

CHAPTER REVIEW

Matching

Match the term or phrase (as used in QuickBooks Online) to its definition.

- | | |
|------------------------|-------------------|
| 1. item | 5. icon bar |
| 2. transaction type | 6. privacy |
| 3. expand or collapse | 7. account type |
| 4. account detail type | 8. navigation bar |

- _____ name given to a specific form
- _____ toggle button used to remove all financial data from the display area of the Dashboard
- _____ subset of account types
- _____ specific type of customer or inventory charge
- _____ modifying the level of detail included on a report
- _____ set of links to the left of the display area of the Dashboard
- _____ type associated with each account to identify where it should appear in the financial statements
- _____ set of links on the bar above the display area of the Dashboard

Homework
MBC
Assignments with the
are available in
myBusinessCourse.

Multiple Choice

- QuickBooks Online can be accessed through _____.
 - Safari
 - Internet Explorer
 - Google Chrome
 - Any of the above
- Which QBO **account type** should be selected when setting up the general ledger account “Buildings”? (Assume the buildings are used as the corporate headquarters.)
 - Other asset
 - Property, plant & equipment
 - Asset
 - Fixed Asset
- Invoice** forms can be accessed _____.
 - in the **+ New** menu
 - on the **Customers** tab of **Sales**
 - on the **Get things done** tab of the **Dashboard**
 - Invoice** forms can be accessed in all of the above locations.
- Which of the following statements is false?
 - General ledger accounts can be added to QBO by users.
 - You can have more than one account set up as an “Accounts receivable (A/R)” **account type** in QuickBooks Online.
 - You **can** make an account of **account type** “Expenses” a sub-account of an account of **account type** “Cost of Goods Sold.”
 - The chart of accounts is considered a “list” in QBO.

Homework
MBC

Homework
MBC

Homework
MBC

Homework
MBC

1/17/22

- ✓ 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 1/15 (#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).

1/19/22

- ✓ 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.

1/21/22

- ✓ 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 #621. 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.

1/25/22

- ✓ 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 2/5/22.
 - **TIP:** There should be three bills totaling \$1,046. Start with check #1107.

1/28/22

- ✓ 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. The actual price is the \$820 you were originally quoted. The invoice number is ST9998, dated 1/28, 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.)
 - **TIP:** This is a corporation so a payment to Martin (other than salary or reimbursement) is a dividend, an equity account. Use 345 as the account number and "Dividends" as the account name. QBO doesn't have a **detail type** for dividends. Use **Partner Distributions** as a substitute.

Product/Service information

Inventory [Change type](#)

Name*

SKU

Category
Choose a category

Initial quantity on hand* **Required**

As of date* **Required**
What's the as of date? MM/DD/YYYY

Reorder point
What's the reorder point?

Inventory asset account
Account debited, for cost, when item is purchased; credited (FIFO cost) when item is sold.

Description
Description on sales forms

Sales price/rate **Default**

Income account
Account credited (for sales price) when item is sold

Sales tax category **ⓘ**
Taxable - standard rate

Purchasing information
Description on purchase forms

Cost **Default**

Expense account
Account debited, for FIFO cost, when item is sold

Preferred Vendor
Select a preferred vendor

Save and close

Figure 6.21

Inventory item setup screen

The **inventory** item name is entered in the top section along with the **category** (if used). Important, required information is included in the next section.

- **Initial quantity on hand**, required
 - When setting up a new **inventory** item, the **initial quantity on hand** **must** be set at 0. Inventory purchases are then recorded through **bills**, **checks**, or **expenses**.



WARNING: If you do not set the starting quantity at 0, QBO will debit the inventory account for an amount equal to the quantity entered times the default cost listed.

- **As of date**, required
 - When setting up a new **inventory** item, the **as of date** represents the first date the item would be available for sale. In your homework company, the **as of date** must be a date prior to **2/1/22**.

(continued from previous page)

- e. **Make a note** of the options available in the **Preferred delivery method** dropdown menu.
 - f. Toggle the button next to **Discount** to activate the feature, if necessary.
 - g. Click **Save**.
2. Link the discount to a general ledger account.
 - a. Click the **Advanced** tab. (You should still be in the **Account and Settings** screen.)
 - b. Click the **pencil** icon in the **Chart of accounts** section.
 - c. Open the **Discount account** dropdown menu.
 - d. Select **Add new**.
 - e. Select **Income** as the **Account Type** and **Discounts/Refunds Given** as the **Detail Type**.
 - f. Use “Sales Discounts” as the **Name**.
 - g. Click **Save and close**.
 - h. Click **Save**.
 - i. Click **Done**.
 3. Create an invoice for Dukes Basketball Camp (40 pumps with a 10% discount applied **after** tax).
 - a. Click **+ New** on the navigation bar.
 - b. Click **Invoice**.
 - c. Select **Dukes Basketball Camp** as the customer.
 - d. Select **Net 30** as the **Terms** and enter the current date as the **Invoice date**.
 - e. Select **Pump** as the **PRODUCT/SERVICE** and enter “40” as the **QTY**.
 - f. Leave the rate at 15.
 - g. Enter “10” in the **Discount percent** field.
 - h. **Make a note** of the balance due.
 - i. Switch the order of the tax and discount fields so that the discount appears before the tax field.
 - j. The balance due should be \$583.20.
 - k. Click **Save and close**.

Delayed Charges and Delayed Credits

There are times when a company wants to be able to track a sales transaction that is in process but not yet completed. Here are two examples:

- A customer places an order for some products. The order has not yet been shipped.
- A customer requests a credit for damaged or unwanted merchandise but the merchandise has not yet been returned.

Neither of these is an accounting transaction because the accounting equation hasn't changed yet. The customer order won't be an accounting transaction until the product is shipped or delivered. The customer credit won't be an accounting transaction until the company actually receives the damaged merchandise.





BEHIND THE SCENES The underlying entry for the new **invoice** would then be:

	Accounts Receivable		
	Checking		
	Bank Service Charges		


The credit to cash offsets the original deposit amount—the amount that didn't clear the bank. The credit to Bank Service Charges offsets any fees charged by the company's bank. Fees charged by the bank would normally be entered through the bank reconciliation process or by journal entry.

PRACTICE EXERCISE 6.11



Record a bounced check and related fees for Craig's Design and Landscaping.

(The check received from Travis Waldron for \$81 was returned marked NSF. Craig's Design charges its customers \$25 for processing bounced checks. Craig's Design intends to pursue collection of the \$81.)

- Set up the new **service** items.
 - Click the  on the icon bar.
 - Click **Products and Services**.
 - Click **New**.
 - Select **Service**.
 - Enter "Bounced Check" as the **name**.
 - Select **Other Charges** as the **category**.
 - Set up the **Other Charges category** if needed. **Note:** If the add new category form does not appear then exit out of this setup and add this category in the **Product Categories** list. Return here to step 1 to set up your new service.
 - Enter "Check returned for insufficient funds" in the **Description field**.
 - Select **Checking** as the **Income Account**.
 - Select **Nontaxable** in the **Sales tax category** dropdown menu.
 - Click **Save and new**.
 - Enter "Processing Fee" as the **name**.
 - Select **Other Charges** as the **category**.
 - Enter "Fee for processing NSF check" in the **Description field**.
 - Select **Bank Charges** as the **Income Account**.
 - Select **Nontaxable** in the **Sales tax category** dropdown menu.
 - Click **Save and close**.
- Create an **invoice**.
 - Click **+ New** on the navigation bar.
 - Select **Invoice**.
 - Select **Travis Waldron** as the **name**.
 - Use the current date.
 - Select **Bounced Check** as the **PRODUCT/SERVICE** and enter "81" as the **AMOUNT**.
 - On the next line, select **Processing fee** as the **PRODUCT/SERVICE** and enter "25" as the **AMOUNT**.
 - The **Balance due** should show as \$106.
 - Click **Save and close**.

- ✓ 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.

2/25/22

- ✓ 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 **four** 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

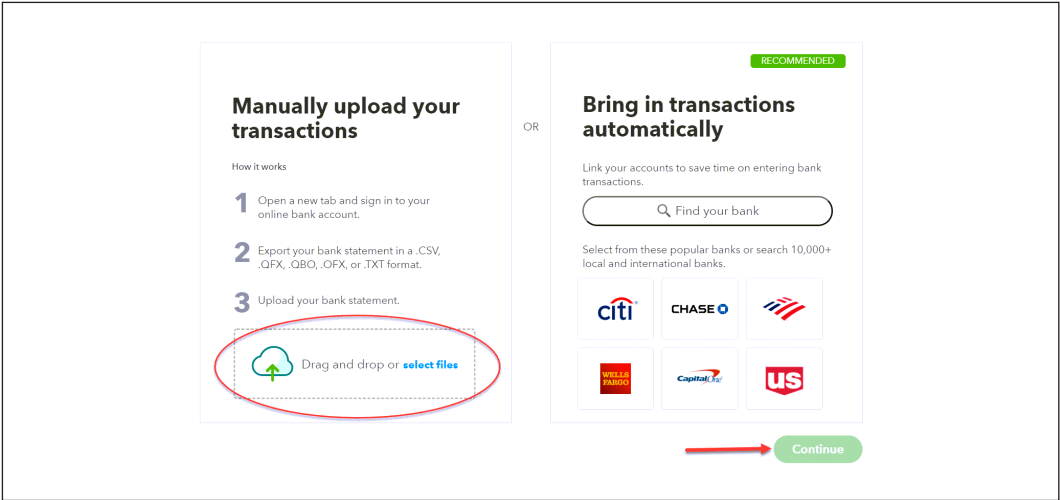


Figure 8.29
Upload selection screen

Browse to select the CSV file of downloaded transactions. (A CSV file for your homework company can be found at <https://cambridgepub.com/book/qbo2021#ancillaries>.) Click **Continue**.

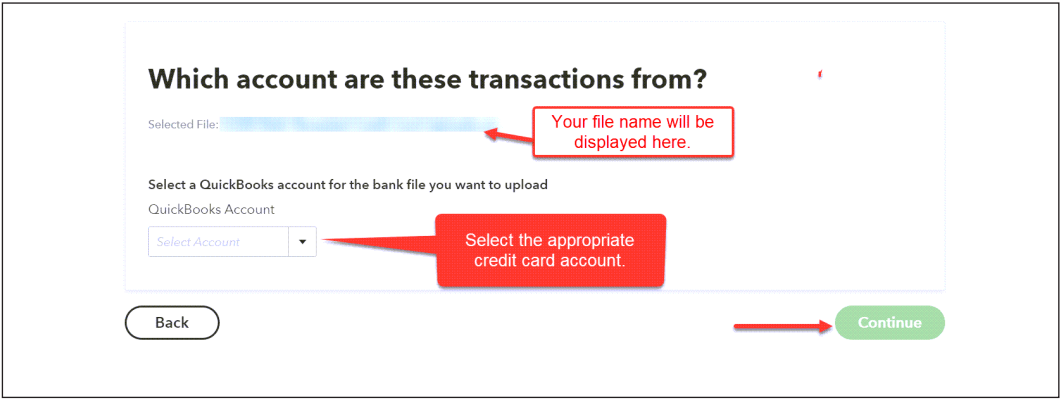


Figure 8.30
Selection of credit card account

Use the dropdown menu under **QuickBooks Account** and select the appropriate credit card liability account. Click **Continue**.

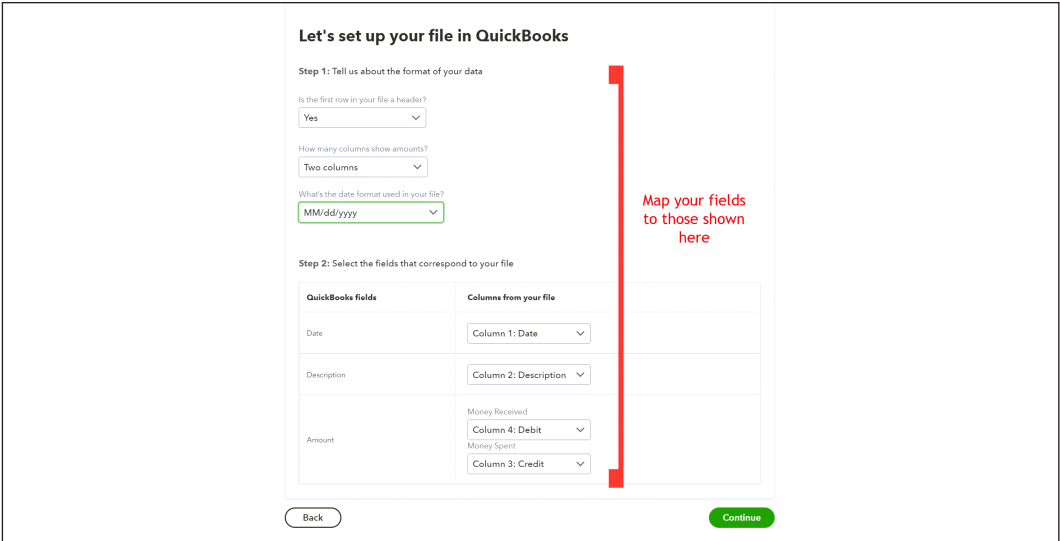


Figure 8.31
Mapping options

In the next screen, the fields in the uploaded spreadsheet are mapped to QBO. Complete the **Import bank transactions** window as follows:

In Step 1:

- Select **Yes** in the **Is the first row in your file a header?** dropdown menu.
- Select **Two columns** in the **How many columns show amounts?** dropdown menu.
- Select **MM/dd/yyyy** in the **What's the date format used in your file?** dropdown menu.

In Step 2:

- Select Column 1: Date in the **Date** dropdown menu.
- Select Column 2: Description in the **Description** dropdown menu.
- Select Column 4: Debit in the **Money Received** dropdown menu.
- Select Column 3: Credit in the **Money Spent** dropdown menu.



BEHIND THE SCENES Both credit card charges and payments are uploaded into QBO. Credit card charges (**Money Spent**) are credited to the credit card liability account. Credit card payments (**Money received**) are debited to the credit card liability account. The columns in those fields indicate the appropriate column in the worksheet.

Click **Continue**.

Figure 8.32

Transaction selection for import screen

Select transactions for import

Select the transactions to import

Select all

<input checked="" type="checkbox"/>	DATE	DESCRIPTION	AMOUNT
<input checked="" type="checkbox"/>			
<input checked="" type="checkbox"/>			
<input checked="" type="checkbox"/>			
<input checked="" type="checkbox"/>			
<input checked="" type="checkbox"/>			
<input checked="" type="checkbox"/>			
<input checked="" type="checkbox"/>			
<input checked="" type="checkbox"/>			

Credit card transactions for your homework company will appear here

Back Next

Select transactions to be imported into QBO.

Click **Next**.

Figure 8.33

Acceptance of transactions for import screen

QuickBooks will import transaction(s) using the fields you chose. Do you want to import now?

No Yes

The number listed depends on your homework company.

Click **Yes**.

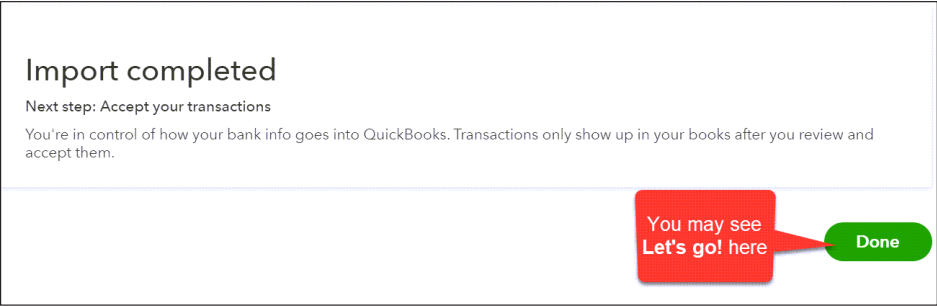


Figure 8.34
Final acceptance screen

Once the import has been completed, you will need to match the uploaded transactions to the **Expense** transactions in QBO. Click **Done** or **Let's go!** to start the process.

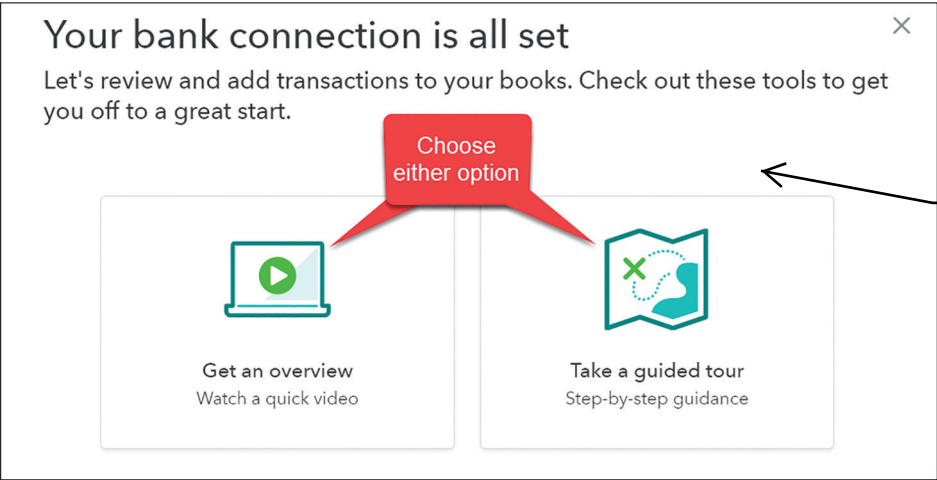


Figure 8.35
Intuit tools for managing banking transactions

This screen may not appear.

You'll need to pick an option before you can move forward.

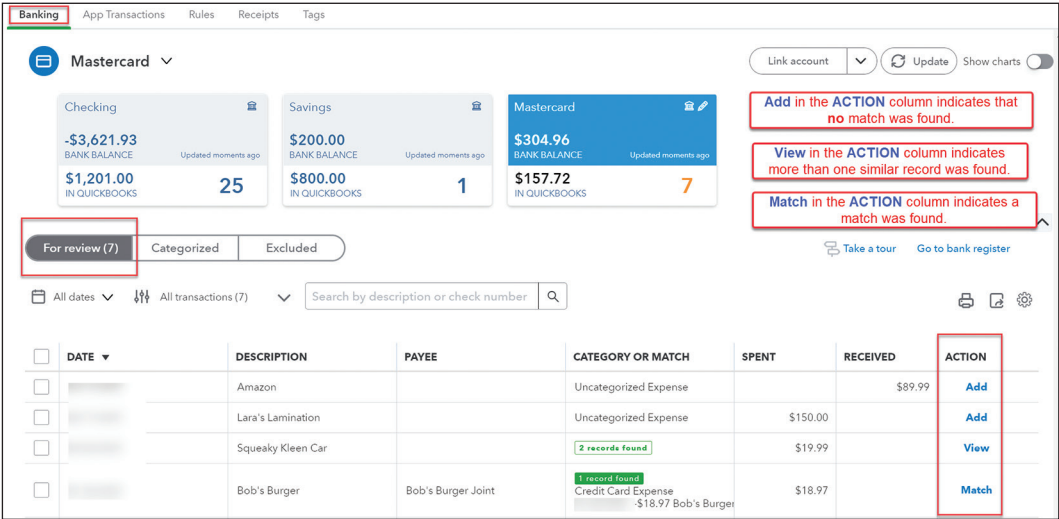


Figure 8.36
Imported transaction review screen

There are three tabs on the next screen.

Uploaded transactions first appear on the **For Review** tab.

If **Match** appears in the **ACTION** column, QBO has matched that transaction to one previously recorded in QBO. Click **Match** to move the transaction to the **Categorized** tab.

(continued from previous page)

CITY BANK OF SACRAMENTO 51 Capital Avenue Sacramento, CA 95822 (916) 585-2120			
Student Name Math Revealed! 3835 Freeport Blvd Sacramento, CA 95822 Account # 1616479			
		February 28, 2022	
	CREDITS	CHARGES	BALANCE
2/25, Check 1119, Martin Smith		1,800.00	2,907.82
2/25, Deposit	620.00		3,527.82
2/23, Check 1112, Isla Parker		19.58	3,508.24
2/24, Check 1118, Samantha Levin		125.00	3,383.24
2/28, Loan proceeds	2,500.00		5,883.24
Ending Balance, February 28			\$5,883.24

- ✓ Martin has downloaded the credit card transactions for you from the credit card company's website. He gives you the file so that you can upload these transactions into QBO. You have been entering all of the receipts Martin has given you but you want to be sure all the transactions match and that he didn't miss a receipt.
 - You upload the credit card transactions using the CSV file. **TIP:** To obtain this file, open the ancillary page for this textbook on the publisher's website (cambridgepub.com) and download: **MR Credit Card Upload Ch8.csv**. To upload the file, click **Banking** on the navigation bar and click **Manually upload transactions** on the **Banking** tab.
 - You select **220 Prime Visa Payable** as the **QuickBooks Account** to use for the upload.
 - Import bank transactions** screen, you update the following fields:

Step 1:

Is this the first row in your file a header? **Yes**
 How many columns show amounts? **Two columns**
 What's the date format used in your file? **MM/dd/yyyy**

Step 2:

Date **Column1: Date**
Description **Column 2: Description**
Amount
Money Received **Column 4: Debit**
Money Spent **Column 3: Credit**

- You import all transactions and accept transactions.
- For all items with **Match** in the **ACTION** column on the review tab, you click **Match**.
- You see one transaction that QBO was unable to match. **TIP:** **Add** appears in the **ACTION** column for unmatched transactions.
 - You ask Martin about this. He searches through his desk and finds the receipt for 2/21. He purchased gas at Cardinal Gas & Snacks. You verify the **Payee** and update the **category** to the appropriate account, if necessary. You **add** the transaction.



HINT: If you have more than one unmatched transaction, you may have missed entering a transaction in an earlier chapter or you may have entered multiple transactions with the same vendor on a single **Expense** form. If you missed a transaction, verify the vendor (payee) name, select the appropriate account, and click **Add**. If you incorrectly entered multiple transactions with the same vendor, you can **Add** the charges here but then you'll need to delete the earlier entries.

- ✓ You receive the credit card statement in the mail and prepare the credit card reconciliation.
TIP: All of the transactions you imported that were matched or added should already be marked as reconciled.
- ✓ When you finish the reconciliation, you set up the balance for payment later. You use FEB-VISA as the **Bill no.**

PRIME VISA COMPANY 55 Wall Street New York, NY 10005			
Student Name Math Revealed! 3835 Freeport Blvd Sacramento, CA 95822 Account # 212456770439			
	PAYMENTS	CHARGES	February 28, 2022 BALANCE
Beginning Balance, February 1			\$1,798.36
2/8-LA Gasoline Stop		\$ 45.00	1,843.36
2/8-Good Sleep Inn		380.00	2,223.36
2/8-Good Sleep Inn		150.00	2,373.36
2/15-Prime Visa	\$1,798.36		575.00
2/24-Dick's Diner		19.50	594.50
2/24-Cardinal Gas & Snacks		21.00	615.50
Ending Balance, February 28			\$615.50
Minimum Payment Due: \$10.00		Payment Due Date: March 15	

- ✓ You realize you forgot to pay yourself for work done in February. You create an account called "Accrued Expenses" (Account #221) and record the \$300 due you for your accounting work. You use Feb22.2 as the entry number. (**TIP:** Use **other current liabilities** as the **detail type**.)
- ✓ You review the account balances and make additional adjusting journal entries for February (dated 2/28) as needed, carefully considering the following:
 - Your last loan payment to Martin's father was made on 2/25 and covered interest for the month of February.
 - Martin borrowed the \$2,500 from the bank on 2/28. Interest will start accruing on 3/1.
 - You review your revenue and unearned revenue accounts to make sure all earned revenue (and only earned revenue) is recognized.
 - All the income billed in February was earned in February so you don't need to defer any revenue.
 - For Unearned revenue, you review the entries made in January. The unearned revenue for Annie Wang at the end of January was for sessions held in February. The unearned revenue for Teacher's College was for a workshop held in February. You make the appropriate entry to properly recognize any February revenue.
 - You record depreciation for the shelving placed in service on 2/1. The cost was \$820. You think the shelving will have a \$100 salvage value. You depreciate it over the lease term (24 months). **TIP:** Don't forget to depreciate all the fixed assets purchased in prior months. The depreciation amount for those items will be the same as the entry in January.
 - You make other adjusting journal entries, dated 2/28, as needed.
 - **TIP:** Look at all the current asset and liability accounts on the balance sheet. Should any of them be adjusted? Look at the profit and loss statement. Are there expenses recorded that shouldn't be recognized in February? Are there expenses that should have been recorded but haven't been? It's often very helpful to be able to compare months when doing month-end work. Consider customizing the **profit and loss** report by changing the dates to 1/1 to 2/28 and selecting **Months** in the **Display columns by** dropdown menu.

- ✓ You go ahead and look at the amount of office supplies there are on hand. You estimate the cost at \$225. You make the adjustment using Feb22.1 as the entry number and 2/28 as the date.
- ✓ You get ready to pay your sales tax liability.
 - You review your **Sales Tax Liability** report. The total tax liability for February sales is \$87.50.
 - You remit your taxes using Check # 1124, dated 2/28.
 - **TIP:** QBO will not allow you to use the normal process for remitting sales tax payments (as outlined in the chapter) if you're completing this assignment before March 2022. If that's the case, create a check to the CDTFA (California Dept of Tax and Fee Admin) instead and charge the California Department of Tax and Fee Administration Payable account for the \$87.50.

After month end:

- ✓ Sally has downloaded the credit card transactions for you from the credit card company's website. She gives you the file so that you can upload these transactions into QBO. You know you have been entering all of the receipts Sally has given you but you want to be sure all the transactions match and that she didn't miss a receipt.
 - You upload the credit card transactions to QBO using the CSV file. **TIP:** To obtain this file, open the ancillary page for your textbook and download: **SS Credit Card Upload Ch8.csv**. To upload the file, click **Banking** on the navigation bar and click **Manually upload transactions** on the **Banking** tab.
 - You select 220 Capital Three Visa Payable as the **QuickBooks Account** to use for the upload.
 - In the **Import bank transactions** screen, you check the **First row in file is a header row** box and indicate that your file has two columns. You update the following fields:

Step 1:

Is this the first row in your file a header? **Yes**
 How many columns show amounts? **Two columns**
 What's the date format used in your file? **MM/dd/yyyy**

Step 2:

Date **Column1: Date**
Description **Column 2: Description**
Amount
Money Received **Column 4: Debit**
Money Spent **Column 3: Credit**

- You import all transactions and accept transactions.
- For all items with **Match** in the **ACTION** column on the review tab, you click **Match**.
- You see one transaction that QBO was unable to match. **TIP:** **Add** appears in the **ACTION** column for unmatched transactions.
 - You ask Sally about this. She searches through her desk and finds the receipt for 2/16. She had taken a couple of people from Butter and Beans out to lunch at Screamin' Bean. (Good client relations!) You enter the **Payee** and update the **category** to the appropriate account, if necessary. You **add** the transaction.



HINT: If you have more than one unmatched transaction, you may have missed entering a transaction in an earlier chapter or you may have entered multiple transactions with the same vendor on a single **Expense** form. If you missed a transaction, verify the vendor (payee) name, select the appropriate account, and click **Add**. If you incorrectly entered multiple transactions with the same vendor, you can **Add** the charges here but then you'll need to delete the earlier entries.

Click **Save** to complete the setup.

A new **vendor** is automatically created (added to the Vendor List). Similarly, independent contractors initially set up through the **Vendors** tab of **Expenses** (and identified as 1099 vendors) are automatically added to the **Contractor** list. Additional information about the vendor (terms, billing rates, phone number, etc.) is entered in the vendor's record.

Add an independent contractor for Craig's Design and Landscaping.

(Craig has a large installation project coming up soon and expects to need some additional help. One of Craig's employees has a friend (Sue Stevens) who has landscaping experience and is looking for work. Craig brings her on as an independent contractor.)

1. Set up Sue Stevens as a **Contractor**.
 - a. Click **Payroll** on the navigation bar.
 - b. Click **Contractors**.
 - c. Click **Add a contractor**.
 - d. Enter "Sue Stevens" as the **Name**.
 - e. Remove the checkmark in the box next to **Email this contractor to complete their profile**. Click **Add contractor**.
 - f. Click **Add** to input Personal details.
 - g. Check **Individual**.
 - h. Enter the following information:
 - i. Sue Stevens
 - ii. 444-54-4474 as the social security number.
 - iii. 2111 Riversedge Drive
Sacramento, CA 95822
 - iv. **Make a note** of the fields in the contractor setup sidebar that are not required.
 - i. Click **Save**.
2. Edit Sue's vendor record.
 - a. Click **Expenses** on the navigation bar.
 - b. Click **Vendors**.
 - c. Click **Sue Stevens**.
 - d. Click **Edit**.
 - e. Select **Due on receipt** as the **Terms**.
 - f. Click **Save**.
 - g. Click **Dashboard** to exit the vendor screen.

PRACTICE EXERCISE 10.2



USING TIMESHEETS TO TRACK HOURS

The timesheet feature in QBO is available to track hours worked by both hourly and salaried employees in a company and by independent contractors. Timesheet data can be used to do one or more of the following:

- If the user subscribes to a payroll plan in QBO, timesheets can be used to:
 - Track labor costs by project for all employees.
 - Track paid time off for all employees.



- Create a paycheck based on hours worked for hourly employees.
- Users with or without payroll activation can use timesheets to:
 - Track billable hours for invoicing customers.
 - Track billable and non-billable hours for management purposes.

Payroll activity will be covered in Chapter 12. In this chapter, timesheets will only be used to track independent contractor hours for billing purposes.

Setting Up Time Tracking

Tracking hours for payroll processing purposes is automatically available to QBO users. To track hours by customer or project or to identify billable hours, certain features must be activated. Click the ⚙️ on the icon bar and select **Account and Settings**.

Click the **Advanced** tab and open the **Time tracking** section. **NOTE:** Some of you will see the time tracking feature on a new **Time** tab in **Account and Settings**.

Figure 10.12

Contractor setup screen

One or both options in the **Time tracking** section can be activated.

Adding **service fields** to timesheets allows users to track the type of work performed by employees or contractors. Turning on **Make Single-Time Activity Billable to Customer** allows the user to bill customers for work performed.

When billable time tracking is turned **On**, users have the option of displaying (or not displaying) the billing rate on the form. The first day of the work week must be selected.

Entering Timesheet Data

Intuit released a new time tracking feature in early 2021. The new feature allows employees to enter their own time directly into QBO. Those hours are then available for payroll processing and for billing customers. In this class, timesheets will be entered manually.

Figure 10.13

Time Center

If there are multiple charges for hours, the hours can be grouped by service by selecting **Group time by service** in the dropdown menu above **Add all**. The sidebar would look like this:

Add to Invoice

Filter by

All types

All dates

Group time by service

Add all

Time: Installation 7:00
\$350.00
Installation of landscape design
[Add](#)

Billable expense
\$275.00
• Rock Fountain
• 120% markup for Rock ...
[More](#)
[Add](#) [Open](#)

Figure 10.29

Example of sidebar of billable time and costs with hours grouped by service

Billable charges can be added to the invoice by clicking **Add** in the sidebar for individual charges. Clicking **Add all** transfers all billable charges to the **invoice**. If all charges were added and hours were grouped by service, an **invoice** would look something like this:

Invoice

3 linked transactions

Customer: Rago Travel Agency
Customer email: Rago_Travel@intuit.com
Send later: ☐ Co/Bcc

Billing address: Jeff Rago, Rago Travel Agency, 753 Cedar St., Bayshore, CA 94326
Terms: Net 30
Invoice date:
Due date:
Add custom field:

Tags:

#	PRODUCT/SERVICE	DESCRIPTION	QTY	RATE	AMOUNT	TAX
1	Landscaping:Installation	Installation of landscape design	7	50	350.00	
2	Design:Fountains:Rock Fountain	Rock Fountain	1	125	125.00	
3		120% markup for Rock Fountain <i>Your customer won't see this.</i>			150.00	
4						

Subtotal: \$625.00
Taxable subtotal: \$0.00
Select a sales tax rate: 0.00
Discount percent: \$0.00
Total: \$625.00
Balance due: \$625.00

Message on invoice: Thank you for your business and have a great day!

Message on statement: If you send statements to customers, this will show up as the description for this invoice.

Cancel Clear Print or Preview Make recurring Customize Save Save and send

Figure 10.30

Example of invoice for billable hours and costs

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

Over the next month or so, he plans to expand his business by selling a few products he believes will help his students. He has already purchased a few items:

Category	Description	Vendor	Quantity on Hand	Cost per Unit	Sales Price
Books and Tools					
	Geometry in Sports	Books Galore	20	18	25
	Solving Puzzles: Fun with Algebra	Books Galore	20	15	22
	Getting Ready for Calculus	Books Galore	20	20	28
	Geometry Kit	Math Shack	10	12	18
	Handheld Dry-Erase Boards	Math Shack	25	10	15
	Notebooks (pack of 5)	Paper Bag Depot	10	8	12

4/1/22

- ✓ 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 **Advanced** tab of **Account and Settings**.

NOTE: Some of you will see the time tracking feature on a new **Time** tab in **Account and Settings**.

 - You check **Add service field to timesheets** and **Make Single-Time Activity Billable to Customer** fields.
 - You check **Show billing rate to users entering time**.
 - You set Monday as the **first day of work week**.
- ✓ 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 Public Schools as the **Customer**. **TIP:** If **Projects** doesn't show up on the navigation bar, you'll need to activate the **projects** feature on the **Advanced** tab of **Account and Settings**.

- American River
- Capitol Hill
- ✓ You also set up a new **service** item. **TIP:** The **service** item is not taxable.
 - Item name: Game tutoring
 - Category: Tutoring
 - Class: Tutoring
 - Description: Tutoring with Math Games
 - Sales price/rate: \$50 (per hour)
 - Income account: 400 Tutoring Revenue
 - Cost: \$30 **TIP:** To see the purchase section, check the **I purchase this product/service from a vendor** box.
 - Expense account: ~~621~~ Contract labor
 - Preferred Vendor: Kenny Chen
- ✓ You write checks for the following:
 - Rent \$750 (Check 1137 to Pro Spaces)
 - Monthly loan payment to the City Bank of Sacramento (\$215.17—Check #1138) **TIP:** Some of that payment covers March interest.

4/4/22

- ✓ You pay the six bills due on or before the 15th of April starting with check #1139. The total paid is \$1,907.71.
- ✓ Martin is putting on several workshops this month. For the first one at Teacher's College next week, he needs to have a projector and screen. The College agrees to cover the cost.
 - You turn on the features related to tracking and billing expenses and items by customer in the **Expenses** tab of **Account and Settings**.
 - You make sure **Track expenses and items by customer** and **Make expenses and items billable** are both turned on.
 - Martin has agreed on a markup of 5% with the Center. He thinks he'll use the same markup on other costs incurred for customers.
 - You decide **not** to track the billable expenses and items as income.
 - You do **not** check the **Charge sales tax** box.
 - On the **Advanced** tab of **Account and Settings**, you click **Add new** in the **Markup income account** field. You set up a new account (480 Markup Income) as the **markup income account**. You use **Service/Fee Income** as the **detail type**.
- ✓ You decide to track reimbursable costs in a separate account. You set up a "Reimbursable costs" account as an **Expense** and an **Other Miscellaneous Service Costs detail type**. You make it a **sub-account** of **Other Costs** and use "698" as the account number.

4/5/22

- ✓ Martin goes to Paper Bag Depot and picks up a projector and a screen. The total, including tax, is \$426.55. He uses the VISA to make the purchase. You make it billable to Teacher's College. You enter "Projector" in the description field. **TIP:** This is a non-taxable reimbursable cost for the Teacher's College workshop.
- ✓ You receive the \$350 bill from Les & Schmidt for March's marketing services. The bill (#3358) is due in 30 days. **TIP:** This entry will offset the reversing entry you made to 642 Marketing expense in Chapter 9. The **class** was Workshops.
- ✓ Martin brings back some supplies he purchased from Paper Bag Depot. He bought them on account. (Invoice #8009, \$124.58, Terms of Net 15) Tutoring supplies totaled \$109.25. You charge those to the Supplies on Hand account. You expense the \$15.33 in office supplies.

4/1/22

- ✓ 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 next Monday.
 - 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 some features on in the **Time tracking** section of the **Advanced** tab of **Account and Settings**. **[NOTE: Some of you will see the time tracking feature on a new Time tab in Account and Settings.]**
 - You check **Add service field to timesheets** and **Make Single-Time Activity Billable to Customer**.
 - You check **Show billing rate to users entering time**.
 - You set Monday as the **first day of work week**.
- ✓ 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. The service is not taxable.
 - Item name: Group Train
 - Description: Group software training at corporate location
 - Category: Consulting and Installation
 - Class: Consulting
 - Sales price/rate: \$75 (per hour)
 - Income accounting: 400 Software Selection and Installation
 - Cost: \$50 **TIP:** To see the purchase section, check the **I purchase this product/service from a vendor** box.
 - Expense account: 609 Contract labor
 - Preferred vendor: Olivia Patel
- ✓ Although all **invoices** will be paid by Delucca Deli, management does want information about the hours by location so you decide to use the project feature in QBO. You verify that

complete the record (address and social security number). Enter 4/1/22 as the **Hire date**. Save the record. Olivia's name should now appear on the **Add time entry** screen.



HINT: Remember, Olivia Patel is an independent contractor (a vendor). Setting her up as an employee is only necessary if independent contractors can not be selected in the Time Center.

- You also enter a **bill** for the amount Sally owes Olivia (\$1,000—OP408). 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. Olivia spent 8 hours at Sausalito and 12 hours at Mendocino.
- ✓ You create invoices for Olivia's work for Delucca Deli. The invoices are dated 4/8 with terms of Net 15.
 - Sausalito \$600 (INV-1035)
 - Mendocino \$900 (INV-1036)
- ✓ You receive the following checks in the mail:
 - mSquared Enterprises—\$1,200 in payment of INV-1027. Check # 8811
 - Fabulous Fifties—\$800 in payment of INV-1028. Check #88244
- ✓ You deposit the checks in the bank. The deposit totals \$2,000.
- ✓ Sally called in very sick. She's got a terrible case of the flu and won't be able to be at the **Source** workshop. She has already called Olivia who is more than willing to help out.

4/12/22

- ✓ 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. Terms are Net 30.
- ✓ 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**.

4/13/22

- ✓ 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.

In QBO Payroll, all payroll taxes are automatically calculated based on the employer's location(s) and information provided by employees and federal and state taxing authorities.

Schedules for reporting and remitting federal payroll taxes (employer and employee shares) depend on the size of a company's payroll.

- Federal income tax and FICA taxes are reported quarterly on Form 941. Remittance timing varies based on the size of the payroll tax liability.
 - Small companies (generally those with payroll tax liabilities of less than \$2,500 per quarter) can deposit 941 taxes with the quarterly return.
 - Companies with payroll tax liabilities greater than \$50,000 during the 12 months ending June 30 of the **prior** year must deposit 941 taxes semi-weekly. (For 2021, the prior year would end June 30, 2020.) Deposits must be remitted electronically.
 - All other companies must deposit 941 taxes monthly. Deposits must be remitted electronically.
- Federal unemployment taxes are reported on Form 940. Remittance timing varies based on the size of the payroll tax liability.
 - The FUTA tax deposit requirement is based on the company's FUTA tax liability **year-to-date**. A deposit is due once the year-to-date tax liability exceeds \$500 (calculated quarterly).

Schedules for reporting and remitting state and local payroll taxes (employee and employee shares) are set by the various tax authorities. Some states adopt the federal remittance and filing schedules.

Other Payroll Deductions and Costs

Employers often provide benefits to employees. These might include:

- Medical insurance
 - Can be fully or partially paid by the employer
- Retirement plans
 - Can be fully or partially paid by the employer

Employee and employer contributions related to health or retirement plans are set up as part of the employee record in QBO. Employee contributions are automatically withheld from employee paychecks.

Employers may also withhold funds from employee paychecks related to garnishments (child support, tax levies, etc.), union dues, repayment of cash advances, etc. These deductions are also set up in the employee record in QBO.

PAYROLL SYSTEM WALKTHROUGH

The Chapter 12 homework assignment for either *Math Revealed!* or *Salish Software Solutions* consists of following the steps outlined in this section. When you have completed the steps, you will have worked through the full QBO Payroll process for two employees.

In Step 1, you'll start by setting up a new company file and activating the 30-day payroll trial option. Follow the instructions for this step carefully.

Step 1—Set Up a New Company File

The process for setting up your payroll company file is similar to the one you followed in Chapter 2. This time, however, you'll only be importing your chart of accounts.

Your instructor will send you an invitation for the new file.