

(continued from previous page)

4. To edit an account:
 - a. Select **Edit** in the **ACTION** column dropdown menu for the **Travel Meals** account.
 - b. Change the **Save account under** field to **Travel**.
 - c. Change the **name** to "Hotel and meals."
 - d. Click **Is sub-account** and select **Travel**.
 - e. Click **Yes** if asked about changing **types**.
 - f. Click **Save and Close**.
5. To inactivate an account:
 - a. Select **Make inactive** in the **ACTION** column dropdown menu for **Other Portfolio Income** account.
 - b. Click **Yes** when prompted.
6. **Make a note** of the number of sub-accounts under **Legal & Professional Fees**.
7. Click **Dashboard** to exit the chart of accounts list.

TRANSACTIONS IN QUICKBOOKS ONLINE

In a manual accounting system, the mechanics of accounting work something like this:

- ✓ Documentation (for transactions) is received from outside sources or prepared internally.
- ✓ Details from the documents are recorded in **journals**.
- ✓ Journal entries are posted (transferred) to the **general ledger** and, as appropriate, to **subsidiary ledgers**.
- ✓ A **trial balance** is prepared.
- ✓ Financial statements are prepared from the trial balance and subsidiary ledger reports are prepared from the subsidiary ledgers.

In QBO, the mechanics work like this:

- ✓ Certain documents (invoices and checks, for example) are prepared directly in QBO using specific forms.
- ✓ Documents received from outside sources (vendor invoices for example) are entered into QBO using other forms.
- ✓ That's all the user has to do (other than making those pesky adjusting journal entries!).

Journal A tabular record in which business transactions are analyzed in debit and credit terms and recorded in chronological order.

General ledger An accounting record with enough flexibility so that any type of business transaction may be recorded in it; a diary of a business's accounting transactions.

Subsidiary ledger A ledger that provides detailed information about an account balance.

Trial balance A list of the account titles in the general ledger, their respective debit or credit balances, and the totals of the debit and credit balances.

BEHIND THE SCENES The journal entries related to transactions are automatically created by QBO and posted to the general ledger when the form is completed (saved). Subsidiary ledgers, trial balances, and financial statements are also automatically updated every time a transaction is entered.



PRACTICE EXERCISE

1.4



NOTE: Practice Exercise 1.4 using the new Advanced Search tool is included in the Tips and Updates folder of Student Ancillaries.

Access forms using the navigation bar and use the Search tool in Craig's Design and Landscaping to locate specific transactions.

1. To access a form using the navigation bar:
 - a. Click **+ New** on the navigation bar.
 - b. Click **Receive Payment**.
 - c. **Make a note** of the account displayed in the **Deposit to** field.
 - d. Close the **Receive Payment** window by clicking **Cancel** (bottom left corner of the window).
2. To search using the **Search** feature:
 - a. Click the **magnifying glass** on the icon bar.
 - b. Click **Advanced Search** and click **Go to classic Advanced Search** in the top right section of the screen.
 - c. Open the first (top) dropdown menu and select **Bills** as the filter.
 - d. In the next set of fields, select **Vendor**, **Contains or Equals**, and **Norton Lumber and Building Materials**.
 - e. Click **Search**.
 - f. Click the \$205.00 in the **AMOUNT** field to open the vendor bill.
 - g. **Make a note** of the descriptions for the two items purchased from Norton Lumber.
 - h. Close the window by clicking **Cancel** (bottom left corner of the window).



REPORTING

There are lots of reports already set up in QBO. You'll be using many of those reports during the class term.


Reports are accessed by clicking **Reports** on the navigation bar.

Figure 1.39
Report Center



The screenshot shows the QuickBooks Online interface for a 'Sample Company'. The left sidebar contains a navigation menu with options like Dashboard, Banking, Sales, Customers & leads, Cash flow, Expenses, Projects, Payroll, **Reports** (highlighted), Taxes, Mileage, Accounting, My accountant, and Apps. The main content area is titled 'Reports' and has a search bar 'Find report by name'. Below the search bar are tabs for 'Standard', 'Custom reports', and 'Management reports'. The 'Standard' tab is active, showing two sections: 'Favorites' and 'Business overview'. The 'Favorites' section lists 'Accounts receivable aging summary', 'Balance Sheet', and 'Profit and Loss', each with a star icon. The 'Business overview' section lists various reports like 'Audit Log', 'Balance Sheet Comparison', 'Balance Sheet Detail', 'Balance Sheet Summary', 'Balance Sheet', 'Business Snapshot', 'Profit and Loss as % of total income', and 'Profit and Loss Comparison', each with a star icon. A red callout bubble points to a star icon next to the 'Balance Sheet' report in the 'Business overview' section, with the text 'Click the star to add a report to Favorites section'.

STEP 9—Import customers.

The process for importing products and services is similar to the process for importing the chart of accounts.

- ✓ Click the  on the icon bar.
- ✓ Click **Import Data**.
- ✓ Click **Customers**.
- ✓ Upload the 6e Math Revealed Customer List for Importing.xlsx file.
- ✓ Click **Next**.
- ✓ Check to make sure the mapping of your fields to the QBO fields is accurate. TIP: Not all QBO fields need to be matched.
- ✓ Click **Next**.
- ✓ Correct any highlighted errors on the import list. TIP: If you inadvertently made changes to the Excel file, you may see errors. Download the correct file from Student Ancillaries and try again.
- ✓ Click **Import**.
 - Click **Sales** on the navigation bar and open the **Customers** tab. The customer list should include all of the customers included on the Excel spreadsheet.

STEP 10—Set up credit terms and payment methods


- ✓ Martin has decided to use “Net 15” as the default credit term for most customers. (Customers will be expected to pay within 15 days of the invoice date if they don’t pay at the time of service.) He also wants to have the option of giving 30 day terms.
 - You set up both Net 15 and Net 30 as credit terms. TIP: The **Terms** list is on the **All Lists** menu accessed through the .
- ✓ Martin has also decided to accept Cash, Checks, Visa, or Mastercard as payment methods.
 - You set up all four payment methods. TIP: The **Payment Methods** list is on the **All Lists** menu accessed through the .



HINT: Cash and Check may already be set up. You may also see a generic “Credit Card” listed as a payment method. Make sure you set up the specific credit card types.



STEP 11—Import vendors.

The process for importing vendors is similar to the process for importing the chart of accounts.

- ✓ Click the  on the icon bar.
- ✓ Click **Import Data**.
- ✓ Click **Vendors**.
- ✓ Upload the 6e Math Revealed Vendors List for Importing.xlsx file.
- ✓ Click **Next**.
- ✓ Check to make sure the mapping of your fields to the QBO fields is accurate. TIP: Not all QBO fields need to be matched.
- ✓ Click **Next**.
- ✓ Correct any highlighted errors on the import list. TIP: If you inadvertently made changes to the Excel file, you may see errors. Download the correct file from Student Ancillaries and try again.

- ✓ Click **Next**.
- ✓ Check to make sure the mapping of your fields to the QBO fields is accurate. TIP: Not all QBO fields need to be matched.
- ✓ Click **Next**.
- ✓ Correct any highlighted errors on the import list. TIP: If you inadvertently made changes to the Excel file, you may see errors. Download the correct file from Student Ancillaries and try again.
- ✓ Click **Import**.
 - Click **Sales** on the navigation bar and open the **Customers** tab. The customer list should include all of the customers included on the Excel spreadsheet.

STEP 10—Set up credit terms and payment methods


- ✓ Sally has decided to use “Net 15” as the default credit term for most customers. (Customers will be expected to pay within 15 days of the invoice date if they don’t pay at the time of service.) She also wants to have the option of giving 30 day terms.
 - You set up both Net 15 and Net 30 as credit terms. TIP: The **Terms** list is on the **All Lists** menu accessed through the  icon.
- ✓ Sally has also decided to accept Cash, Checks, Visa, or Mastercard as payment methods.
 - You set up all four payment methods. TIP: The **Payment Methods** list is on the **All Lists** menu accessed through the .



HINT: Cash and Check may already be set up. You may also see a generic “Credit Card” listed as a payment method. Make sure you set up the specific credit card types.

STEP 11—Import vendors.

The process for importing vendors is similar to the process for importing the chart of accounts.

- ✓ Click the  on the icon bar.
- ✓ Click **Import Data**.
- ✓ Click **Vendors**.
- ✓ Upload the 6e Salish Software Solutions Vendors List for Importing.xlsx file.
- ✓ Check to make sure the mapping of your fields to the QBO fields is accurate. TIP: Not all QBO fields need to be matched.
- ✓ Click **Next**.
- ✓ Correct any highlighted errors on the import list. TIP: If you inadvertently made changes to the Excel file, you may see errors. Download the correct file from Student Ancillaries and try again.
- ✓ Click **Import**.
 - Click **Expenses** on the navigation bar and select the **Vendors** tab. The vendor list should include all of the vendors and balances included on the Excel spreadsheet.

✓ Click **+ New** on the navigation bar.

CUSTOMERS	VENDORS	EMPLOYEES	OTHER
Invoice	Expense	Payroll ↑	Bank deposit
Receive payment	Check	Time entry	Transfer
Estimate	Bill		Journal entry ←
Credit memo	Pay bills		Statement
Sales receipt	Purchase order		Inventory qty adjustment
Refund receipt	Vendor credit		Pay down credit card
Delayed credit	Credit card credit		
Delayed charge	Print checks		

Figure 2.78

Access to journal entry form

✓ Click **Journal Entry**.

Figure 2.79

Journal entry form

- Change the **Journal date** to 12/31/22 and enter “Opening Entry” as the **Journal no.**
- Complete the entry exactly as it appears below:

Corrected opening entry

Account	Debit	Credit	Description
100 Checking	10,500.00		Opening entry
180 Computer Equipment	5,134.00		Opening entry
182 Office Furniture & Equipment	1,400.00		
189 Accumulated Depreciation		1,361.00	Opening entry
195 Security Deposit	1,000.00		Opening entry
280 Note Payable		3,000.00	Opening entry
300 Common Stock		2,000.00	Opening entry
350 Retained Earnings		16,158.00	Opening entry
Opening Balance Equity	4,000.00		Opening entry
400 Software Selection and Installation Revenue	1,200.00		Opening entry
410 Troubleshooting	180.00		
700 Interest expense		895.00	Opening entry
Total	23,414.00	23,414.00	

Figure 2.80

Journal entry for recording final balances for Salish Software Solutions



HINT: You can directly enter the accounts (using account names or numbers), or you can use the dropdown menu.

QBO will constantly try to “help” you by populating the debit or credit field with an amount that will balance the entry. Don’t get distracted. Continue to enter the amounts as shown in Table 2B.2.

■ Cost



This is a column on the **Product/Service List** report, not a new report

■ Expense Account

● Customer Contact List

- Customize the report to show Customer, Billing Address, and Terms columns only.

1/3/23

- ✓ You are ready to start recording some transactions, but first you want to set some preferences in the **Sales** tab of **Account and Settings** that you think will be helpful.
 - In the **Sales form content** section of the **Sales** tab:
 - You select **Net 15** as the **Preferred invoice terms**.
 - You choose **None** as the **Preferred delivery method** since you intend to print out invoices or receipts for customers when the services are completed.
 - **TIP: Custom transaction numbers** should have been turned **On** as part of the homework in Chapter 2. If you missed that, make sure you turn it on now.
 - In the **Advanced** tab you double-check that all of the **Automation** features are turned off.
- ✓ Martin has let you know that he will be giving payment terms of Net 15 to all existing customers. You edit all customers to add the Net 15 payment terms.
 - **TIPS:** To speed up the process, use the sidebar described in the Hint on page 3-12. Terms are added in the **Payments** section of the customer record.

1/6/23

- ✓ Sally gives you a check from Dew Drop Inn for \$180 for some work she did for the company today. There were some software issues. Sally spent three hours fixing the file. The check (#8134) is dated 1/6.
 - You create a sales receipt (SR-101) for the three hours of file repair (**Fix**).
 - You make sure to use 150 Undeposited Funds as the **Deposit to** account. You'll be depositing checks in batches.
- ✓ Sally also gives you a list of all of her hours from the week. She did not collect payment from any of these customers so you prepare invoices dated 1/6, with credit terms of Net 15, as follows:
 - Lou's Barber Shop—**Set Up**—10 hours (\$750, INV-1006)
 - Alki Deli—**Set Up**—6 hours (\$450, INV-1007)
 - Uptown Espresso—**Train** 6 hours (\$300, INV-1008)

1/9/23

- ✓ Sally is always looking for ways to grow her business. She decides to offer a Software Workshop on January 20th. She will be offering tips on software selection and will be demonstrating some of the software products she expects to start selling in February. She's going to charge participants \$75 for the afternoon. A couple of her college friends have agreed to help out with what she hopes is a large crowd. You decide to go ahead and set up the accounts and items you'll need to record the workshop revenue on the 20th.
 - You decide to track the revenue from the workshop in a new **income** account (Workshop Revenue). Use 415 as the account number.
 - **TIP:** You can use **Service/Fee Income** as the **Detail Type**.
 - You set up a new **category** called "Workshops and Seminars."
 - You also set up a new **service** item. Sally is calling the workshop "Picking the Right Software" so you decide to name the item "Picks." You set it up in the Workshops and Seminars category.
 - You enter "Picking the Right Software Workshop" as the description and 75 as the **sales price/rate**.
 - You select 415 Workshop Revenue as the **income account**.

Assignment 3B

Salish Software
Solutions



Purchase with cash or credit card—Journal Entry	Purchase on Account—Journal Entry
<ul style="list-style-type: none"> Journal Entry to record Check or Expense <ul style="list-style-type: none"> Dr: Asset/Expense/Inventory Cr: Checking (or Credit Card Payable) 	<ul style="list-style-type: none"> Journal Entry to record Bill or Expense <ul style="list-style-type: none"> Dr: Asset/Expense/Inventory Cr: Accounts Payable (or Credit Card Payable) Journal Entry to record transfer of credit card balance to accounts payable <ul style="list-style-type: none"> Dr: Credit Card Payable Cr: Accounts Payable Journal Entry to pay vendor or credit card company <ul style="list-style-type: none"> Dr: Accounts Payable Cr: Checking
NOTE: This assumes the company pays its bills with checks.	

Accounts Payable (A/P)

ANSWER TO
QuickCheck
4-1

Three checks would be created.

ANSWER TO
QuickCheck
4-2

CHAPTER SHORTCUTS

Add a vendor

- Click **Expenses** on the navigation bar.
- Click the **Vendors** tab to open the Vendor Center.
- Click **New Vendor**.

Edit a vendor

- Open Vendor Center.
- Click vendor name.
- Click **Edit**.

Inactivate a vendor

- Open Vendor Center.
- Open the dropdown menu in the **ACTION** column for the vendor to be inactivated.
- Select **Make inactive**.

Record a check

- Click **+ New** on the navigation bar.
- Click **Check** in the **Vendors** column.

Enter a bill

- Click **+ New** on the navigation bar.
- Click **Bill** in the **Vendors** column.

Record a credit card charge

- Click **+ New** on the navigation bar.
- Click **Expense** in the **Vendors** column.

Record payments to vendors on account balances

- Click **+ New** on the navigation bar.
- Click **Pay Bills** in the **Vendors** column.

5. Which of the following statements is true?

- You can only have one account with an **account type** of **Accounts Payable** in QBO.
- You can have multiple accounts payable accounts for use in recording vendor bills and tracking vendor balances in QBO but they must each have a different name and they must all have an **Accounts Payable account type**.
- You can have multiple accounts payable accounts in QBO but only the default Accounts Payable account created by Intuit can be used when entering bills or bill payments.
- Vendor balances cannot be tracked in QBO.



BEYOND THE CLICKS—THINKING LIKE A MANAGER

Accounting: Your company uses the accrual method of accounting. List three types of purchase transactions you would want to review at the end of each month to determine if an accrual adjustment needs to be made. Explain your choices.

Information Systems: Many companies give credit cards to multiple employees in a business. List three good practices around the use of credit cards.



ASSIGNMENTS

1/2/23

- ✓ Since Martin is expanding his business, he decides to purchase a general liability insurance policy from Protector Insurance Company. The annual premium is \$360. It covers the period 1/1–12/31/23. You write a check (#1101) to pay the full year premium amount. (You add Protector Insurance as a vendor without adding any detail information.) You will make an adjustment to recognize insurance expense for January at the end of the month. **TIP:** Enter the policy period in the description or memo field. This will help when you make the adjustment as part of Chapter 5's assignment.
- ✓ Martin is moving into his new space today. The furniture arrives in the morning. The total cost of the desk, large study table, and eight chairs Martin ordered from Frank's Furniture is \$726. A bill, dated 1/2 (#ST8990) for the total amount, is included with the shipment. The terms are Net 30.
 - You set up the new vendor:

Frank's Furniture
2174 Hardwood Street
Sacramento, CA 95822
 - You also set up a new account called Office Furniture (Account #185). ~~You decide to record depreciation on all fixed assets in a single account so you don't check the **Track depreciation of this asset** box.~~ **TIP:** The account should have a **Fixed Asset account type; Furniture & Fixtures detail type**.
 - Martin expects the furniture to last four years.
- ✓ Martin also purchases two more computers and three more calculators since he's doing more tutoring at his new location. The equipment, purchased from Paper Bag Depot, costs \$1,701 in total (\$441 for the three calculators and \$1,260 for the two computers). Martin expects the calculators and computers to last three years. Martin uses a new credit card to make the purchase.
 - You set up the general ledger account for the new credit card first. You use Prime Visa Payable as the account name and 220 as the account number. **TIP:** Don't forget to select the appropriate **account type**. You do not need to answer the question about when you want to start tracking your finances in the account.

Assignment 4A

**Math
Revealed!**



← The account set up screen no longer includes a box for tracking depreciation.

- The other bill is from Parent's Survival Weekly, a parenting magazine targeting parents with teenage children. Martin had placed an ad for the Mathmagic clinic in this week's issue. The total cost is \$100 (vendor invoice #12213, dated 1/12). The payment terms are Net 15.

1/16/23

- ✓ Although the Mathmagic Clinic was a success overall, there was one small incident. One of the friends of Martin who helped with the tutoring tripped over the feet of one of the students and fell into the study table. She ended up with a gash on her left hand. She went to the 24 Hour Quick Stitch Clinic and had her hand bandaged up. Luckily, she didn't require any stitches. The cost of the visit was \$220 and the clinic gave Martin a bill, dated 1/14 (#121521).
- The 24 Hour Quick Stitch Clinic's address is 7500 Medical Boulevard, Sacramento, CA 95822. The phone number is 916-222-9999. The terms are Net 10.
 - **TIP:** You'll need to set up a new term.
- You decide to expense the cost to Miscellaneous expense (Account 699).

1/18/23

- ✓ Martin asks you to contact Frank's Furniture and order some shelving for the new space. He wants a unit that includes open shelves and some drawers. You call and talk to the representative who gives you an estimate of \$820. That sounds reasonable to you and you place the order. The furniture should arrive by the end of the month.

1/20/23

- ✓ Your friend Samantha Levin helped Martin out at the clinic last Saturday by checking students in and out. Martin doesn't expect to hire her as an employee, but if you pay her more than \$600 during the year, you'll need to file a 1099 for her at year-end. You decide to get everything set up just in case she's paid over the threshold.
 - You set up a new general ledger account. You decide to name the account "Contract labor" and use account #625. You make it a sub-account of Labor costs and you use **Cost of labor** as the **detail type**.
 - You also set Samantha up as a vendor. Her address is 901 Angles Lane, Sacramento, CA 95822. Her phone number is 916-654-4321. Terms are Net 10.
 - You set her up as a 1099 vendor. Her social security number (**Business ID number**) is 222-33-6666.
- ✓ Samantha had agreed to a \$25 per hour pay rate. She helped out for five hours so you write her a check (#1106) for \$125.

1/27/23

- ✓ Martin hands you another gas receipt for \$30. He purchased the gas at Cardinal Gas & Snacks using his credit card today. You record the charge in QBO.
- ✓ You pay all bills due on or before 2/5/23.
 - **TIP:** There should be three bills totaling \$1,046. Start with check #1107.

1/30/23

- ✓ Martin brings in coffee drinks from Kathy's Coffee as a treat for getting through the first month in the new space. He hands you the receipt for \$8.75. (He used the credit card to buy the coffee.) You decide to charge the coffee to a new account called "Staff relations" (a labor cost). You use 628 as the account number. **TIP:** This should be a sub-account of Labor Costs. The **Detail Type** should be **Other Business Expenses**.
- ✓ The shelving unit is delivered and installed by Frank's Furniture. Martin is impressed by the **quality of the product and thinks it will last for two years.** The actual price is the \$820 you were originally quoted. The invoice number is ST9998, dated 1/30, and the terms are Net 30.
- ✓ Martin has been working hard and asks you to write him a check for \$2,000. (Use check #1110.)

- You also set up a new vendor for the card using the following information:

Capital Three
58 Wall Street
New York, NY 10005
Terms: Net 15

- ✓ Sally had completely run out of office supplies at the end of December so she uses her new Capital Three VISA card to purchase paper, pens, and file folders at Paper Bag Depot. You enter the credit card purchase of \$500 using the **Expense** form. You select the new credit card account you just set up as the **Payment account**. You leave the **Ref no.** blank. You're not sure how long the supplies will last but you're sure they won't all be used in January. You will take an inventory to see how many supplies are on hand at the end of the month. **TIP:** You will do this in the homework for Chapter 5.
- ✓ Sally purchases some new computer software today from Abacus Shop. The software costs \$1,200 and will help Sally track her installation projects. She expects it to last 2 years (no salvage value). Abacus gives you a bill (#8944-11) with 15-day payment terms.
 - You set up a new account called Computer Software (#184). ~~You decide to record all depreciation in a single accumulated depreciation account, so you don't check the **Track depreciation of this asset** box.~~ You'll record depreciation at the end of the month. **TIP:** The account should have a **Fixed Assets account type** and a **Fixed Asset Software detail type**.

The account set up screen no longer includes a box for tracking depreciation.

1/5/23

- ✓ You receive two bills in the mail, which you record in QBO.
 - One of the bills (#01-59974), dated 1/5, is from Sacramento Light & Power. The bill total is \$95 and is due in 30 days. The bill is for January utilities.
 - The other bill (#8911-63) is from Western Phone Company for Sally's January cell phone service. The \$103.95 bill, dated 1/5, has payment terms of Net 30.

1/11/23

- ✓ You take a look at the **Unpaid Bills** report in the **What You Owe** section of **Reports**. It looks like some of the bills were due last month! You know that can't be true so you look through the unpaid bill file. You correct the payment terms on each of the **bills** with a December date as follows:
 - Abacus Shop—Net 15
 - Personal Software—Net 30
 - Simply Accounting—Net 15
 - **TIP:** Click each invoice on the **Unpaid Bills** report to open the bill form. Enter the terms and save.
- ✓ You pay all bills due on or before January 20 from the Checking account using 1/11 as the payment date.
 - There should be four bills totaling \$2,095. Start with check 1103.

1/13/23

- ✓ You receive a bill from Entrepreneur, a local magazine targeting small business owners. Sally had placed an ad in January's magazine for the upcoming workshop. The total cost is \$120 (vendor invoice #12213, dated 1/13). The payment terms are Net 10. **TIP:** You'll need to create a new payment term before you set up the vendor.
 - Entrepreneur Magazine
534 American River Drive
Sacramento, CA 95822
- ✓ Sally asks you to order a large storage cabinet from Rikea. She needs to have a storage area for the inventory she plans to sell starting in February. You call and talk to a sales representative who gives you an estimate of \$1,500. That sounds reasonable to you and you place the order. The expected arrival date is 1/30.

PRIME VISA COMPANY			
55 Wall Street			
New York, NY 10005			
Student Name Math Revealed!			
3835 Freeport Blvd			
Sacramento, CA 95822			
Account # 212456770439			
			January 31, 2023
	PAYMENTS	CHARGES	BALANCE
Beginning Balance, January 1			\$ 0.00
1/02—Paper Bag Depot		\$1,701.00	1,701.00
1/06—Cardinal Gas & Snacks		30.00	1,731.00
1/09—Math Shack		28.61	1,759.61
1/27—Cardinal Gas & Snacks		30.00	1,789.61
1/30—Kathy's Coffee		8.75	1,798.36
Ending Balance, January 31			\$1,798.36
Minimum Payment Due: \$10			Payment Due Date: February 15

- ✓ You make adjusting journal entries for the month of January as needed. (Start with Journal no. Jan23.1.) You carefully consider the following:
- Math Revealed! used the straight-line method to determine depreciation expense for all fixed assets.
 - Monthly depreciation expense for the equipment purchased prior to 12/31 is \$92.50. (Computer \$75; Printer \$10; Calculators \$7.50)
 - Math Revealed! purchased \$726 of furniture on 1/2. You expect the furniture to last 4 years, with a \$150 salvage value. You take a full month depreciation on the furniture.
 - Two computers (\$1,260) and three calculators (\$441) were also purchased on 1/2. You expect the computers to have a 3-year life (no salvage value) and the calculators to have a 3-year life (\$63 salvage value). You take a full month depreciation on the equipment.
 - On 1/30, shelving was installed. The cost of the shelving was \$820. You expect the shelving to last for the term of the lease (24 months). You estimate the salvage value at \$100 at the end of the 2 years. You started using the shelving on February 1.
 - You check the supplies on hand. You estimate that \$120 of supplies were used during January.
 - You charge the amount to a new account (Tutoring supplies expense, a sub-account of Office and Tutoring Costs). You use 632 as the account number and **Other Business Expenses** as the **detail type**.
 - The insurance policy premium paid in January was \$360. The policy term is 1/1–**12/31/23**.
 - You check to make sure that all the revenue recorded in January was earned during the month.
 - You realize that the \$3,000 paid by Teacher's College on 1/27 (INV-1011) was for a workshop to be held in February.
 - You ask Martin about the Marley's two weeks of Persistence sessions paid for on 1/20 (SR-104). Martin says she actually finished all the sessions by the end of January.
 - You also take a look at INV-1009 to Annie Wang. Martin says half of the \$400 billed on 1/13 was for February tutoring.
 - **TIP:** Consider whether you need a new account here. Choose an account number that fits with the account numbering scheme (assets are 100s; liabilities are 200s; revenues are 400s; expenses are 600s).
 - Martin has agreed to pay his father interest on the \$2,500 loan to help get the business started. The last payment was made on 12/31/22. The annual interest rate (simple interest) on the loan is 6%. You forgot to pay him in January. You call and let him know that the check will come in February.

Record an uncollectible account at Craig's Design and Landscaping.

(Jeff's Jalopies has gone bankrupt. There is an \$81 balance due on his account. The original charge was for taxable services. Craig's Design and Landscaping has very few uncollectible accounts and has elected to use the direct write-off method to account for bad debts.)

1. Set up the appropriate account.
 - a. Click the  on the icon bar.
 - b. Click **Chart of Accounts**.
 - c. Click **See your Chart of Accounts**, if necessary.
 - d. Click **New**.
 - e. Select **Expenses** as the financial statement classification, **Expenses** in the **Save account under** field, and **Bad Debts** in the **Tax form section**.
 - f. Enter "Bad Debt Expense" as the **name**.
 - g. Click **Save and close**.
2. Set up the new **service** item.
 - a. Click the  on the icon bar.
 - b. Click **Products and Services**.
 - c. Click **New**.
 - d. Select **Service**.
 - e. Enter "Write off" as the **name**.
 - f. Select **+ Add new** in the **Category** dropdown menu.
 - i. Enter "Other Charges" as the **Name** and click **Save**.
 - g. Enter "Write off of uncollectible account" in the **description** field.
 - h. Select **Bad Debt Expense** as the **Income Account**.
 - i. Select **Taxable—Standard rate** in the **Sales tax** field. (We'll assume that most of Craig's revenue is subject to tax.)
 - j. Click **Save and close**.
3. Change an automation setting.
 - a. Click the  icon.
 - b. Click **Account and Settings**.
 - c. Click the **Advanced** tab.
 - d. Click the **pencil** icon in the **Automation** section.
 - e. Toggle the button next to **Automatically apply credits** to turn the feature off.
 - f. Click **Save**.
 - g. Click **Done**.
4. Create a credit memo.
 - a. Click **+ New** on the navigation bar.
 - b. Select **Credit Memo**.
 - c. Select **Jeff's Jalopies** as the **name**.
 - d. Use the current date.
 - e. Select **Write off** as the **PRODUCT/SERVICE** and enter "75" as the amount.
 - f. Select **California** in the **Select a sales tax rate** dropdown menu.
 - g. Click **Save and close**.

**PRACTICE
EXERCISE****6.6**

(continued)

- You create a new **service** item (Write off) and include it in the **Other Charges** category. You enter “Write off of uncollectible account” as the **description**. The new **service** item is not taxable. (You’re writing off a nontaxable service (tutoring).)
- You create a **credit memo** for the \$150 write off. (You use WO-1012 as the **Credit Memo no.**)

BEHIND THE SCENES This transaction can seem complicated. It might help to remember that the journal entry underlying the **credit memo** is DR Bad Debt Expense; CR Accounts Receivable.



- You apply the credit to INV-1012 through the **receive payment** form. **TIP:** There is no payment method or amount received. You are simply applying the credit memo to clear the account balance.

Check numbers 2/28

Checking account balance:	\$19,085.20
Account receivable:	\$ 5,340.00
Total cost of goods sold (February): . . .	\$ 1,470.00
Net income (February)	\$ 6,675.20

Suggested reports for Chapter 6:

All reports should be in portrait orientation

- Journal—February transactions only
- Sales by Product/Service Summary (February)
- A/R Aging Detail (2/28)
- Balance Sheet as of 2/28
- Profit and Loss (February)
 - Add a **Year-to-date** column to the report

- You look carefully at the balance sheet paying particular attention to Other Current Assets and Other Current Liabilities. Many of the common month-end adjustments affect accounts in those categories. **TIP:** Look at the journal entries you made at the end of last month.

Check numbers 3/31

Checking account balance:	\$ 6,618.49
Other current assets:	\$ 2,354.00
Total assets:	\$21,058.07
Total liabilities:	\$ 7,351.49
Gross profit (March).	\$ 8,692.00
Net income for March:	\$ 6,104.69

Suggested reports for Chapter 9:


All reports should be in portrait orientation.

- Balance Sheet as of 3/31
- Profit and Loss (March)
 - Include a year-to-date column in the report
- Profit and Loss by Class (March)
- A/R Aging Summary as of 3/31
- A/P Aging Summary as of 3/31
- Sales by Product/Service Summary (March)
- Inventory Valuation Summary (March 31)
- Recurring Template List
- Budget Overview Report **2023** (by Quarter)
 - To display quarters, click **Customize**, click **Rows/Columns**, select **Accounts vs Qtrs** on **Show Grid** dropdown menu.
- Budget vs Actual report (January 1 through March 31)
 - Click **Customize** and click **Rows/Columns**. In the **Show Grid** dropdown menu, select **Accounts vs Total**.
- Journal report (March)

Assignment 9B

Salish Software Solutions



HINT: If you didn't turn off Automation in Chapter 2, you might want to consider doing that now. It's easy to get confused when QBO automatically adds accounts to your transactions. Click the  on the icon bar and select **Account and Settings**. In the **Automation** section of the **Advanced** tab, turn **Pre-fill forms with previously entered content** to **Off**.

3/1/23

- ✓ Business is going well for Sally. She has a number of different revenue streams and new opportunities keep coming her way. You talk to her about the need to understand how each segment of her company is doing. She's open to your suggestions.
- ✓ You turn on **class** tracking in the **Advanced** tab of **Account and Settings**.
 - You want to be able to assign a **class** to individual rows in transaction forms.
 - You also turn on the "warning" feature. You don't want to have to go back and fix issues later.



BEYOND THE CLICKS—THINKING LIKE A MANAGER

Accounting: Home remodeling contractors **typically** enter into either fixed-fee or time-and-material contracts with clients. From a management point of view, what are the advantages and disadvantages of both types of contracts?

Information Systems: List five types of sensitive business or personal client information that might be stored on law firm networks. For each type of information, give an example of an outside party that might be interested in obtaining that information.

ASSIGNMENTS

Assignment 10A

Math Revealed!



Assignments with the
MBC are available in
myBusinessCourse.

4/3/23

- ✓ Martin gets a phone call from Jan Sprint, Assistant Director of Instruction for Sacramento Public Schools. Many of Sacramento's middle schools have purchased the math games that Math Revealed! is selling. For the most part, the games have been great, but some of the students are struggling. Jan is hoping that Martin can provide some game training/tutoring assistance. Martin explains that he can't take on the tutoring work himself, but he'd be willing to find and supervise a tutor. The tutor would work with groups of 4-5 students for a fee of \$50 per hour. Jan wants to give this a try at two of Sacramento's schools (American River and Capitol Hill).
- ✓ Martin talks with one of his former classmates (Kenny Chen). Kenny is interested in the opportunity and agrees to start next Monday.
 - Kenny will submit timesheets to you weekly.
 - Martin agrees to pay him \$30 per hour.
- ✓ Martin's not sure how much work he'll have for him and Kenny will continue to offer his services to other companies, so you plan to treat him as a **contractor** in QBO at least for the next couple of months. You set Kenny up through the **Contractors** tab in **Payroll**.

Name	Kenny Chen
Street address	259 Rosa Court
City, State	Sacramento, CA
Zip code	95822
SSN	999-88-7777
Terms	Net 15

TIP: After you set Kenny up as a **contractor**, you'll need to enter the **terms** in the vendor record.

- ✓ You turn on **Time tracking** in the **Time** tab of **Account and Settings**.
 - You set Monday as the **first day of work week**.
 - You toggle **Show service field** and **Allow time to be billable** to **On**.
 - You check the box next to **Show billing rate to users entering time**.
 - ~~You click **Stick with basic time**.~~



To activate manual time tracking, you need to click **Check out pricing** on the **Time** tab in **Account and Settings**. Scroll to the bottom of the page and click **Use basic time tracking**. Return to the **Time** tab in **Account and Settings** to set your preferences.

- ✓ You set up Sacramento Public Schools as a new customer.
 - 2566 Central Avenue
Sacramento, CA 95822
Terms are Net 30.
- ✓ School administrators want information about the training hours by school so you decide to use the project feature in QBO. You add the two schools as **projects**. Both of them have Sacramento

- Include a year-to-date column
- Profit and Loss by customer (4/1–4/15)
- Accounts Receivable Aging Summary as of 4/15
- Accounts Payable Aging Summary as of 4/15
- Inventory Valuation Summary as of 4/15
- Journal Report (4/1–4/15)
- Profit and Loss by Class (April 1–15)
- Sales by Product/Service Summary (April 1–15)

Assignment 10B

Salish Software Solutions



4/3/23

- ✓ Sally just got a call from Hiroshi Tanaka, the IT director at Delucca Deli, a Northern California deli chain. He had gotten Sally's name from the IT Director at Metro Market. They've decided to start expanding their operations and would like to hire Sally to make sure all their new stores are properly set up to use their in-house technology. They also want her to train all the new store managers. She is excited about the opportunity but explains that she wouldn't be able to do work herself. Hiroshi is fine with using assistants as long as Sally is available if needed. They agree on a rate of \$75 per hour for the work.
- ✓ Sally gives Olivia Patel a call. Sally successfully worked with Olivia a few years ago on a large project and they've stayed in touch ever since. Olivia agrees to work with Sally on the Delucca project and will start this week.
 - Sally agrees to pay Olivia \$50 per hour.
 - Olivia will submit timesheets to you weekly.
- ✓ Sally's not sure how much work she'll have for Olivia and Olivia will continue to offer her services to other companies, so you plan to treat her as a **contractor**. You set Olivia up in QBO through the **Contractors** tab in **Payroll** (on the navigation bar).

Name	Olivia Patel
Street address	3667 Admiral Avenue
City, State	Sacramento, CA
Zip code	95822
SSN	455-22-9874
Terms	Net 15

TIP: After you set up Olivia as a contractor, you will need to enter the **terms** in the vendor record.

- ✓ You turn on **Time tracking** in the **Time** tab of **Account and Settings**.
 - You set Monday as the **first day of work week**.
 - You toggle **Show service field** and **Allow time to be billable** to **On**.
 - You check the box next to **Show billing rate to users entering time**.
 - You click **Stick with basic time**.



To activate manual time tracking, you need to click **Check out pricing** on the **Time** tab in **Account and Settings**. Scroll to the bottom of the page and click **Use basic time tracking**. Return to the **Time** tab in **Account and Settings** to set your preferences.

- ✓ You set up Delucca Deli as a new customer.
 - 3582 Expansion Drive
Sacramento, CA 95822
Terms are Net 15.
- ✓ Since the rates are higher for this type of work, you decide to set up a new **service** item.
 - Category: Consulting and Installation Name: Group Train

nontaxable

(continued from previous page)

4. Enter “Sales and Customer Reports” as the **Template name**.
5. Select **This Month-to-date** in the **Report period** dropdown menu (top right corner of screen).
6. Open the **Cover Page** tab.
 - a. Select a different **Cover style**.
 - i. **Make a note** of the number of available styles.
 - b. Enter “Sales Report” as the **Cover title**.
 - c. Enter your name in the **Prepared by** field.
 - d. Enter the current date in the **Prepared date** field.
7. Open the **Table of contents** tab.
 - a. Make sure **Include Table of Contents** is checked.
8. Open the **Preliminary pages** tab.
 - a. Enter “Summary” as the **Page title**.
 - b. Enter “A/R clerk will follow up, by phone, on all past due accounts by Monday.”
9. Open the **Reports** tab.
 - a. Click the **pencil** icon in the **Profit and loss** section.
 - b. Click the **trash** icon.
 - c. Click **Add new report**.
 - d. Select **Collections Report** in the **Select a report** dropdown menu.
 - e. Leave the **Title** and **Period** as is.
10. Open the **End notes** tab.
 - a. Uncheck **Include this page**.
11. Click **Save and close**.
12. Your new report should now appear on the **Management Report** screen. If it doesn't, refresh your browser.
13. Select **This Month** in the **Report Period** in the **Sales and Customer Reports** row.
14. Click **View** in the **ACTION** column. **TIP:** If you're doing this Practice Exercise in the first week or so of the month, you may not see any data on the **Sales by Customer Summary** report.
 - a. **Make a note** of the amount owed by **Mark Cho** on Invoice #1035. **TIP:** This invoice will show up on the **A/R Aging Detail** report.
15. Click **Close**.

CREATING CUSTOM FIELDS

Although QBO provides many fields for tracking information, companies may need additional fields not currently built in to QBO.

For example, a **Sales representative** field on sales forms would be very useful for companies that pay commissions to their sales staff. A **purchasing agent** field on purchase orders might be useful for companies that want to track purchases made by various employees.

QBO allows users to add up to three custom fields that can be used in most sales transactions and up to three custom fields for use in purchase orders.

Figure 11.24
Access to template selection



On an **invoice** form, the selection is made by clicking **Customize** on the black bar at the bottom of the screen.

Users can also start a new custom form template by clicking **New style**.

There is no practice exercise for this section. You will be creating a custom form as part of the Chapter 11 assignment, so use the directions above to help you.

EXPORTING REPORTS TO EXCEL

There are a number of reasons that a user might want to export a QBO report to Excel:

- The report format cannot be modified sufficiently in QBO to meet the needs of the users.
- A user might want to create a report that includes QBO data with data maintained elsewhere.
- A user might want to use Excel analysis tools on QBO data.

QBO reports can **only be exported to new** Excel workbooks.

To export a report, the report window must be open.

Figure 11.25
Tool for exporting report to Excel

