

1/22/18

- ✓ You receive the following checks in the morning mail:
 - \$300 from Jon Savidge, check #3334, in payment of Invoice #1002 and #1007.
 - \$75 from Eliot Williams, check #8114 in payment of Invoice #1006.
 - \$150 from Debbie Han, check #4499 in payment of Invoice #1004. cash and checks
- ✓ You deposit all the ~~checks~~ received since 1/10. The total deposit is \$1,335.
- ✓ The father of one of Martin's Mathmagic students storms into the office right before closing. Gus Ranting is very upset that Math Revealed! did not get his consent before tutoring his son. Martin talks to the father and explains that the tutoring clinic was voluntary and that there was no pressure on any of the students to sign up for more sessions. Martin also agrees to refund the \$20 and that seems to calm Gus down.
 - You add Gus Ranting when you create **refund receipt** #RR100. You save the name without adding any additional details to the customer record.
 - The Math Revealed! check number is 1100.
 - You add "Sorry for the misunderstanding" in the **Message displayed on refund receipt** box.
 - You go back to Gus Ranting's customer record and change the **display name** to Ranting, Gus.

1/23/18

- ✓ Martin gets a call from Teacher's College. Mr. Learn, the college president, has heard that Martin has developed some innovative techniques for helping students develop strong math skills. Mr. Learn asks Martin whether he's ever considered training other educators in his techniques. Martin is always up for new challenges and agrees to develop a workshop for the college for \$1,500. Mr. Learn expects that there will be at least 50 math teachers from around the area in attendance. The workshop will be held February 16-17.
 - You decide to set up a new income account called Workshops to track this new source of revenue. You name the **income** account "Workshops," using **Service/Fee Income** as the **detail type**. You assign 405 as the account number.
 - Martin thinks there may be opportunities for other types of workshops in the future so you decide to set up a new **category** named "Workshops." You also create a **service item** called "Educator Workshop." (If you don't have **categories**, create a **parent item** instead of a **category**.)
 - The description for the **item** should be "Tips for Teaching Math Workshop."
 - You enter a rate of "\$1,500" as the default.
 - You also set up Teacher's College as a customer.
 - 21 Academy Avenue, Sacramento, CA 95822.
 - 916-443-3334.
 - Terms are Net 30.
- ✓ Teacher's College asks you to prepare an **invoice** for them now so that they can start processing the paperwork. You prepare Invoice 1011, dated 1/23, for the \$1,500.
 - (**TIP:** You will make an adjustment for unearned income as part of the homework for Chapter 4 so don't worry about it now.)

1/26/18

- ✓ Martin gives a list of tutoring sessions held this past week.
 - You prepare an invoice for:
 - Marley Roberts, one **Persistence** package \$75, Invoice 1012
 - One student paid by check so you created a sales receipt for:
 - Eliot Williams, one **Persistence** package \$75 (Check # 8144, Sales receipt #106)

- ✓ Martin lets you know that he won't be setting up any additional sessions for January 29–31. He's going to use that time to prepare the workshop for Teacher's College.

1/30/18

- ✓ You receive two checks from customers.
 - Check #7788090, dated 1/30, from Teacher's College for \$1,500, in payment of Invoice #1011.
 - Check # 45678, dated 1/30 from Paul Richard for \$270 in payment of invoice #1008.
 - You apply CM1008 to the balance when you enter the payment.
- ✓ You deposit both checks in the bank along with the checks received on 1/26.
 - The deposit should total \$1,845.

Check numbers 1/31

January → Checking account balance: \$6,435
~~December~~ Sales Revenue: \$4,330

Reports to create for Chapter 2:

All reports should be in portrait orientation.

- Journal—1/01 through 1/31 transactions only
- Sales by Product/Service Summary (January sales only)
- A/R Aging Summary dated 1/31

APPENDIX 2A USING SUB-SERVICE AND SUB-PRODUCT ITEMS

Most companies sell more than one item or provide more than one service to customers. Many companies have an extensive list of items they sell or services they provide. Grouping items makes it easier for users to find the specific product or service they need to complete the transaction.

Using **Categories** to group **items** in company files is a relatively new feature in QBO. The academic version of the software that's provided to you for use in class may not yet be updated to include that option.

If **categories** aren't available, you can still group items using **sub-services** and **sub-products**. **Sub-items** work much like **sub-accounts** do in the **chart of accounts list**.

Let's say a law firm did trial work and employment law work. There might be typical types of services conducted in each area. In trial work, there might be trial prep and jury selection. In employment law cases, there might be employer interviews and meetings. If there were no groups set up in QBO, the **products and services** list would be displayed in alphabetic order like this:

- ✓ Employer interviews
- ✓ Jury selection
- ✓ Meetings
- ✓ Trial prep

If there were many types of work and many types of services, the alphabetic list might be difficult to use. Grouping services by type of work would be a practical solution.

- a. Enter the current date as the **Date**. Leave the **Journal no.** as 2.
- b. In the first row, click **Add new** in the **ACCOUNT** field to add a Supplies on Hand account.
 - i. Select **Other Current Asset** as the **category type** and **Other Current Assets** as the **detail type**.
 - ii. Enter “Supplies on Hand” as the **Name**.
- c. Enter “450” in the **DEBITS** column for the first line.
- d. In the second row, select **Supplies** as the **ACCOUNT** (make sure you’re picking the **expense** account) and enter “450” in the **DEBITS** column. **CREDITS**
- e. Enter “Supplies on hand at end of period” in the **DESCRIPTION** column for both rows.
- f. 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.

The financial statements are accessed by clicking **Reports** on the navigation bar and selecting **Accountant Reports**.

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.

Accountant Reports

Profit and Loss Comparison **NEW**

Shows a year-over-year comparison of income and expenses.

Run | Customize

Account List

Provides the name, type, and balance for each account listed in your Chart of Accounts.

Run | Customize

Journal

This report breaks down every transaction during a period of time into debits and credits and displays them chronologically. Transaction List by Date also lists transactions chronologically, but not as debits and credits.

Run | Customize

General Ledger

For each account in your chart of accounts, the report shows all the transactions that occurred in that account over a period of time. It includes the beginning balance and total for each account.

Run | Customize

Statement of Cash Flows

Shows cash generated by your business (operating activities), cash spent on your business (investments) and cash in or out from stock and dividends (financing).

Run | Customize

Recurring Template List

Lists recurring (reusable) templates that you can use to create transactions. It groups templates by template type (scheduled, reminder, and unscheduled).

Run | Customize

Reconciliation Reports

Lists all reconciliations you’ve completed and provides links to the individual reconciliation reports.

Run

Profit and Loss

Shows money you earned (income) and money you spent (expenses) so you can see how profitable you are. Also called an income statement.

Run | Customize

Balance Sheet Comparison

Shows a year-over-year comparison of what you own (assets), what your debts are (liabilities), and what you’ve invested in your company (equity).

Run | Customize

Recent Automatic Transactions

This report shows the automatic transactions most recently created within the last 4 days.

Run | Customize

Transaction List by Date

This report lists all the transactions that occurred within a period of time. The report is useful if you need a straight chronological listing of all the transactions your company made.

Run | Customize

Trial Balance

This report summarizes the debit and credit balances of each account on your chart of accounts during a period of time.

Run | Customize

Balance Sheet

Lists what you own (assets), what your debts are (liabilities), and what you’ve invested in your company (equity).

Run | Customize

Transaction Detail by Account

This report lists transactions subtotaled by each account on your chart of accounts. It is like General Ledger without opening balances.

Run | Customize

Transaction List with Splits

This report lists each transaction with its associated split lines.

Run | Customize

Recent Transactions

This report shows the transactions most recently modified within the last 4 days.

Run | Customize

- ✓ You make adjusting journal entries for the month of January as needed. (Start with Journal no. 2.) You carefully consider the following:
 - Math Revealed! used the straight-line method to determine depreciation expense for all office equipment.
 - Monthly depreciation expense for the equipment purchased prior to 12/31 is \$91.50. (Computer \$75; Printer \$10; Calculators \$6.50)
 - Math Revealed! purchased \$360 of furniture on 1/3. You expect the furniture to last 3 years, with no salvage value. You take a full month depreciation on furniture.
 - Two computers (\$756) and three calculators (\$441) were also purchased on 1/3. You expect the computers to have a 3-year life (no salvage value) and the calculators to have a 3-year life (\$90 salvage value). You take a full month depreciation on the equipment.
 - On 1/30, shelving was installed. The cost of the shelving was \$649. You expect the shelving to last for the term of the lease (24 months). You estimate the salvage value at \$49 at the end of the two years. You started using the shelving on February 1.
 - You check the supplies on hand. You estimate that \$80 of supplies were used during January.
 - The insurance policy premium paid in January was \$480. The policy term is 1/1-12/31/18.
 - You check to make sure that all the revenue recorded in January was earned during the month.
 - You realize that the amount paid by Teacher's College was for a workshop to be held in February.
 - You also take a look at Invoice #1009 to Annie Wang. Half of the \$300 billed on 1/17 was for February tutoring.
 - **TIP:** Consider whether you need a new account here.
 - Martin has agreed to pay his parents interest on the \$2,000 they loaned him to get the business started. The last payment was 12/31/17. The annual interest rate on the loan is 6%. You forgot to pay them in January. You call and let them know that the check will come in February.
 - **TIP:** Just because you didn't pay it in January doesn't mean you don't owe it in January. Consider whether you need a new account here.

Check numbers as of 1/31

Checking account balance: \$ 2,672.21
 Accounts Payable: \$1,981.75
 Net income (~~December~~ **January** only): \$1,522.00

Reports to create for Chapter 4:

All reports should be in portrait orientation.

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

APPENDIX 4A GETTING IT RIGHT

Most accountants work the hardest (use their brains the most!) at the end of an accounting period. They know the income statement for the period should accurately reflect the earnings (or loss) for the period. They know the balance sheet as of the period end should

Prime Visa Company 55 Wall Street New York, NY 10005			
Your Name Math Revealed! 3835 Freeport Blvd Sacramento, CA 95822 Account # 212456770439			
			February 28, 2018
	PAYMENTS	CHARGES	BALANCE
Beginning Balance, January 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
Ending Balance, 2/28			\$ 615.50
Minimum Payment Due: \$10.00		Payment Due Date: March 15	

- ✓ 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 was made on 2/27 and covered interest through 2/28.
 - You review your revenue and unearned revenue accounts to make sure all earned revenue (and only earned revenue) is recognized.
 - For the revenue account, you check to make sure that the tutoring sessions billed in February were completed in February. All the income billed in February was earned in February so you don't make any adjustments.
 - 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 February revenue.
 - You look at the adjusting journal entries made in January. You make entries for depreciation and prepaid accounts as needed.
 - **TIP:** For depreciation, you will need to add depreciation for the shelving placed in service on 2/1. The cost was \$649. You think the shelving will have a \$49 salvage value. You depreciate it over the lease term (24 months). Don't forget to depreciate all the items purchased in prior months. The depreciation amount for those items will be the same as the entry in January.
 - **TIP:** For prepaids, look at all the prepaid 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?
 - 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. (**TIP:** Use **other current liabilities** as the **detail type**.)
- ✓ You review your chart of accounts.
 - You aren't using the Exam Proctoring account (Account #410) so you make the account inactive.
 - You decide to move the \$450 paid to Les & Schmidt for the marketing study out of Professional Fees and into a new Marketing Expense account. You use account #632.

Check numbers 2/28

Checking account balance:	\$ 2,806.46	
Net income for the two months ending 2/28:	\$ 4,825.82	\$4,805.82
Total assets:	\$14,036.75	
Total liabilities:	\$ 6,260.93	

Check numbers 4/15

Checking account balance:	\$ 6,914.23	
Other Current Assets:	\$ 6,462.20	
Total assets:	\$26,694.68	
Total liabilities:	\$12,563.42	12,562.91
Gross Profit (April):	\$ 5,946.08	
Total expenses (April):	\$ 4,096.16	
Net income for April:	\$ 1,839.68	

Reports to create for Chapter 10:

All reports should be in portrait orientation.

- Balance Sheet as of ~~4/30~~ 4/15
- Profit and Loss (April 1–15)
 - Include a year-to-date column
- Budget Overview Report 2018 (by Quarter)
 - To display quarters, click Customize, click Rows/Columns, select Accounts vs Qtrs on Show Grid dropdown menu.
- Budget vs Actual report (April 1 through April 15)
- Profit and Loss by Class (April 1–15)
- Profit and Loss by Location (April 1–15)

Worksheet for recording payroll for Shaniya and Kenny:

	CUSTOMER	HOURS	DEBIT	CREDIT
Salaries Expense	Northside			
Salaries Expense	Central			
Salaries Expense	Southside			
Salaries Expense				
Payroll Tax Expense	Northside			
Payroll Tax Expense	Central			
Payroll Tax Expense	Southside			
Payroll Tax Expense				
Payroll taxes payable				
Salaries payable				