

INTRODUCTION TO

QuickBooks[®] Pro 2000

INCLUDES
TRIAL
VERSION OF
QUICKBOOKS[®]
2000

W/1 3.5

W/ 1 CD

DOUGLAS SLEETER

Introduction To

QuickBooks®
Pro
2000

Douglas Sleeter



**Glencoe
McGraw-Hill**

New York, New York Columbus, Ohio Woodland Hills, California Peoria, Illinois

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**Introduction to QuickBooks® Pro 2000, ISBN 0-07-824121-9
(instructor's manual, 0-07-824122-7)**

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Send all inquiries to:
Glencoe/McGraw-Hill
21600 Oxnard Street, Suite 500
Woodland Hills, California 91367

Printed in the United States of America.

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Preface

For individuals and small businesses, QuickBooks® is very popular because it is one of the easiest accounting software programs available. Learning how to use QuickBooks is even easier with this tutorial. The tutorial consists of a textbook and a 3.5" disk containing template problems for each chapter.

Using this tutorial method, you will gain confidence in every aspect of QuickBooks by trying out each feature as you complete problems and simulations of a "real" business. The well illustrated text includes step-by-step instructions for each computer practice. Computer practices provide you with the practical experience needed to achieve operating skill. You will want to keep this book for reference, with its comprehensive appendix, valuable index, and helpful glossary of terms.

The package was developed by Douglas Sleeter, a leading educator on QuickBooks, along with a consulting team of accounting teachers, business computer specialists, and prominent industry systems managers. In short, this tutorial provides you with the tips of the trade by those who know how a business works.

Each chapter is designed to aid understanding, by providing a list of objectives, numerous computer practices, and a chapter summary. Following the chapter summary is a wide range of questions. Problems and questions focus on the way QuickBooks works in the business environment. Additional practice can be found in the simulation.

Today the Internet enables you to keep current in using QuickBooks. Throughout the text is a listing of helpful Web sites, in the feature "Internet Connection."

Acknowledgments

We would like to thank our reviewers: Neil Hayes (E.C.P.I.), Leonard Long (Western New England College), and Anita Withers. Also, we would like to thank the numerous individuals who contributed to this book. L.T. Herrman of Clover Computing, a computer consultant and former vice president of systems for Shell Oil, devised the real-world simulation. Cindy Calvin and Doug Buhner, a QuickBooks user and small-business owner,

created the glossary. Victoria Pavlik, instructor at Ohio State University and Columbus State Community College, developed many of the end-of-chapter questions.

Thanks also to Mike Moses for his editorial assistance and Carol Mohr for her work on the screen captures.

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Chapter

1

Introducing QuickBooks

OBJECTIVES

After completing this chapter, you should be able to:

1. Describe the features in QuickBooks.
2. Understand how the menus and Navigation System works.
3. Describe the process of entering transactions.
4. Understand the function of items.

QuickBooks is one of the most powerful tools you'll use in managing your business. It is much more than a bookkeeping system. It's a management tool. When set up and used properly, QuickBooks provides you with detailed information that is essential to making good business decisions. Throughout this book, you will find tips from the experts on how to set up and use QuickBooks to properly provide managers with the information needed to make informed business decisions.

This chapter teaches the basics and functions of QuickBooks. You'll be introduced to a sample business called Academy Glass, which is used throughout the book to teach the examples.

ACCOUNTING 101

Before you begin learning about how QuickBooks can help you manage your business better, let's look at two questions that will prepare you for managing in this way. After all, you probably would not do anything else in your business without understanding why you are doing it, what the benefits are, and what it entails.

The two questions are:

"On what does accounting focus?" and

"Why do I need to do it?"

The answers are not, as you might suppose:

"Money" and

"Because the IRS makes us do it."

Accounting's Focus

Accounting is primarily concerned with accurately counting wealth or net worth. Put another way, accounting's focus is on whether your organization is succeeding and how well it is succeeding.

Your organization's purpose includes a lot of different goals, but among them is producing a net worth, or equity in excess of the cost of operations. This goal is true whether your organization is for-profit or not-for-profit. The difference is that the former has a primary goal of producing profit; the latter needs a profit to continue operations.

Both kinds of organizations need to replace or upgrade equipment, provide income and raises for staff, or invest money to safeguard against shortfalls in income. The examples in this book are about a for-profit company called Academy Glass, but the same need for information and tracking would exist in a not-for-profit organization.

Accounting allows all kinds of organizations to assess their position relative to both current and future obligations (liabilities), current capabilities to meet those obligations and continue operations (assets), and the difference between them (net worth or equity). The fundamental equation, called the *accounting equation*, that governs all accounting is

$$\begin{aligned}\text{Assets} &= \text{Liabilities} + \text{Equity} \\ \text{or Equity} &= \text{Assets} - \text{Liabilities}.\end{aligned}$$

Seems pretty simple, so why do we need a software package to handle it?

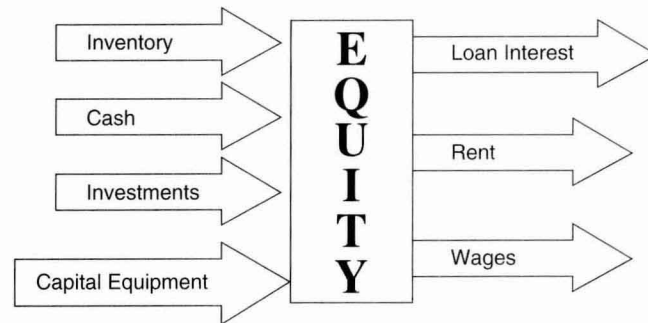
Accounts, Accounts, Everywhere Accounts

Many factors go into making an organization work. Money and value are attached to everything that is associated with operating a company—such as equipment, rent, utilities, salaries and wages, raw materials, merchandise, and so on. For an organization to understand its equity, the money needed (and/or the value of each one of these) has to be counted, summed, and balanced according to the rules of accounting.

Different categories of value are usually tracked separately in different records or ledgers, called *accounts*. The summary of all ledgers in

a company is the *General Ledger*, which is the record of everything that happens to money and valuable items in the company. Another term associated with the General Ledger is the “Chart of Accounts.” This chart lists all the accounts in the company. The list is sorted by type: assets first, followed by liabilities, equity, income, and expenses.

Each account represents something that increases or decreases the equity in your organization. (That’s the accounting equation, again.) So a picture of your accounts is a picture of your organization.



Tracking all the accounts in your organization can be time-consuming unless you have help. That is where QuickBooks comes in. QuickBooks allows you to manage a much larger number of accounts than you could manage manually in the same amount of time. This means you can get timely information with enough detail to allow you to manage your organization and know what you can and cannot do in the future.

You still need to be careful to set up only those accounts that are really informative to the managers of the company. So, you may track major income categories individually, and you may group less significant ones into one account.

Back to the accounting equation. Every account is either an asset account, a liability account, an income account, an expense account, or an equity account. (Income and expense accounts are tracked throughout the year and are used at the year-end to calculate net income, which increases equity.) Adding up all the accounts in each category lets you know what the overall value is in each category and the overall value of your organization.

Adding up all the accounts also lets you know whether you entered all the information correctly. That is because the accounting equation for your organization will not work if there are errors in an account. If you enter \$1,000 too much in an asset account and do not also show a \$1,000 increase (or decrease) in another account, the accounting equation will be \$1,000 out of balance.

The good news is that QuickBooks will not allow you to make a mistake like this. If you try to enter a transaction that doesn’t balance, QuickBooks won’t let you store it.

Double-Entry Accounting

Sooner or later, someone will ask if you are using double-entry accounting. The short answer is yes, as long as you are using QuickBooks.

Double-entry accounting is a technique that looks at each account as having two sides—one side is a record of transactions that increase the account, and the other side lists all transactions that decrease the account. One side is for debits, and the other is for credits. Depending on the type of account, a debit might increase the account or decrease it. The same is true of credits. So debits are not always bad and credits are not always good. They are just part of a method of accounting.

In double-entry accounting, every transaction creates a debit in one or more accounts and a credit in one or more accounts. That is why it is called *double-entry accounting*. If the debits and credits for any transaction are not equal, an error has been made. The goal is to be sure that transactions are recorded accurately with respect to the accounting equation.

Fortunately, QuickBooks handles this for you. Every transaction you enter in the program automatically becomes a debit to one or more accounts and a credit to one or more other accounts. Thus you can focus on entering transactions by filling out forms like invoices and checks, and the program takes care of the rest. It also means you can create reports that show the transactions in the full double-entry accounting format.

Accounting for the Future: Cash or Accrual?

Another critical aspect of accounting is managing for the future. Many times, your organization will have assets and liabilities that you know about but are not due yet. For example, you may have sold something to a customer and sent an invoice, but the invoice is not yet paid. Also, you may have a bill for electricity that has been received but is not yet due.

A good accounting system tracks these and uses them in evaluating a company's equity. This is called *accrual accounting* because the liabilities and assets are entered when you know about them, and they are used to identify what you need on hand to meet future obligations, both current and known.

Although certain types of organizations can use a cash accounting method instead (many are not allowed to do so under IRS regulations), the accrual method provides the most accurate picture for your organization.

In the cash method, you do not log transactions until cash changes hands. So a sale is not recorded until the customer pays the bill, and a utility bill is not recorded until you write the check. You have to use a system outside your accounting program to track transactions such as open invoices and unpaid bills. Also you cannot generate a complete picture of your organization's status without going to several places to find information.

In contrast, the accrual method provides the most complete picture of the business operation.

QuickBooks can provide reports for either method, so everything you learn about the program will work for you regardless of the method you use for taxes. You should check with your tax accountant to determine which method you should use.

Your Focus

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

As you think through the examples with Academy Glass, ask yourself what parallels you see to your own organization. Certainly, areas such as salaries, utilities, equipment, and others will be part of your setup; but the names and specifics of the accounts, items, lists, and forms will be different.

WHAT IS QUICKBOOKS?

- A full-featured accounting program that’s very powerful and easy to use
- A double-entry accounting system
- An estimating, invoicing, and accounts receivable system
- A bill-paying, check-printing, and accounts payable system
- A purchase order and inventory management system
- A job-costing system
- A sales tax tracking system
- A payroll system

With all these features, QuickBooks provides nearly everything required by most small businesses. Because of its superior ease of use, it has become the most popular accounting package on the market. While it may not be perfect for every business, it is by far the most widely used and the most recommended by accountants.

ACADEMY GLASS

Throughout this book, you will see references to a fictitious company called Academy Glass. Academy is a window-replacement company that uses QuickBooks for its accounting and business management. Academy might not be exactly like your business, but you’ll see how QuickBooks can work for your company by seeing how it works for Academy.

Academy has two stores, one located in San Jose and another located in Walnut Creek. In order for management to separately track sales and expenses for each store, Academy uses “classes” in QuickBooks. As you proceed through the book, you’ll see how each transaction (bills, checks, invoices, etc.) is tagged with what “class” it belongs to so that later you can get reports like Profit & Loss by class. Classes can be used to separately track departments, profit centers, store locations, or funds in any business.

Academy also needs to separately track revenues and expenses for each customer or job it has. When a customer orders windows, Academy

needs to track all the revenue and expenses specifically related to that job so it can look back and see how profitable the job was. This concept is called *job-costing*, and many different businesses need to track jobs in similar ways.

QUICKBOOKS FEATURES

When you first launch QuickBooks, take a moment to familiarize yourself with the tools that are always there to assist you.

QuickBooks provides a number of shortcuts and aids that assist the user in entering information and data. There are four methods of accessing the data entry screens: **menus**, QuickBooks **Navigation Bar**, and **shortcut keys**.

Menus

Menus run along the top of the screen. To open a menu, select the menu name and then select the option desired (see Figure 1-1). For a complete list of QuickBooks menus, see page 504.

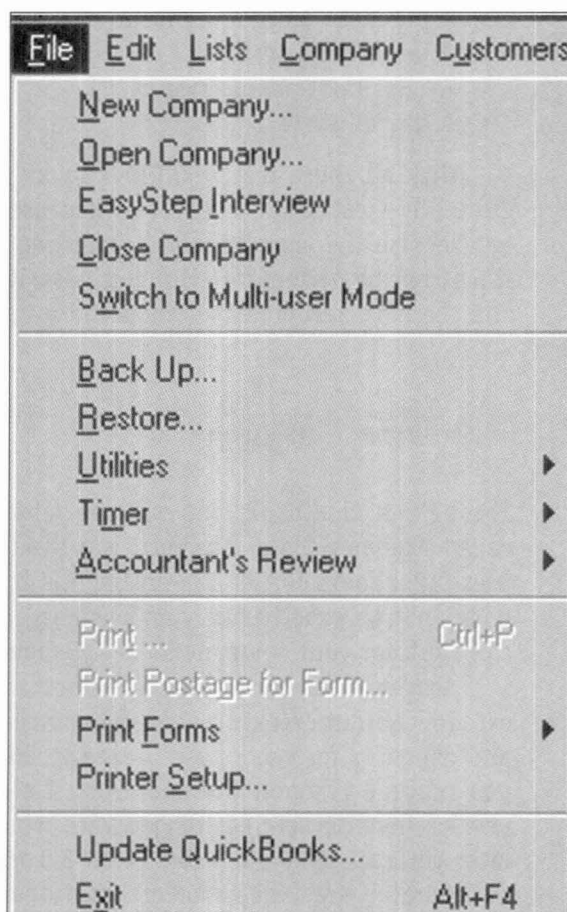


Figure 1-1 The File menu.

QuickBooks Navigation Bar

The QuickBooks Navigation Bar (see Figure 1-2) allows you to select activities and lists by picking them from items on a bar located at the right or left of the screen. Click Customize at the bottom of the Navigation Bar to modify the contents or position of the Navigation Bar.

Figure 1-2 The Navigation Bar and the Customize Navigation Bar screen.

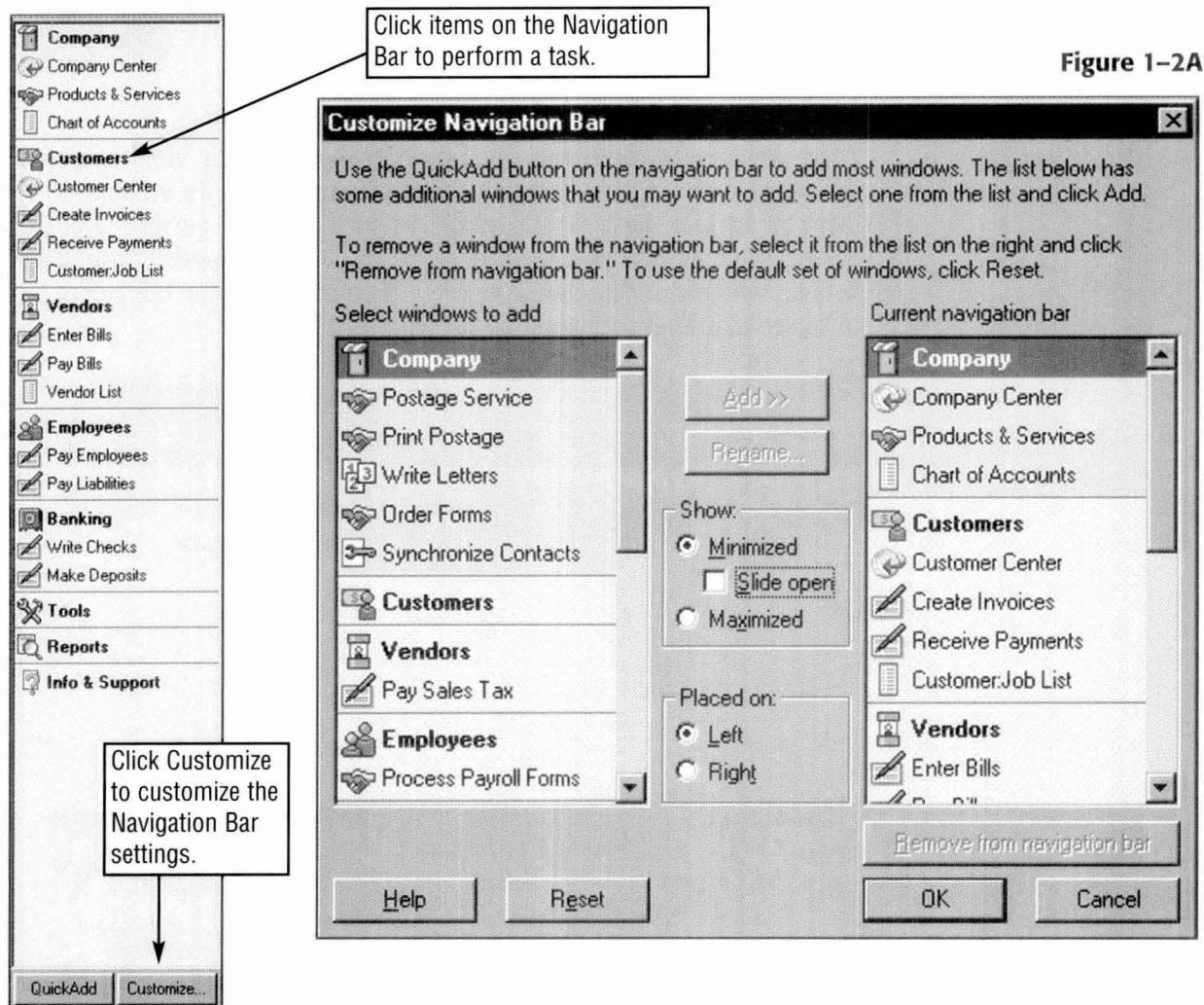


Figure 1-2A

Click on the heading of the groups to see the group navigators (see Figure 1-3). The flowcharts present a view of the steps you take when you enter data or create reports in QuickBooks.

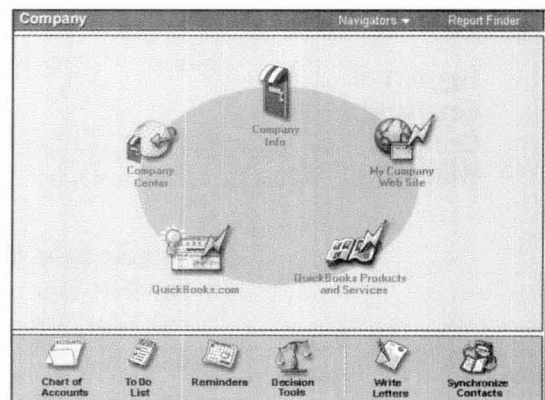


Figure 1-3



COMPUTER PRACTICE

- Step 1** Click Customize on the Navigation Bar.
- Step 2** In the **Show** section, select the **Minimize** button. Select **Slide Open**.
- Step 3** Click **OK**.



Centers

There are several different centers that allow you to view snapshot information about your company. The Company Center (see Figure 1-4) displays various facts about your business such as current account balances and an income and expense graph. There are several drop-down lists on which you can choose to see different facts about the company, or to see a different time period for what is displayed.

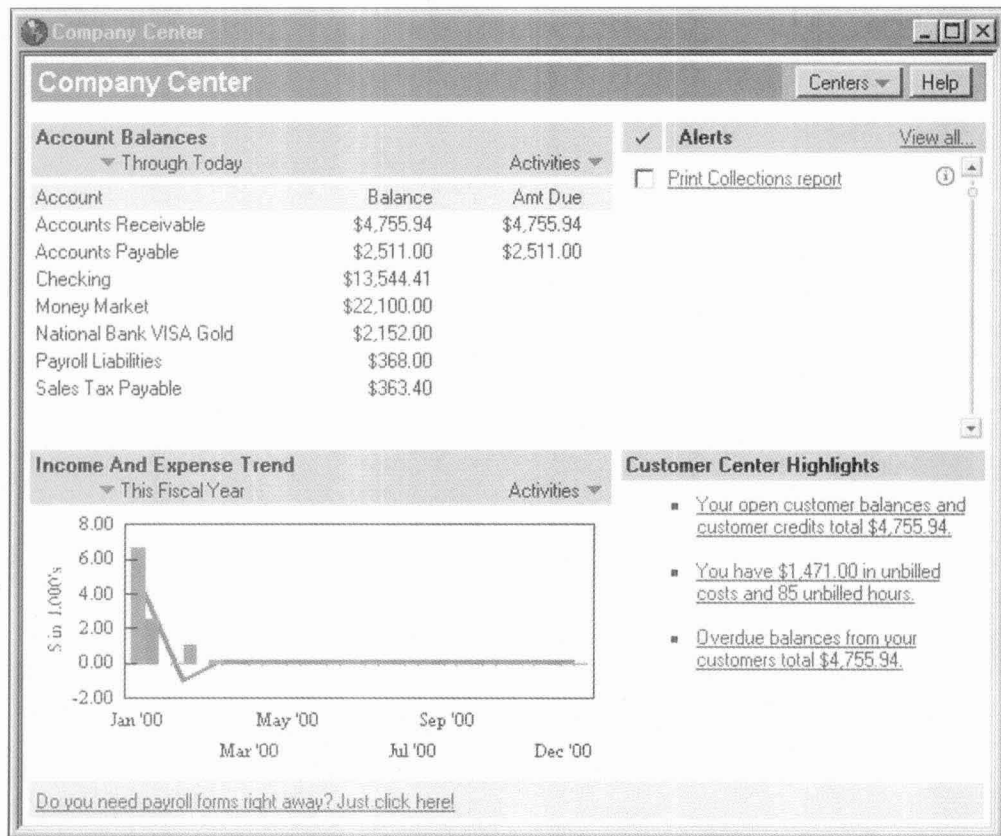


Figure 1-4
Company
Center
Window.

Centers have **Alerts** that show in the upper right corner of each center. An alert is a reminder that something may need to be done now or in the near future. For example, some alerts remind you to backup your data file and other alerts remind you to deposit payroll taxes or file payroll forms. However, there is no way to modify existing alerts or add your own.

Shortcut Keys

You may use the mouse or the keyboard shortcut keys to select the menu options. To use the keyboard, press **Alt +** the underlined letter on the menu. This action displays the menu. Then press the underlined letter of the desired menu item.

Sometimes, menu items have control key shortcuts that are indicated on the right side of the menu. For example, to edit a check, you could press **Ctrl + E** as indicated in the Edit menu in Figure 1-5.

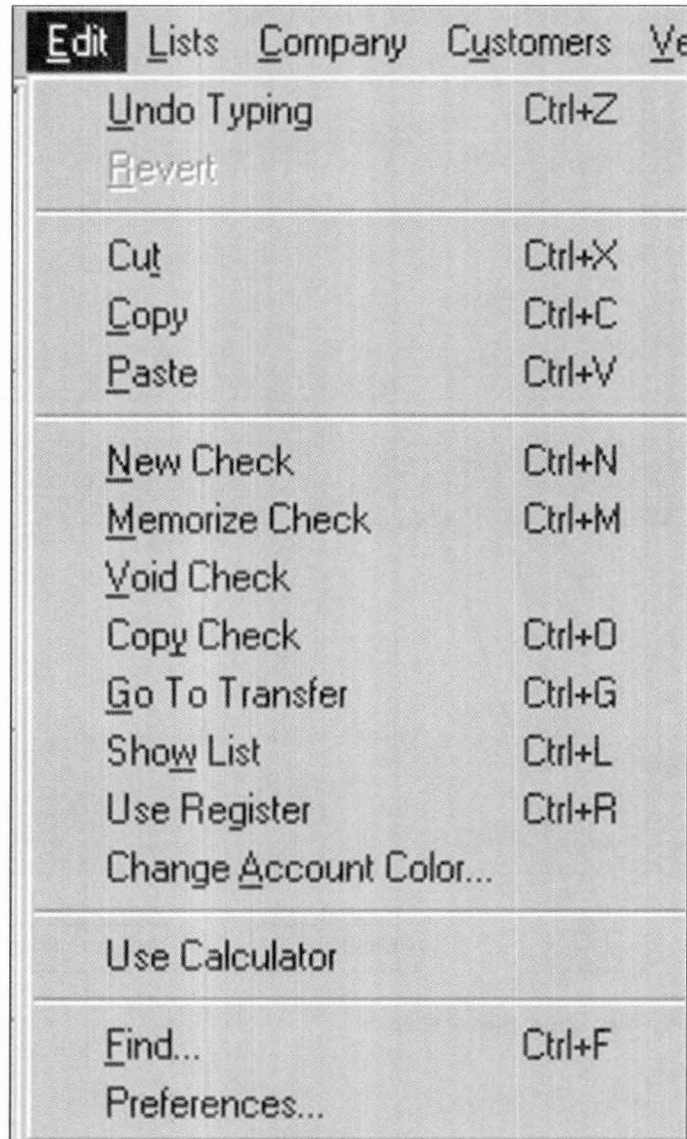


Figure 1-5 Menu showing shortcut keys.