HOW TO TRACK ACCOUNTS PAYABLE

There are two ways to handle bills from vendors/suppliers who give you some time before you have to pay. The method you use depends on whether or not you want to track Accounts Payable (how much you owe vendors/suppliers). To track Accounts Payable in QuickBooks, you enter the bill before paying the vendor. By tracking Accounts Payable, you always know how much you owe vendors/suppliers, and you can ensure that expenses are recorded in the correct accounting period.

Many smaller businesses don't bother with tracking Accounts Payable. In other words, they skip the step of entering the bill, and simply record the bill payment as a check or expense. Although this method has fewer steps, QuickBooks can't warn you about duplicate bills or provide reports about how much you owe.

STEPS IF YOU DO NOT USE ACCOUNTS PAYABLE

Use "Check" for checks OR
Use "Expense" for credit card, debit card, PayPal, cash, or other forms of payment.
The steps for this method are no different than entering regular checks and expenses. You see these in a later exercise.

STEPS IF YOU USE ACCOUNTS PAYABLE

Enter Bill > Pay Bill (regardless of how you pay the bill: check, credit card, debit card, PayPal, cash, other)

ENTER BILL

1. Click the ⊕ sign.
2. Select **Bill.**
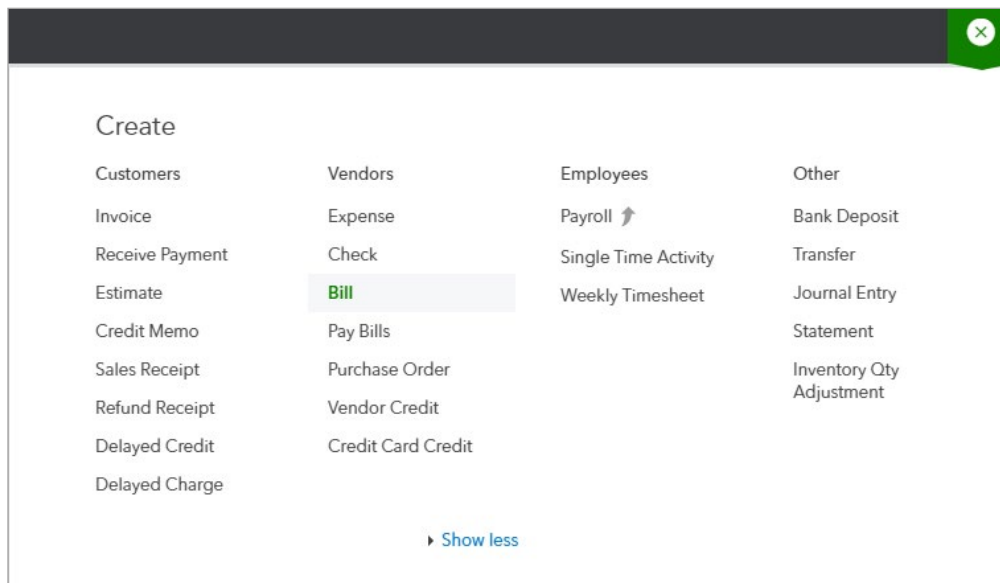
3. Enter the appropriate information on the bill. It's helpful to remember that you should always capture at least 4 pieces of information on **EVERY** transaction:

- **Who?** A vendor for expenses, customers on sales, and employees on paychecks

- **When?** The date of the transaction

- **What?** An expense account or inventory item for an expense, check, or bill. The product or service you sold on invoices and sales receipts   And…

- **How much?** The amount of the transaction

4. Click **Save and close.**

PAY BILLS

1. Click the ⊕ sign.

2. Select **Pay Bills.**

3. Select the **Payment account.**

4. Select the bills to pay.

5. Enter the **payment date.**

6. Click **Save and print** or **Save and close.**

MANAGE ACCOUNTS PAYABLE (WHAT YOU OWE)

Companies or individuals you purchase goods or services from are called vendors/suppliers. If you need to enter a bill, or track purchases by vendor, they must be set up as a vendor/supplier. The Vendors/Suppliers list stores vendor/supplier information and makes it easy to filter to see all vendors/suppliers, overdue bills, etc

1. Click the **Vendors/Suppliers** tab.

2. Click the **Overdue** filter on the top money bar to see any vendor/supplier that you have a past due balance with.

REVIEW THE A/P AGING SUMMARY

13. Click the **Reports** tab.

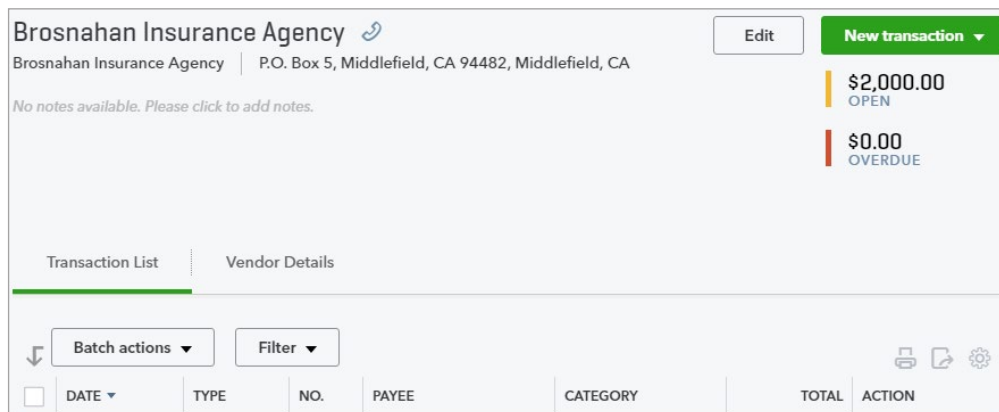14. Enter **A/P Aging Summary** in the search field.

15. Click the 🔍 icon.

VENDOR/SUPPLIER CREDIT

Why would a vendor/supplier issue a credit memo? Maybe they sent you a bill and over-charged for freight. Or, a vendor/supplier ships some inventory and you discover that some of it is damaged. So, you return it and receive a "credit memo". Remember, vendor/supplier credit memos reduce what you owe the vendor/supplier.

What should you do with a vendor credit? It depends. If you don't owe them any money, you can keep the credit to use later or request a refund. But if you do owe them money (i.e. there's an open bill for that vendor/supplier), you can apply it to unpaid bills. In this exercise you record a credit memo and apply it to a bill.

ENTER A CREDIT MEMO

1. To begin, click the **Expenses** tab and select **Vendors/Suppliers** at the top. Then click the vendor/supplier who gave you the credit (this step isn't necessary, but it helps to see the effect of a Credit).

2. Note that in this example the vendor has a balance of $2000. Suppose you received a credit for overpaying your insurance by $1000.

3. Click **New transaction** > **Vendor/Supplier Credit** (you can also do this from the ➕ Menu.)

4. Select the vendor/supplier from the drop down list.

5. Enter a Ref number. This is a number that both you and the vendor/supplier can refer to when discussing this credit. Traditionally, the credit number includes the original bill number.

6. Next, click the drop-down list and select the Account for which you are receiving a credit. This is usually the same Account you used on the original bill.
NOTE: If the credit is for inventory, enter the inventory items below Item Details.

7. Enter the credit Amount.

8. Click **Save and close**.

9. Notice that the Open Balance for the vendor decreases by the amount of the credit.

In the next exercise, you apply the credit against bills you owe the vendor/supplier.

APPLY A CREDIT MEMO

1. Click the ⊕ sign and select **Pay Bills**.

Create

Customers	Vendors	Employees	Other
Invoice	Expense	Payroll ⬆	Bank Deposit
Receive Payment	Check	Single Time Activity	Transfer
Estimate	Bill	Weekly Timesheet	Journal Entry
Credit Memo	**Pay Bills**		Statement
Sales Receipt	Purchase Order		Inventory Qty Adjustment
Refund Receipt	Vendor Credit		
Delayed Credit	Credit Card Credit		
Delayed Charge			

▸ Show less

Use this window to apply vendor/supplier credits. In this example, the process is easy because there is only 1 bill and 1 credit. What happens if you have multiple bills and/or multiple credits?

2. To demonstrate this scenario, we have another vendor/supplier with multiple credits. Suppose THIS is the credit we want to use.

Diego's Road Warrior Bodyshop

Diego's Road Warrior Bodyshop

No notes available. Please click to add notes.

Edit   New transaction ▾

$-50.00 OPEN

$0.00 OVERDUE

Transaction List   Vendor Details

Batch actions ▾   Filter ▾

DATE ▾	TYPE	NO.	PAYEE	CATEGORY		TOTAL	ACTION
09/19/2017	Bill Payment (...	75	Diego's Road Warrior B...			$0.00	
09/19/2017	Vendor Credit	4008	Diego's Road Warrior B...	Maintenance ;	▾	$755.00	
09/01/2017	Vendor Credit	3980	Diego's Road Warrior B...	Maintenance ;	▾	$50.00	

3. From the Transaction List, click the **bill payment**.

Scroll down and select the other credit. In this case, the credit is for the same amount. If it weren't, then the amount of the bill payment would change. Use the bill payment form to select which credits to apply to which bills.

14. Click **Save and close**.

CREATE AN EXPENSE

There are so many ways to pay for things: EFTs (Electronic Fund Transfers) checks, credit cards, debit cards, and more. How do you enter these in QuickBooks? The choice is simple. IF you wrote or printed a check, use the check form. For EVERYTHING else, use the Expense form.
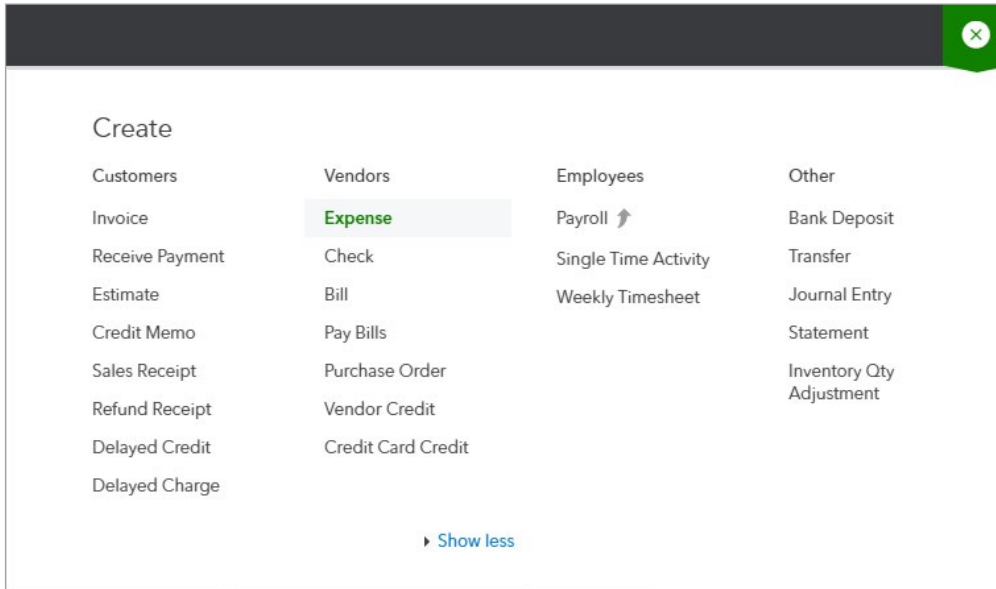
NOTE: If you connect a bank account, you don't have to worry about entering the non-check transactions yourself. QuickBooks downloads them automatically, and when you approve them they are added as expenses.

Remember to use the Expense form for any payment form OTHER than check (Debit or Credit card, EFT, wire transfer, etc.)

1. Click the ⊕ sign.

2. Select **Expense**.

3. Select the appropriate payment account. This is where the funds to make the purchase are coming from. For debit cards and online transfers from your bank, use the appropriate bank account. For credit cards, setup and use the appropriate credit card.

NOTE: If you select a credit card, QuickBooks INCREASES how much you owe that credit card. If you select a bank account, QuickBooks DECREASES how much you have available in that account.

4. Select the Payment method. This isn't really necessary for a Credit Card, because there is only 1 form of payment - "Credit Card" or "MasterCard". However, if you're paying for this expense from your bank account, the payment method might be Debit Card, ACH, Wire Transfer, and so on. You can Add New payment methods directly from the drop down list.

5. Enter appropriate information in the Expense form. It's helpful to remember that you should always capture at least 4 pieces of information on EVERY transaction:

• **Who?** A vendor for expenses, customers on sales, and employees on paychecks

• **When?** The date of the transaction

• **What?** What did you buy for an expense. On invoices use a product or service. And…

• **How much?** The amount of the transaction

6. Click Save and new if you want to enter more expenses. Or if this is the last one, click the drop-down arrow and select **Save and close**.

AUTOMATING DATA ENTRY - RECURRING TRANSACTIONS

Most businesses have to repeatedly enter the same transaction periodically. For example, you have to create the same check for rent to the landlord every month. Or if you're a landlord or membership organization, you have to create the same invoice to send to your renters or members every month.

In both cases, the name (who), amount (how much), and account/category (what) doesn't change. The date (when) is the only change and it's based on a specific frequency (e.g. weekly, monthly, etc.). Don't waste your time entering these transactions yourself. Let QuickBooks do the work for you by setting up Recurring Transactions. In this example, we'll automate a rent check that we have to print every month.

WHAT TRANSACTIONS CAN YOU MAKE RECURRING?

1. Click the ⚙ icon and select **Recurring Transactions**.
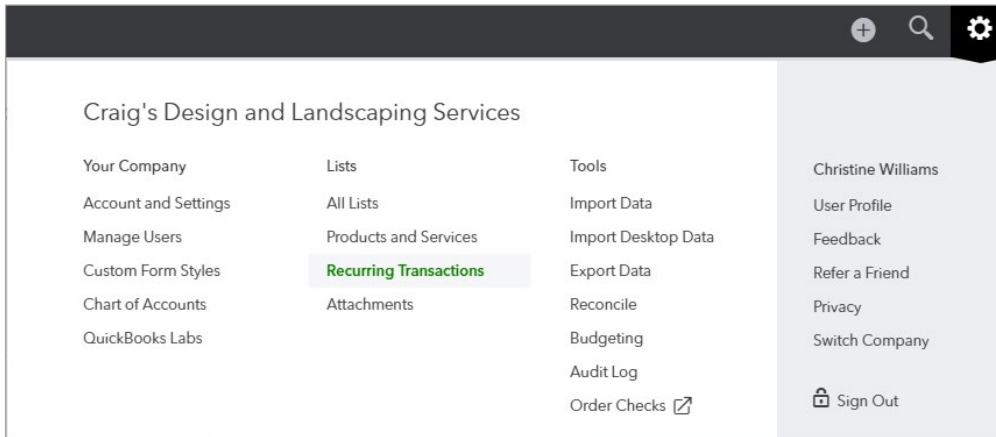
2. Click the Transaction Type drop down list.
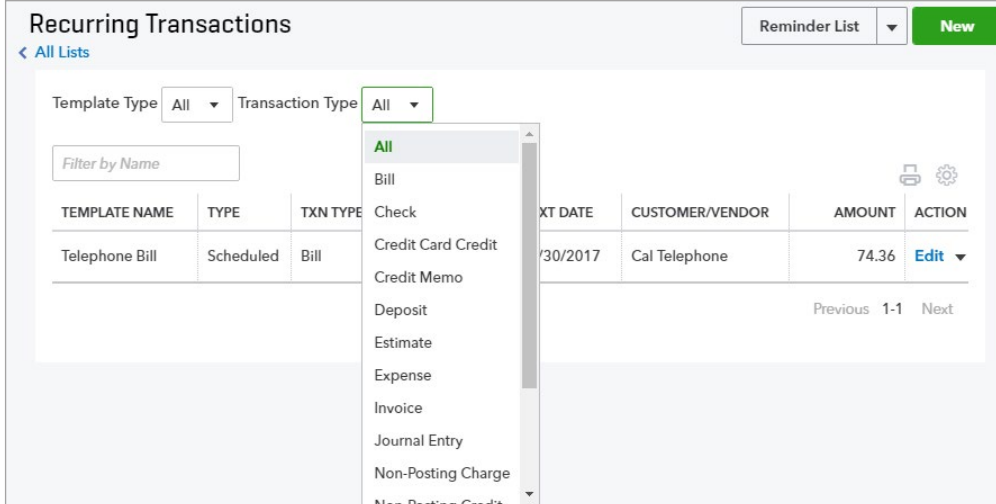
CREATE A RECURRING TRANSACTION

3. Create a new transaction and add information that will be the same every time.

4. Click **Make recurring**.

5. Enter the appropriate information for the recurring transaction.

6. Click **Save template**.

HOW TO MERGE (COMBINE) ENTRIES ON A LIST

You'll probably come across this real-world scenario. Someone accidentally enters the same "thing" (name, account, etc.) on a list by accident. This often happens because they misspell the entry. Now you have a problem. The list contains duplicate entries for the same thing.

In this example, we had a customer named "Calvin Baker" but someone else entered an invoice to "Cal Baker". They should have used Calvin Baker. Note: If the wrong name was only used on 1 transaction, you could edit the transaction (invoice in this case) and change the name. But what if there are 100's of transactions associated with the "wrong" name? Merging solves this problem.

In this example, we want to merge "Cal Baker" and all the associated transactions with Calvin Baker. Let's merge these 2 names (note: this technique works on other lists too).

1. Click the **Sales** tab and select **Customers** at the top.

2. Since there are two individual customer records for the same customer you'll need to merge them. On the Customers list click the name that you are going to merge (i.e. the one you're removing), in this case, **Calvin Baker**.

3. To make sure our fix works, note that Calvin Baker owes us $414.72 for this invoice number 1039. When we've completed merging, this invoice should be under Cal Baker.

Calvin Baker 🔗

Edit   **New transaction** ▾

$414.72
OPEN

$0.00
OVERDUE

Transaction List   Customer Details

Batch actions ▾   Filter ▾   🖶 📤 ⚙

	DATE ▾	TYPE	NO.	DUE DATE	BALANCE	TOTAL	STATUS	ACTION
☐	09/30/2...	Invoice	1039	10/30/2017	$414.72	$414.72	Open	Receive payment ▾

4. Click **Edit**.

5. In the **Display name as** field enter the name you are merging this customer's record with, **Cal Baker**.

Customer Information ✕

| Title | First name | Middle name | Last name | Suffix | Email |
| | | | | | Separate multiple emails with commas |

Company   Phone   Mobile   Fax
                 (415) 555-8863

*Display name as   Other   Website
Cal Baker ▾

Print on check as ☑ Use display name   ☐ Is sub-customer
Cal Baker   Enter parent customer ▾   Bill with parent ▾

Address Notes Tax info Payment and billing Attachments

Billing address *map*   Shipping address *map* ☐ Same as billing address
Street   Street
City/Town   State   City/Town   State
ZIP   Country   ZIP   Country

Cancel   Make inactive   Privacy   **Save**

6. Click **Save**.

7. Click **Yes** when asked to confirm that you are merging the two customer records.

Please Confirm
That name is already being used. Would you like to merge the two?

No   **Yes**

8. Click on the entry you merged the other one into. Here is invoice number 1039 for $414.72.

Cal Baker 🔗

Add notes

Edit | New transaction ▾

| $648.00
OPEN

| $0.00
OVERDUE

Transaction List | Customer Details

Batch actions ▾ | Filter ▾

🖨 📤 ⚙

	DATE ▾	TYPE	NO.	DUE DATE	BALANCE	TOTAL	STATUS	ACTION
☐	09/30/2...	Invoice	1039	10/30/2017	$414.72	$414.72	Open	Receive payment ▾
☐	01/18/2...	Invoice	1010	02/17/2017	$233.28	$233.28	Open	Receive payment ▾

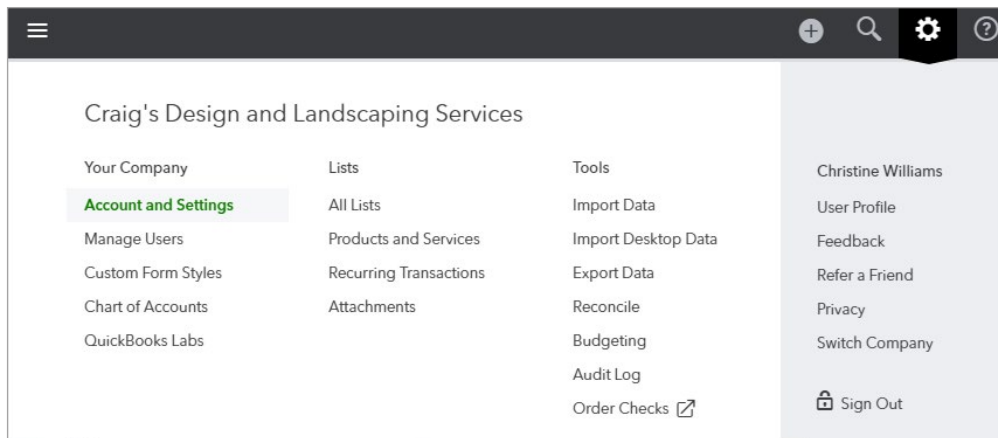# HOW TO USE CLASS TRACKING (only available in QBO Plus)

Some businesses need to track the sales and expenses for one part of their business separately from another part of their business. Sales minus expenses represents profit. That's why these "parts" of a business are often called "Profit Centers".

For example, a store with 2 locations wants to track the sales and expenses (profit) of each location separately. Or a bakery that has a retail shop and a catering division wants to track the sales and expenses (profit) of each division separately. QuickBooks provides 2 ways to do this. If you need to track different locations, use **Locations**. And if you need to track another type of profit center, use **Classes**.

A good way to understand how location and class tracking works is to think of them as a way to "tag" sales and expenses with a specific profit center (you can even split a transaction and tag it with 2 or more classes/locations - for example, if you make one purchase for office supplies that are distributed to the different profit centers).

In this example, our landscaping company needs to track two profit centers separately: Maintenance (mowing, etc.) and Construction (installing fountains and fireplaces). The goal is to tag transactions appropriately so you can quickly see how profitable each profit center is.

1. Click the ⚙ icon to open the Company menu.

2. Click **Account and Settings**.

3. Click the **Advanced** tab.

4. In the **Categories** section turn on **Track classes**.
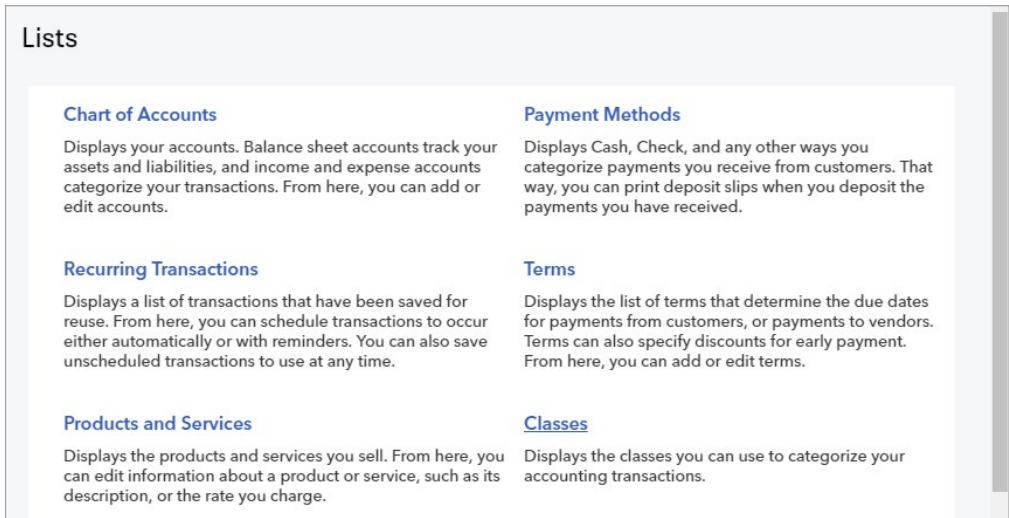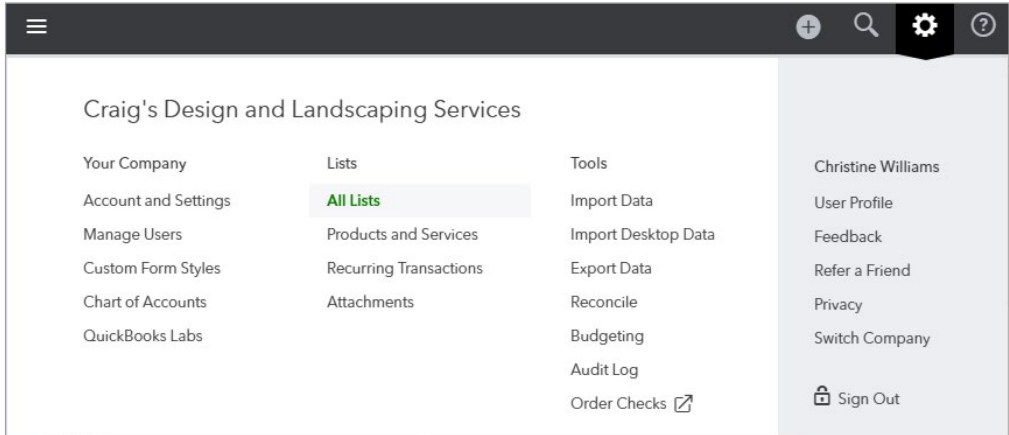

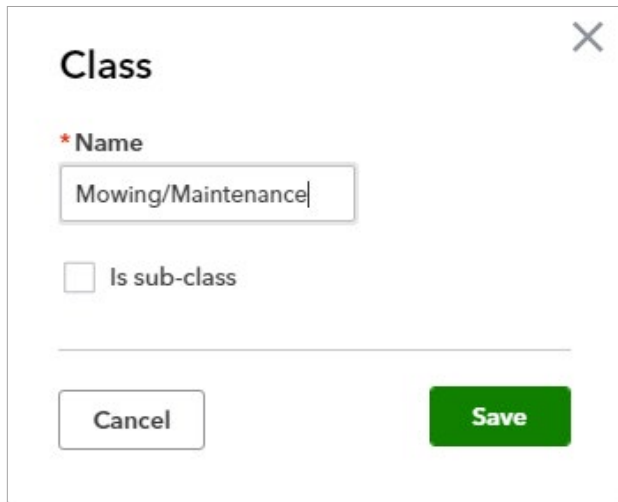5. Click **Save** and **Done**.

ADD CLASSES

1. Click the ⚙ icon.

2. Under Lists click **All Lists**, and select **Classes**.

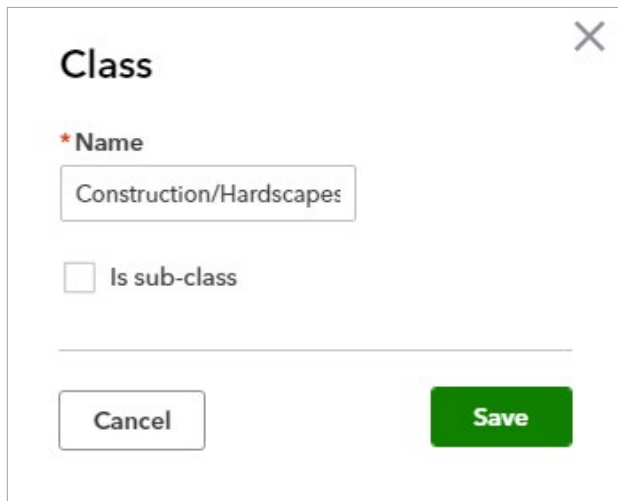3. Click **New**.

4. Name the class Mowing/Maintenance and click **Save**.
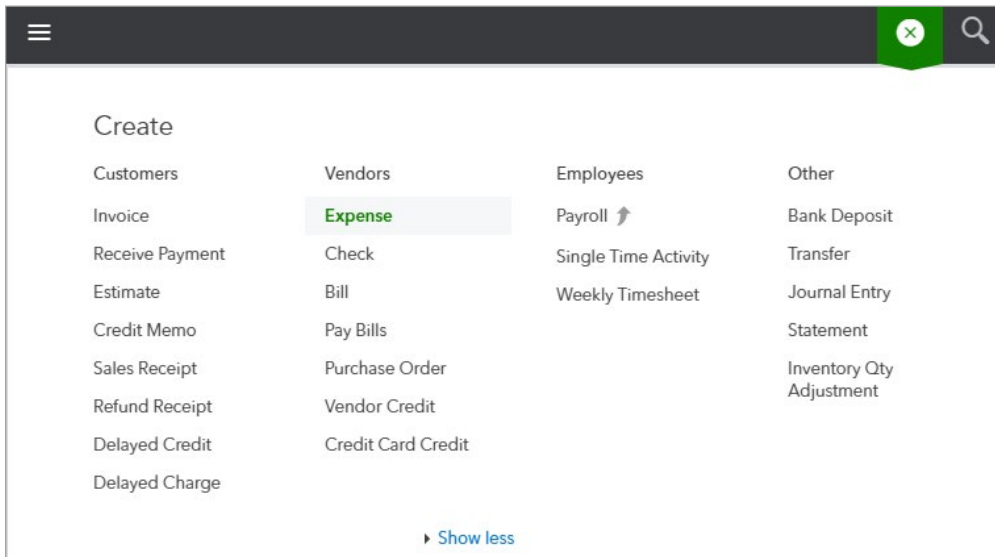
5. Create a second class named Construction/Hardscapes and click **Save**.

ASSIGN CLASSES TO AN EXPENSE TRANSACTION

1. Click the ⊕ sign.
2. Select **Expense**.

3. Enter the date as the first of next month.

4. Select the appropriate payment account, Payment method, Expense information, and Class.

5. Click the Save and new drop-down arrow and select **Save and close**.

ASSIGN CLASSES TO A SALES RECEIPT TRANSACTION

6. Click the ⊕ sign.

7. Because the customer paid at the time of the sale, you don't need to create an invoice. Instead create a **Sales Receipt**.

8. Enter the date as the first of next month.

9. Select the appropriate payment account, Payment method, Expense information, and Class.

10. Select **Save and close**.

ASSIGN CLASSES TO A CHECK TRANSACTION

11.   Click the ⊕ sign.

12.   Select **Check**. Enter the date as the first of next month.

	#	ACCOUNT	DESCRIPTION	AMOUNT	CLASS	
	1					🗑
	2					🗑
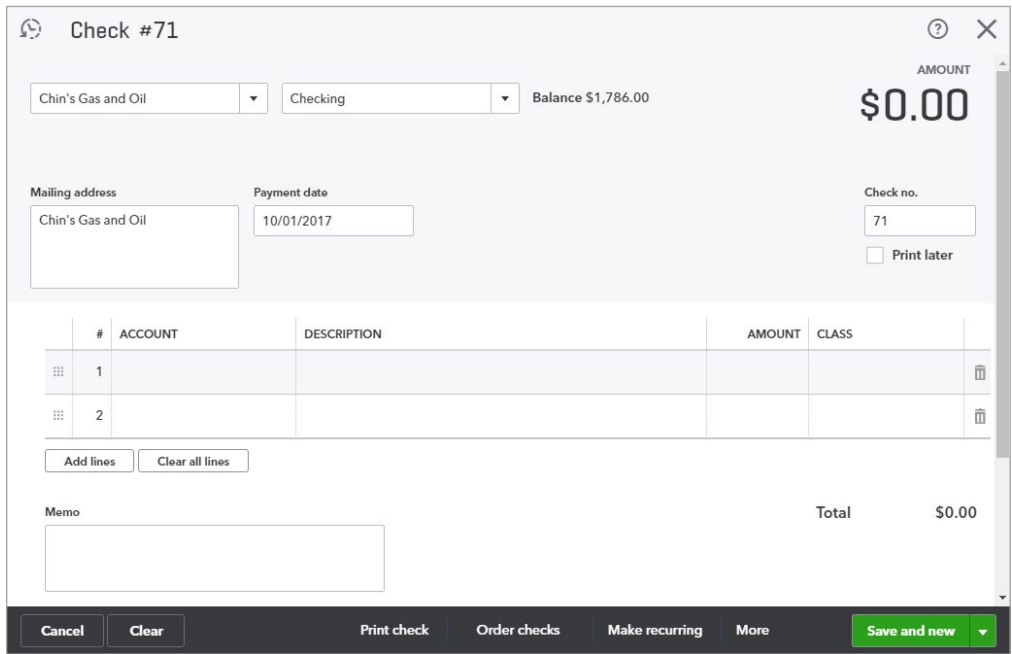
Check #71

Choose a payee ▾   Checking ▾   Balance $1,786.00

AMOUNT

$0.00

Mailing address

Payment date
10/01/2017

Check no.
71

☐ Print later

Add lines   Clear all lines

Memo

Total $0.00

Cancel   Clear   Print check   Order checks   Make recurring   More   **Save and new** ▾

13.   Enter the payee and payment account.

Check #71

Chin's Gas and Oil ▾   Checking ▾   Balance $1,786.00

AMOUNT

$0.00

Mailing address
Chin's Gas and Oil

Payment date
10/01/2017

Check no.
71

☐ Print later

	#	ACCOUNT	DESCRIPTION	AMOUNT	CLASS	
	1					🗑
	2					🗑

Add lines   Clear all lines

Memo

Total $0.00

Cancel   Clear   Print check   Order checks   Make recurring   More   **Save and new** ▾

14. Select the account details, including assigning a Class.

15. Select **Save and close**.

RUN A REPORT BASED ON CLASSES

16. Click the **Reports** tab.
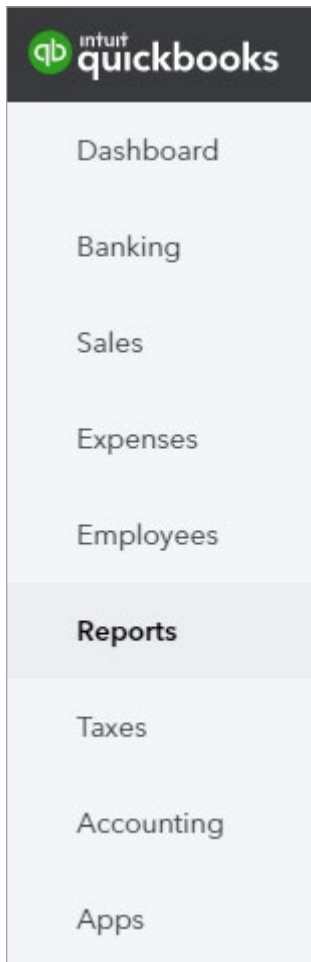
17. Search for **Profit and Loss by Class**.

18. Click the 🔍 icon.

19. Adjust the date range to reflect **Next Month**.

Report period

This Year-to-date ▼

Last Quarter-to-date
Last Year
Last Year-to-date
Since 30 Days Ago
Since 60 Days Ago
Since 90 Days Ago
Since 365 Days Ago
Next Week
Next 4 Weeks
Next Month
Next Quarter
Next Year

20. The first two columns show information from the Mowing/Maintenance and Construction/ Hardscapes classes.

Display columns by	Show non-zero or active only	Period to compare	Accounting method	
Classes ▼	Active rows/active columns ▼	Select period ▼	○ Cash ● Accrual	Run report

Collapse Sort▼ Add notes Edit header   ✉ 🖨 ⬆▼ ⚙

Craig's Design and Landscaping Services
PROFIT AND LOSS BY CLASS
October 2017

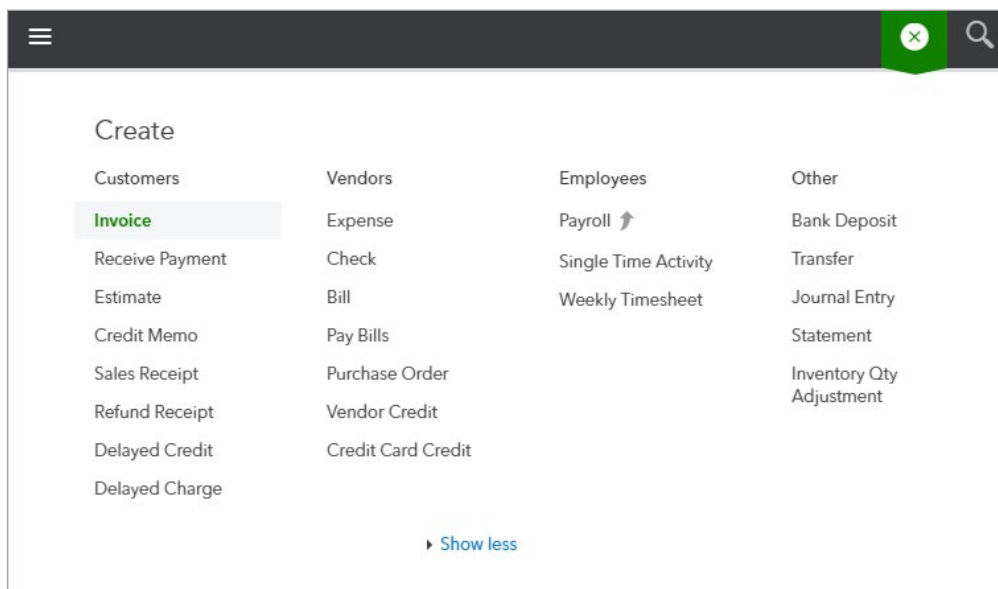|	CONSTRUCTION/HARDSCAPES	MOWING/MAINTENANCE	TOTAL
▼ INCOME			
Sales	337.50		$337.50
Total Income	**$337.50**	**$0.00**	**$337.50**
GROSS PROFIT	$337.50	$0.00	$337.50
▼ EXPENSES			
▼ Job Expenses			$0.00
▼ Job Materials			$0.00
Plants and Soil	1,000.00		$1,000.00
Total Job Materials	1,000.00		$1,000.00
Total Job Expenses	1,000.00		$1,000.00
Repairs & Maintena...		185.00	$185.00
Total Expenses	**$1,000.00**	**$185.00**	**$1,185.00**
NET INCOME	$ -662.50	$ -185.00	$ -847.50

NOTE: Any transactions entered within the report's date range not categorized by class will appear in a Not Specified column.

HOW TO USE INVOICE AND RECEIVE PAYMENT FROM A CUSTOMER

If you deliver goods or provide services before the customer pays, record the sale with an invoice. Invoices record an increase in sales income and Accounts Receivable, which tracks how much customers owe you. The invoice date reflects the sale date, and the due date tells the customer when payment is due. QuickBooks will automatically calculate the due date for you based on the terms you enter. What are terms? These tell your customer how long they have to pay.

CREATE AND SEND AN INVOICE

1. Click the ⚙ sign.
2. Select **Invoice**.

3. Click the **Customer** drop-down arrow and select an existing customer, or add a new one.

4. Click the **Terms** drop down to select when the invoice is due.

5. Click the **Product/Service** drop-down arrow to select an existing service. You can also add a new one if necessary. Note: Each product or service "points" to an income account that tells QuickBooks to increase that income account each time you sell that product/service.

6. Click **Print or Preview** to view what the invoice you print or send will look like. You can print the invoice directly from this window.

7. To email the invoice, click **Save and send** and follow the steps.

SEE A LIST OF OVERDUE CUSTOMERS

1. Click the **Sales** tab and select **Customers** at the top.

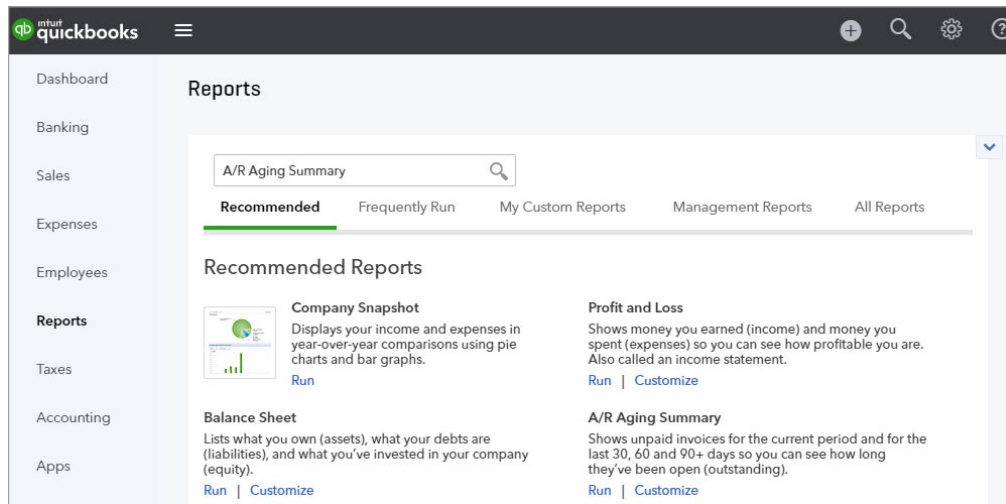2. Click the **Overdue** filter on the top money bar to see any customers with an overdue balance.

REVIEW THE ACCOUNTS RECEIVABLE (A/R)
AGING SUMMARY REPORT

3. Click the **Reports** tab.

4. Enter **A/R Aging Summary** in the search field.

5. This report displays how much of each customer's balance is current (i.e. not overdue) versus overdue.

RECEIVE AND DEPOSIT INVOICE PAYMENTS (USING UNDEPOSITED FUNDS)

Use the Receive Payment form to record customer payments against invoices. However, to record the deposit correctly you must answer 1 question.

Does this customer payment amount match the actual deposit you made at the bank? If you only deposited that 1 customer payment, the answer is **YES** and you can **record that the customer payment was deposited into the bank account**.

However, in many cases the answer is **NO**. Why? Because most businesses deposit multiple customer payments together. That customer payment is part of a bigger deposit that includes other customer payments. For example, if you receive 3 checks for $100 each, and make one deposit at the end of the day for $300, you should **NOT record that each customer payment was deposited into the bank account.** If you do, your QuickBooks records will show 3 deposits of $100 each, and the bank will show 1 deposit for $300. You won't be able to reconcile your bank account, and when the bank downloads the deposit of $300, it won't "match" the 3 deposits of $100 each.

To solve this issue, deposit each payment to "Undeposited Funds" first, and then deposit the combined amount from Undeposited Funds into the bank account. You learn how in the next steps.

RECEIVE INVOICE PAYMENT

1. Click the ⊕ sign.

2. Select **Receive Payment**.
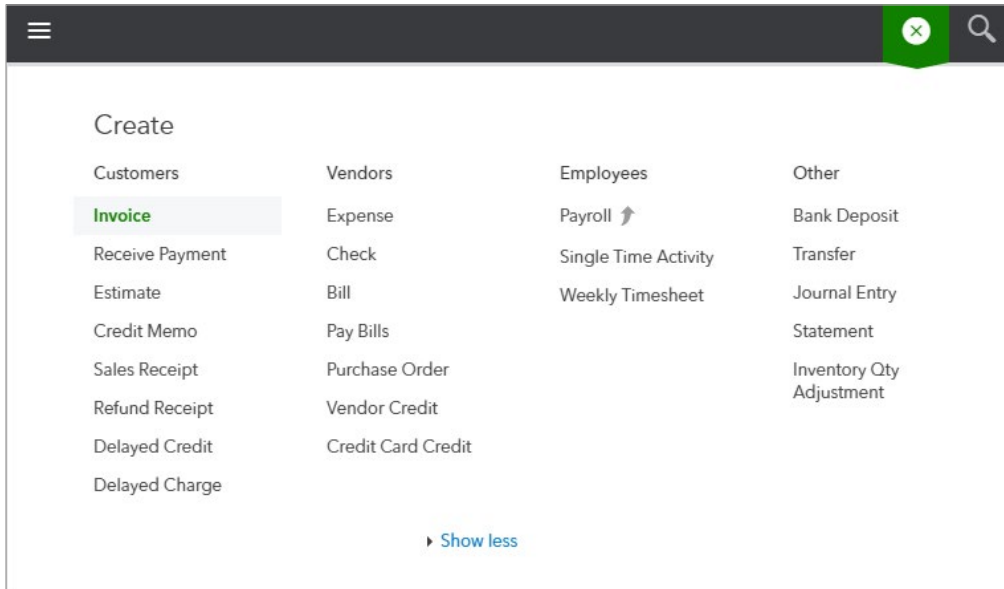
3. Select the **customer**.
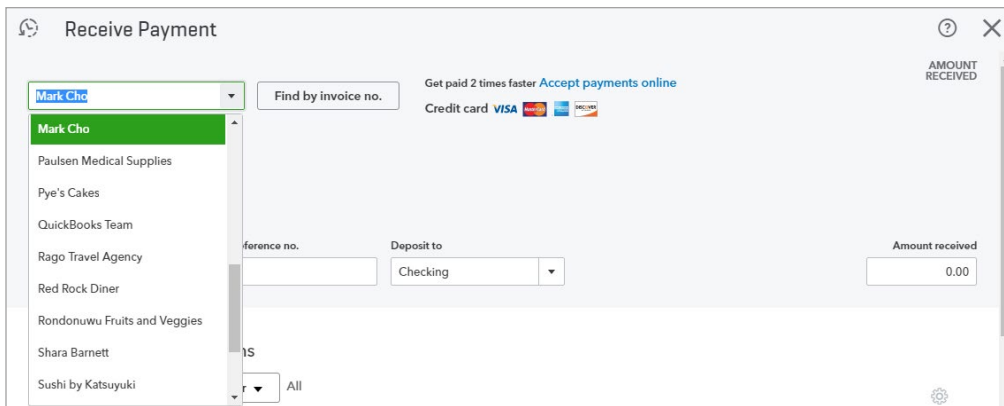
4. Enter the remaining information. Receive the payment ten days after the invoice date.
    Deposit it to Undeposited Funds.

5. Select the Outstanding Transaction(s).

6. Enter a Memo. (Optional)

7. Click the **Save and close**.

You can see the Undeposited Funds account on the Chart of Accounts. In this case, the balance is $701.28 which represents 2 payments. The $314.28 payment we just received, and a payment of $387 that we received earlier.

Now we'll deposit this amount to the checking account which currently has a balance of $1,938.50.

RECORD DEPOSIT

1. Click the ⊕ sign. Say you received other checks as well today, and you need to deposit these at the bank.

2. Select **Bank Deposit**.

3. Click the Account drop-down arrow and select the account to deposit to.

4. Select the payments to deposit.

5. Enter a Memo. (Optional)

6. Click **Save and close**.

Now Undeposited Funds is zero and the checking account reflects the deposit. When you reconcile your bank account, your QuickBooks records will match the bank's records exactly.

	Chart of Accounts	Reconcile				

Chart of Accounts
‹ All Lists

Run Report   **New** ▾
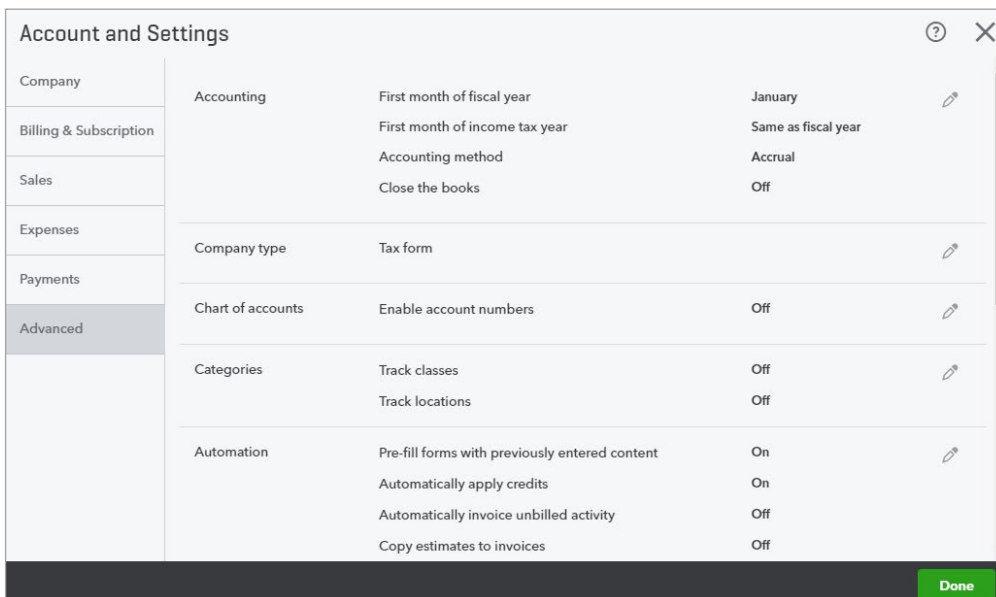
NAME	TYPE ▲	DETAIL TYPE	QUICKBOOKS BA	BANK BALANCE	ACTION
Checking	Bank	Checking	2,639.78		View register ▾
Accounts Receivable (A/R)	Accounts rec...	Accounts Re...	2,158.22		View register ▾
Inventory Asset	Other Curre...	Inventory	0.00		View register ▾
Uncategorized Asset	Other Curre...	Other Curre...	0.00		View register ▾
Undeposited Funds	Other Curre...	Undeposited...	0.00		View register ▾

HOW TO SET A CLOSING DATE AND PASSWORD

The Closing Date in QuickBooks essentially "locks" QuickBooks on a certain date to avoid anyone modifying transactions (adding, editing, deleting) dated before that day. This is an important step to close prior accounting periods. If anyone wants/needs to modify a transaction prior to the closing date, they must know the closing date password (if you've set one).

1. Click the ⚙ icon and select **Account and Settings**.

2. Click the **Advanced** tab on the list to the left.

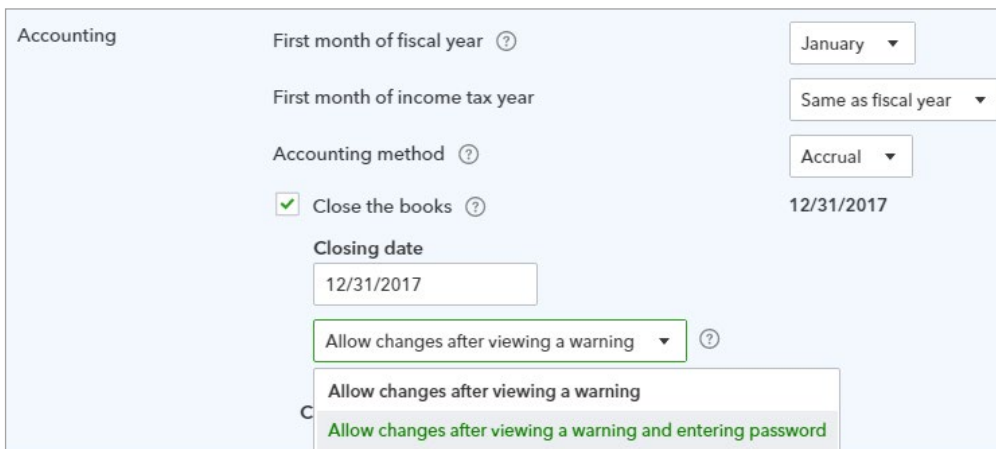| Account and Settings				? ✕
Company	Accounting	First month of fiscal year	January	✏
Billing & Subscription		First month of income tax year	Same as fiscal year	
		Accounting method	Accrual	
Sales		Close the books	Off	
Expenses	Company type	Tax form		✏
Payments				
Advanced	Chart of accounts	Enable account numbers	Off	✏
	Categories	Track classes	Off	✏
		Track locations	Off	
	Automation	Pre-fill forms with previously entered content	On	✏
		Automatically apply credits	On	
		Automatically invoice unbilled activity	Off	
		Copy estimates to invoices	Off	

Done

3. Click in the **Accounting** section.

4. Check the box next to **Close the books**.

5. Enter the **Closing date**.

6. Click the drop-down arrow and select the appropriate option.

Accounting

First month of fiscal year ⓘ		January ▼
First month of income tax year		Same as fiscal year ▼
Accounting method ⓘ		Accrual ▼
✔ Close the books ⓘ		12/31/2017

Closing date

12/31/2017

Allow changes after viewing a warning ▼ ⓘ

Allow changes after viewing a warning

Allow changes after viewing a warning and entering password

7. Enter the password in the Password and Confirm Password fields. (Optional)

8. Click **Save** and **Done**.