' take on convenience. The Home page and the icon bar come with a set of popular shortcuts, but you can add, remove, rearrange, and otherwise edit which features appear there. You can also add your favorite commands, windows, and reports to the Favorites menu on the program's menu bar. This chapter covers all your options.

QuickBooks helps you get up and running with built-in business form templates. They'll do if you have to blast out some invoices. But when you finally find a few spare minutes, you can create templates that show the information you want, formatted the way you want, and laid out to work with your letterhead. Create as many versions as you want. For example, you can create one invoice template to print on your letterhead and another that includes your logo and company name and address for creating electronic invoices to email. This chapter describes the most efficient ways to create forms—using QuickBooks' form designs or using built-in templates as a basis for your own forms. In Appendix E (online at www.missingmanuals.com/cds), you can learn how to fine-tune your forms with advanced customization techniques and even create templates from scratch.

Customizing the Desktop

Everyone who uses QuickBooks can make the program's desktop look the way they want. Page 570 gives the full scoop on how you set preferences to customize the desktop, but here are the different ways you can make the desktop your own:

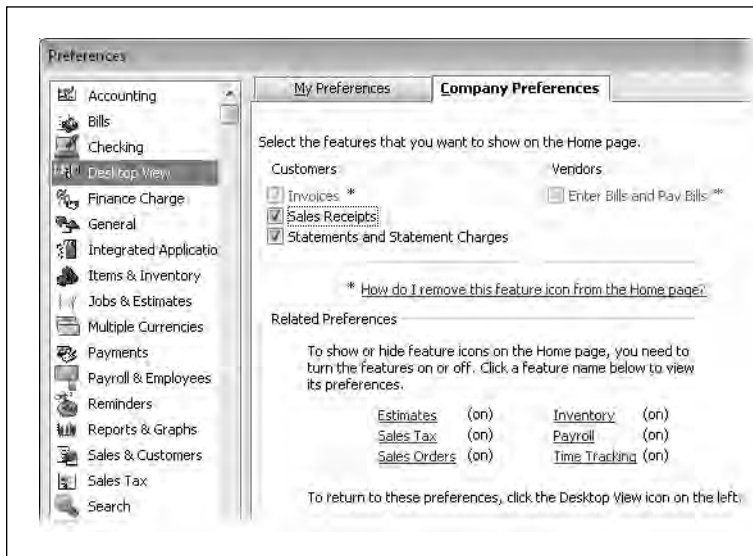
- **One window or several.** You can focus on one window at a time with the One Window option. The Multiple Windows option lets you see several windows at once.
- **Show Home page when opening a company file.** The Home page (page 31) shows the entire workflow of your accounting tasks along with shortcuts to popular windows and tasks like the Chart of Accounts window or writing checks.
- **Show Live Community.** If you have a lot of questions about QuickBooks, keep the Show Live Community checkbox turned on. With this setting, QuickBooks automatically opens the Live Community window (page 670), where you can search for answers from experts or your peers. The Live Community window also has a Help tab that displays QuickBooks' Help topics.
- **Detach the Help Window.** You'll want to turn this checkbox on, because it tells the QuickBooks' Help window to play nicely with other windows on your screen (see the box on page 669). You can position it where you want on the screen, resize it, or minimize it.
- **Choosing colors.** If you want to change the color scheme that QuickBooks uses, choose one of the built-in color schemes from the Color Scheme drop-down menu.

Customizing the Home Page

The QuickBooks Home page is a chameleon that changes to fit your business's workflow. The program performs its magic by incorporating your answers from the Easy-Step Interview with your company-wide Desktop View preferences, as shown in Figure 25-1. For example, if you don't have inventory, turn off the inventory feature and the tasks for buying, receiving, and paying for inventory are nowhere to be seen on your Home page. And if you don't have employees, the employee panel disappears. See page 572 for the full scoop on changing the icons on your Home page.

Fast Access to Favorite Commands

In addition to the Home page, QuickBooks has two other ways to get to your favorite features fast: the Favorites menu and the icon bar. Out of the box, the Favorites menu is nearly empty and waiting for you to add your favorite commands and reports. QuickBooks' centers and icons for other popular features fill up the icon bar from the get-go, but depending on how you like to work, those icons may languish unclicked. This section describes how to fill the Favorites menu with your favorite commands and modify the icon bar to display only the features you want.

**Figure 25-1:**

The Edit→Preferences→Desktop View→Company Preferences tab is where you customize your Home page. Display or hide icons on the Home page by turning their checkboxes on or off on this tab. For example, if you don't send statements to customers, turn off the "Statements and Statement Charges" checkbox. To show or hide feature icons (like Payroll), simply click the links for the features in the bottom part of the tab. QuickBooks jumps to the corresponding preference section so you can turn the feature on or off.

Building Your Favorites Menu

The Favorites menu, which appears to the right of the Lists menu on the QuickBooks menu bar, has only one entry initially: Customize Favorites, which opens the Customize Your Menus dialog box. Despite the name, it lets you customize only the Favorites menu, but you can add almost any command or report to that menu. Here's how:

1. Choose Favorites→Customize Favorites.

The Customize Your Menus dialog box opens. The Available Menu Items list is a directory of every feature QuickBooks has to offer. From the Lists menu through to the Help menu, every command on every menu and submenu on the QuickBooks' menu bar appears in this list. The top-level menu bar entries are aligned to the left side of the list box. Menu entries are indented, and submenu entries indented even more. Even the Reports section leaves nothing out—you can choose any built-in, customized, or memorized report in your company file.

2. Select the command you want to add in the Available Menu Items list and then click Add.

The command appears in the Chosen Menu Items list, as shown in Figure 25-2.

3. If you want to rearrange the commands, select a command to move and then click Move Up or Move Down until it's in the position you want.

Unfortunately, you can't indent commands or add any kind of separator to help you find the commands you want.

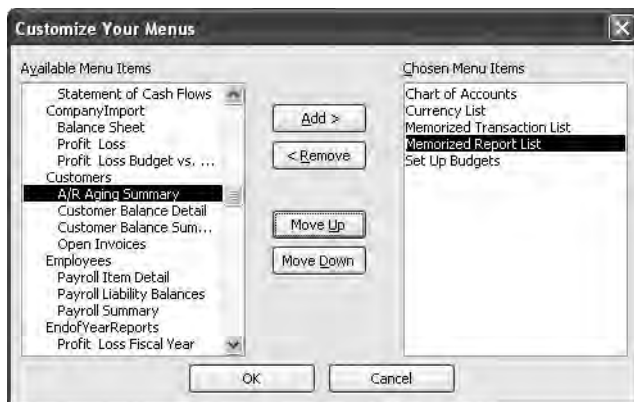


Figure 25-2:

To remove a command from the Favorites menu, select it in the Chosen Menu Items list, and then click Remove. To change the order of the entries, select the command you want to move, and then click Move Up or Move Down until the command is where you want it.

4. Click OK to close the dialog box.

Now when you click the Favorites menu, it displays all the commands you added to it.

Customizing the Icon Bar

The icon bar, which appears below QuickBooks' menu bar, includes icons that open some of the program's popular features like QuickBooks' centers, the Home page, Search, and others depending on which edition of the program you use. You can modify the icon bar to add your favorite commands, memorized reports, or windows you open often. What's more, you can change the appearance of the icon bar in several ways. The following sections show you how.

Here are the basic steps for saving icon bar customizations:

1. Right-click the icon bar and choose **Customize Icon Bar** (or choose **View→Customize Icon Bar** or click the >> symbol at the right end of the icon bar and then choose **Customize Icon Bar**).

The Customize Icon Bar dialog box (Figure 25-3) opens showing the current list of icons.

Note: The icon bar has to be visible before you can customize it. If you choose View when the icon bar isn't visible, the Customize Icon Bar entry is dimmed. Choose **View→Icon Bar** to turn the icon bar back on, and then choose **View→Customize Icon Bar**.

2. As described in the following sections, add other shortcuts to the icon bar, remove icons for features you don't want, and edit or change the order in which they appear.

The icon bar immediately shows the results of the changes you make in the Customize Icon Bar dialog box.

3. To save the icon bar, in the Customize Icon Bar dialog box, click OK.

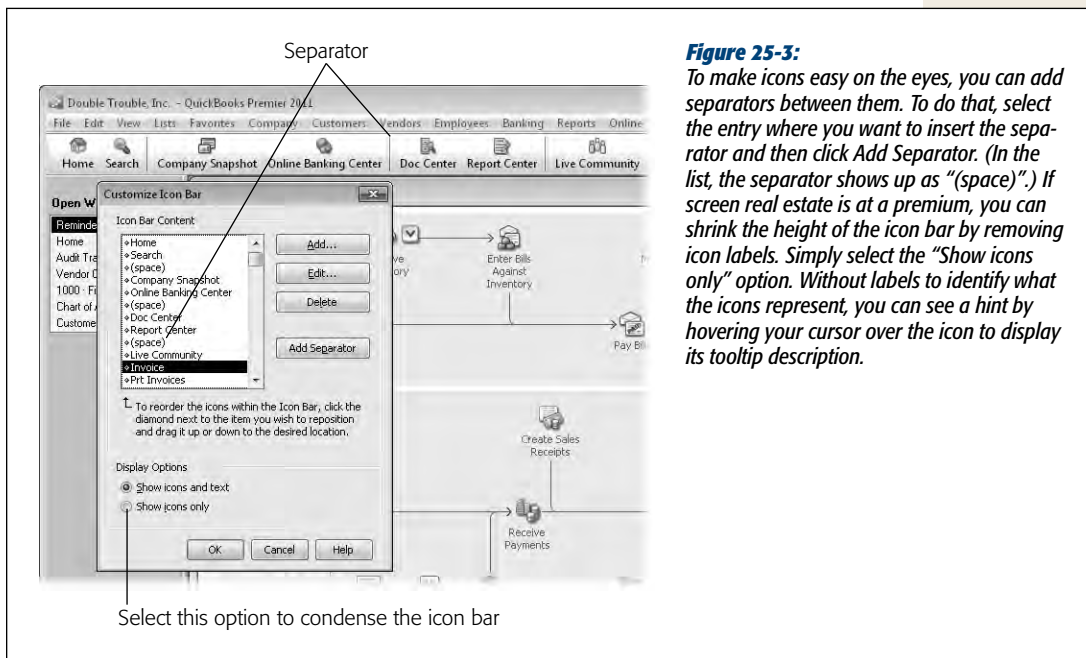


Figure 25-3:

To make icons easy on the eyes, you can add separators between them. To do that, select the entry where you want to insert the separator and then click Add Separator. (In the list, the separator shows up as "(space)".) If screen real estate is at a premium, you can shrink the height of the icon bar by removing icon labels. Simply select the "Show icons only" option. Without labels to identify what the icons represent, you can see a hint by hovering your cursor over the icon to display its tooltip description.

Adding and removing icons

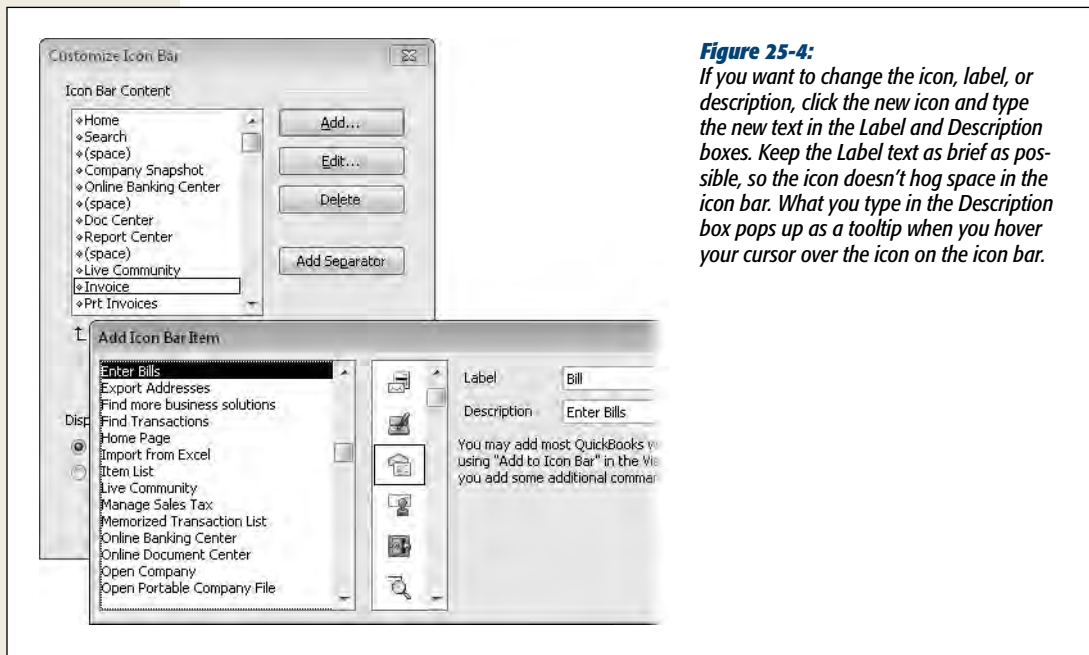
If you know which icons you want and don't want, you can make those changes in one marathon session. First, open the Customize Icon Bar dialog box by right-clicking the icon bar and choosing Customize Icon Bar. Here's how you add and remove icons:

1. In the Customize Icon Bar dialog box, select the entry above where you want to insert the new icon.

In the Icon Bar Content list, the entries appear one below the other. This order translates into icons from the left to the right on the icon bar. When you select an entry in the list and add an icon, QuickBooks inserts the new icon below the selected entry, so it appears to the right of the selected icon on the icon bar.

2. Click Add.

The Add Icon Bar Item dialog box shown in Figure 25-4 opens.



3. In the list on the left, click the window or command you want to add, like Chart of Accounts to open the Chart of Accounts window.

QuickBooks automatically selects an icon and fills in the Label and Description boxes. Edit the text in these boxes to change the label that appears on the icon bar or the description that appears as a tooltip.

Tip: See page 625 to learn how to add almost any QuickBooks window to the icon bar, even if it doesn't appear in the Add Icon Bar Item list.

4. Click OK to add the icon to the icon bar.

You don't have to close the Customize Icon Bar dialog box to see your changes.

5. Repeat steps 2–4 to add more icons to the bar.

Back in the Customize Icon Bar dialog box, you can rearrange or edit (page 625) the entries.

6. To remove an icon from the bar, simply select the entry in the Customize Icon Bar dialog box, and then click Delete.

When you're done customizing the icon bar, click OK to close the Customize Icon Bar dialog box.

Adding windows to the icon bar

The Add Icon Bar Item dialog box doesn't list every QuickBooks window, but that doesn't prevent you from adding a window to the icon bar. Once you realize that you open the same window again and again, you can add an icon for that window to the icon bar without going anywhere near the Customize Icon Bar dialog box. Here's how:

- 1. Open the window for the feature or report you want to add to the icon bar.**

For example, you can add a window for a memorized report that you've created (an Accounts Receivable Aging Detail report, say). When you run a report, it appears in a report window.

- 2. Choose View→“Add <window name> to Icon Bar”, where <window name> is the name of the window you just opened, as in “Add ‘A/R Aging Detail’ to Icon Bar”.**

If the wrong window name appears in the command name, be sure to activate the window you want before choosing the command on the View menu. When you choose View→“Add <window name> to Icon Bar”, QuickBooks opens the “Add Window to Icon Bar” dialog box.

- 3. In the “Add Window to Icon Bar” dialog box, click the icon you want to use and, in the Label and Description boxes, type the text you want for the icon's label and description.**

In the icon bar, the text in the Description box appears as a tooltip when you position your cursor over the icon. Instead of using the same text for the label and description as QuickBooks does, keep the Label short and use the Description to elaborate on the window or report's contents.

- 4. Click OK to add the window to the icon bar.**

QuickBooks plunks the window at the right end of the icon bar. If you want the icon somewhere else, choose View→Customize Icon Bar, and then reposition the window in the list (page 626).

Changing icon appearance

To change an icon or its associated text, in the Customize Icon Bar dialog box, click the icon's entry, and then click Edit. QuickBooks opens the Edit Icon Bar Item dialog box, which lets you change three features of each icon:

- **Icon.** In the icon list, select the graphic you want to appear on the icon bar. You can't design your own icons and QuickBooks doesn't care whether you choose an icon that fits the feature you're adding. For instance, an icon with a check-book register and pen might be good for Writing Checks, but you could choose the faucet with a drop of water if you prefer.
- **Label.** If you want to shorten the label to condense the icon bar, in the Label box, type your own.
- **Description.** To change the text that appears as a tooltip for the icon, in the Description box, type your own.

Changing the order of icons

If you want to group related icons, you can change the order of the icons in the icon bar and add separators to make the groups stand out. Open the Customize Icon Bar dialog box to make these changes (choose View→Customize Icon Bar). Figure 25-5 shows how to rearrange icons.

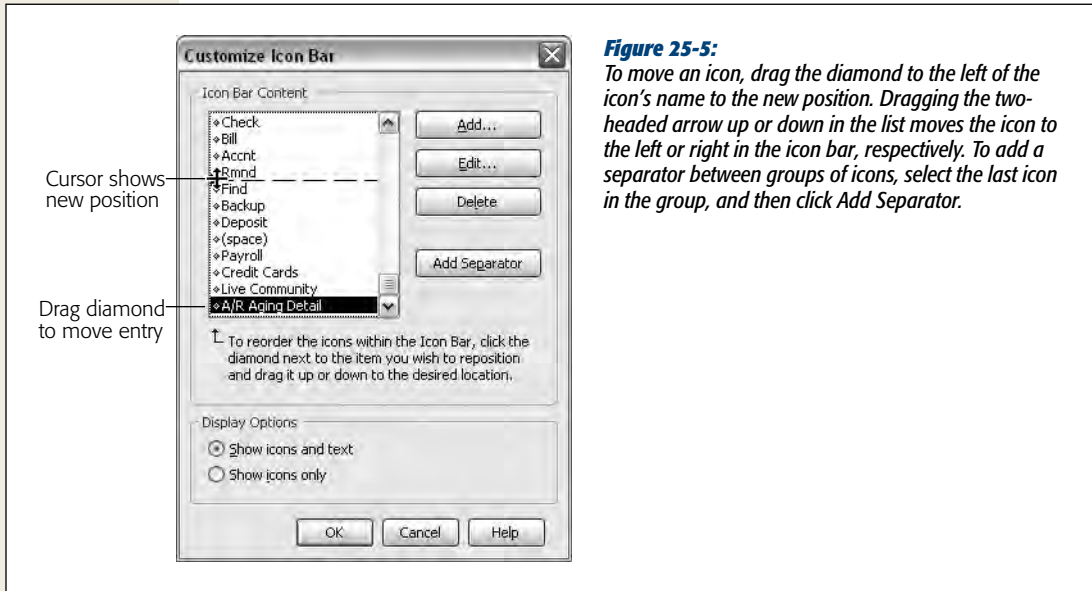


Figure 25-5:

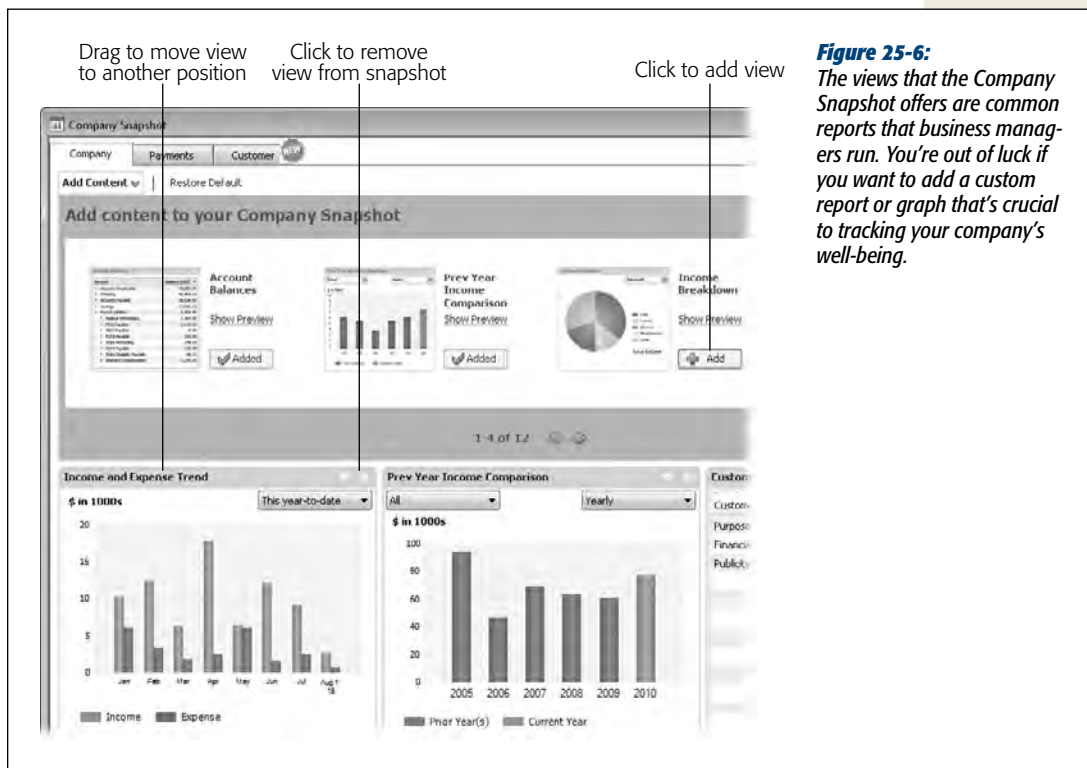
To move an icon, drag the diamond to the left of the icon's name to the new position. Dragging the two-headed arrow up or down in the list moves the icon to the left or right in the icon bar, respectively. To add a separator between groups of icons, select the last icon in the group, and then click Add Separator.

Customizing the Company Snapshot

The Company Snapshot (page 37) displays key statistics about your business in one convenient dashboard window. In QuickBooks 2011, the Company Snapshot has three tabs so you can choose from more than a dozen different views of financial status, like income and expense trends, account balances, customers who owe money, invoice payment status, receivables reports, and so on.

To change the views that appear in the Company Snapshot window, click the Company, Payments, or Customer tab, and then click Add Content in the top-left corner of the window. The “Add content to your Company Snapshot” panel appears with the name and a thumbnail of each view you can choose, as shown in Figure 25-6. Here's how you customize the Company Snapshot:

- **Add a view.** Click the Add button to the right of the view you want. QuickBooks adds it to the body of the Company Snapshot.
- **Remove a view.** Click the Close button (the X) at its top-right corner.
- **Reposition a view.** Hover your cursor over the view header, and the cursor changes to a four-headed arrow. Then drag the view to its new location in the Company Snapshot.

**Figure 25-6:**

The views that the Company Snapshot offers are common reports that business managers run. You're out of luck if you want to add a custom report or graph that's crucial to tracking your company's well-being.

When the Company Snapshot shows what you want, click Done to close the “Add content to your Company Snapshot” panel. If you want to undo the changes you’ve made, click Restore Default below the tabs at the top of the window.

Note: In QuickBooks 2010, the Company Snapshot included a Recommended For You panel, which was blatant marketing since it just listed links to sign up for Intuit’s add-on services like Payroll. In QuickBooks 2011, the Recommended For Your panel no longer takes up space in the Company Snapshot window, so you can use the entire window to focus on your company’s financial info.

Here is a quick introduction to the views you can choose on the Company Snapshot’s Company tab:

- **Account Balances** shows the balances for your bank accounts, Accounts Receivable, and Accounts Payable. To choose the accounts you want listed, click the Select Accounts link at the bottom of the section, and then double-click an account name to open the register window for that account.
- **Prev Year Income Comparison** displays a bar graph of your income with the current year in green and all previous years in blue. You can choose the type of income from the drop-down list on the left side of the view. To

change the time period, choose Monthly, Quarterly, Weekly, or Yearly in the drop-down list on the right.

- **Income Breakdown** displays a pie chart of each income account in your company file. Choose the time period you want from the drop-down list.
- **Prev Year Expense Comparison** displays a bar graph of your expenses similar to the Prev Year Income Comparison view. You choose the type of expenses and the time period you want to see from the drop-down lists at the top.
- **Expense Breakdown** displays a pie chart of each expense account in your company file. Choose the time period you want from the drop-down list.
- **Income and Expense Trend** is a bar graph of income (green bars) and expenses (orange bars). Click the down arrow to the right of the date range box and choose the period you want to review.
- **Top Customers by Sales** is a horizontal bar graph that shows your top five customers based on sales volume (in thousands of dollars).
- **Best-Selling Items** is a horizontal bar graph that shows the top five items you sell. You can choose whether the best-selling items are based on the amount of income or by the number of units.
- **Customers Who Owe Money** shows customers who owe you money and how much they owe. If invoices are overdue, the due date is red. Double-click a customer's name to see the transactions that contribute to that customer's balance (the Customer Open Balance report window opens).
- **Top Vendors by Expense** is a horizontal bar graph that shows the top five vendors based on the amount of money you spend with them.
- **Vendors to Pay** shows vendors who you owe money to. Double-click a vendor's name to see the bills that make up your balance (in the Vendor Open Balance report window).
- **Reminders** is a list of all the reminders you've set up in QuickBooks, such as to-do notes, deposits to make, bills to pay, and overdue invoices. To specify the reminders you want to see, click the Set Preferences link at the bottom of the section. Double-click a reminder to open the transaction in its corresponding window or dialog box.

The Payments tab comes with every view it offers already turned on. Here are your choices:

- **Recent Transactions** lists transactions starting with the most recent. To find specific transactions, click the "Search for transactions" link at the bottom of the window.
- **Receivables Reports** displays links that launch common customer and accounts receivable reports.
- **A/R by Aging Period** is a bar graph that shows your accounts receivable starting with the current period and then for 1 to 30 days old, 31 to 60 days old, 61 to 90 days, and finally greater than 90 days.

- **Invoice Payment Status** is a pie chart that shows paid and unpaid invoice totals.
- **Customers Who Owe Money** is the same view you see on the Company tab (page 627).
- **QuickLinks** includes buttons you click to open the windows for receiving payments, creating sales receipts, or creating credit memos.
- **Payment Reminders** shows overdue invoices and memorized transactions.

The Customer tab offers four views you can use to inspect a specific customer's history in detail. In the Customer drop-down list, choose the customer you want to look at. Here are the views that appear:

- **Recent Invoices** lists the customer's invoices starting with the most recent along with the open balance.
- **Recent Payments** shows the customer's payments starting with the most recent.
- **Sales History** is a bar graph that shows how much the customer has spent with your company by time period. In the drop-down list, choose Weekly, Monthly, Quarterly, or Yearly.
- **Best-Selling Items** is a bar graph that shows what the customer has spent the most money on, which is perfect if you want to earn more business by offering deals on these items or other items you sell.

Customizing Forms

Everything you do says *something* about your business—even the forms you use. For a small company or someone with spectacularly bad taste, the built-in QuickBooks invoices and other forms work just fine. But if you want business forms that convey your sense of style and attention to detail, customized forms are the way to go.

In QuickBooks, form customization comes in several shapes and sizes, described in detail in the sections that follow:

- **QuickBooks Form Design.** The QuickBooks Forms Customization online tool helps you produce consistent, professional-looking business forms. Unlike a form template, which specifies everything about *one* form (content, formatting, and layout), a form design specifies form appearance; including background (like a watermark), logo, colors, fonts, and the format of the grid that holds your data. The step-by-step process is easy to follow and when you're done, you can save the design and apply it to all the forms in your QuickBooks company file in one fell swoop. From then on, you choose the forms you want to use as you would normally (page 256).

Note: Don't expect miracles from form designs. The formatting you can choose is limited. If you want to get fancy, use the customization tools within QuickBooks, which are described in the following sections and in online Appendix E (www.missingmanuals.com/cds).

- **Basic customization.** If you don't use QuickBooks Form Design, you can make the same kinds of design changes within QuickBooks: add a logo to the form or turn company information fields on or off depending on what your letterhead includes. Aesthetics like the color scheme and fonts are also at your command.
- **Changing fields.** To notch the customization up, you can choose the fields that appear in the form: the header, footer, and columns. You can also specify some printing options and what numbers look like. To learn all these tricks, see "Additional Customization" on page 637.
- **Designing form layout.** The ultimate in form customization, QuickBooks' Layout Designer gives you full control over form design. You can add fields and images, plunk them where you want, and format them as you please. For example, you can resize and reposition fields to emphasize the balance due. To learn how to fine-tune forms and build them from scratch, see Appendix E on this book's Missing CD page at www.missingmanuals.com/cds.

Working with Form Designs

It's as easy as one, two, three, four to build a design that you can apply to all your forms. Once you create a design, you save it to your online Intuit account (it's free and creating one is described on page 663). Then you can apply the design to any or all of the forms in your QuickBooks company file. This section describes how to create and apply form designs.

You have two ways to open a browser window to the QuickBooks Form Design tool:

- **The Templates window.** Choose Lists→Templates to open the Templates window. Then click Templates and choose Create Form Design on the shortcut menu. A browser opens to the QuickBooks Forms Customization screen, shown in Figure 25-7.
- **A transaction window.** If you click Customize in a transaction window like Create Invoices, QuickBooks opens the Customize Your QuickBooks Forms window, which includes Create New Design and Apply Saved Design buttons. Click Create New Design to open a browser to the QuickBooks Forms Customization screen.

Creating a form design

There's no limit to the number of designs you can create, which is perfect for indefatigable entrepreneurs with several small companies to their credit. Although the form designs you create are stored online, the form templates you apply a design to still reside in your company file on your computer.

Here's how you create a form design:

1. **Open a browser to the QuickBooks Forms Customization screen.** (In the Templates window, click Templates and then choose Create Form Design on the shortcut menu.)



Figure 25-7: To proceed to the next step in the design process, click the Next button. If you've already created a few design masterpieces, click the My Saved Designs link at the top right of the window. You can apply those designs to other forms, edit the designs, or get rid of them.

The “Select a Background” page appears showing all the backgrounds that Intuit offers. Although Intuit has a slew of ready-made backgrounds you can use, they’re a little hokey. If you want to see the backgrounds for different industries, click the down arrow to the right of the Industries box and choose an industry.

2. Click the icon for the background you want to use.

If you use letterhead or simply prefer a blank background, click the Blank background icon (which appears on the first page when the Industry box is set to Show All Backgrounds). A few seconds after you click a background, it appears in the preview of your form design on the right side of the window.

3. To add a logo to your form, in the Company Logo section, click Add.

The Logo Upload page appears. Click Browse, and the “Choose file” dialog box opens. Navigate to the folder that contains the images for your company file (page 636). Select the logo you want to upload and then click Open. Click Upload, and the logo appears at the top left of the form in the preview window. (If you want to reposition the logo, see online Appendix E to learn how.)

If you’ve already uploaded a logo, click the “Use a previously uploaded logo” link and then choose the logo. (You have to sign into your Intuit online account to access logos you’ve uploaded and designs you’ve saved.) The Select Logo screen appears. Select the radio button for the logo you want and then click “Apply Selected Logo to Product”.

4. Click Next to proceed to step 2: Colors & Fonts.

The screen that appears lets you select color and fonts for the entire design and the company information that you want to include on the form.

5. In the “Font & grid colors” drop-down list, choose the color theme you want.

The choices for colors are quite basic. If you select Design Default, you’ll get the colors that Intuit gives you. Or you can choose Black or several shades of gray.

6. In the “Overall font” drop-down list, choose the font you want to use.

You can choose from basic fonts when you create a form design. If you want to use other fonts that you’ve installed on your computer, see page 637 or Appendix E (online at www.missingmanuals.com/cds).

7. To include company information in your design, turn the checkboxes for company fields on or off.

All the company fields (name, address, phone, fax, email, and website) are turned on initially. These fields appear at the top left of the form preview. You can change the font for your company name and address by clicking the corresponding “Change font” link.

Note: If you turn on the “I use window envelopes with my QuickBooks forms” checkbox, the form design tool positions your company name and address so they’ll appear in the return address window on your envelopes.

8. Click Next to proceed to step 3: Grid Style. Select the option for the grid style you want, and then click Next.

You’ll see several options for how tables in your forms appear. The grid styles specify whether columns and rows have borders around them and whether the table headings are shaded.

9. Click Next to proceed to step 4: Confirm & Apply.

If you don’t like what you see, click Back to return to previous steps and make the changes you want.

10. After you review the design, click Next to save it.

The Apply Design screen appears and automatically selects the custom templates from your company file. If you don’t want to apply the design to a template, turn its checkmark off. Click Select All or Clear All to select or deselect all the templates in the list. If you want to see all the templates in your company file, including built-in ones, click Show All Templates.

11. To apply the design to the templates you selected, click Apply.

The Design Applied screen appears. Click OK to close it. Back in QuickBooks, you’ll see the new template in your templates list. Look for templates whose names begin with “MyDesign”, which is your clue that the templates have a form design applied.

12. In the browser window, in the Save Design Online screen, type a name for the design you created, and then click Save.

By saving your design, you can apply it to other forms in the future or to forms in other company files. If you don’t want to save it, click No Thanks.

Managing form designs

If you've saved one or more form designs, you can use them on other forms, edit them, or delete them. Here's what you do:

Note: To apply the form design to forms in a different company file, open that company file before launching the form design tool.

1. **Open a browser to the QuickBooks Forms Customization screen.** (In the Templates window, click Templates and then choose Create Form Design on the shortcut menu.)

Ignore the "Select a Background" page. The link you want is My Saved Designs.

2. **Click My Saved Designs.**

If the Intuit Account login page appears, fill in your User ID and password, and then click Sign In. The Saved Form Designs screen appears. Each saved design includes the name and a thumbnail of the selected background.

3. **To apply the design to templates in a company file, click the "Re-apply to Forms" link.**

The Apply Design screen appears and automatically selects the custom templates from your company file. Choose the forms to which you want to apply the design as described on page 632.

4. **Click Edit to display the QuickBooks Forms Customization screen (page 631), or click Remove to delete the saved form design from your account.**

When you're done, close the browser window.

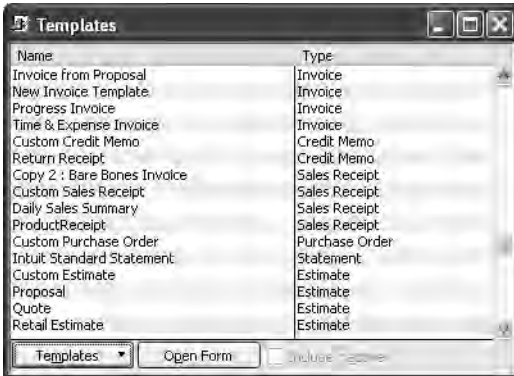
Editing an Existing Form in QuickBooks

One way to build your own forms is to start with a template that QuickBooks provides or use another customized template that you've put together. Whether you plan to make minor adjustments or major revisions, you won't have to start from scratch. To learn how to customize a template while you're in the middle of a task like creating an invoice, see the box on page 635.

Here's how you edit an existing template:

1. **Choose Lists→Templates.**

QuickBooks opens the Templates window, which displays built-in templates and any that you've created. If you're looking for a specific type of form to start with, the Type column displays the type of form, such as Invoice or Credit Memo, as shown in Figure 25-8.

**Figure 25-8:**

To sort templates by type, click the *Type* heading. To use any form as a basis for customized forms, simply make a copy of the form first (page 640), and then edit it all you want.

2. In the **Name** column, click the template you want to edit, and then press **Ctrl+E** to open the Basic Customization dialog box.

You can also click the template's name, click **Templates** at the bottom of the window, and then choose **Edit Template** on the drop-down menu.

3. In the Basic Customization dialog box, click **Manage Templates** so you can make a copy of the form.

In the **Manage Templates** dialog box, QuickBooks automatically selects the name of the template you're editing. Click **Copy**, and QuickBooks automatically fills in the **Template Name** box on the right side of the dialog box with "Copy of: <form name>". Name the form something meaningful and then click **OK** to return to the Basic Customization dialog box. This way, you can keep the edited form or go back to the original.

4. In the Basic Customization dialog box, make the changes you want.

For basic customization, see the next section. To learn about changing the fields on a form, see page 637. And, for full layout instructions, see Appendix E at www.missingmanuals.com/cds.

5. When the form looks the way you want, in the Basic Customization dialog box, click **OK**.

Basic Customization

When you edit a form, QuickBooks serves up the most common changes right away, while the fancier options stay hidden unless you ask for them. The name of the form you're customizing appears at the top-left corner of the dialog box, just below the **Selected Template** label. It's a good idea to verify that the template you're about to edit is the one you want. (If you want to rename the template, see page 640.) This section walks you through your basic options.

FREQUENTLY ASKED QUESTION

Editing a Template While You Work

I've created an invoice and the form preview doesn't look the way I want. Is there a way to change the form without leaving the Create Invoices window?

If you're in the midst of creating a transaction and realize you need to modify the template, you can customize the form without interfering with the transaction in progress. In the transaction window (Create Invoices, for instance), make sure that the template you want to use (and modify) appears in the Template box in the top-right corner of the dialog box. If it doesn't, click the down arrow on the right side of the box, and then choose the form you want.

To customize the template, *don't* click the Customize button, which looks like a ruler with a pencil, at the right end of the window's toolbar as shown in Figure 25-9. If you do, QuickBooks pushes its form design tool on you by opening the Customize Your QuickBooks Forms window. (If you open this window inadvertently, you can get back

to customizing in QuickBooks by clicking Customize Data Layout.)

Instead, click the down arrow to the right of the Customize button and then choose Manage Templates. In the Manage Templates window, click OK to open the Basic Customization dialog box (page 634). From there, you can access Additional Customization for middle-of-the-road changes (page 637) and Layout Designer for advanced customization (see online Appendix E).

Working on a template and an invoice at the same time can overtax a computer that's low on memory and other system resources, causing it to crash—taking your work with it. So if your computer isn't well-appointed hardware-wise, consider finishing the transaction before modifying the template. Then, you can reopen the transaction window, display the transaction you want, and then print or email it.

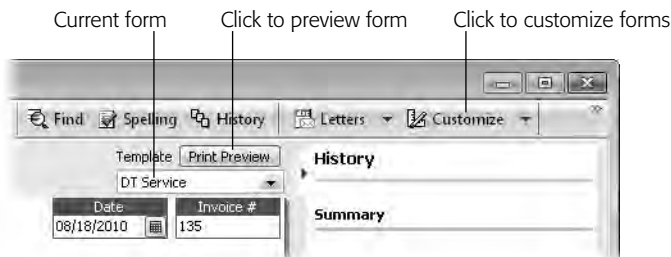


Figure 25-9:

To see what a form will look like before you print it, in the transaction window (like Create Invoices, shown here), click Print Preview. If the form doesn't look like you want, click Customize to change it. Then, when the form is ready, on the transaction window's toolbar, click the Print icon (which looks like a printer).

Note: The Basic Customization dialog box includes a Preview pane on its right side so you can see if your changes are what you want. To preview a form for a transaction like an invoice you're about to send, in the transaction window (Create Invoices, in this example), click Print Preview in the top-right corner (see Figure 25-9).

Adding a logo

Adding a logo to a QuickBooks template can turn plain paper into a decent-looking document, and it's the *only* way to display your company logo on a form you send as a PDF file. Here's how you add a logo to a form:

1. In the Basic Customization dialog box, turn on the “Use logo” checkbox, and then click Select Logo.

The Select Image dialog box opens. The program sets the “Files of type” box to All Image Files, so you'll see any kind of graphic file in the folder.

2. In the Select Image dialog box, navigate to the folder holding your logo file, and then double-click the filename.

In the Basic Customization dialog box, the filename and size appear to the right of the “Use logo” checkbox, as Figure 25-10 shows. Your logo initially appears in the top-left corner of the form.

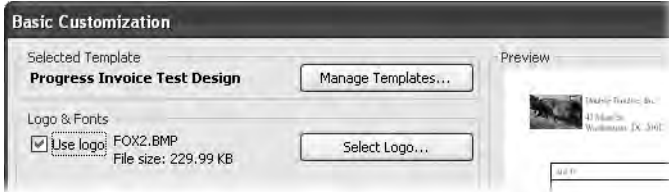


Figure 25-10:

If you print some forms on your company letterhead and send others via email, create two templates for the form—one with your logo and one without. Then, when you create the invoice or other transaction, choose the template that matches the way you plan to send the document.

Note: QuickBooks copies the logo file into a subfolder within the folder that holds your company file. For instance, if your company file is named *DoubleTrouble.qbw* and resides in the folder *C:\QBCompanyFiles*, QuickBooks creates the folder *C:\QBCompanyFiles\DoubleTrouble - Images* and places the copy of the logo file there. If you decide to edit your original logo file, be sure to copy the edited file into the QuickBooks image folder.

3. If you want to reposition the logo, do so within the Layout Designer (see Appendix E, online).

Tip: After you add a logo to a template, it sometimes disappears. Don't panic—simply repeat the steps to add the logo to the template. If the logo still doesn't appear, exiting and restarting QuickBooks usually solves the problem.

Applying a color scheme

If you're anxious to show off your new color printer, you can change the color of the lines and text on the form. In the Select Color Scheme drop-down menu, choose the color you want, and then click Apply Color Scheme. The Preview box shows the results.

Changing fonts

Built-in forms display some labels in different and larger fonts, but you can change the fonts to make them easier to read or more attractive. (You can also change the font for a single object, as described in online Appendix E.) QuickBooks divides the text on a form into categories: Title, Company Name, Company Address, Labels, Data, Subtotals Label, and Total Label. The Labels category controls the font for all the field labels on the form; the Data category changes the font for the values, like the item description and price.

To change the font for a text category, in the Change Font For list, select the category, and then click Change Font. The dialog box that opens has all the usual font formatting options, just like the dialog boxes you see when you format a report (page 530). If you selected a color scheme, the font color is set to that color. Check out the Preview box to see the Technicolor results.

Including basic company and transaction information

QuickBooks automatically turns on the Company Name and Company Address checkboxes, which is perfect if you print to plain paper. But if you have letterhead with your company name and address preprinted on it, be sure to turn these checkboxes off. The other checkboxes let you add your company's phone number, fax number, email address, and website address. These values come from the company information you entered (choose Company→Company Information).

Note: If you're a QuickBooks administrator, you can modify your company info right from the Basic Customization dialog box. Click Update Information to open the Company Information dialog box.

Remember the status stamps that QuickBooks adds to forms, such as PAID, which appears as a watermark on an invoice when you've received the payment? If you want to *print* these status stamps, turn on the Print Status Stamp checkbox.

Additional Customization

At the bottom of the Basic Customization dialog box, clicking Additional Customization takes you to a dialog box with several tabs for picking the fields you want on the template and when they should appear. The tabs are the same for every type of form, unless you create an invoice form and have the Progress Invoicing preference turned on (page 581). In that case, QuickBooks adds the Prog Cols tab so you can pick the columns you want to add for progress billing. Each tab relates to a different area of the form, as Figure 25-11 shows.

**Figure 25-11:**

To include a field onscreen, turn on its Screen checkbox. To print a field, turn on its Print checkbox. The Title boxes show the text that appears as the field labels. QuickBooks fills them in with either the field name or a label that identifies the type of form, such as Invoice for the Default Title field. You can edit these labels in the Title boxes.

Note: Some of the checkboxes are dimmed if a choice doesn't make sense. For example, the checkbox for displaying the Project/Job onscreen is dimmed, because the Create Invoices window (and other windows) includes the Customer:Job field, which tells you the same thing.

Setting up the fields on the tabs is straightforward, but a few of them have extra features that make a complete tab review worthwhile:

- **Header.** These fields appear at the top of the form just above the table area. The more common fields like Date, Bill To, P.O. No., and Terms are turned on automatically. At the bottom of the list, you can turn on the checkboxes for custom fields you've created to include them on your forms.
- **Columns.** These fields appear as columns in the table area of a form, like the item description, quantity, rate, and amount for each line item in an invoice. In addition to specifying whether they appear onscreen or when printed, you can specify the order of the columns by filling in the Order boxes with numbers starting at 1 for the first field. If a field isn't included in the form, QuickBooks changes its Order box to zero (0).
- **Footer.** The fields that appear in the footer (the area below the form's table) include Message, Sales Tax, Total, and so on. If you want to include the total balance for a customer including both the current balance and previous balance, turn on the Customer Total Balance checkbox.

The "Long text" box lets you add a substantial block of text to a form like a legal disclaimer or other lengthy note. If you add this field to the form and type the text in the box, it appears only on the printed form, not onscreen.

- **Print.** You can set up printer settings for different types of forms by choosing File→Printer Setup, selecting the form, and then choosing the settings you want (page 310). QuickBooks automatically selects the “Use <form> printer settings from Printer Setup” option, which uses those printer settings. But if you have a special form that doesn’t follow the other templates in that category, on the Print tab, select the “Use specified printer settings below for this <form>” option and choose the orientation, number of copies, and paper size for just that form.

QuickBooks automatically turns on the “Print page numbers on forms with more than 2 pages” checkbox. If you bill to fractions of an hour, turn on the Print Trailing Zeros checkbox, which adds zeros and a decimal point, so that whole number and decimal quantities all line up.

Managing Templates

Like other QuickBooks list windows, the Templates window includes commands for managing the templates you create. In the Templates window’s button bar, click Templates, and then choose a command on the shortcut menu. Besides obvious tasks like New, Edit Template, and Delete Template, there are some other helpful things you can do with your templates. The box on page 640 describes another way to get templates.

The one problem with the Templates shortcut menu is that you can’t see what the templates look like. If you want to preview templates before you choose one to work on, do the following:

1. **Edit any template of the type you want (Invoices, Purchase Orders, and so on).**

In the Templates list, select the type of template you want, and then press Ctrl+E.

2. **In the Basic Customization dialog box, click Manage Templates.**

The Manage Templates dialog box opens, listing all the templates of the same type as the one you edited.

3. **In the Select Template list, click a template’s name to see a preview of it in the Preview area.**

If you want to rename a template, select it in the Select Template list. Then, in the Template Name box above the preview, type the new name.

POWER USERS' CLINIC

Templates Without Tedium

Say you find QuickBooks' built-in templates boring, but you don't have the time or design know-how to put together templates of your own. You can download spiffier templates from the QuickBooks website. For example, contractors can choose invoice templates with a drill or tape measure in the background.

In the Templates List window, click Templates, and then choose Download Templates. The program opens a web browser to the Forms section of the QuickBooks Library.

You can search for report or form templates and specify the type of report or form—and even pick an industry.

Click the name of a template to view a larger sample. When you find a template you like, click Download, which saves a template export file (which has a .des file extension) onto your computer. In QuickBooks' Templates window, click Templates and choose Import on the shortcut menu. In the "Select File to Import" dialog box, select the file you downloaded, and then click Open.

Copying a Template

Copying a template before you start editing it is always a good idea, in case your edits go awry and you want your original back. QuickBooks automatically names the copy "Copy of:" followed by the original template's name and then selects the new copy. To create a copy of a template, in the Basic Customization dialog box, click Manage Templates. In the Select Template list, click the template's name, and then click Copy.

You can also copy a template in the Templates window. Click Templates, and then choose Duplicate on the shortcut menu. The Select Template Type dialog box appears. As it turns out, you can choose any type of template for the duplicate, regardless of what the original template type is. For example, you can duplicate an invoice template, but specify that the copy is a sales receipt instead. In the Select Template Type dialog box, when you click OK, QuickBooks adds the duplicate template to the list with "Copy of:" in front of the original's name.

Warning: If you copy a template to use as a basis for a new one you want to create, be sure to edit the copy's name to identify what the form does, such as InvoiceNoLogo for the one you print to your letterhead. If you copy a template as a backup in case you mangle the original, first check that the copy is what you want. (The "Copy of:" that QuickBooks adds to the beginning of the template's name tells you that it's a backup.) After you've modified the original template and you're completely confident that the edited template is correct, you can delete the copy.

Deleting or Hiding a Template

You can delete only templates that you create yourself. If you try to delete a built-in QuickBooks template, the program tells you that you're out of luck. But you can hide built-in templates (page 630), if you don't want them to appear in the Templates list. Here's how:

- To delete a template, click it, and then click Delete.
- If you want to keep a template (like an original that you've duplicated), but you don't want it to appear in the Templates list, you can make it inactive. It's just like making a customer, vendor, or invoice item inactive. To do so, in the Templates window, select the template, click Templates, and then choose Make Template Inactive. You can reactivate it by first turning on the "Include inactive" checkbox to display all templates, and then clicking the X to the left of the template's name.

Exchanging Templates Between Company Files

If you want to trade form templates between company files, you can export templates from one company file and import them into another. To create a form export file, in the Templates List window, select the template you want to export. Click Templates, and then choose Export. In the "Specify Filename for Export" dialog box, navigate to the folder where you want to save the file, and in the "File name" box, type the name of the file. QuickBooks automatically sets the "Save as type" box to "Template Files (*.DES)".

To import a template, on the Templates shortcut menu, simply choose the Import command instead of Export. Then, in the "Select File to Import" dialog box, double-click the template file you want to import, and you're done.

Keeping Your QuickBooks Data Secure

Your QuickBooks records are indispensable. They help you invoice your customers, pay your bills, and prepare your taxes; prevent you from overdrawing your checking account; and provide the information you need to plan for the future. A company file does so much, yet many companies don't take the time to keep their financial data safe and secure.

Losing data to a hard disk crash is a shock to your financial system as well as your computer's. But having someone embezzle the money from your accounts could send years of hard work down the drain. Protecting your QuickBooks data takes so little time that there's no excuse for not doing it. (In addition to QuickBooks security, don't forget common-sense security like locking the door to your office.)

If you're the untrusting type or simply have no one else willing to do your book-keeping, you can skip this chapter's discussion of creating users and setting up user permissions. The administrator login is all you need to work on your company file—and QuickBooks creates *that* automatically. Although you might not let other people access your financial data, that doesn't mean that someone won't try to access it *without* your permission. Good security measures like firewalls, up-to-date antivirus software, and passwords that strangers can't guess go a long way toward preventing unauthorized fiddling with your finances.

When you have several people working on your company file, security is a bit trickier. Each person who accesses your financial data is a potential problem, whether intentional or inadvertent. By setting up users in QuickBooks and specifying which areas of the program they can access, you can delegate work to others without worrying about security quite so much. With the audit trail that QuickBooks keeps (page 655), every transaction that's modified or deleted is there for you to review.

Setting Up the Administrator

In QuickBooks, the administrator is all-powerful. Only someone who logs in as the administrator can create new users, assign permissions and passwords to other users, and set QuickBooks' company preferences. If you use the EasyStep Interview to create your company file (page 17), the wizard won't let you finish until you specify the user name and optional password for the QuickBooks administrator (page 20).

Note: Although the administrator password is optional, you should set one right away. If you don't, anyone who opens your company file is logged in as the administrator, with full access to every feature of QuickBooks and every byte of your QuickBooks data.

Assigning the Administrator User Name and Password

When you create a company file, QuickBooks automatically creates the administrator user, but it doesn't require you to assign a password to that user. Now that you know how important a password is, you can edit the administrator user to assign one (and change the administrator's user name, if you want).

Tip: If you're the only person who acts as the QuickBooks administrator and you want to transfer those duties to someone else, create a new user and give that user access to all areas of QuickBooks (page 651). That way, the audit trail (page 655) can differentiate changes made by you and the new administrator. In fact, it's a good idea to create a new user with your name and use that login for most of the work you do. Log in as the administrator for tasks that only the administrator can do.

You can use this process to change the values for the administrator user anytime:

1. **Open the company file using your preferred method.**

If you don't use the EasyStep Interview to create your company file, you can create, open, and close the company file without any sign of a login screen. But behind the scenes, QuickBooks logs you in as the administrator without a password.

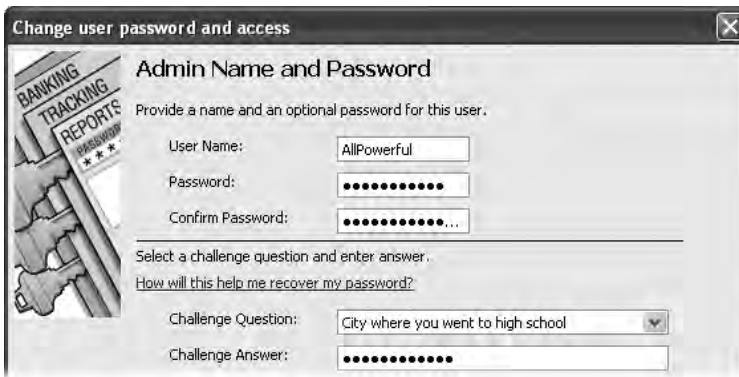
If the administrator is the only user and has a password assigned, the QuickBooks Login dialog box shows only the Password box.

2. **Log into the company file as the administrator.**

If the QuickBooks Login dialog box appears, type the administrator's user name. If the administrator user has a password, type the password, too. Otherwise, leave the Password box blank.

3. **Choose Company→“Set Up Users and Passwords”→Set Up Users. In the User List window, click Edit User.**

QuickBooks automatically selects whoever you're logged in as in the User List window. The “Change user password and access” dialog box (Figure 26-1) opens.

**Figure 26-1:**

If you change the administrator's user name, the User List adds "(Admin)" after the user name to identify which user is the administrator, like "All Powerful (Admin)", for example. Be sure to set up a challenge question and answer so you can reset your password if you forget it.

4. To change the administrator's name, type the new name in the User Name box.

When you change the administrator's name, the User List identifies the administrator by adding "(Admin)" after the user name, so that it reads something like "All Powerful (Admin)".

5. In the Password box, type the password for the administrator user. In the Confirm Password box, type the password again.

See the box on page 646 for tips on creating good passwords. Don't copy and paste the password from the Administrator's Password box into the Confirm Password box. If you copy a typo from one box to the other, you won't know what the administrator password is, and you won't be able to open your company file.

6. To give yourself a chance to reset a forgotten password, in the Challenge Question drop-down list, choose a question like "City where you went to high school". In the Challenge Answer box, type the answer to the question.

The next section explains how to reset the administrator password with the help of this challenge question. (The box on page 647 tells you how to download a tool for resetting your administrator password if you don't know the password, and either don't know or don't have a challenge question.)

7. Click Next.

The dialog box reminds you that the administrator has access to everything in QuickBooks. Click Finish to close the dialog box.

Warning: If you work on more than one QuickBooks company file, the program throws one user-related curve at you: It fills in the QuickBooks Login dialog box with the last user name you typed—whether or not it goes with the file you just opened. Say you open one company file using the user name Admin. When you open another file, the QuickBooks Login dialog box fills in the User Name field with "Admin", even if the administrator name for the second file is I_Can_Do_Everything. So if QuickBooks won't let you log in, make sure you're using the correct user name and password for that company file.

WORD TO THE WISE

Password Guidelines

Because the QuickBooks administrator can do *anything* in a company file, choosing a trustworthy person for that role is only your first step in preventing financial misfortune. But your efforts are in vain unless you secure the administrator's access with a good password. In fact, assigning passwords to *all* QuickBooks users is an important security measure.

Ideally, a password should be almost impossible to guess, but easy for the rightful owner to remember. It's easy to meet the first criterion by using a random combination of upper- and lowercase letters, numbers, and punctuation, but that makes the password hard to remember. And unfortunately, if people have trouble recalling their passwords, they'll write them down somewhere, shooting holes in your security. (To boost security, change your password every 3 to 6 months.)

Here are some tips for creating passwords in QuickBooks that are both secure *and* easy to remember:

- Make passwords at least six characters long, and combine upper- and lowercase letters, numbers, and

punctuation. These are the same guidelines that the credit card industry uses as part of its standard for protecting customer information, as you can read on page 647. (QuickBooks passwords are case-sensitive and can include up to 16 characters.)

- Don't use family birthdays, names, phone numbers, addresses, or Social Security numbers.
- To make guessing more difficult, replace letters with numbers or punctuation that look similar. For example, replace the letter "l" with the number 1 or an exclamation point (!). Or replace the letter "s" with the number 5, or the letter "e" with the number 3.
- To make remembering easier, consider using names, birthdays, phone numbers, or addresses of people *not* obviously connected to you. For example, if no one suspects that Kevin Spacey is your favorite actor, Kev!n5pacey would be a good password (but not anymore).

Resetting the Administrator Password

If you can't remember your password and you selected a challenge question for the administrator user, you can answer that question to earn the opportunity to reset your password. Here's how to make this life-saving feature work:

1. **In the QuickBooks Login dialog box, click Reset Password.**

The Reset Password button doesn't appear if you didn't set up a challenge question.

2. **In the Reset QuickBooks Administrator Password dialog box, type the answer to the challenge question that appears, and then click OK.**

A Password Removed message box tells you that your password, challenge question, and answer have been removed, which means your company file is no longer password-protected.

3. Click Close.

QuickBooks nudges you to add a password by immediately opening the Change QuickBooks Password dialog box.

4. Fill in the boxes as you would to edit the user (page 645), and then click OK.

Now, when you correctly fill in the boxes in the QuickBooks Login dialog box, the program opens your company file.

TROUBLESHOOTING MOMENT

What's the Administrator Password?

The time may come when QuickBooks asks you for a password you don't know. For instance, maybe the person with the administrator password left in a hurry, and you need it to open the company file. Or perhaps you're trying to open a QuickBooks file from a few years ago and the passwords you've tried don't work. If the challenge question doesn't help, try these solutions before you resort to Intuit's password-removal tool:

- **Check the Caps Lock and Num Lock keys.** They may not be set the way they were when you created your password, so try turning them on or off.
- **Test your keyboard.** Create a text document and type each key to make sure they send the correct character.

If the password is still a mystery, you can download the Automated Password Reset Tool, which lets you reset the administrator password for company files opened with QuickBooks 2006 or later. To download the program, your copy of QuickBooks has to be registered with Intuit (page 662).

In the QuickBooks Login dialog box, click Reset Password. In the Reset QuickBooks Administrator Password dialog box, click the "I can't remember my answer" link. In the Help topic that opens (titled "Forgotten challenge phrase answers", in case you want to search for this topic later), click the "Download the automatic password reset tool" link. On the QuickBooks Automated Password Removal Service web page, select the version you last used to open the file. Then, fill in your QuickBooks license number, first name, last name, email address, telephone number, and postal code (the ones you used to register your program so Intuit can find your registration).

After you download the program, double-click the file to run it. You choose the company file you want to reset, and then type a new password. The program only resets your password once—if you forget it again, you have to download the tool again.

Complying with Credit Card Security Regulations

If your company accepts credit cards, you probably already know that you have to comply with standards for protecting your customers' credit card information (known as the Payment Card Industry Data Security Standard). If you don't do so, not only is your customers' financial information at risk, but you also risk paying fines for your oversight.

Part of the standard requires you to change your password every 90 days and to use a *complex password* (one that's longer than seven characters and has a combination of uppercase and lowercase letters and numbers). Fortunately, the steps you have to take in QuickBooks to comply with these password requirements are simple:

1. **Choose Company→Customer Credit Card Protection.**

The Customer Credit Card Protection dialog box opens and explains a little bit about the feature.

2. **Click the Enable Protection button.**

The Customer Credit Card Protection Setup dialog box opens. The fields are the same ones in the “Change user password and access” dialog box. The only difference is that the New Password and Confirm New Password boxes won't accept passwords that don't meet the secure-password criteria.

3. **In the Current Password box, type the current password (which may not meet the criteria). Then fill in the New Password and Confirm New Password boxes with a complex password.**

QuickBooks won't accept the password unless it's longer than seven characters and has at least one number and one uppercase letter, like, “Kath3rine”, for example.

4. **In the Challenge Question drop-down list, choose a question that you can answer in case you need to reset the password, like “Best friend's last or first name”. Then type the answer in the Answer box.**

When you use password protection, QuickBooks requires you to set up a challenge question and answer.

5. **Click OK.**

After 90 days pass, QuickBooks asks you to set a new password.

Creating QuickBooks Users

Setting up users in QuickBooks has the same advantages as setting up users in the Windows operating system or on your network: You can restrict people's access to just the financial data they need to see and keep track of what they're doing. By setting up user logins for the people who work on your company file, you can:

- **Keep sensitive data confidential.** User names, passwords, and permissions (page 651) help protect both your and your customers' sensitive data from prying eyes.
- **Prevent financial hanky-panky.** By limiting each employee's access to job-relevant data and checking the audit trail for changes or deletions (page 655), you can prevent embezzlement—or catch the culprit early. These measures also help protect your data from unintentional errors by new or careless employees.

- **Let several people work in QuickBooks at the same time.** QuickBooks has no way of knowing whether several people share the same user name. If you want to protect your data or identify who's doing what in your financial records, each person who accesses your company file needs a unique user name and password. If more than one person works on your company file simultaneously, you have to switch it to multi-user mode, as the box below explains.

UP TO SPEED

Sharing Your Company File

Setting up several users for a company file doesn't mean more than one person can work on the file at the same time. If you want several people to work on your company file simultaneously, you have to buy a copy of QuickBooks Pro, Premier, or Enterprise for *each* computer on which you want to run QuickBooks *and* switch the company file to multi-user mode.

Ever since QuickBooks 2006, multi-user mode means that you access the data in your company files through a database server. Here's how it works: When someone performs a task in QuickBooks, their copy of the program asks the database server to send information or make changes. The database server makes the changes, retrieves information, and sends it back to them—and also makes sure that the changes don't conflict with changes someone else wants to make. (Don't worry—you won't be quizzed about this. You can concentrate on your business and let multi-user mode take care of the file sharing.)

To turn on multi-user access, choose File→“Switch to Multi-user Mode”. When multi-user mode is on, the QuickBooks window's title bar includes the text “(multi-user) (<user name>)” to indicate that several people can work on the file simultaneously and who's working on the file in the session on this computer.

If you're the QuickBooks administrator but you also perform bookkeeping tasks, it's a good idea to log in as the administrator to perform the tasks that only the administrator can do. For your bookkeeping duties, log in with your other user name, particularly if you want the audit trail to record who makes transaction changes.

After you begin using your company file in multi-user mode, you'll soon discover that some QuickBooks tasks—like condensing your company file—require you to be in single-user mode. If multi-user mode is turned on and you try to perform a single-user-mode task, QuickBooks tells you that you need to switch modes.

Single-user mode also runs faster than multi-user mode, which makes it ideal if you have monumental reports to generate and a tight deadline. To switch a company file to single-user mode, first ask everyone to exit QuickBooks (or just perform your task when others aren't in the office). After everyone has logged off, choose File→“Switch to Single-user Mode”.

Adding New Users

Only the QuickBooks administrator can create additional users. After you log in as the administrator, here's how you create other users:

1. Choose Company→“Set Up Users and Passwords”→Set Up Users.

The QuickBooks Login dialog box reopens, asking you for your password. This extra request for the administrator password prevents someone from walking up to your computer while you're away and creating an account for herself. After you enter your password, the program opens the User List dialog box, shown in Figure 26-2.

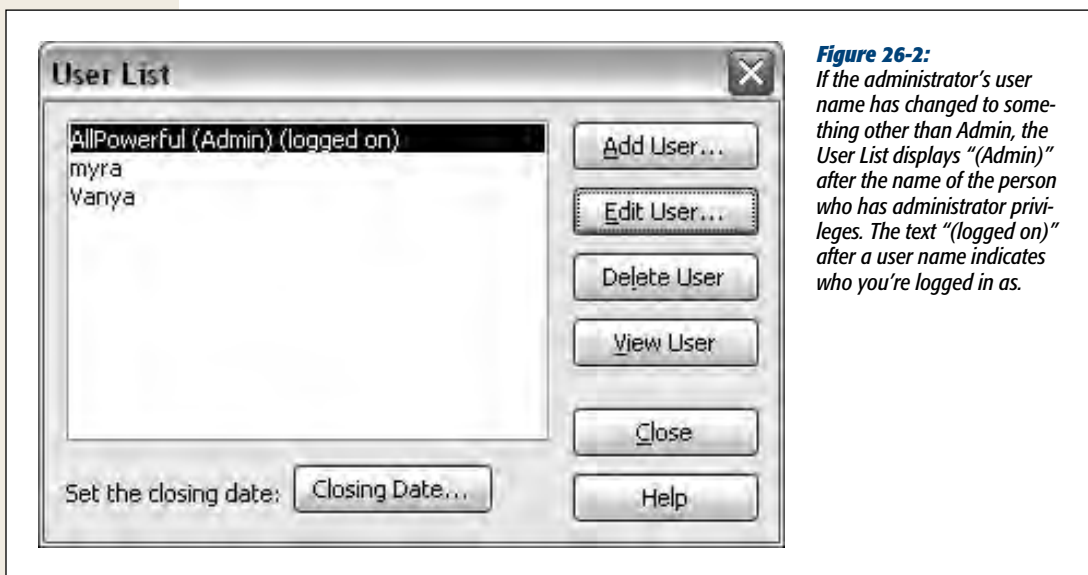
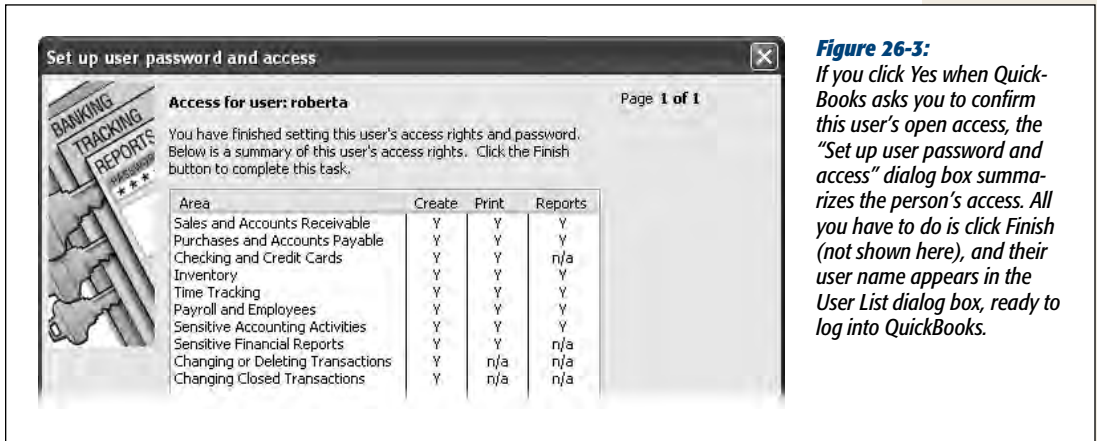


Figure 26-2:
If the administrator's user name has changed to something other than Admin, the User List displays "(Admin)" after the name of the person who has administrator privileges. The text "(logged on)" after a user name indicates who you're logged in as.

2. Click Add User.
QuickBooks opens the “Set up user password and access” dialog box.
3. In the User Name box, type a name for the person to use to access the company file. And in the Password box, type a password for the person.
In the Confirm Password box, retype the password.
4. Click Next to begin setting permissions, which are described in detail in the next section.

When you click Next to begin specifying the areas of QuickBooks that the person can access, the program selects the “Selected areas of QuickBooks” option automatically. Selecting the “All areas of QuickBooks” option instead gives this user access to *all* your financial data, as shown in Figure 26-3. That's why QuickBooks asks you to confirm that you want the person to have access to every area of QuickBooks.

**Figure 26-3:**

If you click Yes when QuickBooks asks you to confirm this user's open access, the "Set up user password and access" dialog box summarizes the person's access. All you have to do is click Finish (not shown here), and their user name appears in the User List dialog box, ready to log into QuickBooks.

Note: The external accountant user has access to all parts of your company file except sensitive customer information—perfect if you want to set up a QuickBooks user for your accountant or bookkeeper. To learn how to set up an external accountant user, see page 469.

Resetting a User Password

Users can change their own passwords, which makes your company data even more secure, since that way only users know their own passwords. That means users can't log in as someone else and perform transactions they shouldn't (like writing checks to themselves). To change their passwords, folks simply choose Company→"Set Up Users and Passwords"→Change Your Password. They have to type their current password and then type the new one. The administrator can change passwords and delete users if people leave the company.

Restricting Access to Features and Data

When several people work on your company file, it's safer to limit what each person can do. For example, Trusty Ted has earned his nickname, so you could set his login up with access to every QuickBooks feature, including sensitive financial reports and accounting activities. And Myra Meddler can't keep a secret, but there's no one faster at data entry, so you want to make sure that she gets no further than doing the checking, credit cards, and bill paying.

If a person chooses a command and doesn't have permission for that feature, QuickBooks displays a warning message that identifies the permission needed to perform that action. In case the lack of permission was a mistake or an oversight, the warning message also suggests asking the QuickBooks administrator to grant that permission.

What the Access Areas Represent

When you tell QuickBooks that a user should have access only to selected areas of the program, you have to tell QuickBooks *which* areas the person can use. For each area, you can give the user either full access or selective access, as explained in the next section. As you click Next, the “Set up user password and access” dialog box steps through one area at a time, as you can see in Figure 26-4. There’s some overlap, because each area actually covers a lot of ground:

- **Sales and accounts receivable.** This area includes creating sales transactions with any kind of sales form (invoices, sales receipts, statements, and so on) and with any additional features (receiving payments, reimbursable expenses, finance charges, and so on). With sales and accounts receivable permissions, you can open the Customer Center and modify sales-related lists (such as the Customer:Job, Customer Type, and Ship Via lists), and customize sales forms. Full access includes printing and creating sales-related reports.

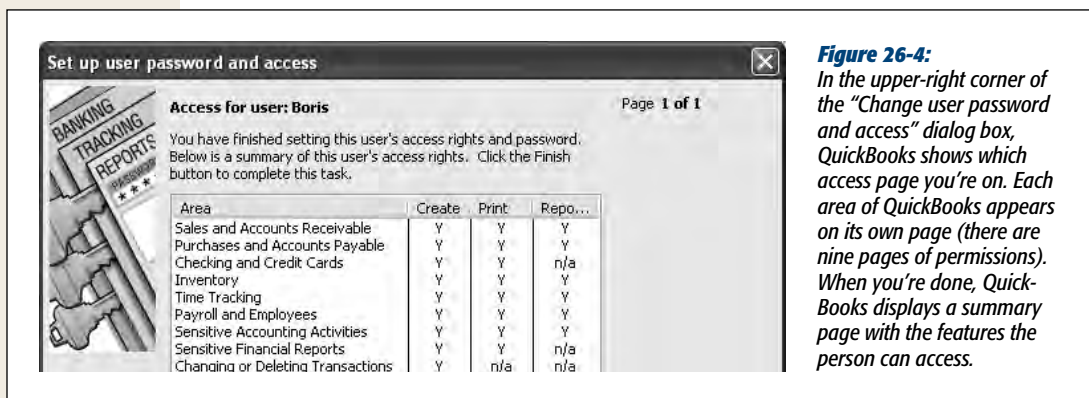


Figure 26-4: In the upper-right corner of the “Change user password and access” dialog box, QuickBooks shows which access page you’re on. Each area of QuickBooks appears on its own page (there are nine pages of permissions). When you’re done, QuickBooks displays a summary page with the features the person can access.

For the sales and accounts receivable area, selective access includes the “View complete customer credit card number” checkbox to help protect your customers’ financial data. QuickBooks automatically turns off this checkbox to restrict who can see a customer’s full credit card information. If you don’t accept credit cards, leave this setting as it is. Otherwise, turn the checkbox on for the people you trust to work with customer credit card numbers.

- **Purchases and accounts payable.** These permissions include all aspects of dealing with bills and vendors: entering and paying bills, working with purchase orders, entering reimbursable expenses and credit card charges, and paying sales tax. You can grant people permission to open the Vendor Center and modify purchase lists, such as the Vendor and Vendor Type lists, and customize purchase forms. Full access includes printing 1099s and reports about vendors or purchases.

- **Checking and credit cards.** Permissions in this area let people write expense checks and refund checks (but not payroll checks), enter credit card charges, and make deposits.
- **Inventory.** People with these permissions can maintain the inventory items on the Item List, receive products into inventory, adjust inventory quantities, work with purchase orders, and generate inventory reports.
- **Time tracking.** These permissions include the ability to enter time transactions in the weekly and single-activity timesheets, import and export Timer data, and generate time reports.
- **Payroll and employees.** Payroll permissions include opening the Employee Center and the Payroll Center, writing and printing paychecks, setting up and paying payroll liabilities, using the selected payroll service, maintaining the Employee and Payroll Items lists, and generating payroll forms and reports.
- **Sensitive accounting activities.** Sensitive accounting activities don't belong to any one area of QuickBooks. Reserve these permissions for people who are not only trustworthy, but who also understand how your accounting system works. With these permissions, someone can maintain your chart of accounts, make general journal entries, transfer funds, reconcile accounts, access accounts through online banking, work in balance sheet account registers, and create budgets. Other permissions include condensing data (which removes details of past transactions), using the Accountant's Review feature, and generating the payroll report.
- **Sensitive financial reporting.** These permissions let someone print every report in QuickBooks, regardless of any reporting restrictions from the other access settings you choose. For example, someone with this kind of access can print Profit & Loss, Balance Sheet, Cash Flows, and audit trail reports.
- **Changing or deleting transactions.** As an extra precaution, you can give people permission to *create* transactions in an area, but not let them change or delete the transactions that they've created. For example, for trainees just learning the ropes, you might remove their permission to edit transactions, so they need to ask someone more experienced to make changes. An additional option lets people change transactions prior to the closing date for your books (page 474). (Ideally, give this permission only to those who really know what they're doing—like your accountant.)

UP TO SPEED

Common-sense Security Measures

Your QuickBooks company file isn't the only place that you keep sensitive information. Be sure to set up your computers so that your QuickBooks data *and* all your other proprietary info are secure:

- **Back up your data regularly.** Back up your company file (page 158) and other data and store the backups in a safe place. Check that your backups save the files you want and that your backups restore without any problems.
- **Update your operating system with security updates.** If you use Windows, review the articles about the latest security updates at www.update.microsoft.com.
- **Use antivirus software and keep it up-to-date.** These days, you need antivirus and anti-spyware

software. Because the rogues who write viruses, worms, Trojans, and spyware don't look like they're going to stop any time soon, be sure to update your antivirus and anti-spyware programs regularly.

- **Install a firewall.** An Internet connection without a firewall is an invitation to nosy nerds and criminals alike. A firewall restricts access from the Internet to only the people or computers you specify.
- **Plan for problems.** Cross-train your employees so that more than one person knows how to do each procedure in your company, including working with QuickBooks. Store the QuickBooks administrator's password in the company safety deposit box or give it to a company officer for safekeeping.

Setting Access Rights

In the "Set up user password and access" dialog box, the "Selected areas of QuickBooks" option takes you on a journey of specifying access to areas of the program. As you click Next to access each area of QuickBooks, you can give someone no access at all, full access, or the right to perform some tasks in that area, as shown in Figure 26-5.



Figure 26-5:

When you choose the Selective Access option, you also need to select the option that specifies what the person can do. Selective Access separates tasks into creating transactions, creating and printing transactions, or creating transactions and generating associated reports.

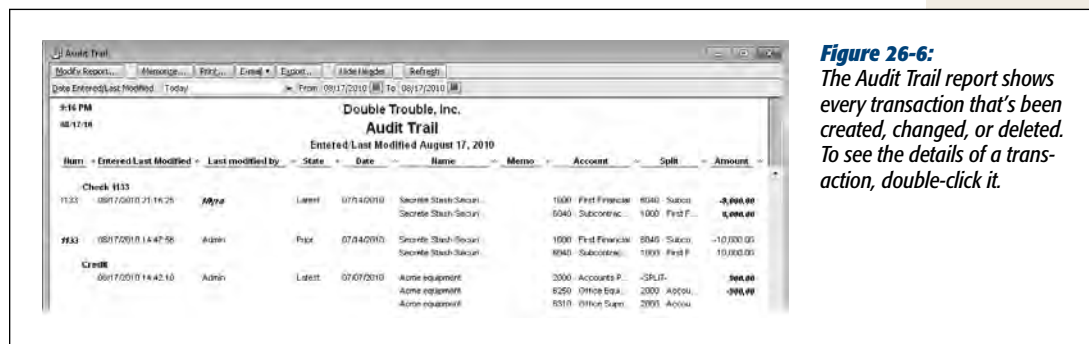
Here's a guide to what each level of access lets people do:

- **No Access.** People can't open any windows or dialog boxes for that area of QuickBooks, meaning they can't perform any actions in that area. QuickBooks automatically chooses this option. To give someone any access to an area, you have to choose either Full Access or Selective Access.
- **Full Access.** The person can perform every task in that area of QuickBooks except ones reserved for the administrator user.
- **Selective Access.** When you choose this option, you also need to tell QuickBooks what the person can do (Figure 26-5).

The final page in the “Set up user password and access” dialog box summarizes the access rights that you chose for the person, as shown in Figure 26-3 (page 651). The Summary screen separates access into the same categories as the Selective Access level: Create, Print, and Reports. In most cases, giving someone full access means that “Y” appears in all three columns. No access usually displays “N” in all three columns. When a permission isn't applicable to an area, QuickBooks displays “n/a”. For example, there aren't any reports associated with the right to change or delete transactions.

Audit Trails

The audit trail feature is always turned on, keeping track of changes to transactions, who makes them, and when. You can then check this permanent record—the Audit Trail report, shown in Figure 26-6—to watch for unseemly activity.



You have to be the QuickBooks administrator or have permission to generate sensitive financial reports to run the Audit Trail report (choose Reports→Accountant & Taxes→Audit Trail).

Note: The Clean Up Company File tool (page 178) removes the audit trail information for transactions that the cleanup deletes. So if you're watching transaction activity, print an Audit Trail report *first*, and (as always), back up your company file regularly.

Installing QuickBooks

QuickBooks' installation process seems to gain or lose a few steps—and clicks of the Next button—with each new version. Still, you only have two basic options: install the program from scratch or upgrade from a previous version. When you upgrade, you can run both the old and new versions on your computer at the same time, which is essential if you're an accountant or bookkeeper who works with company files from several different clients. Even if you use QuickBooks to run your own business, you might want to keep your old version around in case you decide that you don't like the new version. However, once you open your company file in a new version of QuickBooks, it won't run in the earlier version (see the box below), so be sure to back up your company file before you run it with the new version.

This appendix walks you through both paths of the installation process. You'll also find out how to install QuickBooks 2011 on a company network (page 664). If, like most businesses, you have several people who can access a company file at the same time, everyone has to run the same version of QuickBooks, so prepare to spend the time installing the program on all those machines. You'll also learn where on a network you can store your company file—and which location to choose for best performance.

POWER USERS' CLINIC

Installing Multiple QuickBooks Versions

If you work with clients running different versions or editions of QuickBooks, don't panic: QuickBooks versions and editions can run on the same computer *mostly* without squabbling with each other.

For example, you can run QuickBooks Pro 2009, QuickBooks Pro 2010, and QuickBooks Premier Edition 2011 all on the same machine. As long as you access each company file with *only one version* or edition of the program, you'll be fine. However, QuickBooks updates company files in two situations, which means you won't be able to use the files in the previous version or edition:

- Opening a company file in a new version updates the file to work with the new version and prevents earlier versions from opening the file. So once you open your company file with QuickBooks 2011, your accountant who's running QuickBooks 2010 won't be able to access your data.
- Opening a company file in QuickBooks Enterprise Edition optimizes the file for faster performance. Once you open a company file in this edition, the file is off-limits to QuickBooks Pro and QuickBooks Premier.

Tip: You don't have to pay list price for QuickBooks (\$199.95 for a single license of QuickBooks Pro; \$399.95 for a single license of QuickBooks Premier). Your local office supply store, Amazon.com, and any number of other retail outlets usually offer the program at a discount. (If you buy QuickBooks from Intuit, you pay full price, but have 60 days to return the program for a full refund.) In addition, accountants can resell QuickBooks to clients, so it's worth asking yours about purchase and upgrade pricing. QuickBooks ProAdvisors can get you up to a 20 percent discount on QuickBooks Pro or Premier, and you'll still have 60 days to return the program for a refund.

Before You Install

Intuit recommends a 1.8 GHz processor and 256 MB of RAM for a single user of QuickBooks Pro. For a single user of Pro or Premier on Windows 7, Intuit recommends a 2.0 GHz processor and at least 512 MB of RAM. Add another 512 MB of RAM for more than one concurrent user—but doubling the recommended RAM (at least 2 GB, as a rule of thumb) will probably bring you closer to acceptable number-crunching speeds. You also need about 2 GB of free disk space and a 4x CD/DVD drive to install the program. QuickBooks 2011 can run on Windows XP (Service Pack 3 if you want Intuit's technical support to help you), Windows Vista, Windows 7, and Windows Server 2003 and later versions.

If you're planning to use QuickBooks' integration features, the versions of your other programs matter, too. For example, writing letters and exporting reports requires Microsoft Word and Excel 2000 or later; synchronizing contacts requires Outlook 2000 or later.

If you have several QuickBooks users, plan on upgrading everyone's copy at the same time. Once you've upgraded everyone, you can update the company file to the new version of the program. Then, have everyone make sure they can open the

company file with the new version of QuickBooks. (If you update the company file first, your colleagues won't be able to work in it until they have the newest version of the program.)

Tip: If your QuickBooks installation and registration behave differently than described in this appendix, go to the Missing CD page at www.missingmanuals.com for updated instructions. Or, simply follow the onscreen instructions and don't worry.

Installing QuickBooks

If you have a single-user license for QuickBooks, installing or upgrading the program on a computer running Windows 7 or Windows XP is incredibly simple. Even on a network with a multi-user license, installing QuickBooks is mostly common sense. (If you're installing it on a computer running Windows Vista, search the QuickBooks Knowledge Base [page 672] for instructions.)

Here are the steps for installing QuickBooks:

1. **Log into Windows as a user with administrator rights.**

Windows XP, Windows Server, Windows Vista, and Windows 7 require administrator rights to install QuickBooks. If you're running Windows Vista, disable the firewall, too.

2. **Shut down any running programs, including your virus-protection programs (a good idea for any installation), and then put the QuickBooks CD in your CD drive.**

Most of the time, the installation process starts on its own, and QuickBooks' installation dialog box appears on your screen.

Tip: If the installation dialog box doesn't appear, use Windows Explorer to open the CD. Double-click *setup.exe*, and then follow the onscreen instructions.

3. **In the QuickBooks installation dialog box, click Next.**

The installation wizard extracts the files it needs to install QuickBooks. You'll see progress bars that give you an idea of how long you have to wait. You'll have time to reply to a few emails and make a few calls.

4. **If the QuickBooks installation dialog box asks whether you want to check for and download the latest installation update, leave the Yes option selected, and then click Next.**

When the program finishes looking for updates, the screen tells you whether any are available. On that screen, click Next. (The program installs any updates it finds along with QuickBooks.)

5. When you see the “Welcome to QuickBooks!” screen, click Next.

The QuickBooks Software License Agreement screen appears.

6. After you read the software agreement carefully, select the “I accept the terms in the license agreement” option, and then click Next.

You can proceed with the installation without *reading* the software agreement, but it’s a good idea to make sure the agreement doesn’t ask for something you aren’t willing to provide.

7. On the Choose Installation Type screen, select either the Express or “Custom or Network options” option, and then click Next.

The Express option sets up QuickBooks for single-user access (page 157) and installs the program in *C:\Program Files\Intuit\QuickBooks 2011*. If you choose this option, the installation jumps to a screen that asks for the license and product numbers—and you can continue with step 9. You can change the preference to allow multiple users after QuickBooks is up and running (page 157).

The “Custom or Network options” option lets you install QuickBooks where you want on your computer, install the program and share a company file with others, or set up the computer only to share the company file (page 664).

8. If you’re the only person who uses QuickBooks, on the “Custom and Network Options” screen, select the “I’ll be using QuickBooks on this computer” option, and then click Next.

This option installs QuickBooks on your computer and sets it up for single-user access to your company file. (You can change this preference to allow multiple users after QuickBooks is up and running—see page 157.)

If you’re going to run QuickBooks and also want to store the company file on this computer to share with other QuickBooks jockeys, select the “I’ll be using QuickBooks on this computer, AND I’ll be storing our company file here so it can be shared over our network” option and then click Next.

The third and most long-winded option, which begins with “I will NOT be using QuickBooks on this computer,” is the one you select when you’re installing the program on a computer that acts as a file server; in other words, a computer that stores your company files but won’t run QuickBooks (page 664).

9. Fill in the License Number and Product Number boxes with your QuickBooks license and product numbers, and then click Next.

These numbers are hard to miss—they’re printed on the bright yellow sticker on your QuickBooks CD sleeve. As you finish typing the digits in one box, QuickBooks automatically jumps to the next box. If you’re confident on the keyboard, you can keep your eyes on the yellow sticker and type all the digits for the license and product numbers without a break.

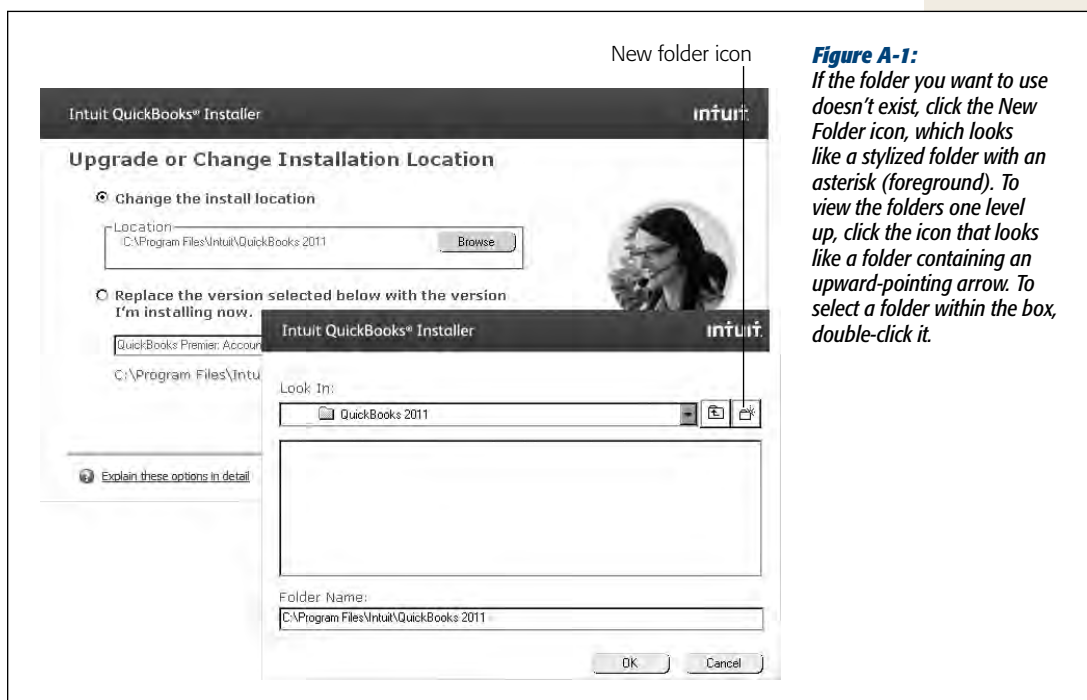
10. If you already have a version of QuickBooks installed and want to upgrade that version, in the Upgrade or Change Installation location screen, select the “Replace the version selected below with the version I’m installing now” option and, in the drop-down list, choose the version that you want to upgrade.

The path for your current version of QuickBooks appears below the drop-down list.

If you *don’t* have a version of QuickBooks installed, the Installation Location Options screen appears instead. The only thing you can do is change the installation location.

11. If you want to install QuickBooks 2011 without upgrading an existing version, select the “Change the install location” option. To choose a different location, click Browse (see Figure A-1, background). Select the new folder and then click OK.

If QuickBooks isn’t installed on your computer, simply click Browse to change the installation location.



12. When the installation location is set the way you want, on the “Upgrade or Change Installation Location” screen, click Next.

The “Ready to Install” screen appears with a summary of the program’s version, its license and product numbers, and the installation folder you chose. The screen also warns you that the installation could take 15 to 20 minutes.

13. If you want to change, say, the folder you're installing to, click Back until you get to the appropriate screen and make the changes. Then click Next until you're back at the "Ready to Install" screen.

Unless you like your desktop covered with shortcuts, turn off the "Add service and support shortcuts" checkbox. You can reach the same services from the Help menu by choosing the commands for contacting QuickBooks technical support (page 672) and ordering checks.

Note: Even if you tell the installer not to add shortcuts to your desktop, it still adds a desktop shortcut for QuickBooks itself.

14. If the settings are correct, on the "Ready to Install" screen, click Install.

When you click Install, the CD starts whirring again and your hard drive makes busy sounds. The wizard shows the installation task it's performing and progress bars indicate how far it's gotten. When marketing information about new features pops up on your screen, you know that the installation might take some time and you can take a walk or return phone calls. But eventually, the "Congratulations!" screen appears.

15. If you're ready to get to work, click Finish. (If you want some help with QuickBooks, make sure the "Help me get started" checkbox is turned on *and then* click Finish.)

QuickBooks launches and you're ready to get started. Chapter 1 takes you through launching QuickBooks and opening files for day-to-day work. If you asked for help, a browser window also opens with links that tell you how to create or update company files, set up QuickBooks for more than one user, and point you to helpful information about the program.

Registering QuickBooks

The Register QuickBooks dialog box doesn't appear until the first time you open a company file with the new version of the program. If you're new to QuickBooks and create a brand-new company file, the EasyStep Interview (page 17) walks you through the entire process without mentioning registration. But when you open the file you've just created or converted from an earlier version, you'll see the Register QuickBooks dialog box. You don't have to register QuickBooks immediately, but you'll have to eventually—the program runs for only 30 days unless you register your copy. In other words, Intuit doesn't really give you a choice in the matter.

In addition to letting you run the program you've already paid for, registration is worthwhile for a couple other reasons: You get 30 days of free callback support from the day you first register, and you'll receive any updates that Intuit releases. The price you pay is having to sit through online sales pitches for Intuit's other products.

When you open a company file in the new version of QuickBooks, the “Register QuickBooks <edition> 2011” dialog box appears. Click the Begin Registration button, and a browser window opens to the QuickBooks Registration page and guides you through the steps.

If you want to use some of QuickBooks’ online services, you have to set up a special Intuit account. (The account is free, but some of the services aren’t.) If you don’t have an Intuit account yet, below the heading “Don’t have an Intuit Account?”, click Sign Up and follow the steps to create an account. If you already have an account, fill in your ID and password, and then click Sign In.

Your Intuit account gives you access to Live Community, where you can get answers to your questions from experts or your peers (page 670). You can also create a website for your company hosted on Intuit Websites. Your Intuit account also gets you access to the documents you store in QuickBooks using document management (page 313).

The first time you register your software, you have to fill in several screens of information. If you’re registering a new version of QuickBooks and sign in using your existing Intuit account, you have to fill in only the business phone number and Zip code you used to register in the past.

Be sure to keep a copy of the license number, product number, and the telephone number you use for registration. You’ll need them if you have to reinstall QuickBooks or install it on a new hard drive.

Setting Up QuickBooks on a Network

For several people to work on the same company file from different computers, the computers running QuickBooks have to be networked together. Making this arrangement work requires a few extra—but simple—setup steps. Each user in a multi-user environment has to:

- Run the same version of QuickBooks (QuickBooks 2011, for example).
- Have permission to read, write, create, and delete in the folder where the company file resides. A network administrator typically sets up each user for these permissions. If you’re responsible for setting up users but you never wanted Network Administrator as your job title, choose Start→“Help and Support” and then, in the Search box, type “Share folder” to find instructions for sharing a folder using your operating system.

Tip: You can simplify access to the company-file folder by mapping a drive to that folder. In Windows’ “Help and Support” window (which you get to from your computer’s Start menu), search for “Assign drive.”

- Have a valid license number and product number. You need a separate QuickBooks license for each computer on which you install the program.

QuickBooks Pro and Premier can handle up to five people accessing a company file at the same time. (Intuit is happy to sell you more than five licenses for QuickBooks to install on other people's computers, but only five of the licensed users can work on the company file simultaneously.) QuickBooks Enterprise comes with 5-, 10-, or 15-user license packs and allows up to 30 simultaneous users.

Where to Store Your Company Files

QuickBooks 2011 has its own favorite spot for company files, but you can save your files where it makes the most sense for your company. For example, if several people work on your company files simultaneously, choose your storage location to get the quickest performance (you can read how to do that in the next section). This section explains how to decide where to store your company files.

In Windows 7, the program automatically sets the company-file folder to `C:\Users\Public\Documents\Intuit\QuickBooks\Company Files`. The folder for Windows XP is `C:\Documents and Settings\All Users\Shared\Documents\Intuit\QuickBooks\Company Files`. (If you're browsing through folders, the Windows XP path shows up simply as "Shared Documents".)

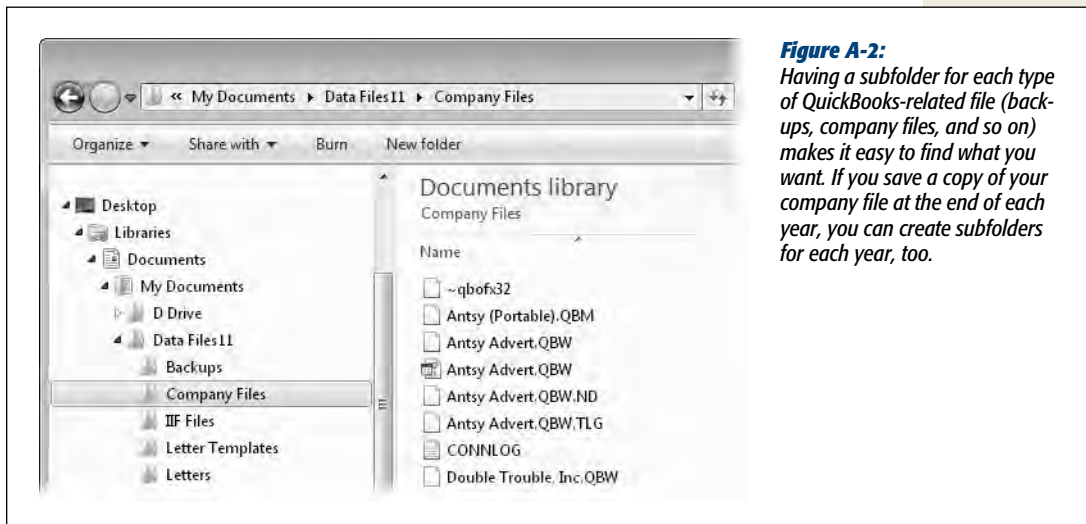
However, you're free to choose a different folder. QuickBooks lets you store your company files anywhere you like, so you may as well keep them with the rest of your documents. It also makes sense to create a dedicated folder for your QuickBooks files. In addition to company files, you'll probably create backup files, message templates, files that you export from QuickBooks, and files for importing into your company file. With a QuickBooks folder as a container, you can create subfolders for each type of file, as shown in Figure A-2.

Tip: If you aren't totally at ease working with files in your computer's operating system, *Windows XP Pro: The Missing Manual*, *Windows Vista: The Missing Manual*, or *Windows 7: The Missing Manual* will make you an expert in no time.

Storing Company Files on a Network

If several people work on your company files, where you store the files can determine whether the people who work on them get blisteringly fast responses or nod off waiting for commands to complete. For the best performance, store company files on the network computer with the most memory, the fastest processor, the most available disk space, and—ideally—the least amount of activity. The best location for your company file depends on the type of network you use:

- Peer-to-peer networks don't use dedicated file servers, so you can store your company file on any computer on the network. The computers running QuickBooks need to use Windows XP, Windows Server, Windows Vista, or Windows 7.

**Figure A-2:**

Having a subfolder for each type of QuickBooks-related file (backups, company files, and so on) makes it easy to find what you want. If you save a copy of your company file at the end of each year, you can create subfolders for each year, too.

- On a client-server network, the company file typically resides on a *file server*, a dedicated computer for sharing files. Every computer on the network that has QuickBooks installed can access the company files, but one of the computers has to host multi-user access (page 660). Intuit recommends installing QuickBooks and the company files on the server, which has to run Windows XP, Windows Server, Windows Vista, or Windows 7.

However, in some cases, you *can't* install QuickBooks on the computer that holds the company files (if you use a Novell file server, for instance). You have to log into the computer that you want to use as the *host* and open company files in multi-user mode (page 157). When QuickBooks asks if you want this computer to host multi-user access, click Yes. This computer then plays traffic cop for several people working on the company files at the same time.

Tip: When you perform resource-gobbling tasks, like running massive reports or reconciling accounts, performance is paramount. On a peer-to-peer network, log into QuickBooks on the computer that holds the company files to perform these tough tasks. On a client-server network, use the fastest computer on the network.

Help, Support, and Other Resources

Between questions about how to do something in QuickBooks and how to handle something in accounting, you might need help almost every time you open the program. Happily, QuickBooks 2011's Help system has a few features that actually help. For example, when you open QuickBooks Help, it automatically shows links to topics relevant to what you're doing in the program. So if the Create Invoices window is open, QuickBooks Help tells you how to fill out or edit invoices, record payments toward invoices, customize your invoice form, and so on. You'll find topics with background info, troubleshooting tips, and even advice on why you should or shouldn't perform certain steps.

Another option is Live Community. As its name suggests, this help comes from fellow QuickBooks wranglers. Live Community may seem like yet another move toward self-service, but the help you receive from your colleagues is often more pertinent than what you get from Intuit. If you don't see a question and answer similar to the question you have, you can post yours. And if you're a QuickBooks veteran, you can answer someone else's plea for help.

Where QuickBooks Help falls short is giving you different ways to find information. You can search for info using keywords or browse through QuickBooks' relevant topics until you find what you're looking for, but if you prefer a table of contents or an easy-to-scan index, they're nowhere to be found.

In this appendix, you'll learn your way around QuickBooks Help. But in case the help you find isn't very helpful, you'll also learn about other resources that might do better.

QuickBooks Help

Wherever you are in the program, you can get help by pressing F1 or choosing Help→QuickBooks Help. The “Have a Question?” window opens to the Help tab and its Relevant Topics tab, which lists topics related to what you’re doing, as shown in Figure B-1. The Relevant Topics feature is like a revved-up version of the “How Do I?” and Help buttons you used to find in QuickBooks’ windows and dialog boxes. Your other option here is the tried and true keyword search (click the Search button).

Note: The QuickBooks Help window works like windows in other programs as long as you set the right QuickBooks preference, as the box on page 669 explains.

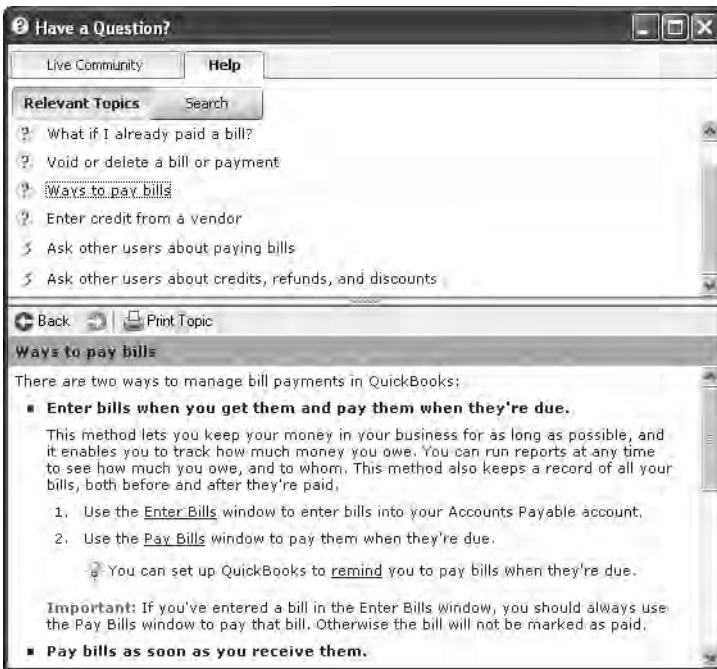


Figure B-1:

Help topics are awash with additional links to related topics (click underlined blue text to follow a link), so you may quickly find yourself several topics from where you started. To move through the Help topics you’ve opened, use the icon bar immediately above the Help topic text. Click Back (a white, left-pointing arrow in a blue circle) or Forward (a white, right-pointing arrow in a blue circle) to navigate topics. Click Print Topic to print the current one.

The Relevant Topics tab in the QuickBooks Help window is smart. The topics change automatically to show info that’s relevant as you click commands, display windows, and open dialog boxes. For example, when the QuickBooks Home page is active, the topics include “Use the Home page,” “Customize the Home page by choosing which icons appear,” and so on. Then, if you click the Pay Bills icon on the Home page, the topics change to things like “Ways to pay bills” and “Void or delete a bill or payment.” When you click a topic on the Relevant Topics tab, it appears in the bottom half of the “Have a Question?” window.

FREQUENTLY ASKED QUESTION

Resizing and Moving the Help Window

How can I resize and position the Help window the way I want?

In earlier versions, QuickBooks' Help window wouldglom onto the right side of the main QuickBooks window and stay there until you closed it. If you widened it to read a help topic, it stole space from the main QuickBooks window and wouldn't give it back. But fortunately, in QuickBooks 2010, the Help window started behaving like Help windows in other programs.

To make the Help window show some manners, choose Edit→Preferences and then, in the Preferences dialog box, click the Desktop View icon. Turn on the "Detach the Help Window" checkbox and then click OK.

Here's how the Help window works once you've detached it:

- **Move the Help window.** Drag the "Have a Question?" title bar to the new location. Then, the next time you open the Help window, it conveniently appears in the same location.
- **Resize or widen the Help window.** Hover your cursor over any border of the window until the cursor changes to a double-headed arrow and then drag in the direction that you want the size to change. The next time you open the Help window, it opens to the size it was when you last closed it. (If you widen the Help window when it's attached to the QuickBooks main window, it narrows the main window. However, when you close the Help window, the program restores the main window to its original width.)
- **Minimize the Help window.** If you want to focus on the task at hand, click the Minimize button (an underscore) in the upper-right corner of the window. To restore the minimized Help window, click the "Have a Question?" button in the Windows taskbar.

The other way to find a help topic is to click the Search tab, type keywords into the text box, and then click the right arrow to search for related topics, as shown in Figure B-2.

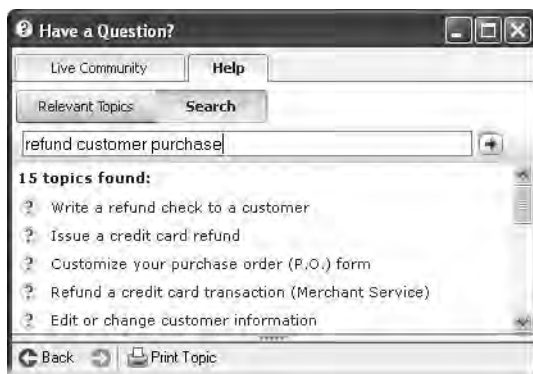


Figure B-2:

No matter how many keywords you type in the Search box, QuickBooks Help lists 15 topics that relate to those keywords. Typing more words doesn't narrow the results. Instead, QuickBooks finds 15 topics by including ones that relate to only one of those words.

Live Community

Live Community is a portal to Intuit's QuickBooks community message boards. The system is simple to use: You ask a question, and Live Community checks whether it's already been answered by someone else who uses QuickBooks. If none of the answers it finds are what you want, you can pose your question to the community. By the same token, you can post your solutions to questions that others have asked. All this user involvement is what makes Live Community, well, lively.

The downside to Live Community is that you can't control the answers that the feature displays. You'll see different responses depending on how you phrase your question, there's no way to scan all the questions that others have posted and the answers they received.

Tip: If you want to scan existing questions and answers, see page 673 to learn how to review the QuickBooks community message boards without Live Community's help.

You have to create an Intuit User ID to use Live Community. The first time you submit a question, Live Community asks you to sign in. If you didn't set up an Intuit account when you installed QuickBooks, you can do that now (page 663).

Here's how you use Live Community after you sign in:

1. **Choose Help→Live Community or click Live Community in QuickBooks' icon bar.**

The "Have a Question?" window opens to the Live Community tab.

2. **In the box containing the text "Type your question here" (Figure B-3, background), do just that and then click the Ask My Question button.**

A browser window opens, showing similar questions that have already been answered, as shown in Figure B-3 (foreground). Live Community searches for questions and answers that contain the same words you used in your question (omitting common words like "the", "a", and so on).

3. **If you see a question that seems similar to yours, click the blue question text.**

When you hover your cursor over the question text, the cursor changes to a pointing finger to indicate that the text is a link and a pop-up box displays the question and a preview of the first answer.

When you click a question, the browser window displays the question and all the answers that have been posted so far. If you find your answer, click Yes to close the browser window. Otherwise, click No to return to the list of similar questions.

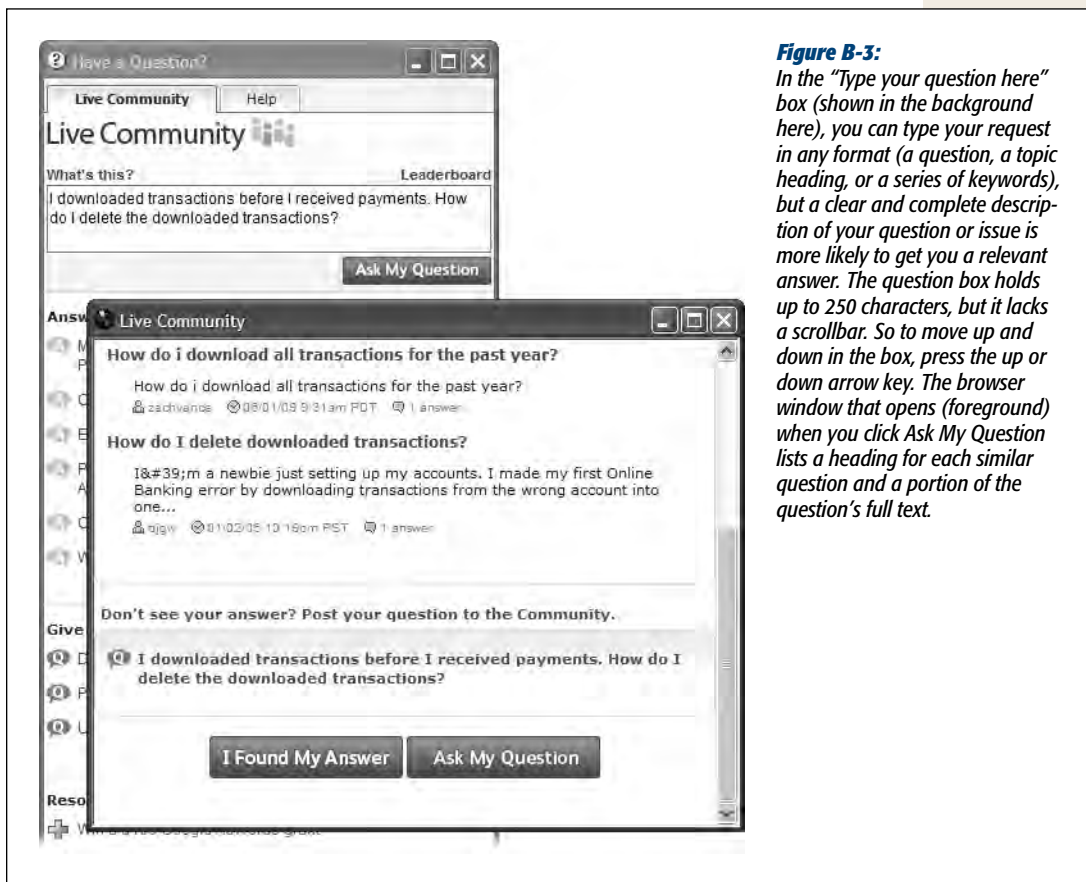


Figure B-3:

In the “Type your question here” box (shown in the background here), you can type your request in any format (a question, a topic heading, or a series of keywords), but a clear and complete description of your question or issue is more likely to get you a relevant answer. The question box holds up to 250 characters, but it lacks a scrollbar. So to move up and down in the box, press the up or down arrow key. The browser window that opens (foreground) when you click Ask My Question lists a heading for each similar question and a portion of the question’s full text.

4. If none of the questions seem relevant or you discover that the answers aren’t what you want, at the bottom of the window, click Ask My Question.

The Live Community browser window displays boxes for your question’s title text. You can type up to 120 characters in the title box and 7200 characters in the “Your question details” box, so enter a detailed question and description of your problem.

5. Click Post My Question to publish it to Live Community.

In the Live Community window, a New Reply flag pops up when someone answers your question. (When you log into your Intuit account, you can set your profile so Live Community sends you emails when someone answers your questions.)

6. When someone solves your problem, click either **Helpful** or **Solved** (these options are next to your question).

Clicking **Helpful** or **Solved** awards point to the person who answered your question. Points aren't worth anything, although the number of points someone has can indicate whether they know what they're talking about. Clicking **Solved** closes the thread, which means no one can post to that thread in the future. So if you want to leave a comment for the person who answered the question, post your comment before you click **Solved**.

Note: In the bottom half of the Live Community window, the "Give Advice, Answer a Question" section lists a few unanswered questions. If you feel like sharing, click **See More** to view all the unanswered questions posted to Live Community. If you spot a question you think you can answer, click its blue title to read the complete question. If you do indeed know the answer, click **Reply**. Type your response in the box, and then click **Submit**. (If you realize you can't answer the question, click **Cancel**.)

Other Kinds of Help

Unsurprisingly, the first command on the Help menu is QuickBooks Help. However, commands further down on the menu may provide the assistance you want, depending on your level of experience and the way you prefer to learn:

- **Learning Center Tutorials.** Choose this command to open the QuickBooks Learning Center window and watch video tutorials about popular tasks. For example, in the QuickBooks Learning Center's navigation bar, click the **Customers & Sales** icon to access tutorials for creating estimates, invoices, sales receipts, statements, and payments. The tutorials generally run between 4 and 5 minutes, so don't expect in-depth training. An audio track (or optional text) explains what's going on as you see the cursor move around the screen, buttons highlight, and windows or dialog boxes open and close.
- **Support.** This command opens a browser window to the QuickBooks Support Home page (you can also get there by clicking the Support icon in the far right of the icon bar—it looks like a life preserver). Front and center on the support page is the "Get Support for Your Product" label followed by the product you're using, such as QuickBooks Pro 2011. If you want support for a different edition, click the "Choose a different product" link. In the "Search the QuickBooks support site" box, type keywords and then click the Search button. The web page displays articles from the Knowledge Base and answers from the QuickBooks community. The Knowledge Base is a database of detailed instructions that you won't find in QuickBooks Help. For example, if you receive an error message, type the error number you've received to find out what it means and what you can do about it.

Note: What you have to do to get in touch with an Intuit QuickBooks support person isn't immediately obvious. The box on page 675 explains the steps.

- **Find a Local QuickBooks Expert.** If you're tired of figuring things out on your own, you can find plenty of accountants and bookkeepers who are QuickBooks experts—and you'll be glad you did. Intuit has a certification program for accounting professionals, and this command opens a web browser to the QuickBooks Find-a-ProAdvisor website where you can find someone in your area. ProAdvisors have passed tests to prove their QuickBooks expertise. Finding one of these folks is free, but a ProAdvisor's services aren't. When you find ProAdvisors near you, ask about their fees before hiring them. You can also use your browser to go to http://quickbooks.intuit.com/product/training/local_expert.jsp. (The page you see says Local QuickBooks Expert, but it still searches for QuickBooks ProAdvisors.)
- **Send Feedback Online.** This command won't provide instant gratification for your QuickBooks problems, although a quick rant may make you feel better. You can send suggestions for improvements to QuickBooks or QuickBooks Help, and report bugs that you find.

The QuickBooks Community

Live Community and the search feature on the QuickBooks Support web page both deliver answers posted to the QuickBooks community message boards. Both features rely on the words you type to find likely responses to your question. If you'd rather scan the QuickBooks community message board to see what's available, you can open a web browser directly to the QuickBooks Community site, <http://community.intuit.com/quickbooks>. The forums are the best place to look for answers to thorny problems, especially when the issue is a combination of accounting practices and how to do them in QuickBooks.

When you click Forums in the horizontal navigation bar, the page displays high-level topics like Banking, Inventory, and “Vendors and Vendor Center”. Click one of those topics to see all the posts for that area. Before you post a message asking for help, type keywords into the “Enter your question here” box, and then click the Ask button to see if anyone has already solved your dilemma, as shown in Figure B-4.

Other Help Resources

If you don't find an answer to your questions in QuickBooks Help or the QuickBooks Community forums, you can use Google to search or try an independent QuickBooks message board. Quickbooksusers.com (www.quickbooksusers.com) has forums for different editions of the program, including one each for QuickBooks

overall, QuickBooks Pro, Premier Non-profit, and Premier Manufacturing and Wholesale, Enterprise, and QuickBooks for the Mac. You can also find forums for the Australian, Canadian, and U.K. editions of the program. People post some gnarly problems on these message boards, but each question gets at least one reply. In some cases, you might receive several different solutions to the same problem.

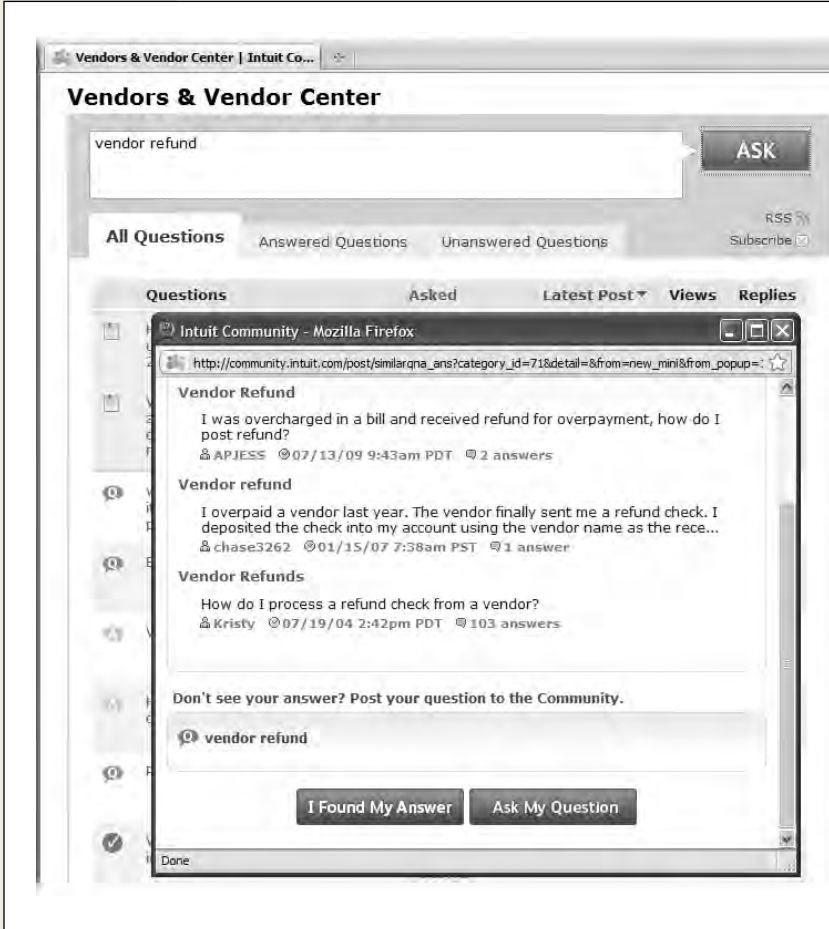


Figure B-4:
Click the title of a post to read the whole thing and see other responses. You have to register with the website (it's free) to post messages.

The Quickbooksusers.com message boards are free. This site supports itself by selling data-recovery services and tech support, and it also has advertising. (Then again, a data-recovery service might be just what you need.) If you're looking for an add-on program or having problems with one, check out the site's QuickBooks 3rd Party Software forum. When you really get going with QuickBooks, you can even prowl the QuickBooks Jobs forum.

Tip: When you receive an error message in QuickBooks, typing the message or error number into a web search engine is a great way to find answers.

QuickBooks Training

Searching for QuickBooks training online yields more results than you could possibly want. You can narrow the search by including your city: “QuickBooks training Denver,” for example. If you prefer to study on the Web, search for “QuickBooks training Web-based” or “QuickBooks training online” For example, Qbalance.com (www.qbalance.com) offers QuickBooks training for folks at any level of experience; you can get one-on-one training with a QuickBooks expert, classroom-based training, or training on a CD. Real World Training (www.realworldtraining.com) offers regularly scheduled instructor-led classes in many cities around the country (or in your office), training on CD, and weekly online classes.

UP TO SPEED

Getting Answers from Intuit

Free support from Intuit is rarer than hen’s teeth. It would seem sensible to choose Help→Support to contact Intuit, but the better approach is to use your web browser to navigate to <http://support.quickbooks.com>. The QuickBooks Support web page that opens offers more options than the one you get from within QuickBooks. You can click links to visit the QuickBooks forums or find a local QuickBooks expert. To contact Intuit, call the phone number listed on the site.

Here is the rundown on free versus for-a-fee support:

- You can obtain free support for the first 30 days after you register your copy of the program.
- Help with installation, errors, and so on is free for 12 months after you register, if the problem has to do with installing or upgrading QuickBooks, error messages you receive, or behavior that you suspect is a bug.
- Support plans come by the month or the year. The monthly support plan costs \$79 for the first month and \$39 per month after that. The first year of an annual support plan is \$349; after that, support costs \$299 per year. If you suspect that you’ll want to call support several times, a support plan is more cost-effective. On the Intuit Support website, below the “Get the protection of a support plan” heading, click the “Learn more” link to get the full story.
- If you’re reinstalling QuickBooks and can’t find your license number, go to <http://support.quickbooks.intuit.com/support/LicenseNumber/Default.aspx>. Enter your last name and business phone number, and then type the code you see in the picture. When you click Submit, Intuit retrieves your registration record with your license number and key code.

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