

- You check the supplies on hand. You estimate that \$80 of supplies were used during January.
- The insurance policy premium paid in January was \$480. The policy term is 1/1–12/31/21.
- You check to make sure that all the revenue recorded in January was earned during the month.
 - You realize that the amount paid by Teacher’s College on 1/29 was for a workshop to be held in February.
 - You also take a look at INV-1009 to Annie Wang. Half of the \$360 billed on 1/14 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 parents interest on the \$2,000 they loaned him to get the business started. The last payment was 12/31/20. The annual interest rate (simple interest) on the loan is 6%. You forgot to pay them in January. You call and let them know that the check will come in February.
 - **TIP:** Just because you didn’t pay it in January doesn’t mean you don’t owe it in January. Consider whether you need a new account here.

Check numbers as of 1/31

Checking account balance:\$ 3,282.21
 Total assets:\$12,043.75
 Total current liabilities:\$ 4,171.75
 Net income (January only):\$ 1,817.00

TIP: If you are having a hard time getting to these check numbers, try some of the hints for finding errors and getting it right in Appendix 5A.

Suggested reports for Chapter 5:

All reports should be in portrait orientation.

- Journal—1/31 transactions only
- Balance Sheet (as of 1/31)
- Profit and loss statement (January)

Assignment 5B

Salish Software Solutions



Background information: Sally Hanson, a good friend of yours, double majored in Computer Science and Accounting in college. She worked for several years for a software company in Silicon Valley but the long hours started to take a toll on her personal life.

Last year she decided to open up her own company, Salish Software Solutions. Sally currently advises clients looking for new accounting software and assists them with software installation. She also provides training to client employees and occasionally troubleshoots software issues.

She has decided to start using QuickBooks Online to keep track of her business transactions. She likes the convenience of being able to access financial information over the Internet. You have agreed to act as her accountant while you’re working on your accounting degree.

Sally has a number of clients that she is currently working with. She gives 15-day payment terms to her corporate clients but she asks for cash at time of service if she does work for individuals. She has developed the following fee schedule:

Name	Description	Rate	Name	Description	Rate
Select	Software selection	\$500 flat fee	Train	Software training	\$ 50 per hour
Set Up	Software installation	\$ 75 per hour	Fix	File repair	\$ 60 per hour

Sally rents office space from Alki Property Management for \$600 per month.

The following furniture and equipment are owned by Salish:

Check numbers as of 1/31

Checking account balance:	\$ 9,365.00
Total assets:	\$30,137.50
Total current liabilities:	\$ 6,928.53
Net income (January):	\$ 3,488.97

TIP: If you are having a hard time getting to these check numbers, try some of the hints for finding errors and getting it right in Appendix 5A.

Suggested reports for Chapter 5:

All reports should be in portrait orientation; fit to one page wide

- Journal—1/31/21 transactions only
- Balance Sheet (as of 1/31)
- Profit and loss statement (January only)

APPENDIX 5A GETTING IT RIGHT

Most accountants work the hardest (use their brains the most!) at the end of an accounting period. They know the income statement for the period should accurately reflect the earnings (or loss) for the period. They know the balance sheet as of the period end should accurately reflect the assets owned and the liabilities owed by the company. The difficulty doesn't lie in knowing the basic concepts. The difficulty lies in knowing what the "accurate" amounts are.

Most students have the most difficulty with the assignments for Chapter 5 and Chapter 8. You have check numbers to refer to, which will hopefully help, but if your numbers don't match those numbers, how do you figure out where you went wrong?

Here are some suggestions for finding your mistakes:

- Start by checking dates.
 - Entering an incorrect date is the **single most common** cause of student errors (and student headaches!). QBO enters default dates when you first open a form. It defaults to the current date when you start entering transactions during a work session. If you change the date on the first invoice, it will default to that new date when you enter the second invoice. If you open a new form, however, it will default back to the current date. Accounting is date driven, so your financial statements won't match the check figures if you enter a transaction in the wrong month. First thing to do? Pull a report of transactions dated **BEFORE** the first transaction date in the assignment and then one of transactions dated **AFTER** the last transaction date of the assignment. **Transaction List by Date** is a great report for this. Make sure you're only checking for transactions that **you** entered. (There were some transactions entered in the initial setup of the company file you are using for your homework. Those should **not** be changed.)
- Really **LOOK** at the balance sheet.
 - The account balances will be positive if they reflect the normal balance for that type of account. Are any of the amounts on your balance sheet negative numbers? If so, should they be negative? If they are contra accounts, the answer would be yes. If there are no negative amounts on your balance sheet, should there be? Again, if you have any contra accounts, the answer would be yes. Accumulated depreciation is a contra account so, if entries were made correctly, it



Credit card fees are entered in the **Add funds to this deposit** section. To record the fee, the merchant bank is entered in the **RECEIVED FROM** field. The account used to record merchant bank fees should be selected in the **ACCOUNT** field. The fee is entered as a negative number in the **AMOUNT** field.

The screen would look something like this:

Figure 6.36
Example of deposit of
credit card receipts

Bank Deposit

Account: Checking Balance \$1,201.00 Date:

AMOUNT: **\$409.61**

Select the payments included in this deposit

	RECEIVED FROM	DATE	TYPE	PAYMENT METHOD	MEMO	REF NO.	AMOUNT
<input type="checkbox"/>	Cool Cars		Payment	Enter Text			1,675.52
<input checked="" type="checkbox"/>	Cool Cars		Sales Receipt	Visa			108.00
<input type="checkbox"/>	Freeman Sporting Goods:0969 Ocean View Road		Payment	Enter Text			387.00
<input checked="" type="checkbox"/>	Mark Cho		Payment	Visa			314.28

1:4 of 4

Select all Clear all

Total: 2484.80
Selected Payments Total: 422.28

▼ Add funds to this deposit

#	RECEIVED FROM	ACCOUNT	DESCRIPTION	PAYMENT METHOD	REF NO.	AMOUNT
1	America's Bank	Bank Charges	Merchant fee	Enter Text		-12.67
2						

Other funds total: \$-12.67

Add lines Clear all lines

☐ Track returns for customers

Memo:

Cash back goes to: Checking Cash back memo: Cash back amount:

Total: \$409.61

Attachments Maximum size: 20MB

Drag/Drop files here or click the icon

Cancel Clear Print Make recurring Save and new



BEHIND THE SCENES Remember, the default journal entry underlying a deposit transaction includes a debit to the Bank account indicated for the total deposit amount and a credit to the Account(s) indicated on the deposit form. Credit card processing fees are expenses. Entering the amount as a negative tells QBO to debit, not credit, the **ACCOUNT** for the merchant fees.



HINT: QBO has a built-in calculator feature that can be useful here. The feature is activated by entering a number and then a mathematical operator (+, -, *, or /). Ignore the **This value is out of range** warning that appears when you enter the operator. The message will disappear when you enter the next number.

If the transaction fee amount is not known when the deposit is initially recorded in QBO, the deposit form can be edited later (fees added) so that the net amount agrees to the amount actually received from the merchant bank.

Merchant fees can also be entered as **journal entries**.

- 595 Newbuild Avenue
Sacramento, CA 95822
Net 30 terms
- ✓ You deposit the credit card receipts received today and the two checks received on 2/5. (TIP: You'll be making one deposit for the credit card receipts and another for the checks.)
 - The check deposit totals \$3,500.
 - The credit card deposit totals \$1,065.75 (after the fee).
 - The bank charges a 2% fee on all card sales. You charge the fee to the **Bank Service Charges** account. You select **Sacramento City Bank** in the **RECEIVED FROM** field.

2/12/21

- ✓ Sally delivers another order to the Davis location of Reyelle Consulting. The **Trackers** are selling quickly. Reyelle also decides to purchase a few of the **Easy Does It** programs for its Davis location. It has a few clients that own very small businesses and the **Easy Does It** program would be sufficient for their needs.
 - You prepare the invoice (INV-1017) for \$1,000.
 - 10 **Tracker**
 - 3 **Easy1**
- ✓ You receive a \$300 check, dated 2/12, in the mail from Dew Drop Inn (Check 8160). (INV-1012)
 - You call Harry over at Dew Drop to ask about the \$200 balance. He says they've had some issues recently. A guest at the hotel got stuck in the elevator for 16 hours and is now suing for emotional distress. He'll try to get the balance to you by the end of February.
 - You deposit the check right away.
- ✓ Sally tells you that she was talking to the staff at Fabulous Fifties. They mentioned that they knew some people who might be interested in getting some help picking out new accounting software. Sally offers them a \$50 referral fee for any new software selection clients that they steer her way. You go ahead and set up a **delayed credit** (DCR-1000). You use **Select** as the **service** item. You enter 0 as the **QTY** so the quantity sold on reports isn't affected.

2/16/21

- ✓ The Effective Troubleshooting workshop was a huge success. At the end of the workshop, Albus' CEO (Anatoly Deposit) tells Sally that he mentioned the workshop to James Gooden, a business acquaintance from Cezar Software who is very interested in presenting a similar workshop. Anatoly suggests giving James a call.
- ✓ Sally calls James Gooden right away. James would like to host the workshop at their facility this coming Monday (the 22nd). James explains that Cezar Software creates software programs used by nonprofit organizations. He's hoping that there might be some kind of nonprofit discount available. Sally agrees to offer a 25% discount on the \$2,500 fee.
 - You set up a new account (Sales Discounts) to track discounts given to customers. You use #490 as the account number. TIP: Discounts are contra revenue accounts. Make sure you pick the correct **account type**.
 - You turn on the **Discount** feature on the **Sales** tab of **Account and Settings**.
 - You select the new **sales discount** account in the **Chart of accounts** section in the **Advanced** tab of **Account and Settings**.
 - You don't want to forget to send the invoice so you create a **Delayed Charge** (DC-1000) for the full \$2,500 (TIPS). You'll enter the discount when you invoice Cezar.

2/26/21

- ✓ You receive a bill (#3330) for \$950 in the mail from a consulting firm, Les & Schmidt, LLC. Martin had hired the company to create a business plan for him. Les & Schmidt completed the work in February. The bill is dated 2/27. The bill is due in 30 days. (**TIP:** This is a consulting service.)
 - The address for Les & Schmidt is 25 Norton Way, Sacramento, CA 95822.
- ✓ You decide to pay all bills due on or before 3/10. You also pay the Cartables bill, taking advantage of the early payment discount.
 - You start by creating a **vendor credit** to record the early payment discount you will be taking on the Cartables bill. The discount is 2% of the total \$1,650 due. You use “DISC” as the **Ref no.**
 - Since the early payment discount applies to inventory purchases, you charge the amount to a new **Cost of Goods Sold** account—“Purchase discounts.” You use 510 as the account number and **Supplies & Materials—COGS** as the **detail type**.
 - You pay two bills. The total of the two checks, after taking the early payment discount credit, is \$2,266. The first check number is 1119. **TIP:** Available credits are displayed when you check the box next to the **bill**. The check total shows up in the **PAYMENT** column.
- ✓ You write a check (#1121) to Martin’s parents (Richard Smith) for February interest. Martin also asks you to include a \$100 principal payment in the check. He wants to start paying his parents back. (**TIP:** Interest was paid through 1/31 on 2/1.)
- ✓ You plan to take a few days off so you prepare and mail the \$200 March rent check (#1122) to your landlord (Pro Spaces).
 - **TIP:** The matching (expense recognition) principle applies here.

Check numbers 2/28

Checking account balance: \$1,445.97
 Inventory: \$2,665.00
 Accounts Payable: \$1,648.43
 Net income (February): \$2,818.07

Suggested reports for Chapter 7:

All reports should be in portrait orientation.

- Journal—2/01 through 2/28.
 - Transaction types: Check, Bill, Vendor Credit, Bill Payment (check), Expense
- Inventory Valuation Summary as of 2/28
- Open Purchase Order **Detail**
 - **Change Report period to All Dates**
- A/P Aging Summary as of 2/28
- Balance sheet as of 2/28
- Profit and Loss for February
 - Add a **Year-to-date** column to the report

- ✓ You and Sally meet at Roscoe's for lunch and a short meeting before she takes off for Chicago. You decide to bring her a \$2,500 dividend check (Check # 1117).
- ✓ The lunch at Roscoe's comes to \$28.50. You use the credit card to pay the bill.
 - You decide to set up a new account. **Staff meetings expense**, a subaccount of **600 Labor Costs** to track the cost of staff meetings. You use **Office/General Administrative Expenses** as the **Detail Type** and 608 as the account number.
- ✓ Sally takes a few minutes to review the inventory on hand when she gets back from lunch.
 - She places an order with Abacus Shop for 5 **Easy1s**. You record the PO-103 for \$500.

2/25/21

- ✓ You receive a bill (#3330) for \$575 in the mail from an accounting firm, Dovalina & Diamond, LLC. Sally hired the company to do a two-year financial projection. The work was completed in February. She thinks she may need to either borrow some money from a bank or attract investors in order to grow as quickly as she'd like. The bill is dated 2/25. The bill is due in 30 days. (**TIP:** This is a type of professional service.)
 - The address for Dovalina & Diamond is 419 Upstart Drive, Sacramento, CA 95822.
- ✓ You decide to pay all bills due on or before 3/7 PLUS any bills with early payment discounts expiring before 3/7.
 - You start by creating a **vendor credit** to record the early payment discount you will be taking on the Simply Accounting bill. You use 65411-8D as the **ref no**. The discount is 2% of the total \$1,400 due.
 - Since the early payment discount applies to inventory purchases, you charge the amount to a new **Cost of Goods Sold** account—"Purchase discounts." You use 510 as the account number and **Other Costs of Services—COS** as the **Detail Type**.
 - You pay four bills. The first check number is 1118. You apply **a credit on one** of them. The total of the three checks is \$3,076.75. **TIP:** The check total shows up in the **PAYMENT** column.
- ✓ You plan to take a few days off so you prepare and mail the \$600 March rent check (#1122) to your landlord (Alki Property Management).
 - **TIP:** The matching (expense recognition) principle applies here.

Check numbers 2/28

Checking account balance: . \$10,448.55
 Inventory: \$6,889.00
 Account payable: \$3,244.00
 Net income (February): . . . \$4,542.99

Suggested reports for Chapter 7:

All reports should be in portrait orientation

- Journal (2/1-2/28)
 - Transaction types: Check, Bill, Vendor Credit, Bill Payment (check), Expense
- Inventory Valuation Summary as of 2/28
- Open Purchase Orders List
 - Remove **Memo/Description** and **Ship Via** columns
- A/P Aging Summary as of 2/28
- Balance sheet as of 2/28
- Profit and Loss for February
 - Add a Year-to-date column

- Budget Overview Report 2021 (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**.
- ~~Profit and Loss by Class (March)~~
- Journal report (March)

Background information: Sally Hanson, a good friend of yours, double majored in Computer Science and Accounting in college. She worked for several years for a software company in Silicon Valley but the long hours started to take a toll on her personal life.

Last year she decided to open up her own company, Salish Software Solutions. Sally currently advises clients looking for new accounting software and assists them with software installation. She also provides training to client employees and occasionally troubleshoots software issues.

She has decided to start using QuickBooks Online to keep track of her business transactions. She likes the convenience of being able to access financial information over the Internet. You have agreed to act as her accountant while you're working on your accounting degree.

Sally has a number of clients that she is currently working with. She gives 15-day payment terms to her corporate clients but she asks for cash at time of service if she does work for individuals. She has developed the following fee schedule:

Name	Description	Rate
Select	Software selection	\$500 flat fee
Set Up	Software installation	\$ 75 per hour
Train	Software training	\$ 50 per hour
Fix	File repair	\$ 60 per hour

Sally rents office space from Alki Property Management for \$600 per month.

The following furniture and equipment are owned by Salish:

Description	Date placed in service	Cost	Life	Salvage Value
Office furniture	6/1/20	\$1,400	60 months	\$200
Computer	7/1/20	\$4,620	36 months	\$300
Printer	7/1/20	\$ 900	24 months	\$ 0

All equipment is depreciated using the straight-line method.

As of 12/31/20, she owed \$3,500 to Dell Finance. The monthly payment on that loan is \$150 including interest at 5%. Sally's last payment to Dell was 12/31/20.

Over the next month or so, Sally plans to expand her business by selling some of her favorite accounting and personal software products directly to her clients. She has already purchased the following items.

Item Name	Description	Vendor	Quantity on Hand	Cost per Unit	Sales Price
Easy1	Easy Does It	Abacus Shop	15	\$100	\$ 200
Retailer	Simply Retail	Simply Accounting	2	\$400	\$ 800
Contractor	Simply Construction	Simply Accounting	2	\$500	\$1,000
Organizer	Organizer	Personal Software	20	\$ 25	\$ 50
Tracker	Investment Tracker	Personal Software	20	\$ 20	\$ 40

Assignment 9B

Salish Software Solutions



- 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**.
- ~~Profit and Loss by Class (March)~~
- Journal Report (March)

APPENDIX 9A CREATING AND MANAGING TAGS

In early 2020, Intuit rolled out a new tracking feature called **Tags**.
Most of you are familiar with the idea of tagging from various web services (e.g., social networks and blogs). Tagging is simply a convenient way to organize and find information.
Tagging in QBO works in much the same way as it does in other web services. In QBO:

- A **tag** is a keyword or phrase.
- One or more **tags** can be added to most sales and purchase transactions.
 - **Tags** currently cannot be added to **deposits**, **journal entries**, or **transfers**.
- **Tags** can be grouped.
- You can add an unlimited number of **tags** to a transaction, but each **tag** must come from a different group.

Creating Tag Groups


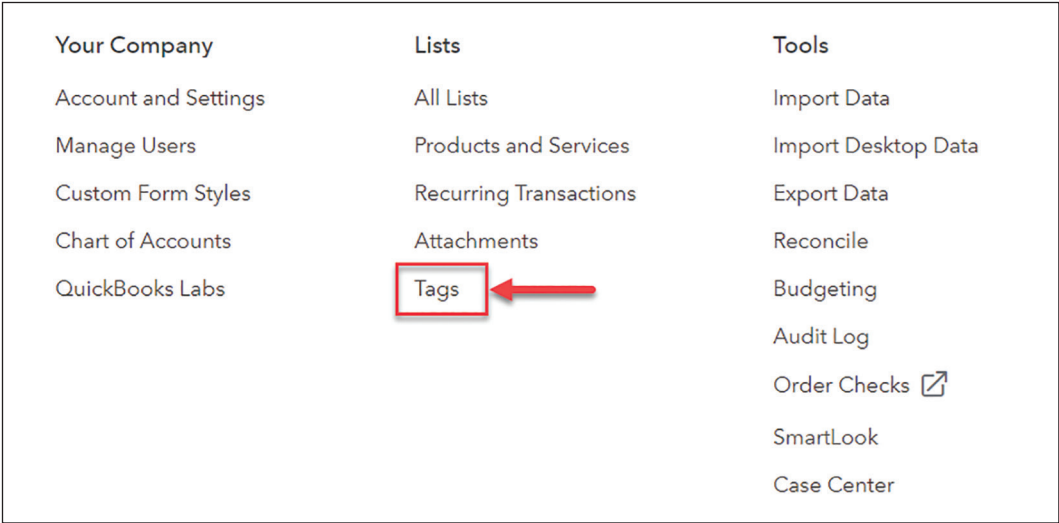
To create a **tag group**, click  on the icon bar.

Figure 9A.1
Access to tag management



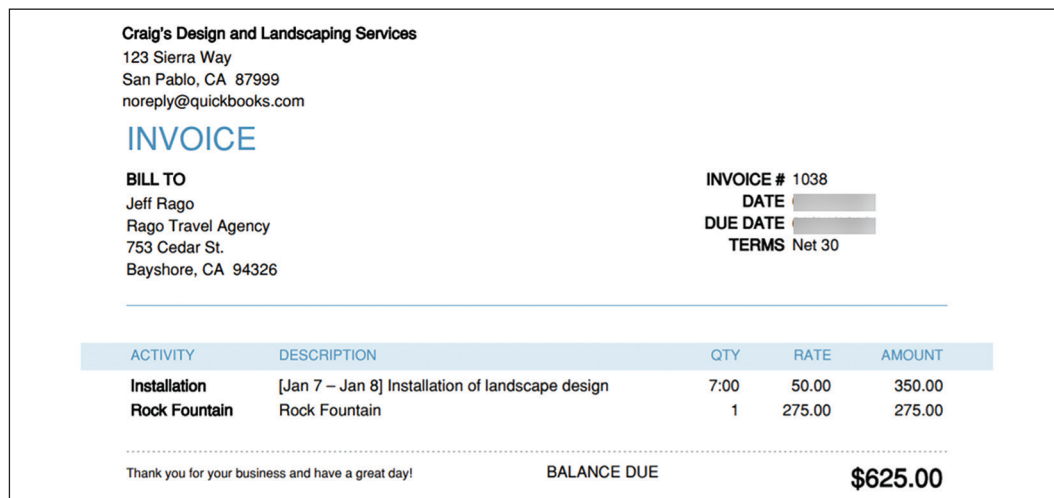
Click **Tags**.

Most fields (**RATES**, **QTY**, **DESCRIPTION**, etc.) can be changed before the form is saved.

BEHIND THE SCENES Remember, the **rate** used on an **invoice** or **sales receipt** for labor hours will be the rate specified in the **service** item record, **not** the wage rate.

The markup is shown on a separate line for internal purposes only. This allows the user to change the tax status for either the item or the markup if necessary. In some states, markup amounts are subject to sales tax even if the cost itself is not.

The final **invoice** might look something like this:



Craig's Design and Landscaping Services
123 Sierra Way
San Pablo, CA 87999
noreply@quickbooks.com

INVOICE

BILL TO
Jeff Rago
Rago Travel Agency
753 Cedar St.
Bayshore, CA 94326

INVOICE # 1038
DATE
DUE DATE
TERMS Net 30

ACTIVITY	DESCRIPTION	QTY	RATE	AMOUNT
Installation	[Jan 7 – Jan 8] Installation of landscape design	7:00	50.00	350.00
Rock Fountain	Rock Fountain	1	275.00	275.00

Thank you for your business and have a great day!

BALANCE DUE **\$625.00**


Figure 10.26

Example of invoice for billed time and costs

BEHIND THE SCENES If an **invoice** is later deleted, the status of any included billable hours or costs automatically changes back to “billable.”

Charge a Craig's Design and Landscaping client for time.

(Craig's Design decides to use project tracking. Direct costs are incurred on a patio job for Mark Cho. The time and costs are recorded and Mark Cho is billed.)

- Change some settings for billable costs in Craig's Design.
 - Click the  on the icon bar.
 - Click **Account and Settings**.
 - Click the **Expenses** tab and click the pencil icon in the **Bills and expenses** section.
 - Check the box next to **Markup with a default rate of** and enter 5 as the %.
 - Click **Save**.
 - Click the **Advanced** tab.
 - Select **Billable Expense Income** as the **Markup income account**. (The same account will be used for both the cost and the markup.)
 - Click **Save**.
 - Click **Done**.
- Change a **service** item setup to allow for recording work done by subcontractors.

(continued)

PRACTICE EXERCISE 10.6



- ✓ Martin brings back some supplies he purchased from Paper Bag Depot. These are supplies he only uses for his in-office tutoring sessions. He thinks he'll use them all by April 15. He bought them on account. (Invoice #8009, \$21.88, Terms of Net 30)
- ✓ Mad Math has developed a new online tutoring program using a video conferencing platform. The sales manager has decided to try selling some of the math games to their customers as part of the new online program, and he orders 5 consoles and 4 of each game (**Fractions**, **Equations**, and **Ratios**).
 - You set up a new **project** for Mad Math (Online Program), so you can track this business separately.
- ✓ Since there is not enough inventory on hand to fill the order, Martin calls Cartables and asks them to ship the consoles and games (the entire order) directly to Mad Math. They agree and fax you a bill for \$1,545 (#956224-53). The terms are Net 30. Cartables has unfortunately discontinued all early payment discounts. You do **not** mark the items as **billable**. (You will be billing them using the regular sales price.) You do identify the **project** though. **TIP:** This bill is not related to PO-107.
 - You decide to wait until you know the products have shipped before you create Mad Math's **invoice**.

4/6/21

- ✓ The Center for High Academic Achievement (~~Elk Grove~~ Downtown) places an order for books. You ship them out and bill the Center for the following:
 - 4 **Modeling**
 - 10 **Puzzles**
 - 10 **Ready**
 - 5 **Sports**
 - The invoice (INV-1028) totals \$690. The terms are Net 30.

4/7/21

- ✓ You realize inventory is getting low on books so you create PO-108 to Books Galore for \$680 for the following books:
 - 15 **Modeling**
 - 10 **Puzzles**
 - 15 **Ready**
 - 5 **Sports**
- ✓ All the products ordered from Cartables on PO-107 arrive this afternoon. Bill #956225-64 for \$990 is included. Terms are Net 30.
- ✓ Now that Martin knows the math games are being used in schools, he plans to contact some of the middle schools in neighboring towns. He also hopes to convince Sacramento Public Schools to order from Math Revealed. He'll wait before placing another order but he has great hopes for the products.

4/8/21

- ✓ Martin lets you know that the workshop for the Teacher's College went great. You create an invoice (INV-1029) for the agreed-upon fee of \$2,250 for the **Educator Workshop** plus the charge for the projector/screen setup on the invoice. The workshop fee was a little higher than last time because Martin added some additional training sessions. The total invoice amount is \$2,663.91. The terms are Net 30. You type "Projector cost" in the **DESCRIPTION** field for the \$394.20 amount.) **TIP:** Since Martin already paid sales tax on the projector and screen, tax is not charged to Teacher's College.
- ✓ You also hear that Cartables shipped the order to Mad Math so you prepare Inv-1030 for the 5 **Consoles** and 12 games. Since Mad Math is a reseller of these products, you uncheck the

- ✓ Martin brings you the receipt for lunch at Kathy's Coffee (\$23.25) with Kenny. They met today to go over the school tutoring program. Kenny says it's going very well. The games are really helping the students and the teachers are pleased. He hopes to be able to expand the service to all Sacramento middle schools. Martin pays for their lunch with the VISA card. You consider this a staff relations cost.
- ✓ You and Martin are going to meet soon to go over the first 3 ½ months of the year. You want to give Martin a clear picture of operations so you make some adjusting journal entries, dated 4/15, related to activity in the first half of the month. You number the first entry Apr21.1.
 - You check the inventory. All counts agree to the quantities in QBO.
 - You notice some low stock items (**Dry-Erase**, **Kit**, and **Notebooks**). You're still waiting for the **Kits** to come in from PO-104. Martin says he'll put in an order before the next **Mathmagic** clinic for **Notebooks** and **Dry-Erase**.
 - Supplies on Hand at 4/15 equal \$49.25. There were no teaching supplies on hand. Martin is planning to restock tomorrow. You use Apr21.1 as the entry number.
 - You adjust the following expense accounts so that they represent about one-half of April's expected expenses.
 - Rent expense should be \$100
 - Utilities expense should be \$142.35
 - Insurance expense should be \$20
 - Depreciation expense should be \$79
 - Interest expense should be \$10
 - Accounting expense should be \$250
 - **TIP:** In some of the above entries you'll be debiting expenses; in some you'll be crediting expenses. Consider using Other Prepaid Expenses and Accrued expenses in some of the adjustment entries.
 - You ask Martin whether he has used the credit card to purchase gasoline in April. He says he hasn't needed to fill the tank.

Check numbers 4/15

Checking account balance:	\$ 9,103.09
Other current assets:	\$ 3,628.65
Total assets:	\$28,015.90
Total liabilities:	\$ 9,350.66
Net income for April 1–15:	\$ 5,648.98

Suggested reports for Chapter 10:

- Balance Sheet as of 4/15
- Profit and Loss (April 1–15)
 - 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)

Costs detail type. You make it a sub-account of **Other Costs** and use “698” as the account number.

- You turn on the features related to tracking and billing expenses and items by customer in the **Expenses** tab of **Account and Settings**. **TIP:** You may need to open **Make expenses and items billable** to see the options.
 - You decide **not** to track the billable expense as income.
 - Sally will be charging a 10% markup on Metro Markets direct costs. She expects to use the same rate for other customers.
- You do want to track the markup amounts separately. On the **Advanced** tab of **Account and Settings**, you add a new account in the **Markup income account** dropdown menu (480 Markup Income). You use **Service/Fee income** as the **detail type**.

4/2/21

- ✓ You write checks for the following:
 - Rent \$600 (#1137) to Alki Property Management
 - Monthly Dell Finance payment \$150 (#1138) **TIP:** This includes March interest.
 - Hacker Spaces \$400 (#1139) to pay for the rental space for the Metro Market workshop. You make it billable with a 10% markup. This will not be taxable. **TIP:** If you’re going to bill the cost to Metro Market, it’s a reimbursable expense.
- ✓ You receive a \$1,000 check in the mail from Fabulous Fifties in payment of INV-1026. Check #87101 was dated 4/2.
- ✓ You deposit the check into the bank.

4/5/21

- ✓ Sally is putting on a workshop next week for Albus Software. It’s a newly developed workshop she’s calling “Getting to the Source of the Problem.” You set up a new **service** item. You name it “Source.” You leave the **Sales price** blank for now. Workshops aren’t taxable. In case Sally asks Oscar or Olivia to help with the workshop, you select account 665 (Workshop helpers) as the **Expense** account.
- ✓ You pay all bills that are due before April **15th**. You pay three bills, starting with check #1140, totaling \$587.63.

4/6/21

- ✓ Both locations of Reyelle Consulting place an order for more **trackers** and for some of the management software products. They have quite a few professional services clients and they think they might be able to sell the product to them. They’re going to start with a small order and see how it goes.

	Davis:	Sacramento:
Tracker	5	3
Engineering	1	0
Legal	0	1
Medical	1	0

- You create INV-1032 for the Davis location and INV-1033 for the Sacramento location. The invoice totals are \$1,200 and \$620 respectively. The terms are Net 30. Sally ships the order to Reyelle.
- ✓ Sally let you know that inventory of the management products is getting low and asks you to place the following orders:
 - PO-107; Personal Software, 10 **Trackers**, Total \$200
 - PO-108; Abacus Shop; 3 each of **Engineering**, **Legal**, and **Medical**. Total \$3,150

4/12/21

- ✓ The **Source** workshop at Albus was a success. Olivia did a great job. She even was able to convince the company to purchase, for resale, some of Salish's accounting software products. You enter Olivia's bill for \$500 (#OP412). You select **Source** as the item. You identify Albus Software as the **customer** but you don't make the amount billable. This is not a reimbursable cost so you charge it to the Workshop helper account.
- ✓ You also prepare the **invoice** for Albus (INV-1037). The total fee set by Sally was \$2,500 for the **Source** workshop. The company also purchased two **Retailer** products.
 - Since Albus is reselling the products, you first identify them as tax exempt in the customer record. The tax id number is SRY-789-4456-2.
 - The invoice (INV-1037) totals \$4,100. Terms are Net 30.
- ✓ You received the products ordered from Personal Software on PO-107 today. All the ordered items were included. The bill (#778922) totaled \$200.
- ✓ You pay all bills due on or before 4/30.
 - There are **three checks**, starting with check #1143. The amount paid totaled \$3,650. (You take the \$25 credit from Personal Software.)
- ✓ You remember that the sales taxes are due. You write a check (**#1146**) to remit sales taxes of \$218.75 for March sales tax collected. **TIP:** Use a **check** form if you can't pay the tax through the Sales Tax Center. The vendor is CDTFA (California Dept of Tax and Fee Admin). The **class** is **Products**.

4/13/21

- ✓ You receive the following checks in the mail, all dated 4/13:
 - Champion Law \$1,500 in payment of INV-1031, Check #2045
 - Lou's Barber Shop \$480 in payment of INV-1029, Check #3811
 - Reyelle Consulting \$850 in payment of INV-1024 and INV-1025, Check #9759412. Reyelle takes the \$50 available credit. **TIP:** Go back and read the hint on page 3-35 if you're having trouble applying the credit.
- ✓ Sally lets you know that she spent 4 hours on an urgent file repair for Leah Rasual. Leah paid the \$240 with her VISA. You create a **Sales Receipt** (SR-111) for 4 hours of **File Repair (Fix)**.
- ✓ You deposit the checks received today into the bank account. The deposit totals \$2,830.
- ✓ You record a second deposit for the credit card transaction less the 2% credit card fee. You assign the fee to the **Administrative class**. The deposit totals \$235.20

4/14/21

- ✓ Sally emails you details of her client work for the last week. You prepare invoices, dated 4/14, for the following.
 - Green Design 7 hours of **Set Up** (\$525—INV-1038)
 - mSquared Enterprises—5 hours of **Train** and 10 hours of **Fix** (\$850—INV-1039)
- ✓ Sally gives you a receipt from Paper Bag Depot for \$45.00. They were having a sale and she wanted to replenish a few of the office supplies to use over the next few months. She used the VISA card. You record the purchase and assign the transaction to the **Administrative class**.
- ✓ You received the products ordered from Abacus Shop on PO-107 today. All the ordered items were included. The bill (#8944-65) totaled \$3,150.
- ✓ Sally meets with Olivia at The Blue Door to discuss progress on Delucca Deli. Olivia thinks everything's going well so far and is wondering if more projects will be coming later in the month. Sally agrees to check with Hiroshi and Delucca and will let her know. Sally uses the VISA to pay for the \$105.82 lunch. She doesn't want to charge Delucca so you expense the amount to 608 Staff meetings expense. You don't charge the cost to any of the projects. You assign this to the **Administrative class**.

- ✓ Olivia turns in her timesheet for the second week of April. She didn't work on Friday. She completed the training for each Delucca location.

Date	Day of the Week	Project	# of hours	Billable?
4/12	Monday			
4/13	Tuesday	Sausalito	6	Y
4/14	Wednesday	Mendocino	4	Y
4/15	Thursday			
4/16	Friday			
Total Hours			10	

- You enter Olivia's timesheet data using **Group Train** as the **service** item and the **project** as the **customer**. The **class** is **Consulting**. All hours are billable.
- You also enter a **bill** for the amount Sally owes Olivia for her work at Delucca (\$500—**OP412**). You use **Group Train** for the **service** item. Since you will be creating the invoice for Delucca using the timesheet hours, you don't make the charges billable here. **TIP:** Don't forget to charge the hours to the correct **project** though.
- ✓ You create invoices for Olivia's work for Delucca Deli. The invoices are dated 4/14 with terms of Net 15.
 - Sausalito \$450 INV-1040
 - Mendocino \$300 INV-1041
- ✓ You suggest that Sally pay down the line of credit again. She agrees and you cut a check (#1147) for \$1,500. **TIP:** Apply the full \$1,500 to the loan balance. Sally would be paying interest to the bank at the **end** of the month. You will accrue interest for the \$1,500 (plus the unpaid balance on the line of credit) as part of your 4/15 journal entries.

4/15/21

- ✓ You and Sally are going to meet soon to go over the first 3 ½ months of the year. You want to give her a clear picture of operations so you make some adjusting journal entries related to activity in the first half of the month. You number the first entry Apr21.1.
 - Supplies on Hand at 4/15 equal \$150.
 - You check the inventory. All counts agree to the quantities in QBO.
 - You adjust the following expense accounts so that they represent approximately one-half of April's expenses.
 - Rent expense should be \$300
 - Utilities expense should be \$49.25
 - Telephone expense should be \$91.25
 - Insurance expense should be \$30
 - Depreciation expense should be \$146.25
 - Interest expense should be \$14
 - Accounting and consulting fee \$185
 - Technical reading materials should be \$50 (half month of the subscription to Advances in Software Design)
 - **TIP:** In some of the above entries you'll be debiting expenses; in some you'll be crediting expenses. Use Other Prepaid Expenses and Accrued Expenses as needed. Costs not attributable to a specific type of service or customer would be included in the **Administrative class**.

Check numbers 4/15

Checking account balance: \$11,548.38
 Other current assets: \$12,500.40
 Total assets: \$47,090.03
 Total liabilities: \$ 8,722.77
 Net income for April 1–15: \$ 7,289.63

Suggested reports for Chapter 10:

- Balance Sheet as of 4/15
- Profit and Loss (April 1–15)
- Profit and Loss by Class (April 1–15)
- 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)
- Sales by Product/Service Summary (April 1-15)

APPENDIX 10A WORKING WITH ESTIMATES

Construction contractors and other companies that enter into large, long-term contracts often provide up-front estimates of the total expected cost of the project to their clients. The estimates will normally list, in some detail, the various components of the job. As the work is performed, the company bills the client for the work completed.

An important benefit of estimates is that they define what is being included in the scope of the project. Clients that request changes to the original scope would be given an estimate related to the change. (These are often called “change orders.”) In a time and materials job, well-constructed estimates help reduce misunderstandings between the client and the company.

Estimates can be used even when the company is charging a fixed fee for the job. In a fixed fee job, an estimate is used simply to define what work is included in the fee. The fixed fee amount would be changed only if the client requested additional work not specified in the original agreement.

Companies can create estimates in QBO and can use those estimates when billing for work performed.

If a company only invoices the client when the project is complete, an estimate is created and then used to prepare a single invoice. Quantities and prices can be changed when the invoice is prepared, but any changes are not saved to the original estimate.

If a company invoices the client as work is completed (the more typical arrangement), the progress invoicing feature must be activated.

Activating Progress Invoicing

Progress invoicing is activated on the **Sales** tab of **Account and Settings**.