

# Dealing with Physical Inventory



## CHAPTER OUTLINE

Tracking Inventory in QuickBooks

Setting Up the Item List

Dealing with Sales Tax in QuickBooks

Creating Purchase Orders

Receiving Items

Selling Inventory Items

Receiving Discounted and Electronic Payments

Working with Refunds

Producing Inventory and Sales Reports and Graphs

Tackle the Tasks

Concepts Review

Reinforce Your Skills

Apply Your Skills

Extend Your Skills

## CHAPTER OBJECTIVES

After studying this chapter, you will be able to:

- Create and use items to track inventory
- Create purchase orders and receive items
- Adjust quantity/value on hand
- Sell items and process sales discounts and refunds
- Collect and track sales tax
- Work with reports to manage your inventory and sales

In *QuickBooks Pro 2015: Level 1*, you learned to create service and non-inventory items. In this chapter, you will examine the inventory features available in QuickBooks. When you turn on the inventory features, QuickBooks allows you to create inventory items and purchase orders, receive items into inventory, sell inventory items, and run inventory-related reports. QuickBooks also creates accounts that you did not need until you began tracking inventory—Inventory Assets and Cost of Goods Sold. You can also create subaccounts for each of these new accounts to track your assets and costs for individual products or product types, if you choose. In addition, you will learn how to set up and track sales tax in QuickBooks, and how to deal with customer refunds. This chapter will conclude with a look at common inventory and sales reports.

# CASE STUDY

## Average Guy Designs

In this chapter, you will help Guy to learn how to work with inventory items in QuickBooks as he has decided to sell items created by other designers from his shop as well as online. This will include the creation of inventory items, as well as their sales to customers. You will also learn how to set up and receive payments when sales discounts are involved. Finally, you and Allison will explore reports in QuickBooks that will help Average Guy Designs to manage inventory and report on sales.

CUSTOMER:JOB Dance a Little:Project # 23      TEMPLATE Intuit Product Invoi...

### Invoice

PAID 01/21/2016

DATE: 01/16/2016      INVOICE #: 10024

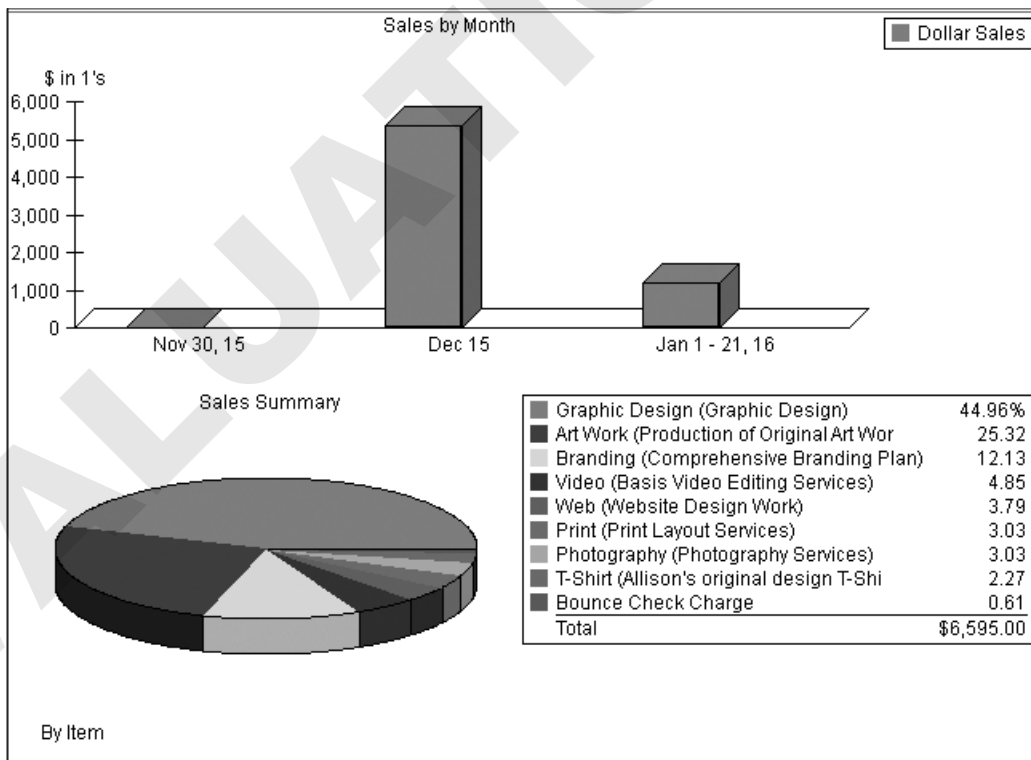
BILL TO: Dance a Little, Joanie Short, 541 Humboldt Ave, Bayshore, CA 91547

SHIP TO: Ship To 1, Dance a Little, Joanie Short, 541 Humboldt Ave, Bayshore, CA 91547

P.O. NUMBER:      TERMS: 2% 10 Net 30      REP:      SHIP: 01/16/2016      VIA:      F.O.B.:

QUANTITY	ITEM CO...	DESCRIPTION	PRICE EACH	AMOUNT	TAX
12	Graphic ...	Graphic Design	45.00	540.00	Non
5	T-Shirt	Allison's original design T-Shirt	30.00	150.00	Tax

The product invoice template provides fields that are useful when you are dealing with the sale of physical inventory. You can sell inventory and service items on both the product and service invoice templates.



The Sales by Month graph allows you to view your company's sales graphically.

# Tracking Inventory in QuickBooks

A useful feature in QuickBooks is inventory tracking. It must be turned on in the Preferences window. Once activated, it will add links to the Home page and options to the menu bar.

## Should I Use QuickBooks to Track My Company's Inventory?

Not all companies are perfectly aligned to use QuickBooks to track their inventory. There are several factors that you should consider before deciding to use QuickBooks to track your company's inventory items:

- **How many types of products do I sell?** QuickBooks Pro and Premier work well for companies that have up to a few hundred items. If you have more items, you may want to consider using QuickBooks' Point-of-Sale edition.
- **Does my inventory include perishable items?** The bookkeeping for perishable items can be a bit tedious due to differences between your on-hand quantities and what you have recorded in QuickBooks.
- **Do I sell unique, one-of-a-kind products?** If you sell items such as antiques, you will have to create a new QuickBooks item for each product you sell.
- **Do I manufacture the products that I sell?** If you purchase raw materials and assemble them into products, QuickBooks Pro is not the most compatible software for your company. You may want to look at purchasing QuickBooks: Premier Manufacturing & Wholesale Edition or QuickBooks Enterprise Solutions: Manufacturing & Wholesale Edition, which address the unique needs of manufacturing businesses.
- **How fast do my inventory items become obsolete?** If this timeframe is quite short, you may find that updating your inventory in QuickBooks is tedious.
- **How do I value my inventory?** QuickBooks Pro uses the average cost method of inventory valuation. If you are using LIFO, FIFO, or another method, you may want to look at using a different tool to track your inventory.

Beginning with the Enterprise edition of QuickBooks 2012, the FIFO method of inventory valuation may be used.

## Inventory Valuation

There are three inventory valuation methods allowed by GAAP:

- **Last-In, First-Out (LIFO):** With this method, the value of the last inventory brought in is used to determine the cost of goods sold (COGS), whereas the value of the inventory is based on the inventory purchased earlier in the year.
- **First-In, First-Out (FIFO):** With this method, the value of the first inventory brought in is used to determine the COGS, whereas the value of the inventory is based on the inventory purchased last (which more closely resembles the actual replacement cost).
- **Average Cost (or Weighted Average):** With this method, the value of the inventory is determined by dividing the total value of the inventory by the total number of inventory items.

QuickBooks Pro and Premier use the average cost method of inventory valuation; the Enterprise edition uses the FIFO method as well.

#### FLASHBACK TO GAAP: CONSISTENCY

Remember that the company should use the same accounting principles and methods from year to year.

## Inventory Center

In some Premier versions of QuickBooks, there is a feature called the Inventory Center. This center looks similar to the Customer and Vendor centers. It provides a convenient place for you to manage your inventory items.

## Using Units of Measure

In the Premier and higher versions of QuickBooks, there is a feature that allows you to convert units of measure. With this feature, QuickBooks users can work with either single units of measure (e.g., buy a pound, sell a pound) or multiple units of measure (e.g., buy a yard, sell a foot).

The unit of measure feature is especially useful to companies that distribute or manufacture items. However, all companies that track inventory could find it handy if they purchase and sell in different units of measure or need to indicate units on purchase or sales forms.

## Setting Up the Item List

If you want to see anything on a sales form or a purchase order, it must be set up as an item first. Before you can create an inventory item, you must turn on QuickBooks' inventory features in the Preferences window.

## Inventory vs. Non-Inventory Parts

In *QuickBooks Pro 2015: Level 1*, you learned about non-inventory parts. Once you turn on the QuickBooks inventory feature, you'll see both inventory and non-inventory parts. Inventory parts are tracked and sold by quantity. Examples of inventory parts might be vitamins that a doctor purchases and sells to her patients or lamps that an interior decorating company buys and resells.

The Inventory Parts window consists of two sides: one for the purchase information and one for the sales information.

QuickBooks allows you to track non-inventory parts as well as inventory parts. Examples of items that should be created as non-inventory parts include:

- Items you don't track as inventory, such as nails used by a contractor or thread used by a seamstress
- Items you purchase for a particular customer
- Items you sell but don't first purchase, such as livestock that you breed and sell

## Add/Edit Multiple List Entries

As you learned in *QuickBooks Pro 2015: Level 1*, there is a feature in QuickBooks that allows you to easily record multiple entries in your lists.

You can quickly update several entries in your lists by right-clicking and choosing either the Clear Column or Copy Down command.

## Cost of Goods Sold

When you purchase items at wholesale to resell to your customers, the purchase price you pay is the cost of goods sold (COGS). Your profit is the difference between your sales and COGS.

## Tracking Inventory Sales

You will likely need to create a new account and possibly subaccounts to track your inventory sales. In this chapter, we will be creating a new account and three subaccounts to make sure that we can track our sales effectively.

## Show Lowest Subaccount Preference

It is often difficult to see the name and number of the subaccount you use in a transaction while working with the narrow account fields in the QuickBooks windows. QuickBooks has a way to help you overcome this problem by allowing you to choose to see only the lowest subaccount in these fields. For example, if you need to choose the Clothing subaccount, it would normally be displayed as:

41000•Product Sales:41100•Clothing

By choosing the Show Lowest Subaccount preference, it will simply be displayed as:

41100•Clothing

QUICK REFERENCE	PREPARING TO TRACK AND SELL INVENTORY
Task	Procedure
Turn on QuickBooks' inventory features	<ul style="list-style-type: none"> <li>■ Choose Edit→Preferences.</li> <li>■ Choose the Items &amp; Inventory category and the Company Preferences tab.</li> <li>■ Click in the box to the left of Inventory and purchase orders are active; click OK.</li> </ul>
Turn on the Show Lowest Subaccount preference	<ul style="list-style-type: none"> <li>■ Choose Edit→Preferences.</li> <li>■ Choose the Accounting category, and then the Company Preferences tab.</li> <li>■ Click in the box to the left of the Show Lowest Subaccount Only option; click OK.</li> </ul>
Create an inventory part item	<ul style="list-style-type: none"> <li>■ Open the Item List; choose to create a new item.</li> <li>■ Choose Inventory Part as the type of item.</li> <li>■ Enter all required information in both the purchase and sales sides of the window; click OK to record the new item.</li> </ul>

### DEVELOP YOUR SKILLS 1-1

## Prepare to Track and Sell Inventory

*In this exercise, you will first confirm that inventory features are turned on. Then you will set the Show Lowest Subaccount preference and create inventory items. The first step is to open QuickBooks, and then either open a company file or restore a portable company file.*

*Before You Begin:* Navigate to the [Student Resource Center](#) to download the student exercise files for this book. Two versions of the files are available from which you must choose—portable company files and company files.

Intuit provides maintenance releases throughout the lifetime of the product. These updates may require you to update your student exercise files before you begin working with them. Please follow the prompts on the screen if you are asked to update your company file to the latest QuickBooks release.

#### 1. Start QuickBooks 2015.

*If you downloaded the student exercise files in the portable company file format, follow Option 1 below. If you downloaded the files in the company file format, follow Option 2.*



## Option 1: Restore a Portable Company File

2. Choose **File**→**Open or Restore Company**.
3. Restore **DYS\_Chapter01 (Portable)** from your file storage location, adding your last name and first initial to the end of the filename.  
*It may take a few moments for the portable company file to open. Once it does, continue with [step 5](#).*

## Option 2: Open a Company File

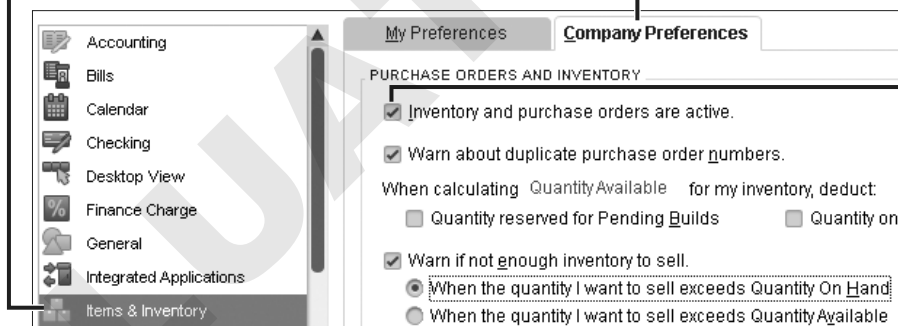
2. Choose **File**→**Open or Restore Company**, ensure that **Open a regular company file** is selected, and then open the **Average Guy Designs** company file for this chapter from your file storage location.  
*The QuickBooks company file will open.*
3. Click **OK** to close the QuickBooks Information window. Click **No** in the Set Up External Accountant User window, if necessary.
4. Close the **Reminders** window.

## Set Preferences and Create a New Account to Track Inventory Sales

Allison believes that the QuickBooks file has been set up to track inventory, but she will open the Preferences window in order to confirm this, and while she is at it, she will set the show lowest subaccount preference.

5. Choose **Edit**→**Preferences**.
6. Follow these steps to turn on the inventory feature:

**A** Click the **Items & Inventory** category. **B** Click the **Company Preferences** tab.



**C** Click to check the **Inventory and purchase orders are active** box.

**D** Click **OK**.

*Before you can set the show lowest subaccount option, you must ensure that all accounts have a number assigned. While you are in the Chart of Accounts, you will also create a new account and subaccounts to track inventory sales.*

7. Choose **Lists**→**Chart of Accounts**.
8. Scroll through the **Chart of Accounts** to see if there are any that do not have an account number assigned.  
*You will see that all accounts have a number assigned.*

9. Click the **Account** menu button and choose **New** from the menu.
10. Choose **Income** as the type of account; click **Continue**.



11. Follow these steps to create the new account:

Account Type: Income Number: 41000

Account Name: Product Sales Select from Examples

- A Type **41000**.
- B Tap **[Tab]**, and then type **Product Sales**.
- C Click **Save & New**.

*You will now create three subaccounts to further classify your inventory sales.*

12. Follow these steps to create the first subaccount:

Account Type: Income Number: 41100

Account Name: Clothing Select from Examples

Subaccount of 41000 · Product Sales

- A Type **41100**.
- B Tap **[Tab]**, and then type **Clothing**.
- C Tap **[Tab]** twice, and then tap **[Space]**.
- D Tap **[Tab]**, and then type **pro**.
- E Click **Save & New**.

13. Repeat the previous step to add the following two additional subaccounts to **Product Sales**. Choose to **Save & Close** after the last subaccount is created.

Account Number	Account Name
41200	Accessories
41300	Home Decor

14. Close the **Chart of Accounts** window.

### Set the Show Lowest Subaccount Preference

15. Choose **Edit**→**Preferences**.
16. Follow these steps to turn on the show lowest subaccount preference:

Accounting Bills Calendar Checking

My Preferences Company Preferences

ACCOUNTS

- Use account numbers
- Show lowest subaccount only
- Require accounts

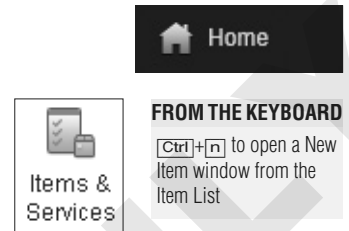
- C Click to check the **Show lowest subaccount only** box.
- D Click **OK**.



### Create Multiple Inventory Items

Now you will help Allison to create inventory items for the company first by entering a single item, and then by utilizing the Add/Edit Multiple Items feature.

17. Click the **Home** button on the Icon Bar.
18. Click the **Item & Services** task icon in the Company area of the Home page.
19. Click the **Item** menu button and choose **New** from the menu.
20. Follow these steps to create an inventory item:



**A** Choose **Inventory Part**.

**B** Tap **[Tab]**, and then type **T-Shirt**.

**C** Tap **[Tab]** four times, and then type this description.

**D** Tap **[Tab]** and type **15**.

**E** Tap **[Tab]** two times and type **Allison Fox Designs**. Choose **Quick Add, Vendor** in the pop-up window.

**F** Click here, and then type **30**.

**G** Tap **[Tab]**, and then type **411**.

**H** Tap **[Tab]** twice, and then type **10**.

21. Click **OK**, choosing to **Add "t"** to the dictionary in the Spell Check window (and correcting any errors that you may have made).  
 Next you will create multiple inventory items using the Add/Edit Multiple List Entries window, but first you will customize the columns that are displayed.

22. Click the **Item** menu button and choose **Add/Edit Multiple Items**. If the Time Saving Tip window appears, click **OK**.

23. Click the **Customize Columns** button.



24. Follow these steps to set the inventory part items column:

25. Verify **Inventory Parts** is the **List** selected, and then follow these steps to begin creating the rest of your inventory part items:

A Click in the Item Name column below the T-Shirt entry, and then type **LS Shirt**.

ITEM NAME	PURCHASE DESCRIPTION	COST	SALES P...	COGS ACCOUNT	PREFERRED VEND...	INCOME ACCOUNT	ASSET ACCOUNT	REORDER
T-Shirt	Allison's original design t-shirt	15.00	30.00	50000 · Cost of...	Allison Fox Designs	41100 · Clothing	12100 · Inventory Asset	10
LS Shirt	Allison's original design long sleeved shirt	20.00	40.00	50000 · Cost of...	Allison Fox Designs	41100 · Clothing	12100 · Inventory Asset	10

B Tap [Tab], and then type the description displayed.

C Tap [Tab], and then type 20.

D Tap [Tab], and then type 40.

E Tap [Tab] twice, and then type **alli**.

F Tap [Tab], and then type **411**.

G Tap [Tab] twice, and then type **10**.

26. Enter these inventory items, using **QuickAdd** for the new vendors.

ITEM NAME	PURCHASE DESCRIPTION	COST	SALES P...	COGS ACCOUNT	PREFERRED VENDOR	INCOME ACCOUNT	ASSET ACCOUNT	REORDER PT (MIN)
Coasters	Coaster Set	7.93	15.00	50000 · Cost of...	Hartwell Designs	41300 · Home Decor	12100 · Inventory Asset	8
Scarf	Handmade scarf	10.00	20.00	50000 · Cost of...	Knit a Bit	41200 · Accessories	12100 · Inventory Asset	12
Sm Tiles	Small hanging tile with original design	5.45	10.00	50000 · Cost of...	Hartwell Designs	41300 · Home Decor	12100 · Inventory Asset	20

27. Click the **Save Changes** button at the bottom of the window and click **OK** in the Record(s) Saved window.

28. Close the **Add/Edit Multiple Entries List** and **Item List** windows.

# Dealing with Sales Tax in QuickBooks

QuickBooks makes it easy to charge and collect sales tax for items. You can also choose whether to charge tax for individual customers who resell merchandise to *their* customers and charge sales tax on the final sale rather than pay the tax to you. How you set up sales tax in QuickBooks depends entirely on which state(s) you conduct business in. There are some states that do not collect sales tax at all (yay, Oregon!), and there is variation among the others regarding what is taxed. Some states tax service that is performed, while others do not (charging sales tax on services is the exception rather than the rule). Some tax grocery food items; others do not. You must know the sales tax laws in your state before you set up sales tax for your company.

When dealing with sales tax, take some time to learn about how the sales tax laws are set up in your jurisdiction. How you display items on invoices, in both structure and whether items are stated separately or grouped together, can affect the amount of tax due on a transaction. Taking time up front can save you and your customers money and headaches in the long run.

Behind the scenes, the sales tax collected will be directed to a Sales Tax Liability account that QuickBooks automatically creates for you. The funds will be held there until you pay them to the appropriate governing authority.

## Sales Tax Items and Groups

To include sales tax on a sales form, you must set up the tax as an item. An interesting situation arises, though, when you have to pay the tax collected to multiple tax agencies. QuickBooks helps you to deal with this situation by allowing you to combine multiple sales tax items into a sales tax group. This is necessary, as you can apply only one sales tax item or group to a sales form. Before you can collect sales tax, you must turn on the preference and create a sales tax item or group.

The screenshot shows the 'New Item' dialog box in QuickBooks. The 'TYPE' dropdown is set to 'Sales Tax Group'. A text box explains: 'Use to calculate and individually track two or more sales tax items that apply to the same sale. The customer sees only the total sales tax.' The 'Group Name/Number' field contains 'E Bayshore' and the 'Description' field contains 'East Bayshore Sales Tax'. There are buttons for 'OK', 'Cancel', 'Next', 'Notes', and 'Spelling'. A checkbox for 'Item is inactive' is present and unchecked. Below the text is a table with columns: TAX ITEM, RATE, TAX AGENCY, and DESCRIPTION.

TAX ITEM	RATE	TAX AGENCY	DESCRIPTION
San Tomas	9.2%	State Board of Equalization	San Tomas County S...
E Bayshore City	0.6%	City Treasurer	Local city tax
Group Rate		9.8%	

**Notice that the sales tax group in this example comprises two sales tax items payable to two separate tax agencies.**

## Default Tax Rate

Once you have created your sales tax item(s) and group(s), you should set up a default tax rate in your preferences. This rate will appear when you create a sales form for a customer for whom a tax rate is not specified. You should choose the tax rate that you use most of the time as the default; you can change it on a sale-by-sale basis.

## Dealing with Multiple Sales Tax Rates

Some companies conduct business in multiple jurisdictions. As such, the company must set up different sales tax items and/or groups with the different rates and taxing agencies. You can set one default tax rate for the company or default tax rates for each customer. Do this on the Additional Info tab of the New Customer and Edit Customer windows.

QUICK REFERENCE		SETTING UP SALES TAX IN QUICKBOOKS
Task	Procedure	
Turn on the QuickBooks sales tax feature	<ul style="list-style-type: none"> <li>■ Choose Edit→Preferences.</li> <li>■ Click the Sales Tax category; click the Company Preferences tab.</li> <li>■ Click in the circle to the left of Yes in the “Do you charge sales tax?” section.</li> <li>■ Select your most common sales tax item. If necessary, create the item.</li> <li>■ Click OK to record the new preference.</li> </ul>	
Create a sales tax item	<ul style="list-style-type: none"> <li>■ Open the Item List; choose to create a new item.</li> <li>■ Choose Sales Tax Item as the type of item (the sales tax preference must be set up first).</li> <li>■ Type the name and description for the item.</li> <li>■ Set the tax rate and the agency to which you pay the tax; click OK.</li> </ul>	
Create a sales tax group	<ul style="list-style-type: none"> <li>■ You must first set up the items for the group following the above steps.</li> <li>■ Open the Item List and then choose to create a new item.</li> <li>■ Choose Sales Tax Group as the type.</li> <li>■ Type the group name and description.</li> <li>■ Choose each sales tax item that is to be included in the group; click OK.</li> </ul>	
Set your company's default tax rate	<ul style="list-style-type: none"> <li>■ Choose Edit→Preferences.</li> <li>■ Click the Sales Tax category, and then click the Company Preferences tab.</li> <li>■ Choose your default tax rate from the “Your most common sales tax item” field drop-down button; click OK.</li> </ul>	
Set a customer's default tax rate	<ul style="list-style-type: none"> <li>■ Open the Customer Center, and then double-click the customer whose default tax rate you wish to set.</li> <li>■ Choose the Additional Info tab.</li> <li>■ Choose the correct tax rate from the Tax Item field drop-down arrow; click OK.</li> </ul>	

**DEVELOP YOUR SKILLS 1-2**

**Set Up Sales Tax**

*In this exercise, you will help Allison to create a sales tax item.*

*Before you can create any sales tax items or groups, you must have the preference turned on.*

1. Choose **Edit**→**Preferences**.
2. Follow these steps to set the sales tax preference status and to set up your sales tax item:

**A** Click the **Sales Tax** category. **B** Click the **Company Preferences** tab.

**C** Click to select **Yes** here. **D** Click the **Add sales tax item** button.

**E** Tap [Tab], and then type **San Tomas**. **F** Tap [Tab], and then type **San Tomas County Sales Tax**. **G** Tap [Tab], and then type **9.2**.

- I** Click **OK**.
- H** Tap [Tab], type **State Board of Equalization**, and then **QuickAdd** it as a vendor.

3. Click the drop-down arrow for **Your most common sales tax item**, and then choose **San Tomas**.
4. Click **OK**, and then click **OK** again in the **Updating Sales Tax** window.
5. Click **OK** in the **Warning** window.

# Creating Purchase Orders

Many businesses use purchase orders for ordering items into inventory. When a purchase order is created, nothing occurs “behind the scenes,” as you have done nothing yet to debit or credit an account.

## Non-Posting Accounts

When you create your first purchase order, QuickBooks creates a non-posting account (an account that *does not* affect your P&L report or your balance sheet report), called Purchase Orders. Non-posting accounts appear at the end of your Chart of Accounts. By creating these accounts for you, QuickBooks allows you to create reports based on them.

QUICK REFERENCE	WORKING WITH PURCHASE ORDERS
<b>Task</b>	<b>Procedure</b>
Create a purchase order	<ul style="list-style-type: none"> <li>Choose Vendors→Create Purchase Orders; choose the desired vendor.</li> <li>Enter the items you are ordering; click Save &amp; Close.</li> </ul>
Produce an open purchase orders report	<ul style="list-style-type: none"> <li>Choose Lists→Chart of Accounts; scroll to the bottom of the list.</li> <li>Double-click the Purchase Orders account; set the correct date range for the report (if necessary).</li> </ul>

### DEVELOP YOUR SKILLS 1-3

## Work with Purchase Orders

In this exercise, you will help Guy to create purchase orders for Average Guy Designs and view the purchase orders report.

1. Choose **Company**→**Home Page**.
2. Click the **Purchase Orders** task icon in the Vendors area of the Home page.
3. Follow these steps to create a purchase order:



**A** Type **alli**, and then tap **[Tab]** to choose the vendor.

**B** Tap **[Tab]** twice, and then type **010516**.

**C** Tap **[Tab]**.

**D** Tap **[Tab]** three times, and then type **t**.

**E** Tap **[Tab]** twice, and then type **25**.

**F** Tap **[Tab]** four times, and then type **1s**.

**G** Tap **[Tab]** twice, and then type **20**.

**H** Click **Save & New**.

ITEM	DESCRIPTION	QTY	RATE	CUSTOMER	AMOUNT
T-Shirt	Allison's original design T-shirt	25	15.00		375.00
LS Shirt	Allison's original design long sleeved shirt	20	20.00		400.00

4. Follow these steps to create the second purchase order:

**A** Type **k**, and then tap **Tab** to choose the vendor.

**B** Click in the **Item** column, and then type **s**.

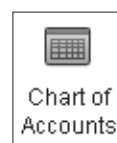
**C** Tap **Tab** twice, and then type **30**.

**D** Click **Save & Close**.

ITEM	DESCRIPTION	QTY	RATE	CUSTOMER	AMOUNT
Scarf	Handmade Scarf	30	10.00		300.00

### View the Open Purchase Orders Report

Next you will take a look at the Purchase Orders non-posting account QuickBooks created for Average Guy Designs when the first purchase order was created.



- Click the **Chart of Accounts** task icon in the Company area of the Home page.
- Scroll to the bottom of the list and notice the non-posting **90100•Purchase Orders** account.
- Double-click the **Purchase Orders** account.  
*QuickBooks creates a QuickReport showing open purchase orders.*
- Type **a** to set the date range to all; then, scroll to the bottom of the report to view the purchase orders you just created.
- Choose **Window**→**Close All**.

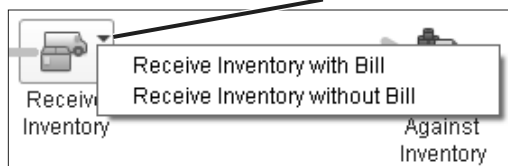
## Receiving Items

When you receive the items on a purchase order, you need to enter them into inventory. You can carry this transaction out in either one or two steps, depending on how your vendor delivers the accompanying bill.

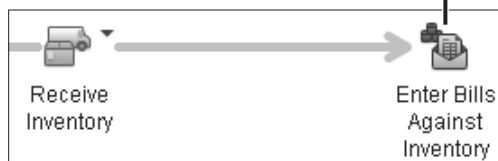
### The Two Methods of Receiving Items

If a vendor sends the inventory items and the bill together, you can record them as one transaction. On the other hand, if you receive the items first and the bill later, you will enter them in two separate steps.

By clicking the drop-down arrow next to the **Receive Inventory** link on the Home page, you can choose how to enter the receipt of your items, either with or without the bill.



If you received the inventory items and later received the bill, click the **Enter Bills Against Inventory** link on the Home page to enter the bill for the items at a later date.





If you will pay a bill that is attached to a purchase order with a credit card, use the Enter Credit Card Charges window so QuickBooks will prompt you to receive against open purchase orders.

## Including Expenses on a Bill for Items

You may incur additional shipping and handling charges when you order inventory items. These charges should not be entered on the Items tab but rather as an expense on the Expenses tab. Once QuickBooks enters the information on the Items tab, you can click on the Expenses tab to enter any additional expenses due with the bill.

Expenses \$25.00			Items \$250.00				
ACCOUNT	AMOUNT	MEMO	ITEM	DESCRIPTION	QTY	COST	AMOUNT
67500 - Shipping Expense	25.00		Scarf	Handmade scarf	25	10.00	250.00

Notice how the delivery charges are displayed on the Expenses tab of the Enter Bills window while the inventory items are displayed on the Items tab.

## Discount Payment Terms

Your vendors may offer you discount payment terms in an attempt to get you to pay your bills earlier, which in turn improves their cash flow. Payment terms are created in the Terms List, which is one of the Customer & Vendor Profile Lists. You can change the terms on an individual invoice as needed without permanently changing them for the customer.

You will use the payment terms of 1% 10 Net 30 when entering a bill in this section. This means that if you pay the bill within 10 days of receipt, you will receive a 1 percent discount. But if you don't pay within the first 10 days, the full bill is due in 30 days.

**FLASHBACK TO GAAP: COST**

Remember that when a company purchases assets, it should record them at cost, not fair market value. For example, if you bought an item worth \$750 for \$100, it should be recorded at \$100.

**BEHIND THE SCENES**

Regardless the path you take, the behind-the-scenes action is the same: An Inventory Asset will be debited, and Accounts Payable will be credited.

12100-Inventory Asset	20000-Accounts Payable
775.00	775.00



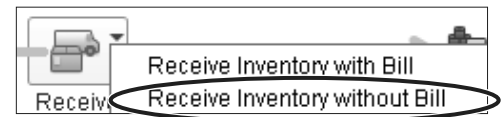
QUICK REFERENCE	RECEIVING INVENTORY
Task	Procedure
Receive the inventory and the bill together	<ul style="list-style-type: none"> <li>■ Choose Vendors→Receive Items and Enter Bill; choose the desired vendor.</li> <li>■ Click Yes in the Open PO's Exist window.</li> <li>■ Click in the checkmark column to the left of the PO against which you are receiving items; click OK.</li> <li>■ Make any necessary changes to the Enter Bills window; click Save &amp; Close or Save &amp; New.</li> </ul>
Receive the inventory and the bill separately	<p>Task 1: Update inventory when you receive the items:</p> <ul style="list-style-type: none"> <li>■ Choose Vendors→Receive Items; choose the desired vendor.</li> <li>■ Click Yes in the Open PO's Exist window.</li> <li>■ Click in the checkmark column to the left of the PO against which you are receiving items; click OK.</li> <li>■ Make any necessary changes to the Item Receipt window; click Save &amp; Close.</li> </ul> <p>Task 2: Enter the bill after you receive it:</p> <ul style="list-style-type: none"> <li>■ Choose Vendors→Enter Bill for Received Items; choose the desired vendor.</li> <li>■ Click within the line of the proper item receipt; click OK.</li> <li>■ Make any changes to the Enter Bills window; click Save &amp; Close.</li> </ul>
Include an expense on a bill for items	<ul style="list-style-type: none"> <li>■ After the Item information is entered in the Enter Bills window, click the Expenses tab.</li> <li>■ Choose the correct expense account in the Expense column; tap <b>Tab</b>.</li> <li>■ Type the amount of the expense and correct the total amount due for the bill; click Save &amp; Close.</li> </ul>

## DEVELOP YOUR SKILLS 1-4

### Receive Inventory

*In this exercise, you will receive the shirts and later receive the bill for them. Following the receipt of the bill for the shirts, you will receive the scarves and the bill for them together.*

1. Choose **Company**→**Home Page**.
2. Click the **Receive Inventory drop-down arrow** in the Vendors area of the Home page, and then choose **Receive Inventory without Bill**.
3. Type **all i**, and then tap **Tab**.  
*QuickBooks fills in Allison Fox Designs, and the Open PO's Exist window appears.*
4. Click **Yes** in the Open PO's Exist window.



- Click to place a checkmark in the first column for PO number **1** dated 01/05/2016, and then click **OK**.

✓	DATE	PO NO.	MEMO
✓	01/05/2016	1	

QuickBooks displays the Create Item Receipts window with the information from the purchase order filled in. Notice that the items appear on the Items tab at the bottom of the window, not on the Expense tab!

- Tap **[+]** on the keyboard to change the date to **01/12/2016**.
- Click **Save & Close** to record the item receipt.

## Receive the Bill

- Click the **Enter Bills Against Inventory** task icon in the Vendors area of the Home page.

The shirts were entered into inventory when you received them. Now the bill for the items has arrived, and you need to enter it.



- Follow these steps to choose the correct Item Receipt:

- Type **alli**, and then tap **[Tab]**.

- Click anywhere within the line for the **Item Receipt** dated **01/12/2016**.

- Click **OK**.

DATE	REF NO.	MEMO
01/12/2016		Received items (bill to follow)

QuickBooks will display the Enter Bills window.

- Tap **[Tab]**, type **011516** as the date, and then tap **[Tab]** again.
- Click **Save & Close** to record the new bill; click **Yes** to record your changes.

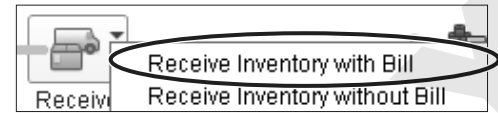
### BTS BRIEF

12100•Inventory Asset DR 775.00; 20000•Accounts Payable CR <775.00>

### Receive Inventory Items with a Bill and Add an Expense to the Bill

The scarves and the bill for them arrived at the same time. The bill also included a shipping fee of \$25 that must be accounted for on the bill.

- Click the **Receive Inventory** drop-down arrow in the Vendor area of the Home page, and then choose **Receive Inventory with Bill**.



- Type **k**, and then tap **[Tab]**.

QuickBooks fills in Knit a Bit as the vendor and the Open PO's Exist window appears.

- Click **Yes** in the Open PO's Exist window.

- Click to place a checkmark in the first column for PO number 2.

Vendor Knit a Bit			
Select a Purchase Order to receive			
<input checked="" type="checkbox"/>	DATE	PO NO.	MEMO
<input checked="" type="checkbox"/>	01/05/2016	2	

- Click **OK** to move to the Enter Bills window; click **OK** in the Warning window.

Knit a Bit was short by five scarves for your order, so you need to record a receipt of only 25.

- Follow these steps to complete the bill:

### Bill

VENDOR: Knit a Bit

ADDRESS: Knit a Bit

DATE: 01/16/2016

REF. NO.: ADG-01-2016

AMOUNT DUE: 275.00

BILL DUE: 02/15/2016

TERMS: 1% 10 Net... DISCOUNT DATE: 01/26/2016

MEMO: ADG-01-2016

ITEM	DESCRIPTION	QTY	COST	AMOUNT	CUSTOMER JOB	BILLABL...	PO NO.
Scarf	Handmade Scarf	25	10.00	250.00			2

Expenses: \$0.00    Items: \$250.00

- A** Type **011616**.
- B** Tap **[Tab]**, and then type this text.
- C** Tap **[Tab]**, and then type **275**.
- D** Click the **Terms** drop-down arrow, and then choose **1% 10 Net 30**.
- E** Tap **[Tab]**, and then type this text.

- F** Drag to select the **30**; type **25**.

You will receive a 1 percent discount if you pay the bill by the discount date (01/26/2016).

## Enter an Expense on the Bill for Inventory Items

When you received the bill for the scarves, there was also a shipping charge of \$25. You will now enter that as an expense on the bill.

18. Follow these steps to enter the shipping expense:

**A** Click to display the **Expenses** tab.

ACCOUNT	AMOUNT	MEMO
Shipping Expense	25.00	

**B** Type **Shipping Expense**, tap **[Tab]**, and then click **Set Up**.

**C** Click **Continue**.

**D** Type **67500**.

**E** Click **Save & Close**.

### BTS BRIEF

12100•Inventory Asset DR 250.00; 67500•Supplies Expense DR 25.00; 20000•Accounts Payable CR <275.00>

19. Click **Save & Close** in the **Enter Bills** window.
20. Click **No** to reject changing the current terms for **Knit a Bit**.

## Selling Inventory Items

Once you have created, ordered, and received your items, it is time to start selling them! You will use the same Create Invoices window you used in *QuickBooks Pro 2015: Level 1*. In the last section, you learned about discount payment terms as they relate to your payables. In this section, you will apply them to a receivable transaction.

### Selling Inventory for Cash and On Account

Just as you learned about in *QuickBooks Pro 2015: Level 1*, you can sell inventory items using either the Create Invoices window (on account—it affects Accounts Receivable behind the scenes) or the Enter Sales Receipts window (for cash—it does *not* affect Accounts Receivable).

### Batch Invoicing

The **batch invoicing** feature allows you to fill out the invoice just once for the customers in the “batch” and then create invoices for all of them. In order to complete this task, you should first create a billing group of the customers for whom you wish to create a batch invoice (although you can add customers one at a time as well).



Make sure that the terms, sales tax code, and preferred delivery method are set for any customer you wish to include in the batch. You also must have an email address entered for the customers you plan to batch invoice.

Address Info		ACCOUNT NO.	GD-54
Payment Settings		PAYMENT TERMS	Net 30
Address Info		TAX CODE	Tax
Payment Settings		TAX ITEM	San Tomas
Sales Tax Settings		RESALE NO.	

On each customer record, the payment terms and preferred delivery method are on the Payment Settings tab, and the sales tax code is on the Sales Tax Settings tab. To make changes, go to Edit the Customer from the Customer Center.

## Batch Invoices Summary

Once you have created a batch of invoices for customers, you will see the Batch Invoices Summary window. Here you can choose to either print or email the invoices (based on the preferred send method for each customer).

Batch Invoice Summary		
Your invoices are created. They're marked for print or email based on each customer's <b>Preferred Send Method</b> . How do I enter or change the Send Method?		
0	marked for print	<input type="button" value="Print"/>
2	marked for email	<input type="button" value="Email"/>
0	unmarked (you can send these later)	

## Send a Batch of Forms

You can send more than just invoices from QuickBooks. In the Preferences window, you have the ability to set the default message for twelve types of forms and reports.

When you are ready to send all of the forms and reports that you have indicated you wish to send, issue a command from the File menu that displays the Select Forms to Send window. From this window, you can choose to send any form listed in the queue. QuickBooks uses Microsoft Outlook to send emails, so it will open once you have chosen to send forms.

<input checked="" type="checkbox"/>	Invoices
<input type="checkbox"/>	Estimates
<input type="checkbox"/>	Statements
<input type="checkbox"/>	Sales Order
<input type="checkbox"/>	Sales Receipt
<input type="checkbox"/>	Credit Memo
<input type="checkbox"/>	Purchase Order
<input type="checkbox"/>	Report
<input type="checkbox"/>	Pay Stubs
<input type="checkbox"/>	Overdue Invoices
<input type="checkbox"/>	Almost Due Invoices
<input type="checkbox"/>	Payment Receipt

**Note the types of forms and reports that you can choose to send from QuickBooks.**

## Producing Sales Orders

If you have the Premier or Enterprise edition of QuickBooks, there is a sales orders feature available that allows you to manage customer orders for both products and services. You can track items that have been ordered by a customer but are currently out of stock, schedule work to be done, plan costs for labor, and estimate future revenue based on the work that has been scheduled.

## Benefits of Sales Orders

There are certain benefits to using the sales order feature in QuickBooks:

- You can create one invoice for multiple sales orders.
- You can create multiple invoices for one sales order if you can only partially fulfill an order.
- You can track items that are on backorder.
- You can print a Sales Order Fulfillment Worksheet, which gives you a “big picture” and allows you to determine which orders to fill with the current inventory.

Once a sales order has been created, you can print a pick list that will assist you in fulfilling the order from inventory. If the order is for a service, you can schedule the service.

## Tracking Sales Orders

Sales orders will not affect what goes on behind the scenes because no money has changed hands. You can track open sales orders the same way you track open purchase orders: by creating a QuickReport from the non-posting account called 90200 • Sales Orders, which is located at the bottom of the Chart of Accounts. Remember that, in order for you to complete the sale and for things to happen correctly behind the scenes, you must invoice the customer from the sales order.

**BEHIND THE SCENES**

The accounting that occurs for product sales is different from what occurs when you sell services. Take a look behind the scenes.

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">50000-Cost of Goods Sold</td> <td style="width: 50px;"></td> <td style="text-align: center; border-bottom: 1px solid black;">12100-Inventory Asset</td> </tr> <tr> <td style="text-align: center; border-right: 1px solid black;">75.00</td> <td style="border-right: 1px solid black;"></td> <td style="text-align: center;">75.00</td> </tr> </table>	50000-Cost of Goods Sold		12100-Inventory Asset	75.00		75.00	<p><b>When an inventory item is sold, it “moves” the value of the item from the Inventory Asset account to the Cost of Goods Sold account.</b></p>
50000-Cost of Goods Sold		12100-Inventory Asset					
75.00		75.00					
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">11000-Accounts Receivable</td> <td style="width: 50px;"></td> <td style="text-align: center; border-bottom: 1px solid black;">25500-Sales Tax Payable</td> </tr> <tr> <td style="text-align: center; border-right: 1px solid black;">703.80</td> <td style="border-right: 1px solid black;"></td> <td style="text-align: center;">13.80</td> </tr> </table>	11000-Accounts Receivable		25500-Sales Tax Payable	703.80		13.80	<p><b>Don’t forget our friend sales tax... The rest of what happens behind the scenes looks similar to what happens when service items are sold. Notice that the credits (Clothing + Design Income + Sales Tax Payable) equal the debits (Accounts Receivable).</b></p>
11000-Accounts Receivable		25500-Sales Tax Payable					
703.80		13.80					
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">40140-Clothing</td> <td style="width: 50px;"></td> <td style="text-align: center; border-bottom: 1px solid black;">43200-Design Income</td> </tr> <tr> <td style="text-align: center; border-right: 1px solid black;"></td> <td style="border-right: 1px solid black;">150.00</td> <td style="text-align: center;">540.00</td> </tr> </table>	40140-Clothing		43200-Design Income		150.00	540.00	
40140-Clothing		43200-Design Income					
	150.00	540.00					

QUICK REFERENCE	SELLING AND ORDERING ITEMS
Task	Procedure
Create a batch of invoices and a new billing group	<ul style="list-style-type: none"> <li>■ Choose Customers→Create Batch Invoices.</li> <li>■ Click the Billing Group drop-down arrow; choose Add New.</li> <li>■ Type the name of the new group; click Save.</li> <li>■ Click to select a customer; click Add. Continue as necessary.</li> <li>■ Click Save Group; click Next.</li> <li>■ Enter the item information for the invoice and a customer message; click Next.</li> <li>■ Review the list of invoices that you will create; click Create Invoices.</li> <li>■ Choose to print or email invoices from the Batch Invoices Summary window.</li> </ul>
Email an invoice from the Create Invoices window	<ul style="list-style-type: none"> <li>■ Open the Create Invoices window and display the desired invoice.</li> <li>■ Click the Send button drop-down arrow; choose E-mail Invoice.</li> <li>■ Review the email message in your email program and make any changes.</li> <li>■ Choose to send the email from your email program.</li> </ul>
Send a batch of forms	<ul style="list-style-type: none"> <li>■ Choose File→Send Forms.</li> <li>■ Click to deselect any forms you do not wish to send.</li> <li>■ Edit any emails you wish; click Send Now.</li> </ul>
Create a sales order	<ul style="list-style-type: none"> <li>■ Choose Customers→Create Sales Orders.</li> <li>■ Fill in all relevant information; click Save &amp; Close.</li> <li>■ If the order is for a product, you can print a pick list to assist in fulfilling it.</li> <li>■ If the order is for a service, you should schedule the service at this time.</li> </ul>
Create an invoice from a sales order	<ul style="list-style-type: none"> <li>■ Choose Customers→Create Invoices.</li> <li>■ Choose the customer for whom you wish to create the invoice.</li> <li>■ Mark the appropriate order in the Available Sales Orders window; click OK.</li> <li>■ Choose whether the invoice is for all sales orders or only selected items.</li> <li>■ Verify all of the information that has been filled in, adding any additional items if desired; click Save &amp; Close.</li> </ul>

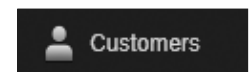
## DEVELOP YOUR SKILLS 1-5

### Sell Inventory Items

*In this exercise, you will first help Allison to create an invoice for a customer with discount payment terms. Then you will assist her in creating a batch of invoices for website maintenance services.*

*Joanie Short from Dance a Little has asked Guy to do design work to produce business cards, letterhead, flyers, and a website mock-up. She has also decided that she likes Allison's t-shirts and has purchased five of them for her staff. You will need to create a new job for the customer first.*

1. Click the **Customers** button on the Icon Bar.
2. Single-click **Dance a Little** on the Customers & Jobs List.
3. Click the **New Customer & Job** button, and then choose **Add Job**.
4. Type **Project #23**, and then click **OK**.

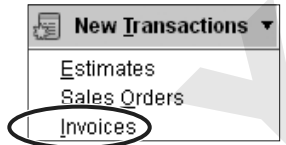


### Create an Invoice with Discount Payment Terms

Now that the job has been created, you will create an invoice with discount payment terms that will be emailed. The job you just created should still be selected in the Customers & Jobs List.

5. Click the **New Transactions** button, and then choose **Invoices**.

The Create Invoices window will appear with the Customer:Job entered.



6. Follow these steps to complete the invoice for Dance a Little:

**A** Click the **Template** drop-down arrow and choose **Intuit Product Invoice**.

**B** Tap **[Tab]**, and then type **011616**.

**C** Click the **Ship To** drop-down arrow and choose **Ship To 1**.

Customer:Job: Dance a Little:Project#23  
 TEMPLATE: Intuit Product Invoice  
 DATE: 01/16/2016  
 INVOICE #: 10024  
 BILL TO: Dance a Little, Joanie Short, 541 Humboldt Ave, Bayshore, CA 91547  
 SHIP TO: Ship To 1, Dance a Little, Joanie Short, 541 Humboldt Ave, Bayshore, CA 91547  
 P.O. NUMBER: [blank]  
 TERMS: 2% 10 Net 30  
 REP: [blank]  
 SHIP: 01/16/2016  
 VIA: US Mail  
 F.O.B.: [blank]  

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT	TAX
12	Graphic Design	Graphic Design	45.00	540.00	Non

**D** Click the **Via** drop-down arrow and choose **US Mail**.

**E** Click the **Terms** drop-down arrow and choose **2% 10 Net 30**.

**F** Click in the **Quantity** field and type **12**.

**G** Tap **[Tab]**, and then type **g**.

**H** Tap **[Tab]** twice, and then type **45**.

**I** Click **OK** in the Price Level/Billing Rate Level window, choosing for it not to be displayed again, if necessary.

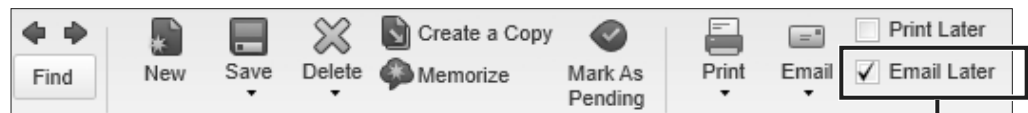
QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT	TAX
12	Graphic Design	Graphic Design	45.00	540.00	Non
5	T-Shirt	Allison's original design T-Shirt	30.00	150.00	Tax
TAX: San Tomas (9.2%)				13.80	
TOTAL				703.80	
PAYMENTS APPLIED				0.00	
BALANCE DUE				703.80	

CUSTOMER MESSAGE: We appreciate your prompt payment.

**J** Tap **[Tab]** three times, and then type **5**.

**K** Tap **[Tab]**, and then type **t**.

**L** Click the **Customer Message** drop-down arrow and choose the message displayed.



**M** On the Ribbon, click to choose to **Email Later**, ensuring that **Print Later** is not selected.



**BTS BRIEF**

11000•Accounts Receivable DR 703.80; 40140•Clothing CR <150.00>; 43200•Design Income CR <540.00>; Sales Tax Payable CR <13.80>; 50000•Cost of Goods Sold DR 75.00; 12100•Inventory Asset CR <75.00>

7. Click **Save & Close**.

*An Information Missing or Invalid window will launch.*

8. Type `jshort@labpub.com`; click **OK**.

9. Click **No** in the **Information Changed** window.

### Create a Batch of Invoices and a New Billing Group

*Guy is now offering a monthly fee for website maintenance, so you will help him to create a batch of invoices for the first two customers who subscribe to the monthly maintenance service fee. These customers pay a flat fee for the month. First, you will need to ensure that the two customers are set up correctly.*

*The Customer Center should still be open. If it is not, choose Customers→Customer Center.*

10. Double-click **Tim's BBQ Palooza** to open it for editing.

11. Follow these steps to ensure it is set up properly for batch invoicing:

**A** Click in the **Main Email** field and type `timBBQ@labpub.com`.

**B** Click the **Payment Settings** tab.

**C** Verify there are **Payment Terms** entered.

**D** Click the drop-down arrow and choose **E-mail** here.

**E** Click the **Sales Tax Settings** tab.

**F** Verify that a tax code is entered.

**G** Click the drop-down arrow and choose **San Tomas** here.

**H** Click **OK**.

12. Double-click **Masters Manufacturing** to open it for editing.

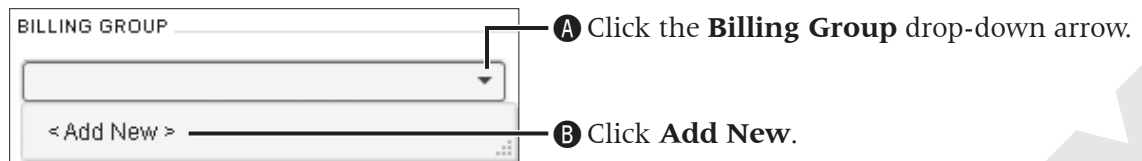
13. Following the instructions in [step 11](#), enter the email as `mastersm@labpub.com`, set the **Preferred Delivery Method** to **E-mail** and the **Tax Item** to **San Tomas** for **Masters Manufacturing**.

14. Close the **Customer Center**.

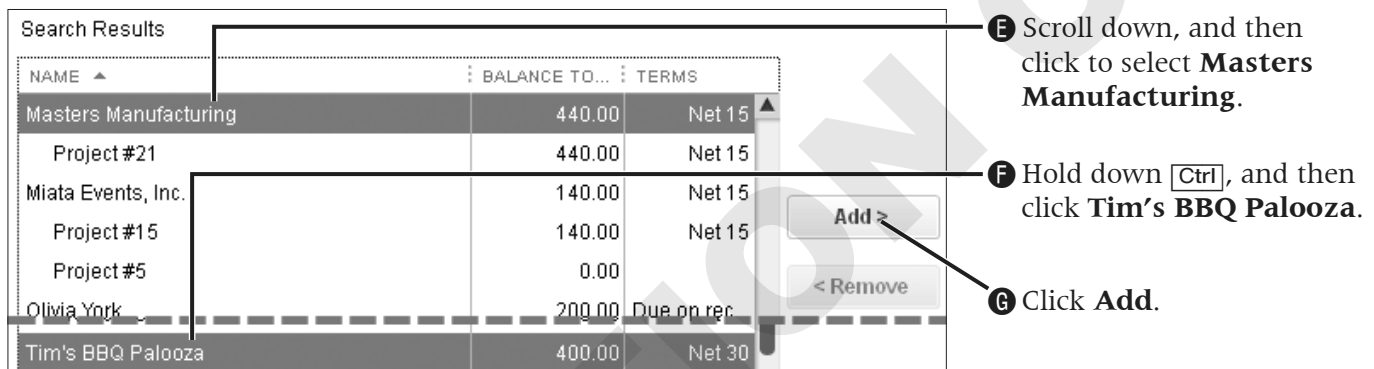
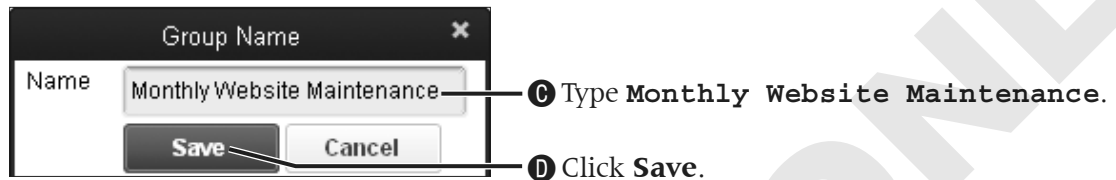
15. Choose **Customers→Create Batch Invoices**; click **OK** in the "Is your customer info set up correctly?" window.

*The Batch Invoice window will appear.*

16. Follow these steps to create a new billing group:



The Group Name window appears.



After clicking Tim's BBQ Palooza, both customers should be highlighted in green so that you can add both of them to the group at the same time.

17. Click the **Save Group** button located below the Customers in This Group list, and then click **Next**.

18. Follow these steps to add a new item and set it for the invoice:

A Tap the **+** key until the date is displayed as **01/20/2016**.

B Choose **Intuit Service Invoice** as the Template.

C Click in the **Item** column, and then type **Web**.

D Click **Yes** in the Item Not Found window.

E Click to choose **Service**.

F Click in the **Description** field, and then type **Website Design Work**.

G Choose **Non** as the Tax Code.

H Choose **43200 • Design Income** as the Account.

I Click **OK**, choosing to **Add Website to the dictionary** in the Spell Check window.

J Tap **Tab** twice, and then type **125**.

ITEM	QUANTITY	DESCRIPTION	RATE	AMOUNT	TAX
Web		Website Design Work	125.00	125.00	Non

L Click **Next**.

K Ensure **Non** is the tax code displayed.

19. Review the list of invoices that you are preparing to create.

Invoice Date: 01/20/2016									
SELECT	CUSTOMER	TERMS	SEND METHOD	AMOUNT	TAX CODE	TAX RATE	TAX	TOTAL	STATUS
<input checked="" type="checkbox"/>	Masters Manufacturing	Net 15	Email	125.00	Tax	9.2%	0.00	125.00	OK
<input checked="" type="checkbox"/>	Tim's BBQ Palooza	Net 30	Email	125.00	Tax	9.2%	0.00	125.00	OK

*You will see a screen that shows all of the invoices to be created. If you were to choose to not create an invoice for a member of the group, you could deselect it at this step.*

**20. Click Create Invoices.**

*The Batch Invoice Summary window displays.*

BTS BRIEF
11000•Accounts Receivable DR 250.00; 43200•Design Income CR <250.00>

**21. Close the Batch Invoice Summary window because you will choose to send all six of the invoices you have created in this exercise in the next few steps.****Choose to Send Forms from QuickBooks**

*Now you will send the invoice for Dance a Little that you marked to be sent by email as well as the two invoices you created as a batch. Since QuickBooks now sends emails utilizing Outlook, we will just look at how to initiate the action but will not actually send them since the computer you are working on may not have Outlook installed or set up.*

**22. Choose File→Send Forms.**

*The Select Forms to Send window will be displayed.*

**23. Take a look at the three invoices selected to be emailed.**

Select the email(s) you want to send and click Send Now					
3 of 3 Selected			✉ 3 email(s) to Send		
<input checked="" type="checkbox"/>	SEND TO	TYPE	NUM	DATE	AMOUNT
<input checked="" type="checkbox"/>	Project # 23	INV	10024	01/16/2016	\$703.80
<input checked="" type="checkbox"/>	Masters Manuf...	INV	10025	01/20/2016	\$125.00
<input checked="" type="checkbox"/>	Tim's BBQ Palo...	INV	10026	01/20/2016	\$125.00

*If you were working with your own company and had Outlook installed, this is when you would click Send Now.*

**24. Click Close in the Send Forms window.**

# Receiving Discounted and Electronic Payments

In *QuickBooks Pro 2015: Level 1*, you learned how to receive customer payments for the entire invoice amount. Now you will deal with a discounted customer payment. The procedure for receiving a discounted payment is almost identical to receiving a “regular” payment, except that you must identify the account to be debited for the discount amount.

INVOICE			
Customer:Job	Dance a Little:Project # 23		
Number	10024	Amount Due	703.80
Date	01/16/2016	Discount Used	<b>14.08</b>
Original Amt.	703.80	Credits Used	<b>0.00</b>
		Balance Due	689.72

Discount		Credits	
Discount Date	01/26/2016		
Terms	2% 10 Net 30		
Suggested Discount	14.08		
Amount of Discount	14.08		
Discount Account	49000 · Less Discounts Given		

You can easily apply the discount in the QuickBooks Discount and Credits window. QuickBooks calculates the discount based on the payment terms.

## Working with Electronic Customer Payments/Wire Transfers

In some instances, you may receive payments from your customers electronically. When the bank notifies you that you have received an **electronic payment**, you enter the receipt in the Receive Payments window, noting E-Check as the payment type. You will then be able to run reports, **filtering** by payment type, if you need to track electronic customer payments.


## Online Customer Payments via QuickBooks

Intuit offers a Billing Solution through QuickBooks for an additional fee. Take a look at the following illustration to see what the service can do for you.

**Quick intro: Online invoice payments** ✕

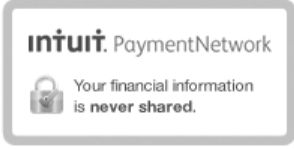
What is it?  
A convenient & low cost alternative to accepting cash or check payment for invoices.

**Customer's bank**




- FREE for your customers.
- Customers click the "Pay Now" link on your invoices.
- They enter their bank account number - done! (They don't have to create an Intuit account.)

**intuit. PaymentNetwork**



- Payments are processed by Intuit PaymentNetwork.
- We safeguard your information with rigorous online banking industry protection.

**Your bank**



- Payments deposited directly in your bank account.
- Only a 50-cent flat fee for each bank payment received. No monthly, set-up or cancellation fees.
- Option to auto-record transactions in QuickBooks 2011 and higher.

▶ See video: how it works (1:51)
Continue

When you choose Customer→Intuit PaymentNetwork→About PaymentNetwork, you will see a window displayed that will describe the service and even be provided with a link to watch a video about the service.

## The Shipping Manager

You can ship a package right from QuickBooks from both the Create Invoices and Enter Sales Receipt windows using FedEx, UPS, and now the United States Postal Service (through Stamps.com). You can use either your existing account(s) for any of these services, or you can sign up right from QuickBooks. QuickBooks will process the shipment and create a shipping label for you with the customer information that you have stored in QuickBooks. In addition, you can track your shipments from within QuickBooks.

**BEHIND THE SCENES**

When you receive a discounted payment, you need to credit the customer's Accounts Receivable account for the full amount even though you are not receiving the full amount in cash. The additional debit will be recorded in an expense account called 40199•Less Discounts Given.

12000-Undeposited Funds	11000-Accounts Receivable	40199-Less Discounts Given
689.72	703.80	14.08

**QUICK REFERENCE****PROCESSING SALES DISCOUNTS AND ELECTRONIC PAYMENTS****Task****Procedure**

Receive a discounted payment

- Choose Customers→Receive Payments; choose the customer/job from whom/ which you received the payment.
- Enter the payment information.
- Click to choose the invoice to which the discount applies; click Discount & Credits.
- Enter the discount amount and account.
- Click Done; click Save & Close or Save & New.

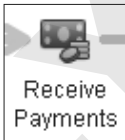
Receive an electronic payment

- Choose Lists→Customer & Vendor Profile Lists→Payment Method List; create a new payment method called Electronic Payment.
- Choose Customers→Receive Payments; choose the desired customer/job.
- Enter the payment information; enter Electronic Payment as the payment type.
- Click Save & Close to record the payment.
- Choose Banking→Make Deposits; click to choose the electronic payment.
- Click OK to move to the Make Deposits window; enter the desired account.
- Enter the date of the deposit; click Save & Close.

**DEVELOP YOUR SKILLS 1-6**

**Receive a Discounted Payment Electronically**

*In this exercise, you will help Allison to record a discounted payment and process an electronic payment for Average Guy Designs.*

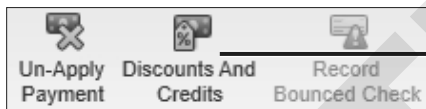


1. Click the **Receive Payments** task icon in the Customers area of the Home page.
2. Follow these steps to record the discounted payment:

- A** Choose **Dance a Little:Project #23** from the list.
- B** Tap [Tab], and then type **689.72** as the amount.
- C** Tap [Tab], and then type **012116** as the date.

- D** Choose **e-Check** as the payment method.
- E** Click in the **Reference #** field, and then type **2Q78X901**.

*Notice the Underpayment section of this window. Whenever you enter a payment amount that is less than the total amount due, you will see this section. You can then choose how to handle the underpayment. You will apply a discount to the invoice to take care of the underpayment in this case.*



- F** Click **Discounts and Credits** on the Ribbon.

- G** Click in the **Discount Account** field, and then type **Less Discounts Given**.
- H** Tap [Tab], and then click **Set Up**.

- I** Type **49000**.
- J** Click **Save & Close**.

3. Click **Done** to return to the Receive Payments window.

**BTS BRIEF**  
 12000•Undeposited Funds DR 689.72; 40199•Less Discounts Given DR 14.08; 11000•Accounts Receivable CR <703.80>

4. Click **Save & Close** to complete the payment receipt.



## Deposit an Electronic Payment

Now you will record the deposit of the electronic payment into your bank account.

- Click the **Record Deposits** task icon in the Banking area of the Home page.

The *Payments to Deposit* window will appear.

- Click the **e-Check** you just entered to select it, and then click **OK**.



SELECT PAYMENTS TO DEPOSIT						
<input checked="" type="checkbox"/>	DATE	TIME	TYPE	NO.	PAYMENT ME... NAME	AMOUNT
<input checked="" type="checkbox"/>	1/21/2016		PMT	2Q78X901	E-Check Dance a Little:Project # 23	689.72

- Tap **Tab**, and then verify **01/21/2016** is the date.

BTS BRIEF
10000•Checking DR 689.72; 12000•Undeposited Funds CR <689.72>

- Click **Save & Close** to record the deposit to 10000•Checking.

## Working with Refunds

There are many times when you may need to issue a refund to a customer. Once a credit memo has been created, you can choose to refund a customer by returning the payment in full, or your policy may be to issue a credit that can be applied to another purchase or to an invoice.

### Issuing a Refund

There are a variety of reasons why you may wish to issue a refund to a customer, such as:

- For merchandise that has been returned
- For an order that was canceled
- To reimburse for an overpayment

If you wish to return a customer's payment, you can choose to issue a refund check or to return the funds to a credit card.

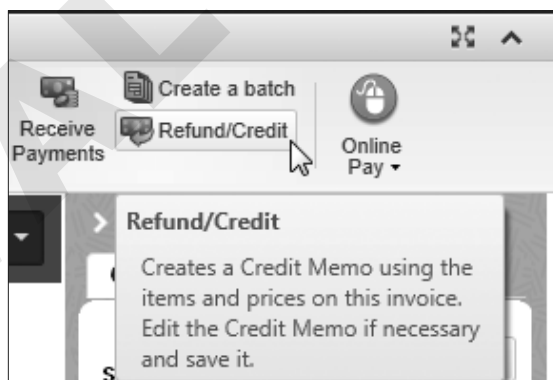
When you choose to issue a refund, the Issue a Refund window will appear. In this window, you can enter the information for the refund check.

## Creating a Credit Memo

To account for returned merchandise, you may need to issue a credit memo. Once a credit memo has been created, you can choose to apply the credit to an invoice (so the customer can apply it toward a future purchase), or you can choose to issue a refund check to a customer.

### One-Click Credit Memo

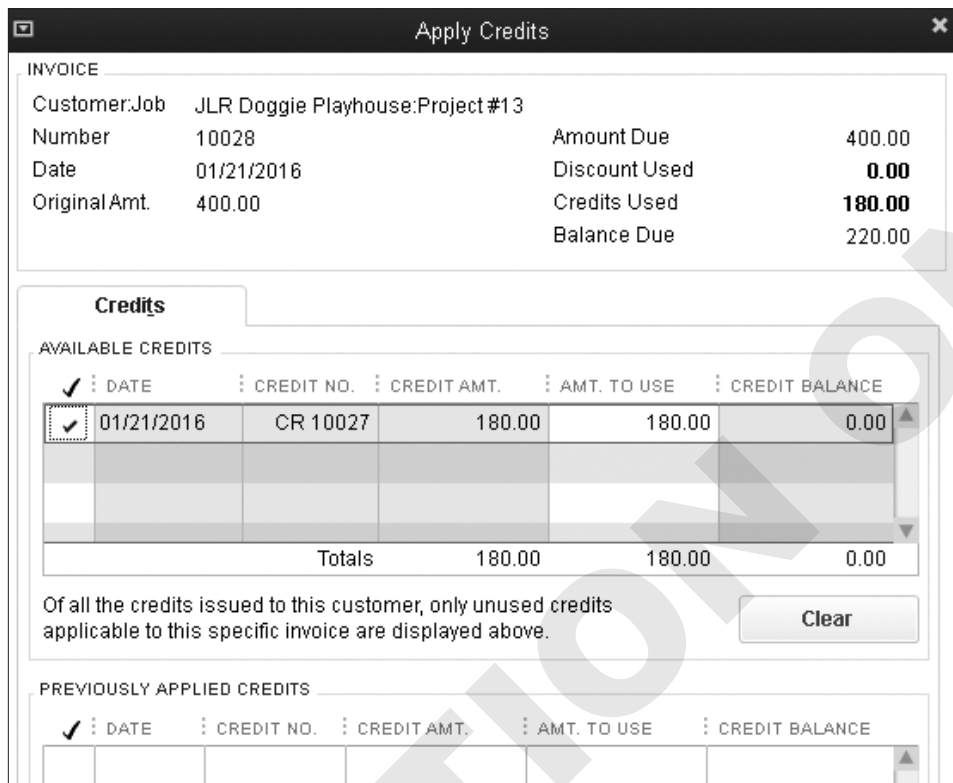
If you need to refund a customer for a purchase that was made on an invoice, you can use a feature in QuickBooks that allows you to convert an invoice to a credit memo with one click. This can save you time as you will not have to retype the information for the new transaction.



The Refund/Credit button on the Create Invoice window Ribbon allows you to easily create credit memos from invoices.

### Applying a Credit as a Part of a Payment

Once a credit has been issued to a customer, you can apply it against invoices for future purchases. This is done through the Create Invoices or Receive Payments windows.



The Apply Credits window allows you to apply existing customer credits against an invoice.

### Entering a Credit from a Vendor

If you are on the receiving end of a credit memo, you will need to enter it in your QuickBooks company file as well. This is easily done through the Enter Bills window. Once you have recorded the credit, you can either pass it on to a customer (if you chose to do so in the Enter Bills window when you recorded it) or use it when you pay bills to this vendor in the future.

**BEHIND THE SCENES**

When you issue a refund, Accounts Receivable or Checking (depending on whether you have received the customer's payment or not), an income account, and Sales Tax Payable (if sales tax was charged in the original transaction) will be affected behind the scenes.

<p>43200-Design Income</p> <hr style="width: 80%; margin: 0 auto;"/> <p style="text-align: center;">180.00</p>	<p>10000-Checking, or 11000-Accounts Receivable</p> <hr style="width: 80%; margin: 0 auto;"/> <p style="text-align: center;">180.00</p>
--	---

QUICK REFERENCE		WORKING WITH REFUNDS AND CREDITS
Task	Procedure	
Create a credit memo	<ul style="list-style-type: none"> <li>■ Choose Customers→Create Credit Memos/Refunds.</li> <li>■ Select the customer and set the date; enter the credit information.</li> </ul>	
Issue a refund check for returned merchandise	<ul style="list-style-type: none"> <li>■ Choose Customers→Create Credit Memos/Refunds.</li> <li>■ Choose the desired customer.</li> <li>■ Enter the items being returned as separate line items.</li> <li>■ Click the Use Credit button; choose Give Refund.</li> <li>■ Enter a memo (optional); click OK.</li> </ul>	
Issue a refund for overpayment on an invoice	<ul style="list-style-type: none"> <li>■ Choose Customers→Receive Payments.</li> <li>■ Enter payment information. (The overpayment box will appear.)</li> <li>■ Choose to refund the amount to the customer; save the transaction.</li> <li>■ Complete the customer information in the Issue a Refund window.</li> <li>■ Enter a memo as to the purpose of the refund (optional); click OK.</li> </ul>	
Issue a refund for a canceled prepaid order/deposit	<ul style="list-style-type: none"> <li>■ Choose Banking→Write Checks.</li> <li>■ Fill in the customer information in the top portion of the window.</li> <li>■ Choose Accounts Receivable; save the check.</li> <li>■ Choose Customers→Receive Payments.</li> <li>■ Choose the correct customer at the top of the window; leave the amount as zero.</li> <li>■ Click the Discounts &amp; Credits button. The check you just wrote should be selected. If an invoice is selected, click to remove the checkmark.</li> <li>■ Save &amp; Close the transaction.</li> </ul>	
Enter a credit from a vendor	<ul style="list-style-type: none"> <li>■ Choose Vendors→Enter Bills.</li> <li>■ Choose Credit, choose the vendor, and enter the credit amount.</li> <li>■ In the Account column, choose the account that you use to track vendor credits.</li> <li>■ Enter the amount of the credit; indicate whether to pass the credit on to a customer.</li> <li>■ Save &amp; Close the credit.</li> </ul>	
Create a credit memo from an invoice	<ul style="list-style-type: none"> <li>■ Open the invoice from which you wish to create the credit memo.</li> <li>■ Click the Create button on the Create Invoices window toolbar; choose Credit Memo for this Invoice.</li> <li>■ Verify the information; click Save &amp; Close.</li> </ul>	

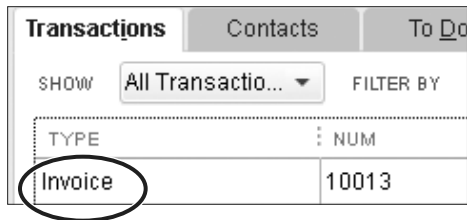
### DEVELOP YOUR SKILLS 1-7

## Create a Credit Memo and Issue a Refund

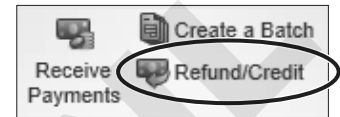
*In this exercise, you will create a credit memo and then apply the credit toward a future invoice. In this example, you have told Billy Mercedes that you will refund invoice 14-0013 as he has decided to go with you for a comprehensive branding plan.*

1. Choose **Customers**→**Customer Center**.
2. Single-click the **Project #13** job in the Customers & Jobs list.

- Double-click the **Invoice** displayed on the Transactions tab.



- Click the **Refund/Credit** button on the Ribbon.
- Follow these steps to create the credit memo for Billy:



**Credit Memo**

DATE	01/21/2016	CUSTOMER	JLR Doggie Playhouse Billy Mercedes
CREDIT NO.	CR 10027		
TAX	San Tomas (9.2%)		0.00
	TOTAL		180.00

- A** Verify that **01/21/2016** is the date displayed.
- B** Enter **CR 10027** as the **Credit No.**

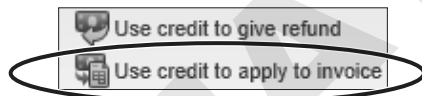
- C** Click the **Tax** drop-down arrow, and then choose **San Tomas**.

*Leave the Create Credit Memos/Refunds window open. You will issue the refund from it in the next step.*

### Apply a Credit to and Create a New Invoice

*You will now choose to apply the credit to a new invoice and then create the new invoice.*

- Click the **Use credit to apply to invoice** button on the Ribbon.



- Click **OK** in the Warning window; click **Save & Close** to record the credit memo.

BTS BRIEF
43200•Design Income DR 180.00; 11000•Accounts Receivable CR <180.00>

- Click **Save & New** in the Create Invoices window.

9. Follow these steps to create an invoice for the branding and apply the credit to it:

**A** Choose the **Project #13** job for JLR Doggie Playhouse. **B** Verify the date is **01/21/2016**.

**C** Click in the **Invoice #** field, and then type **10028**.

**D** Tap **Tab** four times, and then type **br**.

**E** Tap **Tab**, and then type **1**.

**F** Click the **Apply Credits** button.

**G** Click **Yes** in the Recording Transaction window.

ITEM	QUANTITY	DESCRIPTION	RATE	AMOUNT	TAX
Branding	1	Comprehensive Branding Plan	400.00	400.00	Non

The *Apply Credits* window will launch. Take a look at how the credit has been applied to the invoice, and the balance due is now \$220.

10. Click **Done** in the Apply Credits window; close the **Create Invoices** window.

## Producing Inventory and Sales Reports and Graphs

QuickBooks features many preset reports to help you efficiently manage inventory and sales. You will produce these reports in much the same way as you have created reports for other aspects of your business.

### Physical Inventory Worksheet

Periodically, it is important to physically count your inventory items and to make sure that what is “on the books” is actually what you have in stock. Many businesses do this type of procedure annually and adjust their books accordingly. QuickBooks provides a great report that can aid in this process—the Physical Inventory Worksheet. It shows the name, description, preferred vendor, and on-hand quantity of each item you have in inventory. It also provides a column with blank lines, where you can record what you actually have during a physical inventory count.

Item	Description	Preferred Vendor	Quantity On Hand	Physical Count
Coasters		Hartwell Designs	0	
LS Shirt		Allison Fox Designs	20	
Scarf		Knit a Bit	25	
Sm Tiles		Hartwell Designs	0	
T-Shirt	Allison's original design...	Allison Fox Designs	20	

Notice that there is no Description for the inventory items entered earlier. This is because we did not enter that information in the Add/Edit Multiple List Entries window, but you can do so by going back there and adding columns or by editing in the Edit Item window.

## Making Inventory Adjustments

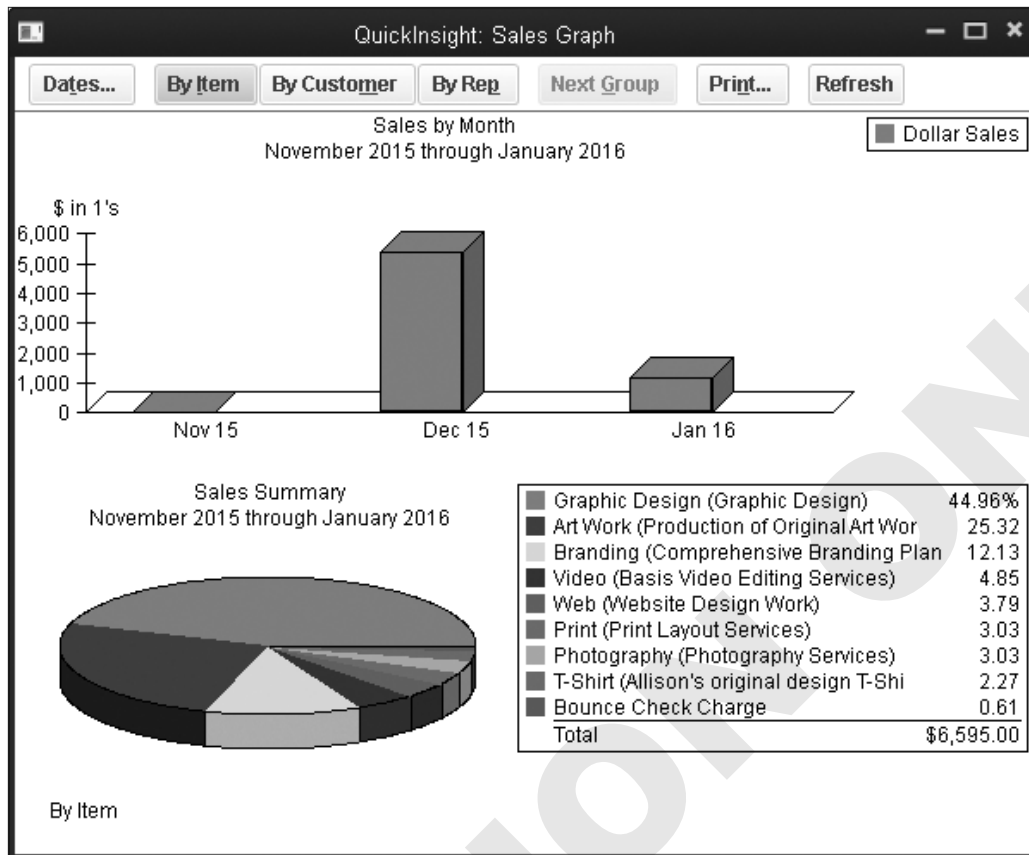
You can make inventory adjustments that are necessary when there is a discrepancy between the quantity on hand (as per QuickBooks) and the physical count of an inventory item.

The following table lists many reports useful when you work with inventory items.

INVENTORY REPORTS AND THEIR PURPOSES	
Inventory Report Name	What it will tell you...
Inventory Valuation Summary	The value of your inventory by item
Inventory Valuation Detail	The details of the transactions that affect the value of inventory
Inventory Stock Status by Item	The inventory items you need to reorder and the current number in stock of each item
Inventory Stock Status by Vendor	Similar to the Inventory Stock Status by Item but arranged by vendor
Physical Inventory Worksheet	A printable worksheet used to count physical inventory or to compare physical quantity to the number QuickBooks has recorded

## Tracking Sales

The Sales area of the Report Center features reports and graphs that help you to stay on top of your company's sales. You can choose from reports grouped by Sales by Customer, Sales by Item, and Sales by Rep (if sales reps have been set up). You can also view sales information by job if you have jobs set up for your company. The Sales Graph can graphically display your sales by item, customer, and rep.



Graphs are a great way to illustrate your company's information. Here, you can see the sales by month for the fiscal year to date as well as the sales by item. Remember that if QuickBooks doesn't provide a preset graph that works for you, you can export your data to Excel and create your graphs there.

### QUICK REFERENCE

### PRODUCING INVENTORY, RECEIVABLES, AND SALES REPORTS AND GRAPHS

#### Task

Display an inventory, receivable or sales report or graph

#### Procedure

- Open the Report Center.
- Choose the category of the report you wish to run.
- Click the report; click the Display button.

### DEVELOP YOUR SKILLS 1-8

## Create Inventory and Sales Reports

*This report will show the dollar value (based on purchase price) of the company's inventory.*

1. Choose **Reports**→**Inventory**→**Inventory Valuation Summary**.
2. Tap **[a]** to set **All** as the date range for the report.  
*The report will show the number of items you have in inventory as well as their asset value (cost) and retail value.*
3. Close the report, choosing not to memorize it.



### Determine Which Items to Reorder

This report will help Guy to determine when he needs to order additional items.

4. Choose **Reports**→**Inventory**→**Inventory Stock Status by Item**.
5. Tap **[a]** to set the date range to **All**.

Inventory	Pref Vendor	Reorder Pt (Min)	Max	On Hand	Order	On PO	Reorder Qty	Next Deliv	Sales/Week
Coasters (Coaster Set)	Hartwell Designs	8		0	✓	0	9		0
LS Shirt (Allison's original design long sleeved s...	Allisons Fox Des...	10		20		0	0		0
Scarf (Handmad Scarf)	Knit a Bit	12		25		5	0	01/05/2016	0
Sm Tiles (Small hanging tile with original design)	Hartwell Designs	20		0	✓	0	21		0
T-Shirt (Allison's original design T-Shirt)	Allisons Fox Des...	10		20		0	0		2.9

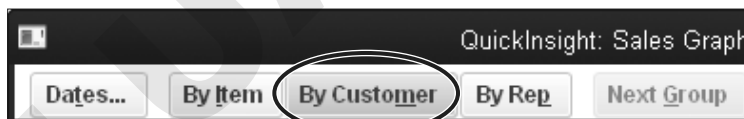
Notice that a checkmark appears in the Order column when it is time to place an order.

6. Close the **Inventory Stock Status by Item** window, choosing not to memorize it.

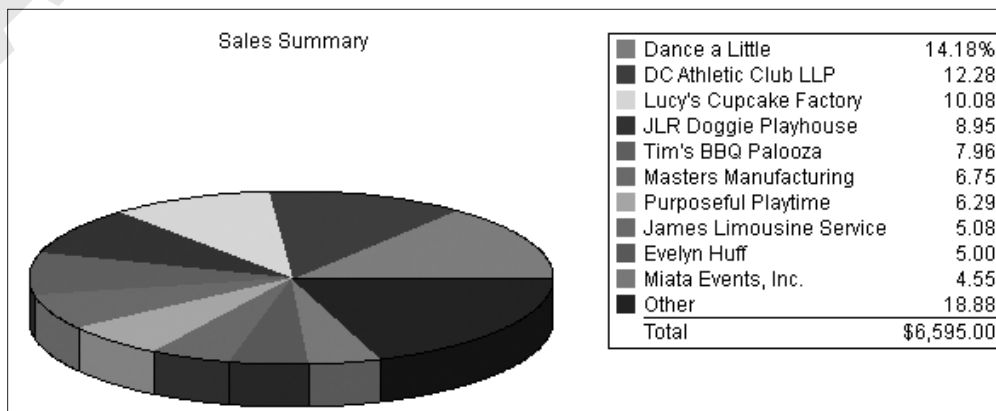
### Create a Sales Graph

Finally, you will create a graph that will show you all of the sales by month and the sales by customer for the fiscal year to date.

7. Choose **Reports**→**Sales**→**Sales Graph**.
8. Click the **Dates** button on the toolbar, tap **[a]**, and then click **OK**.
9. Click the **By Customer** button on the toolbar.



Notice the sales graph in the lower area of the window by customer. There are so many customers for the company that you will have to use QuickZoom to drill down to those classified as "Other."



10. Close the **Sales Graph** window.
11. Choose the appropriate option for your situation:
  - If you will continue working, leave QuickBooks open.
  - If you are finished working in QuickBooks for now, choose **File**→**Exit**.

## Tackle the Tasks

Now is your chance to work a little more with Average Guy Designs and apply the skills that you have learned in this chapter to accomplish additional tasks. You will use the same company file you used in the Develop Your Skills exercises throughout this chapter. Enter the following tasks, referring back to the concepts in the chapter as necessary.

<b>Create Inventory Item</b>	Item Name: Earrings; Description: Designer Earrings; Cost: 19.50; Sales Amt.: 40.00; COGS: 50000•Cost of Goods Sold; Pref. Vendor: Holly's Bead Art; Income Acct: 41200•Accessories; Asset Acct.: 12100•Inventory Asset; Reorder: 15; Qty on Hand: 0.
<b>Create Purchase Order</b>	Create a PO to purchase 25 of the earrings you just entered as an inventory item on 1/24/16.
<b>Receive Items</b>	Receive the earrings with the bill on 1/30/16. Add a \$15 shipping charge to the bill.
<b>Sell Items</b>	Sell three pairs of earrings to Chris Nelson (new customer) for his employees on 1/31/16, terms 2% 10 Net 30. Terms are only for this invoice.
<b>Receive Payment</b>	Receive an e-check, 758946, from Chris Nelson for the earrings on 2/4/16. Chris has taken advantage of the early payment discount. Deposit the payment to Checking on the same day.
<b>Run Reports</b>	Create a report that shows the inventory on hand and its value as of 1/31/16. Create a report that shows the total sales for January 2016.

## Concepts Review

To check your knowledge of the key concepts introduced in this chapter, complete the Concepts Review quiz on the Student Resource Center or in your eLab course.

# Reinforce Your Skills



Angela Stevens has just relocated her company, Quality-Built Construction, from California to Silverton, Oregon. You will be working with a QuickBooks Sample Company File in this exercise as it will allow you to run full payroll in a future chapter without having to purchase a payroll subscription.

*Before You Begin:* Remember your options! You may use either the company file or the portable company file that is provided for these exercises.

- **Option 1:** Open **RYS\_Chapter01** from your file storage location.
- **Option 2:** Restore **RYS\_Chapter01 (Portable)** from your file storage location, adding your last name and first initial to the end of the filename.

## REINFORCE YOUR SKILLS 1-1

### Set Up Inventory and Sales Tax Items

In this exercise, you will set up sales tax and inventory items for Angela. The first step is to turn on the sales tax preference and set up a sales tax item.



It is understood that there is no sales tax in Oregon in “real life,” but you will use it in this exercise in order to learn how to use the feature.

1. Choose **Edit**→**Preferences**.
2. Display the **Company Preferences** tab of the Sales Tax category.
3. Turn on the sales tax preference.
4. Set up a new sales tax item using this information.

Sales Tax Name	Marion County ST
Description	Marion County Sales Tax
Tax Rate	8.25%
Tax Agency	Marion County

5. Click **OK** to add the new sales tax item.
6. Choose **Marion County ST** as the most common sales tax item.
7. Click **OK** to close the Preferences window and accept the new preference.
8. Click **OK** in the Updating Sales Tax window; click **OK** to acknowledge the closing of all open windows.

## Turn On Inventory Preferences

*Angela wants to start offering custom-built woodworking items for sale to her customers. You will now help her to set up her QuickBooks file to deal with her inventory along with the new income and expenses involved.*

9. Choose **Edit**→**Preferences**.
10. Click the **Items & Inventory** category, and then click the **Company Preferences** tab.
11. Click in the box to the left of **Inventory and purchase orders are active**.
12. Click **OK** to close the Preferences window; click **OK** to close the Warning window, if necessary.

## Create a New Income Account

*The next step for Angela to take is to set up a separate income account for the product sales.*

13. Choose **Lists**→**Chart of Accounts**.
14. Click the **Account** menu button, and then choose **New**.
15. Choose **Income** as the account type, and then click **Continue**.
16. Type **4500**, tap **Tab**, type **Product Sales**, and then click **Save & Close**.
17. Close the **Chart of Accounts**.

## Create a New Inventory Item

*Now Angela needs to set up an inventory item to be able to sell her product using the sales forms.*

18. Choose **Lists**→**Item List**, click the **Item** menu button, and then choose **New**.
19. Choose **Inventory Part** as the item type.

20. Use the following illustration to create the new item; click **OK** when you are finished.

TYPE					
Inventory Part	Use for goods you purchase, track as inventory, and resell.				
Item Name/Number	<input type="checkbox"/> Subitem of				
Coffee table	Manufacturer's Part Number				
UNIT OF MEASURE					
Enable...					
PURCHASE INFORMATION					
Description on Purchase Transactions					
Custom designed coffee table					
Cost	45.00				
COGS Account	50000 · Cost of Goods...				
Preferred Vendor	Ronson Design				
SALES INFORMATION					
Description on Sales Transactions					
Custom designed coffee table					
Sales Price	95.00				
Tax Code	Tax				
Income Account	4500 · Product Sales				
INVENTORY INFORMATION					
Asset Account	Reorder Point (Min)	Max	On Hand	Total Value	As of
12100 · Invento...	10		0.00	0.00	12/15/2019

21. Close the **Item List**.

## REINFORCE YOUR SKILLS 1-2

### Create Purchase Orders and Receive Items

*In this exercise, you will help Angela to order and receive inventory items. You will begin by creating a purchase order for the custom coffee tables.*

1. Choose **Vendors**→**Create Purchase Orders**.
2. Use the following illustration to enter the information into the purchase order.

VENDOR	Ronson Design	DROP SHIP TO	TEMPLATE	Custom Purch...	
<b>Purchase Order</b>		DATE	01/08/2020	VENDOR	
		P.O. NO.	90709	Ronson Design	
		SHIP TO			
		Quality-Built Constructi 100 Mason St. Woodcrest, CA 94327			
ITEM	DESCRIPTION	QTY	RATE	CUSTOMER	AMOUNT
Coffee table	Custom designed coffee table	15	45.00		675.00

3. Click **Save & Close**.

## Receive the Items

The coffee tables have arrived without the bill, so Angela needs to receive them into QuickBooks.

4. Choose **Vendors**→**Receive Items**.
5. Choose **Ronson Design** as the vendor, tap **[Tab]**, and then click **Yes** to receive against an open purchase order.
6. Click in the **checkmark** column to the left of the purchase order dated 1/8/2020, and then click **OK**.
7. Change the date of the **Item Receipt** to **1/12/2020**, and then click **Save & Close**.

## Receive the Bill

The bill for the coffee tables has just arrived, so it is time to enter it into QuickBooks.

8. Choose **Vendors**→**Enter Bill for Received Items**, and then choose **Ronson Design** as the vendor.
9. Click on the Item Receipt dated **1/12/20** to select it, and then click **OK**.
10. Tap **[Tab]**, and then tap **[+]** until the date reads **1/14/2020**.
11. Enter **Inv. #PCH-1** as the Ref. No. and Memo, and then enter **Net 15** as the terms.
12. Click **Save & Close**, clicking **Yes** to agree to change the transaction.
13. Click **Yes** to permanently change the information for Ronson Designs.

### REINFORCE YOUR SKILLS 1-3

## Sell Inventory Items

Once the products have been entered into inventory, it is time to start selling! In this exercise, you will record inventory sales.

1. Choose **Customers**→**Enter Sales Receipts**.
2. Choose **Ramirez, Hector:New Home** as the **Customer:Job**.
3. Use the following illustration to enter the information for the sales receipt.

CUSTOMER:JOB Ramirez, Hecto...      TEMPLATE Custom ...

### Sales Receipt

DATE 01/12/2020      SOLD TO Hector Ramirez  
PO Box 7762  
Mt. Angel, OR 97362

CASH    CHECK    CREDIT DEBIT    e-CHECK    MORE

SALE NO. Advance

CHECK NO. 1744

ITEM	DESCRIPTION	QTY	RATE	AMOUNT	TAX
Coffee table	Custom designed coffee table	2	95.00	190.00	Tax

4. Click **Save & New** to record the sale.

## Record Sales from a Craft Fair

Angela's daughter rented a booth at a local craft fair and sold the coffee tables. You will now help her to enter the sales.

5. Enter **1/13/2020** as the date of the sale, and then **Cash** as the Payment Method.
6. Choose **Coffee Table** as the Item, with a quantity of **5**.
7. Enter **Craft Fair Sales** as the memo.
8. Click **Save & Close** to record the sale.

### REINFORCE YOUR SKILLS 1-4

## Process Payments

In this exercise, you will help Angela to deposit all of the payments received into the Company Checking Account.

1. Choose **Banking**→**Make Deposits**.  
*The Payments to Deposit window will appear.*
2. Click the **Select All** button, and then click **OK**.
3. Change the date of the deposit to **1/14/2020**, ensure that Company Checking Account is the account displayed, and then click **Save & Close**.  
*All of the payments waiting in the Undeposited Funds account have now been deposited into the Company Checking Account.*

### REINFORCE YOUR SKILLS 1-5

## Produce Reports

In this exercise, you will create an inventory report that details the quantity and value of inventory on hand.

1. Choose **Reports**→**Inventory**→**Inventory Valuation Detail**.
2. Tap  to set the date range to **All**.
3. Using **QuickZoom**, go to the bill for the coffee tables.
4. Change the terms of the bill to **Net 30**.
5. Save the bill with the changes, choosing to have the new terms appear next time and become a permanent change to the vendor record.
6. Click **Yes** to refresh the report.
7. Close the report, choosing not to memorize it.
8. Choose the appropriate option for your situation:
  - If you will continue working, leave QuickBooks open.
  - If you are finished working in QuickBooks for now, choose **File**→**Exit**.

# Apply Your Skills



*Before You Begin: Remember your options! You may use either the company file or the portable company file that is provided for these exercises.*

- **Option 1:** Open **AYS\_Chapter01** from your file storage location.
- **Option 2:** Restore **AYS\_Chapter01 (Portable)** from your file storage location, adding your last name and first initial to the end of the filename.

## APPLY YOUR SKILLS 1-1

### Set Up Sales Tax and Inventory Items

*In this exercise, you will help Sadie to set up sales tax and inventory items that she will begin selling to her customers.*

1. Open the **Preferences** window and set the preference to collect sales tax.
2. Set up a new sales tax item (**King County Sales Tax for 10%**, payable to **King County Treasurer**), and then set it as the most common sales tax item.
3. Click **OK** to close the Preferences window and accept the new preference.
4. Choose to make all existing customers taxable but not all existing non-inventory and inventory parts.

### Turn On the Preference and Create a New Income Account

*Before you can set up inventory items, you must turn on the preference and have an income account for the item sales to flow into.*

5. Open the **Preferences** window, and then turn on the **Inventory and purchase order** feature; click **OK** in the Preferences window.
6. Choose **Company**→**Home Page**.
7. Open the **Chart of Accounts**, and then create a new income account called **Sales**. Close the **Chart of Accounts** when finished.



## Create New Inventory Items

Now you will set up the new items that will be sold.

- Using either the **Item List** or the **Add/Edit Multiple List Entries** window, create these inventory part items.

Item Name	Toothbrush	Chew Toy	Cat Collar
Purchase/Sales Description	Dog toothbrush and paste kit	The great indestructible ball!	Designer cat collar
Cost	6.49	3.71	8.00
Preferred Vendor	Seattle Vet Supply	Bothell Pet Supply Co.	Take a Walk
Sales Price	14.99	8.99	19.99
Income Account	Sales	Sales	Sales
Reorder Point	15	20	10

- Close the **Item List** or **Add/Edit Multiple List Entries** window.

### APPLY YOUR SKILLS 1-2

## Purchase and Receive Inventory Items

In this exercise, you will help Dr. James to purchase and receive her new inventory items in order to have them in stock.

### Create Purchase Orders

First you must create the purchase orders.

- Open the **Create Purchase Orders** window.
- Order 25 toothbrushes from Seattle Vet Supply on 7/1/16; click **Save & New**.
- Order 40 chew toys from Bothell Pet Supply Co. on 7/2/16; click **Save & New**.
- Order 15 cat collars from Take a Walk on 7/2/16; click **Save & Close**.

### Receive the Items

You will now receive the items into inventory.

- You received all 25 toothbrushes from Seattle Vet Supply on 7/7/2016, along with the bill. Receive the items and enter the bill, making sure to receive against the purchase order you created.
- You received 33 of the chew toys from Bothell Pet Supply Co. The rest are on backorder, so you did not receive the bill yet. Receive these 33 items into inventory on 7/8/2016.
- You received all 15 of the cat collars from Take a Walk on 7/12/2016, along with the bill. Included on the bill was a shipping charge of \$12.95. Receive the items into inventory and enter the bill. Create a new Postage and Delivery expense account for the shipping charge.
- On 7/14/2016, you received a bill for the chew toys you received on 7/8/2016, along with a shipping charge of \$13.50 and a note stating that they would not be charging you a shipping charge for the backordered chew toys.
- Receive the seven chew toys that were on backorder, along with the bill, on 7/25/2016.

**APPLY YOUR SKILLS 1-3****Sell Inventory**

*In this exercise, you will help Sadie to process sales for the new inventory items. Jill Ann Tank came in to pick up two of the new cat collars she heard you talking about.*

1. Using an **Enter Sales Receipts** window, sell Jill Ann Tank two of the new designer cat collars on 7/14/2016. She pays with cash.

**Sell Inventory with Discount Payment Terms**

*One of the dog handlers from King County Sheriff decided to get toothbrushes and chew toys for the dogs. You will create an invoice using discount payment terms.*

2. Sell seven toothbrushes and seven chew toys to King County Sheriff K-9 Unit on 7/15/2016. The Terms should be 2% 10 Net 30. Choose to not make the change in Terms permanent.

**Sell Inventory with Service and Non-Inventory Items**

*Inventory items can be sold on invoices with any other type of item. You will create an invoice that includes service, inventory, and non-inventory items.*

3. Stacy LiMarzi brought in his cat, Reagan, for a new-patient exam on 7/19/2016. Create an invoice for him for the New Patient Exam, a FIV/FelV test, and a dose of Revolution for a cat. Stacy noticed the new cat collars in the lobby and decided to get one for Reagan as well. Only the collar is taxable.

**Receive Payments for Inventory Sales**

*Now you will receive payment on the two invoices you just created.*

4. Open the **Receive Payments** window, and then choose King County Sheriff K-9 Unit as the customer. Receive check 7796 for \$180.96 to pay for invoice 176 on 7/21/2016, applying the 2 percent discount of \$3.69 since the payment was received within 10 days. Create a new income account called Less Discounts Given as the Discount Account, clicking Save & New when you have entered all of the information correctly.
5. Choose Stacy LiMarzi as the customer and 7/22/2016 as the Date. Stacy has paid the entire amount of invoice 177 with check 448. **Save & Close** the transaction.

**APPLY YOUR SKILLS 1-4****Issue a Credit and a Refund Check**

*In this exercise, you find Dr. James realizing that she overcharged the City of Seattle K-9 Unit on invoice 148, as Duke did not receive a nail trim. You will help her to issue a credit memo and a refund check to the city.*

1. Open the **Create Credit Memos/Refunds** window, and then choose **City of Seattle K-9 Unit:Dog-Duke** as the Customer:Job.
2. Set the date to **7/14/2016**, enter **RF1** as the Credit No., and then choose **Nails** as the non-taxable Item.
3. Click **Save & Close**, and then choose to **Give a refund** in the Available Credit window.
4. Verify that the information is correct in the Issue a Refund window, making sure that the check is set to be printed, and then click **OK**.

*The refund check is now in the queue waiting to be printed.*

**APPLY YOUR SKILLS 1-5****Answer Questions with Reports**

*In this exercise, you will answer questions for Dr. James by running reports. You may wish to display the Report Center in List View to help you answer the questions. Ask your instructor if you should print the reports, print (save) them as PDF files, export them to Excel, or simply display them on the screen.*

1. How many inventory items do we currently have in stock as of 7/31/2016?
2. How much is the inventory that we have in stock worth as of 7/31/2016?
3. What is the sales amount for each customer during the month of July 2016?
4. What item have we sold the most of during the month of July 2016?
5. What bills are still unpaid, as of 7/31/2016, including those for the inventory we purchased?
6. Submit your reports based on the guidelines provided by your instructor.
7. Choose the appropriate option for your situation:
  - If you are continuing on to the next chapter or the Extend Your Skills exercises, leave QuickBooks open.
  - If you are finished working in QuickBooks for now, choose **File**→**Exit**.

# Extend Your Skills



*In the course of working through the following Extend Your Skills exercises, you will be utilizing various skills taught in this and previous chapter(s). Take your time and think carefully about the tasks presented to you. Turn back to the chapter content if you need assistance.*

## 1-1 Sort Through the Stack

**Before You Begin:** Restore the **EYS1\_Chapter01 (Portable)** file or open the **EYS1\_Chapter01** company file from your storage location. This file does not have a password. If the QuickBooks Login window appears, leave the username as Admin, leave the Password field empty, and click OK.

You have been hired by Arlaine Cervantes to help her with her organization's books. She is the founder of Niños del Lago, a nonprofit organization that provides impoverished Guatemalan children with an engaging educational camp experience. You have just sat down at your desk and opened a large envelope from her with a variety of documents and noticed that you have several emails from her as well. It is your job to sort through the papers and emails and make sense of what you find, entering information into QuickBooks whenever appropriate and answering any other questions in a word-processing document saved as **EYS1\_Chapter01\_LastnameFirstinitial**. Remember, you are digging through papers you just dumped out of an envelope and addressing random emails from Arlaine, so it is up to you to determine the correct order in which to complete the tasks.

- Sticky note from Arlaine: We are going to start selling items made by Guatemalan women. I would like to see if we can set them up in QuickBooks. Our accountant told me that we should use the "average cost" method to keep track of our inventory. Will we be able to track this in QuickBooks? (Explain your answer.)
- Packing slip and bill from GWAA dated 8/14/2016. You have received the rest of the scarves and cosmetic bags, and a \$45 shipping charge was included on the bill.
- Scribbled on a scrap of paper: If we can track inventory in QuickBooks, please set up "Traditional Guatemalan Scarf" as an inventory item; the cost from Guatemalan Women's Art Alliance (GWAA) is \$7.00, and the resale price is \$20.00. Also, please set up two more inventory items to track "Cosmetic Bag" and "Handbag". The cost from GWAA for the cosmetic bag is \$8.00 with a resale price of \$18.00, and the cost for the handbag is \$15.00 with a resale price is \$35.00. As of 8/1/2016, order the following inventory: 50 scarves, 40 cosmetic bags, and 25 handbags.
- Handwritten invoice: 10 scarves and 5 handbags sold to Average Guy Designs, dated 8/16/2016, due 2% 10 Net 30.
- Packing slip from GWAA: Dated 8/5/2016 for receipt of 45 scarves, 30 cosmetic bags, and 25 handbags; the rest are on backorder.
- Photocopy of a check: Check 2007 from Average Guy Designs dated 8/23/2016 written for the total amount due and with a memo stating the company took advantage of the 2 percent discount.
- Scribbled note from Arlaine: Can you produce a report for me that shows the value of the inventory we currently have in stock? How about the number of each item?

## 1-2 Be Your Own Boss

In this exercise, throughout the entire book, you will build on the company file that you outlined and created in previous chapters. If you have created a file for your actual business, then enter your starting inventory and any purchases since your starting date. If you are creating a fictitious company, then create at least five inventory items and order and receive a reasonable quantity of each. Create at least ten invoices selling your products to either existing or new customers, ensuring that at least five of them are sold with discount payment terms. Receive the payments for the invoices, making sure to allow those with discount payment terms to take advantage of the discount. You will make up the names and information for this exercise.

Create Inventory Stock Status by Item and Transaction List by Customer reports and submit them to your instructor based on the instructions provided.

Open **EYS2\_Chapter01** from your file storage location and complete the tasks outlined above. When you are done, save it as a portable company file, naming it as **EYS2\_Chapter01\_LastnameFirstinitial (Portable)** and submit it to your instructor based on the instructions provided.

## 1-3 Use the Web as a Learning Tool

Throughout this book, you will be provided with an opportunity to use the Internet as a learning tool by completing WebQuests. According to the original creators of WebQuests, as described on their website (<http://WebQuest.org>), a WebQuest is “an inquiry-oriented activity in which most or all of the information used by learners is drawn from the web.” To complete the WebQuest projects in this book, navigate to the Student Resource Center and choose the WebQuest for the chapter on which you are working. The subject of each WebQuest will be relevant to the material found in the chapter.

**WebQuest Subject:** Learning about sales tax where you do business

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