

The screenshot shows the QBO Invoice creation interface for Jon Savidge. The interface includes fields for Customer, Customer email, Billing address, Terms, Invoice date, Due date, and Invoice no. The total amount due is \$100.00. The table below shows the product/service details:

#	PRODUCT/SERVICE	DESCRIPTION	QTY	RATE	AMOUNT
1	Services				100.00
2					

The total amount due is \$100.00. The interface also includes fields for Message on invoice and Message on statement, and an Attachments section.

Make the following changes to the Jon Savidge invoice:

Step 1: Enter INV-1001 in the **Invoice no.** field.

Step 2: Since we want to use the Math Revealed **products and services** we just set up, we'll need to make a change. Open the dropdown menu in the **PRODUCT/SERVICE** column and select **Refresher**.

Step 3: When you change the **products and services** field to **Set Up**, QBO will automatically change the **AMOUNT** to 50. That's because the rate for **Set Up** in the imported **products and services list** was set at \$50. The amount due from this customer is \$100, though, so you'll need to change the **QTY** to 2.

**BEHIND THE SCENES** QBO allows you to change the sales price for a **product** or **service** when a sales form is created. This type of change will not permanently update the price in the **Products and Services** list.

Step 4: Click **Save and close** to return to the transaction report.

You will need to correct the remaining invoices included on the **Transaction Report** as follows:

- Click Kim Kowalski
  - Enter INV-1002 as the **Invoice No.**
  - Change **PRODUCT/SERVICE** to **Persistence**.
  - Enter 2 in the **QTY** field to bring the **Total** to \$180.
  - Click **Save and close**.
- Click Annie Wang
  - Enter INV-1003 as the **Invoice No.**
  - Change **PRODUCT/SERVICE** to **Crisis**.
  - The **Total** should be \$175.
  - Click **Save and close**.

You'll be learning more about journal entries in Chapter 5. For now, the basics are all you need. Change the **Journal date** to 12/31/19 and enter "Opening Entry" as the **Journal no.** Enter the journal entry exactly as it appears below:

**Journal Entry #Opening entry**
Help ✕

CORRECTED JOURNAL ENTRY

Journal date

12/31/2019

Journal no.

Opening entry

	#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME	
⋮	1	100 Checking	2,845.00		Opening balance		🗑
⋮	2	180 Computer & Office Equipr	3,534.00		Opening balance		🗑
⋮	3	189 Accumulated Depreciation		549.00	Opening balance		🗑
⋮	4	195 Security Deposit	400.00		Opening balance		🗑
⋮	5	280 Note Payable		2,000.00	Opening balance		🗑
⋮	6	300 Common Stock		500.00	Opening balance		🗑
⋮	7	Opening Balance Equity	1,185.00		Opening balance		🗑
⋮	8	Services	455.00		Opening balance		🗑
⋮	9	700 Interest expense		315.00	Opening balance		🗑
⋮	10	Retained Earnings		5,055.00	Opening balance		🗑
⋮	11						🗑
		<b>Total</b>	8,419.00	8,419.00			

Add lines
Clear all lines

Select Save and close from dropdown menu

Cancel
Reverse
Make recurring
More
Save
Save and close ▼

✻

**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 the screenshot above.

Click **Save and close**.  
 Click **Reports** on the navigation bar. Click **Balance Sheet**. Change the dates to 12/31/19 to 12/31/19.

- In the **Sort** dropdown menu on the report toolbar (left edge), select **TYPE** and click **ascending order**.
- Save as a PDF (export to PDF).

**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	\$ 50 per hour
Train	Software training	\$ 40 per hour
Fix	File repair	\$ 60 per hour

Sally rents office space from Alki Property Management for \$800 per month. The following furniture and equipment are owned by Salish:

Description	Date placed in service	Cost	Life	Salvage Value
Office furniture . . . . .	6/1/19	\$1,400	60 months	\$200
Computer . . . . .	7/1/19	\$4,620	36 months	\$300
Printer . . . . .	5/1/19	\$ 900	36 months	\$ 0

All equipment is depreciated using the straight-line method.

As of 12/31/19, 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 12/1/19.

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 Solutions	25	\$ 25	\$ 50
Tracker . . . . .	Investment Tracker	Personal Solutions	25	\$ 20	\$ 40

**Assignment 2B**

**Salish Software Solutions**



Changes apply to all chapter background information for Salish Software Solutions

**Final Conversion Work**

Now that the basic structure has been set up in QBO as part of your work on pages 2-9 to 2-27 in this chapter, it's time to update the account balances.

(continued from previous page)

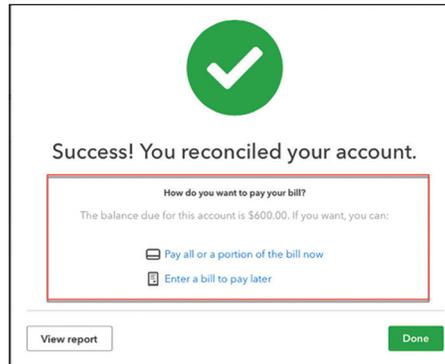
- a. Click the **gear** icon on the icon bar.
  - b. Click **Chart of Accounts**.
  - c. Click **See your Chart of Accounts**.
  - d. Click **New**.
  - e. Select **Credit Card** as the **Account Type**.
  - f. Select **Credit Card** as the **Detail Type**.
  - g. Enter "Global Credit Card" in the **Name** field.
  - h. Click **Save and close**.
2. To record a client lunch (paid with credit card):
- a. Click the **+** icon on the icon bar.
  - b. Click **Expense**.
  - c. Select **Add new** in the **Choose a payee** dropdown menu.
    - i. Enter "Fancy Restaurant" as the **Name**.
    - ii. Select **Vendor** as the **Type**.
    - iii. Click **Save**.
  - d. Select **Global Credit Card** as the **Payment account** to be credited.
  - e. Enter the current date as **Payment date**.
  - f. Select **MasterCard** as the **Payment method**.
  - g. Leave **Ref. No.** blank.
  - h. In the **Category details** section, select **Meals and Entertainment** as the **CATEGORY**.
  - i. Enter "94.10" as the **AMOUNT**.
  - j. Enter "Lunch with July Summers" in the **Memo** field.
  - k. Click **Save** to record the transaction without leaving the form.
  - l. Open the **Transaction journal** from the **More** menu bar at the bottom of the form.
  - m. **Make a note** of the transaction type and the account that was credited.
  - n. Click **Save and new**.
3. To record purchase of stamps with a credit card:
- a. Select **Add new** in the **Choose a payee** dropdown menu.
    - i. Enter "USPS" as the **Name**.
    - ii. Select **Vendor** as the **Type**.
    - iii. Click **Save**.
  - b. Select **Global Credit Card** as the **Payment account** to be credited.
  - c. Enter the current date as **Payment date**.
  - d. Select **MasterCard** as the **Payment method**.
  - e. Leave **Ref. No.** blank.
  - f. In the **Category details** section, select **Office Expenses** as the **CATEGORY**.
  - g. Enter "84" as the **AMOUNT**.
  - h. Click **Save and close**.



**BEHIND THE SCENES** If you discover that there's an error on one of the recorded **Charges** or **Payments** while you're in the reconciliation process, you can click the transaction to edit the form. You can also leave the reconciliation screen open while you create a new transaction. The new transaction will automatically appear in the reconciliation screen once it's saved.

Once the statement is reconciled, the following screen will appear:

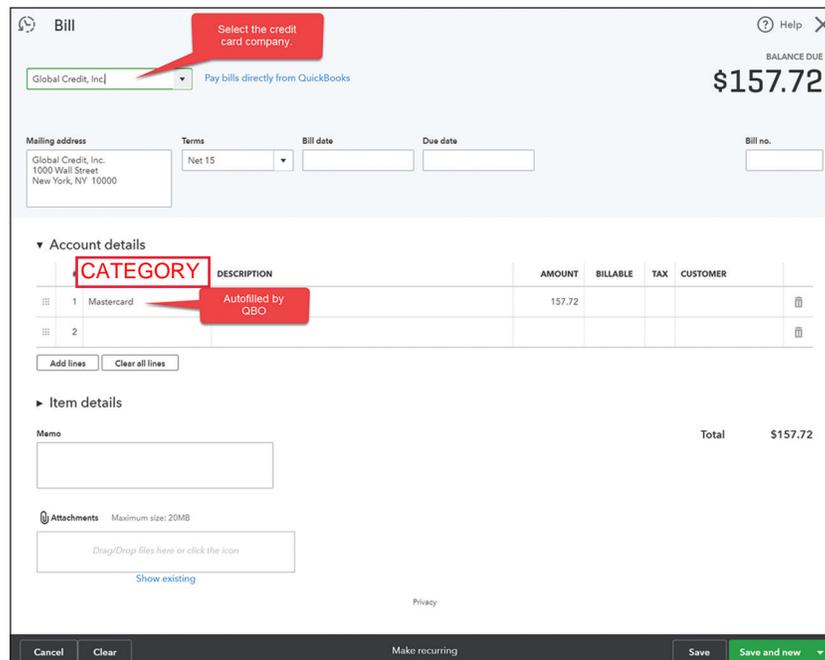
**Figure 5.12**  
Successful reconciliation



Users have three options on this screen.

1. If **Done** is selected, the balance remains in the credit card account. The amount would not be available in the **Pay Bills** screen. A **Bill** would have to be manually entered after the fact.
2. If the **Pay all or a portion of the bill now** option is selected, a **Check** form will automatically appear. The credit card company name would be selected in the payee field.
3. If **Enter a bill to pay later** is selected, a **Bill** form will automatically appear. The appropriate vendor would need to be selected. QBO will automatically enter the credit card liability account in the distribution section of the form (in the **Category details** section). The amount entered should be the total amount of the credit card bill.

**Figure 5.13**  
Bill for credit card statement balance



Select **Journal Entry** in the **Other** column.

The screenshot shows the 'Journal Entry #1' form. At the top, there are input fields for 'Journal date' and 'Journal no.'. Below these is a table with the following columns: '#', 'ACCOUNT', 'DEBITS', 'CREDITS', 'DESCRIPTION', and 'NAME'. The first row has a '1' in the '#' column and 'What did you pay for?' in the 'DESCRIPTION' column. A red callout box with a pointer to the 'ACCOUNT' column contains the text 'Select general ledger account'. Below the table, there are 'Add lines' and 'Clear all lines' buttons. A 'Memo' field is present, followed by an 'Attachments' section with a 'Maximum size: 20MB' limit and a 'Drag/Drop files here or click the icon' area. At the bottom, there are 'Cancel', 'Clear', 'Make recurring', 'Save', and 'Save and new' buttons.

**Figure 5.16**  
Journal entry form

To complete the form, you need to enter the date, the accounts (selected in the **ACCOUNT** field), and the amounts.

**BEHIND THE SCENES** Although you **can** use the **Journal Entry** form to create entries in accounts receivable, accounts payable, and cash accounts, it's generally better to use the standard forms for transactions that affect those accounts. If you do make an adjusting journal entry to accounts receivable (or payable), you would need to enter the name of the customer (vendor) in the **NAME** field so that the subsidiary ledger is updated.



Here are some “good practice” points for working with adjusting entries:

- Include a brief description of the transaction in the **Memo** field of the form.
  - It's easy to forget the source of an adjusting journal entry.
- Make one entry per type of adjustment. In other words, don't make one big entry with lots of different types of transactions on it. Companies should keep documentation to support adjusting journal entries and it's easier to match the entry to the documentation if you keep the entries simple.
- Journal entries are numbered in the **Journal no.** field. QBO will number these automatically or you can create your own numbering pattern such as ADJ-JAN1, ADJ-JAN2 to clearly identify the purpose of the entry.

The mechanics of recording adjusting journal entries in QBO are very simple. To help with the hardest part (knowing what adjustments need to be made), here's a list of common monthly entries for service companies:

- Depreciation
- Accrual of:
  - Unpaid salaries
  - Interest or other charges for which a vendor bill has not yet been received
  - Unbilled revenue

- Expiration (consumption) of
  - Prepaid expenses
  - Supplies on hand
- Recognition of deferred revenue as earned

## PRACTICE EXERCISE



**Balance sheet** A financial statement showing a business's assets, liabilities, and stockholders' equity as of a specific date.

**Income statement** A financial statement reporting a business's sales revenue and expenses for a given period of time.

**Statement of stockholders' equity** A financial statement presenting information regarding the events that cause a change in stockholders' equity during a period. The statement presents the beginning balance, additions to, deductions from, and the ending balance of stockholders' equity for the period.

**Statement of cash flows** A financial statement showing a firm's cash inflows and cash outflows for a specific period, classified into operating, investing, and financing activity categories.

**Record some adjusting journal entries for Craig's Design and Landscaping.** (Craig's Design records month-end adjustments for depreciation on the truck and prepaid rent.)

1. Click the  icon on the icon bar.
2. Click **Journal Entry** (in the **Other** column).
3. Record depreciation expense of \$225 for the current month.
  - a. Enter the current date as the **Date**. You can leave the **Journal no.** as 1.
  - b. In the first row, select **Depreciation** (the one with the **Other Expense account type**) in the **ACCOUNT** field and enter "225" in the **DEBITS** column.
    - i. Enter "Current month depreciation" in the **DESCRIPTION** field.
  - c. In the second row, select **Depreciation** (the one listed as a **sub-account of Truck**) and enter "225" in the **CREDITS** column. **TIP:** This account has a **Fixed Assets account type**. This account would normally be named "Accumulated Depreciation."
    - i. The **Description** field should have autofilled.
  - d. Click **Save and new**.
4. Adjust for \$450 of rent paid in advance. Craig expensed \$900 to rent expense. Half that amount represented rent for the subsequent month.
  - a. Enter the current date as the **Date**. Leave the **Journal no.** as 2.
  - b. In the first row, select **Prepaid Expenses** in the **ACCOUNT** field and enter "450" in the **DEBITS** column.
    - i. Enter "Rent paid in advance" in the **DESCRIPTION** field.
  - c. In the second row, select **Rent or Lease** in the **ACCOUNT** field and enter "450" in the **CREDITS** column.
  - d. Click **Save and close**.

## PREPARING FINANCIAL STATEMENTS

As you know, there are four basic financial statements:

- **Balance sheet**
- Profit and loss statement (**Income statement**)
- Statement of retained earnings (or **Statement of stockholders' equity**)
- **Statement of cash flows**

You can prepare a balance sheet, profit and loss statement, and statement of cash flows automatically in QBO. In this course, we'll only be looking at the balance sheet and profit and loss statement.

Category	Description	Vendor	Quantity on Hand	Cost per Unit	Sales Price
Books and Tools					
	Geometry in Sports	Books Galore	20	12	20
	Solving Puzzles: Fun with Algebra	Books Galore	20	14	22
	Getting Ready for Calculus	Books Galore	20	15	25
	Protractor/Compass Set	Math Shack	10	9	14
	Handheld Dry-Erase Boards	Math Shack	25	7	12
	Notebooks (pack of 5)	Paper Bag Depot	10	10	15

1/31/20

- ✓ Martin asks you to give him a summary of the hours you worked in January. He agrees to pay you \$30 per hour for the 10 hours you worked on his accounting. You are only doing this temporarily since you have some extra time so you set yourself up as a 1099 vendor and write yourself a check for the \$300. The check number is 1111. You consider this a professional service expense.
  - Use 333-44-5555 as your **Business ID number** and 2119 Abacus Drive as your address. Use your home city, state to complete the address.
- ✓ You reconcile the bank statement for January. You get the following information from the bank’s website. **TIP:** Since this is the first time the checking account has been reconciled in QBO, the 12/31 balance will show as a deposit. Make sure you mark that deposit as cleared. Also, note that the dates showing on the bank statement are the dates checks and deposits were received by the bank. They will not always be the same as the dates transactions were recorded in your company file.

CITY BANK OF SACRAMENTO 51 Capital Avenue Sacramento, CA 95822 (916) 585-2120			
<b>Your Name Math Revealed!</b>			
3835 Freeport Blvd			
Sacramento, CA 95822			
Account # 1616479			
			January 31, 2020
	CREDITS	CHARGES	BALANCE
Beginning Balance, January 1			\$2,845.00
1/4, Check 1102—Pro Spaces		\$200.00	2,645.00
1/7, Check 1101—Protector Insurance		480.00	2,165.00
1/10, Deposit	\$ 375.00		2,540.00
1/22, Check 1100—Gus Ranting		20.00	2,520.00
1/22, Deposit	1,515.00		4,035.00
1/29, Check <del>1103</del> —Math Shack		322.79	3,712.21
1/29, Check 1105—Paper Bag Depot		150.00	3,562.21
1/30, Deposit	2,405.00		5,967.21
1/30, Check 1109—Frank’s Furniture		480.00	5,487.21
<b>Ending Balance, 1/31</b>			<b>\$5,487.21</b>

1104

The check number here may differ. Match the Payee (Frank's) and the amount \$480.00

- ✓ You also receive the credit card statement in the mail. You reconcile the card and set up the balance for payment to **Prime Visa Company** later. Use JanCC as the **Bill no.**

## PRACTICE EXERCISE



### Add a comment to a report.

(Craig's Design adds a note to the balance sheet related to the cost of its truck.)

1. Click **Reports** on the navigation bar.
2. Click **Balance Sheet** in the **Favorites** section.
3. **Make a note** of the balance in **Accounts Payable (A/P)**.
4. Click **Add notes**.
5. In the notes field, type "Cost to refit the truck is not yet included in the Truck account balance."
6. Click **Save customization**.
7. Enter "Balance Sheet with Notes" as the **Custom report name**.
8. Click **Add new group**.
9. Enter "Month End Reports" as the **New group name**.
10. Click **Add**.
- None** 11. Select **All** in the **Share with** dropdown menu.
12. Click **Save**.
13. Click the printer icon to open a preview of the customized report.
14. **Make a note** of where, in the report, the comment appears.
15. Click **Close**.
16. Click **Dashboard** to exit out of reports.

## CHAPTER SHORTCUTS

### Adjust inventory quantities

1. Click the **+** icon on the icon bar
2. Click **Inventory Qty Adjustment**

### Record payment of sales tax

1. Click **Sales tax** on the navigation bar
2. Click **Review return** next to the taxing jurisdiction name

### Record non-customer cash receipt

1. Click the **+** icon on the icon bar
2. Click **Bank Deposit**

### Record bank transfer

1. Click the **+** icon on the icon bar
2. Click **Transfer**

### Delete an account

1. Click **gear** icon on the icon bar
2. Click **Chart of Accounts**
3. Select **Delete** in the **Action** column of the account to be deleted

### Merge two accounts

1. Click **gear** icon on the icon bar
2. Click **Chart of Accounts**
3. Select **Edit** in the **Action** column of the account to be merged
4. Change the name of the account

12-month period (\$215.17 per month including interest). You record the deposit of \$2,500 into the company's checking account. **TIP:** You're going to need to set up a new account for this loan. Think carefully when choosing the **account type**.

2/29/20

- ✓ Your friend, Samantha Levin, agrees to come in to help Martin count the inventory on hand.
  - She counts the inventory at the end of the day and gives you this list:

Taken by Samantha Levin	Inventory Count Sheet—2/29	Unit of Measure	Quantity on Hand
Books and Tools			
	Dry Erase boards	Units	13
	Kit	Units	12
	Modeling	Units	10
	Notebooks	Packages of 5	3
	Puzzles	Units	4
	Ready	Units	20
	Sports	Units	16
Math Games			
	Console	Units	5
	Equations	Units	5
	Fractions	Units	5
	Ratios	Units	5

- ✓ You do a few rechecks to make sure the count is correct, which it is. You adjust the inventory quantities in QBO to agree to the count. **TIP:** You can either add all products to the **inventory adjustment** window and change only those items that differ from the count, or you can compare the count sheet provided above to the Product/Service List in QBO first and then add only those items that need adjustment to the window.
  - You talk to Martin about the shortages. He believes that some of the items were probably used by the tutors during the Mathmagic Clinic. You decide to charge the inventory adjustment to a new “Teaching supplies expense” account (a sub-account of **Office and Tutoring Costs**). You use account number 642.
  - You use FebInvAdj as the **reference no.**
  - **TIP:** To check your accuracy, click **Save**. Click **More** and select **Transaction journal**. The total adjustment should be \$46.
- ✓ Because Samantha is willing to stay a bit longer, you ask her to count the supplies on hand. She tells you that there is \$52.79 worth of office supplies on hand. You adjust the supplies accounts appropriately. You use Feb20.1 as the **Journal no.**
- ✓ It took Samantha only two hours to count the inventory and supplies. You write her a check (#1123) for \$30 (\$15 per hour) and charge the amount to the **Contract Labor** account.
- ✓ You get ready to pay your sales tax liability.
  - You review your **Sales Tax Liability** report. The total tax liability for February sales is **\$19.51**. (Most of your product sales were made to the Center for Academic Excellence, a reseller of the products.)
  - You remit your taxes using Check #1124.
    - **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 2020. If that's the case, create a **check** to the California Dept of Tax and Fee Admin (CDTFA) instead and charge the California State Board of Equalization Payable account for the \$19.51.

After month end:

- ✓ You receive the February bank statement. You see that the bank charged a \$20 processing fee for the NSF check from Kim Kowalski. You enter the charge when you reconcile the statement to your records.

CITY BANK OF SACRAMENTO 51 Capital Avenue Sacramento, CA 95822 (916) 585-2120			
Your Name Math Revealed!			
3835 Freeport Blvd Sacramento, CA 95822 Account # 1616479			
			February 29, 2020
	CREDITS	CHARGES	BALANCE
Beginning Balance, February 1			\$5,487.21
2/3, Check 1103, Kathy's Coffee		\$ 25.00	\$5,462.21
2/3, Check 1106, Samantha Levin		80.00	\$5,382.21
2/3, Check 1107, Parent's Survival		80.00	\$5,302.21
2/3, Check 1108, 24 Hour Quick Stitch Clinic		220.00	\$5,082.21
2/5, Check 1111, Student		300.00	\$4,782.21
<span style="border: 1px solid red; padding: 2px;">1113</span> 2/7, Check <del>1112</del> , Pro Spaces		200.00	\$4,582.21
2/10, Deposit	\$ 343.00		\$4,925.21
2/10, Deposit	955.00		\$5,880.21
<span style="border: 1px solid red; padding: 2px;">1114</span> 2/12, Check <del>1110</del> , Martin Smith		1,500.00	\$4,380.21
<span style="border: 1px solid red; padding: 2px;">1116</span> 2/17, Check <del>1114</del> , Prime Visa Company		1,247.75	\$3,132.46
<del>2/19, Check 1115, Sacramento Utilities</del>			<del>\$3,132.46</del>
2/20, Chargeback for Kowalski NSF check		80.00	\$3,052.46
2/20, Processing fee, NSF check		20.00	\$3,032.46
2/22, Deposit	1,608.74		\$4,641.20
2/22, Deposit	98.00		\$4,739.20
2/24, Check <del>1112</del> , Isla Parker		15.23	\$4,723.97
2/27, Deposit	543.00		\$5,266.97
<span style="border: 1px solid red; padding: 2px;">2/28</span> , Loan amount transfer	2,500.00		\$7,766.97
<b>Ending Balance, <span style="border: 1px solid red; padding: 2px;">2/29</span></b>			<b>\$7,766.97</b>

- ✓ You receive the credit card statement in the mail. You start to reconcile the account and notice that there's a gas charge for \$21 that you haven't recorded. Martin apologizes for not submitting the receipt. You record the charge, finish the reconciliation, and set up the balance for payment later. You use FEBVISA as the **Bill no.** **TIP:** You can click the **+** icon to add the gas charge without leaving the reconciliation.

PRIME VISA COMPANY 55 Wall Street New York, NY 10005			
Your Name Math Revealed!			
3835 Freeport Blvd Sacramento, CA 95822 Account # 212456770439			
			February 29, 2020
	PAYMENTS	CHARGES	BALANCE
Beginning Balance, February 1			\$1,247.75
2/7—Good Sleep Inn		\$530.00	1,777.75
2/7—LA Gasoline Stop		45.00	1,822.75
2/15—Payment	\$1,247.75		575.00
2/20—Cardinal Gas & Snacks		21.00	596.00
2/27—Dick's Diner		19.50	615.50
<b>Ending Balance, <span style="border: 1px solid red; padding: 2px;">2/29</span></b>			<b>\$ 615.50</b>
<b>Minimum Payment Due: \$10.00</b>		<b>Payment Due Date: March 15</b>	

## Assignment 8B

### 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
Select	Software selection	\$500 flat fee
Set Up	Software installation	\$ 50 per hour
Train	Software training	\$ 40 per hour
Fix	File repair	\$ 60 per hour

Sally rents office space from Alki Property Management for \$800 per month.

The following furniture and equipment are owned by Salish:

Description	Date placed in service	Cost	Life	Salvage Value
Office furniture . . . . .	6/1/19	\$1,400	60 months	\$200
Computer . . . . .	7/1/19	\$4,620	36 months	\$300
Printer. . . . .	5/1/19	\$ 900	36 months	\$ 0

All equipment is depreciated using the straight-line method.

As of 12/31/19, 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 12/1/19.

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 Solutions	25	\$ 25	\$ 50
Tracker . . . . .	Investment Tracker	Personal Solutions	25	\$ 20	\$ 40

2/29/20

- ✓ Sally meets with her banker at Sacramento City Bank. She wants to have easy access to funds in case a good opportunity comes along. The banker explains that with a line of credit, Sally can borrow as much as she needs up to the credit line maximum. Only interest (on any unpaid balance) will be due on a monthly basis although Sally can make principal payments at any time. The bank agrees to provide Sally with a \$5,000 line. Interest will be set at 6%. Interest payments will be due on the last day of the month. The line will have a term of one year. Sally doesn't borrow on the line today but you set up the account so it's ready for the future. **TIP:** Think carefully when choosing the **account type**.
- ✓ Oscar Torres agrees to come in to count the inventory on hand.



**BEHIND THE SCENES** Although actual labor costs can't yet be linked to **projects** in QBO, **cost rates** can be set up. These rates are used for project reporting purposes **only**. There are no journal entries created.

Click **Hourly cost rate** in the top right corner of the Project Center.

**Hourly cost rates** can be set up for **employees** or **vendors** (independent contractors).

For employees, the rate can be set to include wages, payroll taxes, and company overhead. For vendors, the rate would normally be the rate charged by the vendor for services provided. These costs would be included in the summary profit amounts displayed in the Project Center. The costs would **not** be included in project profitability reports.

## PRACTICE EXERCISE



### Add jobs for Craig's Design and Landscaping.

(Craig's Design has just gotten a request from Jeff's Jalopies for some landscaping work. Jeff has other projects in mind for the future so Craig's Design wants to set up a project for tracking hours spent on the landscaping job.)

1. Turn on project tracking.
  - a. Click the **gear** icon on the icon bar.
  - b. Click **Account and Settings**.
  - c. Click **Advanced**.
  - d. Click **Projects**.
  - e. Check the box next to **Organize all job-related activity in one place**.
  - f. Click **Save and done**.
2. Set up job.
  - a. Click **Projects** on the navigation bar.
  - b. Click **Start a project**.
  - c. Enter **Jalopies' Landscaping** as the **project name**.
  - d. Select **Jeff's Jalopies** as the **Customer**.
  - e. Click **Save**.
  - f. Click **OK**.
  - g. Click **Dashboard** to exit the Project Center.

- 2566 Central Avenue  
Sacramento, CA 95822  
Terms are Net 30.  
Sales of products to public schools are taxable in California.
- ✓ School administrators want information about the training hours by school so you turn on **project** tracking in the **Advanced** tab of **Account and Settings** and add the two schools as **projects**. Both of them have Sacramento Public Schools as the **parent customer**. **TIP:** Click ok if you get a message that asks if you want to turn on **track expenses by customer**.
  - Northside
  - Southside
- ✓ You also set up a new **service** item. **TIP:** The **service** item is not taxable.
  - Item name: Game training
  - Description: Math Games Training
  - Category: Training (This is a new category.)
  - Sales price/rate: \$50 (per hour)
  - Income account: 408 Training (This is a new income account. Use **Service/Fee** Income as the **Detail Type**.)
  - Cost: \$30
  - Expense account: 605 Contract labor

**TIP:** You'll need to check the "I purchase this product/service from a vendor" box to see the purchase fields.

### 3/4/20

- ✓ Martin is putting together several workshops. For the first one at the Teacher's College, 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 expense 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.
    - 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.
- ✓ Martin goes to Paper Bag Depot and picks up a projector and a screen. The total, including tax, is \$394.20. He uses the credit card to make the purchase. You make it billable to Teacher's College. **TIP:** This is a reimbursable cost.

### 3/5/20

- ✓ You write yourself a check (#1125) for the \$300 owed to you for February's bookkeeping services. **TIP:** You accrued that cost at the end of February.
- ✓ You look at the collections report and notice that you have quite a few past due bills. You make calls to Debbie Han, Paul Richard, and Annie Wang.
  - Debbie and Annie apologize and agree to send their checks by next Friday.
  - Paul explains that he's been waiting to receive a credit for the two missed sessions in February. You tell him that you'll talk to Martin and get that credit memo to him as soon as possible.
- ✓ You ask Martin about Paul's missed sessions. He explains that he forgot to tell you about that. You create a credit memo for \$70 (CM-1015) in QBO and send it off to Paul. You charge the

- ✓ You receive a check from Sacramento Public Schools in payment of INV-1022 and INV-1023. You're relieved to get the check so quickly. You were worried about having enough cash to pay the bills. The check (#3333) was for \$2,427.85.
- ✓ You deposit the check in the bank.

### 3/13/20

- ✓ Martin decides to bring along a math instructor to help with this weekend's workshop. Dynamic Teaching has agreed to pay a fee of \$1,750 for Martin's services and agrees to pay for the additional help including Martin's customary 5% markup. The instructor is charging \$300.
  - The instructor is:  
Olen Petrov  
2 Granite Way  
Sacramento, CA 95822
  - You set him up as a **contractor**. Olen is an individual so you enter his social security number (191-99-9911).
- ✓ You enter Olen's bill for the \$300 service (#03-16 with terms of Net 15) and make it billable to Dynamic Teaching. Since Dynamic Teaching had agreed to cover Olen's fee, you charge it to the Reimbursable costs account. The instructor's fee is not taxable.

### 3/16/20

- ✓ Kenny turns in his timesheet for the first half of the month.

Date	Day of the Week	Project	# of hours	Billable?
3/2	Monday	Northside	4	Y
3/3	Tuesday			
3/4	Wednesday	Southside	4	Y
3/5	Thursday			
3/6	Friday			
3/9	Monday			
3/10	Tuesday	Southside	3	Y
3/11	Wednesday			
3/12	Thursday			
3/13	Friday	Northside	3	Y
		Total Hours	14	

- You enter Kenny's timesheet data using **Game Training** as the **service** item and the **project** as the **customer**. All hours are billable. **TIP:** You should show 8 hours for the first week and 6 hours for the second week.
- You also enter a **bill** for the amount Martin owes Kenny (\$420—KC315). You use **Game Training** for the **service** item. Since you will be creating the invoice for Sacramento Public Schools 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. Kenny spent 7 hours at Southside and 7 hours at Northside.
- ✓ You pay Kenny (\$420—check #1130).
- ✓ You create invoices for Kenny's work. The invoice is dated 3/16 with terms of Net 30.
  - Southside (INV-1024) \$350
  - Northside (INV-1025) \$350

### 3/17/20

- ✓ Martin gives you the information on his tutoring sessions for the first half of the month. You record them using 3/15 as the sales date. Everyone paid with Mastercard. **TIP:** You'll need to set up a new **payment method**.
  - Alonso Luna—8 **Refresher** sessions \$400 (SR-111)
  - Navi Patel—2 **Persistence** \$180 (SR-112)

- ✓ Gus Ranting is back again! He's sure that his son is wasting his time at the Mathmagic Clinic. Martin lets him know that his son is a great kid who obviously believes the tutoring is helping him. He shows Gus his son's work and encourages him to follow up with the math teachers at the school. He gives Gus a partial refund of \$10 (Check #1136) but says this will be the last time for any refunds (RR-102).
- ✓ You deposit the checks from 3/18 and the cash from 3/23 in the bank. The deposit totals **\$2,158.39.**
- ✓ Martin hands you two gas receipts for March. One, dated 3/14 for \$19 and one dated 3/25 for \$26. He used the Visa card each time to pay for the gas he purchased at Cardinal Gas & Snacks. You enter the charges in QBO using the credit card receipt dates.

### 3/27/20

- ✓ Math Shack calls and says there's a shipping delay with the **Kits** ordered on PO #104. You decide to cancel the order since none of the **Kits** have been sold this month. You change the status of PO-104 to **Closed**. **TIP:** Consider using the search feature to find the purchase order.
- ✓ You receive the following checks in the mail.
  - Teacher's College \$2,163.91 (Check # 7788156). This was a partial payment of Inv-1021. You plan to follow up with them later.
  - Eliot Williams \$90.00 (Check #8166)
- ✓ You deposit the checks in the bank. The deposit total is \$2,253.91.
- ✓ Martin gives you the information on his tutoring sessions for the last half of March. You record them using 3/30 as the sales date. This time everyone paid with cash! All sessions were completed by 3/30. Martin has no sessions scheduled for tomorrow.
  - Annie Wang—2 **Crisis** \$350 (SR-116)
  - Kim Kowalski—2 **Crisis** \$350 (SR-117)
- ✓ You don't have time to make the bank deposit today. You make a note to yourself to bring the cash down to the bank when you come to work next Monday.
- ✓ Kenny turns in his timesheet for the last half of March.

Date	Day of the Week	Activity	# of hours	Billable?
3/16	Monday	Northside	4	Y
3/17	Tuesday			
3/18	Wednesday			
3/19	Thursday	Southside	4	Y
3/20	Friday			
3/23	Monday	Meeting with Martin	3	N
3/24	Tuesday	Southside	4	Y
3/25	Wednesday			
3/26	Thursday	Northside	3	Y
3/27	Friday			
		Total Hours	18	

- You enter Kenny's timesheet data using **Game Training** as the **service** item and the **project** as the **customer** for all billable hours. **TIP:** For the meeting with Martin, only enter time (hours). There is no customer or service and it is not billable. You should show 8 hours for the first week and 10 hours for the second week.
- You also enter a **bill** for the amount Martin owes Kenny (\$540—KC331). You charge the meeting hours (\$90) to **608 Staff Relations**. For the training time, you use **Game Training** for the **service** item. Since you will be creating the invoice for Sacramento Public Schools using the timesheet hours, you don't make the charges billable here. **TIP:** Kenny spent 8 hours at Southside and 7 hours at Northside.

- ✓ You pay Kenny \$540 (Check #1137).
- ✓ You create invoices for Kenny's work. The invoices are dated 3/31 with terms of Net 30.
  - Southside INV-1029, \$400
  - Northside INV-1030, \$350
- ✓ You write Martin a dividend check for \$2,500. (Check #1138)

### 3/31/20

- ✓ You spend the day making the final adjustments for March. You want to be able to give Martin some good management reports next week.
- ✓ You don't have your bank statement yet but you go online and see that the balance is **\$6,174.98** at 3/31. All deposits for March and all checks written prior to 3/20/20 cleared the bank. There were no service charges during March. You reconcile the books to the **\$6,174.98** balance. **TIP:** Checks include **check** and **bill payment transaction types**.
- ✓ You also reconcile the credit card statement as of 3/31. The balance is \$589.20. All recorded charges and payments are included on the statement. You enter the bill for payment later. You use MARCC as the **bill no**.
- ✓ You compare the inventory on hand to the inventory report in QBO. All amounts agree.
- ✓ You make the necessary adjustments, dated 3/31, after considering the following:
  - Supplies on hand at 3/31 equal \$90.50.
  - You look carefully at the profit and loss statement and make sure that all March expenses are properly recorded. (**TIP:** Include the YTD column on your profit and loss report. Compare the March expenses with the year-to-date expenses. Are there any of the common operating expenses missing? Do any of the expenses appear unusually high?) **TIP:** You didn't purchase any new equipment in March.
  - 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.
  - **HINT:** Interest on both loans is 6% (annual rate). No payments were made on either of the loans in March.

### Check numbers 3/31

Checking account balance: . . . . .	\$ 2,624.98
Other current assets: . . . . .	\$ 4,430.50
<b>Total assets: . . . . .</b>	<b>\$20,416.48</b>
<b>Total liabilities: . . . . .</b>	<b>\$ 6,305.36</b>
<b>Gross profit (March): . . . . .</b>	<b>\$ 9,698.96</b>
<b>Net income for March: . . . . .</b>	<b>\$ 7,405.30</b>

### 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
- Sales by Product/Service Summary (March)
- Inventory Valuation Summary (March 31)
- Profit and Loss by Customer (March)

(continued from previous page)

- i. **Make a note of** the total amount due.
  - j. Click **Save and close**.
4. Click the  icon on the icon bar.
  5. Click **Check**.
    - a. Select **Lee Advertising** as the vendor.
    - b. Use the current date as the **Payment date**.
    - c. Leave the check number as is.
    - d. **Make a note of** the check number.
    - e. Select **Uptown** as the **Territory**.
    - f. Select **Advertising** as the **CATEGORY**.
    - g. Enter "Consultation" as the **DESCRIPTION**.
    - h. Enter "500" as the **AMOUNT**.
    - i. Select **Design and Installation** as the **Class**.
    - j. Click **Save and close**.

## Reporting by Class or Location

There are several reports that are frequently used to report segment information but most reports can be filtered by **class** or **location**.

The **Profit & Loss by Class** and **Profit & Loss by Location** reports are probably the ones most commonly used. Both reports can be accessed in the **Business Overview** page of **Reports**. Each **class** or **location** will be shown in a separate column. Any transactions that have NOT been classified will appear in a **Not Specified** column.



**HINT:** Users can drill down on transactions appearing in the **Not Specified** column. The transactions can then be edited so that they are properly classified.

Here's an example of what a **Profit and Loss by Class** might look like:

**4/7/20**

- ✓ You create an invoice (INV-1032) for last week's **Magic** workshop at Teacher's College. The total fee was \$1,800. The terms are Net 30.
- ✓ Martin ships out two orders today to Sacramento Public Schools. They let you know that students are so enthusiastic about the games they've decided to carry some for sales to students. They've given you a resale number of SRY 556-779821. **TIP:** Change the tax status in the customer record before you create the invoice. You create invoices with terms of Net 30.
  - Sale to Southside Middle School (INV-1033, for \$300)
    - 2 **Fractions**
    - 2 **Equations**
    - 2 **Ratios**
  - Sale to Northside Middle School (INV-1034, for \$300)
    - 2 **Fractions**
    - 2 **Equations**
    - 2 **Ratios**

**4/10/20**

- ✓ Martin has been contacting some of the middle schools in neighboring towns. The schools are very interested in the math games product. Inventory is very low so he calls Cartables and places an order. You create a purchase order (PO-106, \$2,175) for:
  - 5 **Consoles**
  - 10 **Fractions**
  - 10 **Equations**
  - 10 **Ratios**
- ✓ You receive two bills in the mail. Both are dated 4/10.
  - Sacramento Utilities for April services, #01-88991, \$235.40. The terms are Net 30.
  - Horizon Phone for April service, #121-1180, \$49.35. The terms are Net 30.
- ✓ You receive the following checks in the mail:
  - Dynamic Teaching—\$3,536.75 in payment of INV-1018 and INV-1026, check #743255
  - Sacramento Public Schools—\$3,310 in payment of INV-1024, INV-1025, INV-1027, and INV-1028 ← **Check #3989**
- ✓ You deposit the checks in the bank. The deposit totals \$6,846.75.

**4/13/20**

- ✓ Martin was asked to put on a **Magic** workshop at Southside Middle School this week. He decided to bring Olen along to help out. You enter Olen's \$250 bill for the service (#04-12 with terms of Net 15). You charge Olen's fee to ~~Central~~ but you don't make it billable. You use a new account (682 Workshop helpers) for the **bill**. **TIP:** Workshop helpers should be a sub-account of Workshop Costs. Use **Other Miscellaneous Service Cost** as the **Detail Type**. Southside
- ✓ Martin needs some handheld calculators for his tutoring sessions. You purchase 5 of them at Math Shack for \$25, using the credit card. The dollar amount is small; you decide to expense the cost to the teaching supplies expense account instead of capitalizing it.

**4/14/20**

- ✓ You pay all bills due on or before 4/20.
  - There are four bills. Total amount paid is \$1,457.62. The first check number is #1142.
- ✓ The Southside Middle School **Magic** workshop was held on Monday and Tuesday of this week. You prepare an invoice (INV-1035 dated 4/14) for the \$1,650 fee.
- ✓ Martin gives you the information on his tutoring sessions for the first half of the month. All sessions were completed as of 4/14. You prepare invoices, dated 4/14, for the following.

**Check numbers 4/15**

Checking account balance: . . . . .	\$ 6,765.51
Other current assets: . . . . .	\$10,969.50
Total assets: . . . . .	\$34,556.26
Total liabilities: . . . . .	\$ 6,436.95
Net income for April 1–15: . . . . .	\$ 2,375.60

**Suggested reports for Chapter 10:**

- Balance Sheet as of 4/15
- Profit and Loss (April 1–15)
- Budget Overview Report 2020 (by Quarter)
  - To display quarters, click **Customize**, click **Rows/Columns**, select **Accounts vs Qtrs** on **Show Grid** dropdown menu.
- Budget vs Actual report (Jan 1–March 31)
  - Click **Customize** and click **Rows/Columns**. In the **Show Grid** dropdown menu, select **Accounts vs. Totals**
- Profit and Loss by Class (April 1–15)
- Journal report (April 1-15)

(continued from previous page)

5. Click **Table of contents**.
  - a. Make sure **Include Table of Contents** is checked.
6. Click **Preliminary pages**.
  - a. Enter “Summary” as the **Page title**.
  - b. Enter “A/R clerk will follow up, by phone, on all past due accounts by Monday.”
7. Click **Reports**.
  - 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.
8. Click **End notes**.
  - a. Uncheck **Include this page**.
9. In the top right corner of the screen, select **This Month-to-date** as the **Report period**.
10. Click **Save and close**.
11. Enter “Sales and Customer Accounts.”
12. Click **Save**.
13. Click **Save and close**.
14. Your new report should now appear on the **Management Report** screen. If it doesn't, refresh your browser.
15. Select **This Month** in the **Report Period** in the **Sales and Customer Accounts** row.
16. Click **View** in the **Action** column.
  - 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.
17. 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. Neither of these fields is currently available in QBO.

QBO allows users to add up to three custom fields for use in sales transactions and up to three custom fields for use in purchase orders. Custom fields are currently not available for use in **bills, timesheets**, or other **transaction types**.

Custom fields are added in **Account and Settings** (accessed through the **gear** icon on the icon bar).

To add custom fields for sales transactions, click the **Sales** tab.