

## 7

# Managing Physical Inventory



**I**n this chapter, you will examine the QuickBooks inventory features that help you track the items (goods) you offer for sale. An example of a company needing to track inventory is a retail store that sells electronics or a salon that sells styling products. When the inventory function is turned on, QuickBooks provides additional features to create inventory items and purchase orders, receive items into inventory, sell inventory items, and run inventory-related reports. Additional accounts are created to track inventory—Inventory Assets and Cost of Goods Sold. You will also set up and track sales tax, deal with customer refunds, and explore common inventory and sales reports.

## LEARNING OBJECTIVES

- ▶ 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, track, and pay sales tax
- ▶ Use reports to manage inventory and sales

## Project: Parrot's Paradise Resort

Jimmy Parrot is the owner of Parrot's Paradise Resort in Key West, Florida. He's been using QuickBooks to account for his service-based business for two months and is now opening a gift shop on the property, so he will need to begin using it to track inventory as well. In this chapter, as the bookkeeper for Parrot's Paradise Resort, you will help Jimmy set up inventory items in QuickBooks, order inventory, enter sales transactions, and track sales tax. You will also learn how to set up and receive payments when sales discounts are involved. Finally, you will explore sales reports and inventory reports to help manage inventory.



## Tracking Inventory in QuickBooks

A useful feature in QuickBooks is inventory tracking. It must be turned on in the Preferences window. When 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 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, 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 time frame is quite short, you may find that updating your inventory in QuickBooks is tedious.
- **How do I value my inventory?** QuickBooks Desktop uses the average cost method of inventory valuation. If you are using another one of the methods allowed by GAAP, such as LIFO or FIFO, or another method, you may want to look at using a different tool to track your inventory.

#### FLASHBACK TO GAAP: CONSISTENCY

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

## Tracking Inventory Sales

You will likely need to create a new account and possibly subaccounts to track the sales of your inventory. In the following exercise, you will create three subaccounts to make sure you track your sales effectively. Once inventory preferences are turned on, the QuickBooks Inventory Center will become available. This center looks like the Customer and Vendor centers, providing a convenient place for you to manage your inventory items.

**Note!** QuickBooks Premier and higher versions include a feature that allows you to convert units of measure, where you can work with either single units of measure (e.g., buy or sell a pound) or multiple units of measure (e.g., buy a yard, sell a foot).

## Using Account Numbers in QuickBooks

Many businesses use account numbers for the accounts in their Chart of Accounts. You will be using account numbers as you work with the company file for Parrot's Paradise Resort. Account numbers are somewhat standard within the accounting world. "Somewhat" means that each account type begins with the same number, but the accounts listed within the account type are not universally numbered. Examine the following table to understand how account numbers work. Note that account numbers have a minimum of four characters, and you can use up to six. For instance, a checking account (which is an asset) could be numbered 1000, 10000, or 100000.

ACCOUNT TYPES AND NUMBERING CONVENTIONS		
Starts With	Type of Account	Example
1	Asset	Checking Account
2	Liability	Accounts Payable
3	Equity	Owner's Equity
4	Income	Service Income
5	Cost of Goods Sold	Purchases - Resale Items
6	Expenses	Utilities Expense
7	Other Income	Interest Income
8	Other Expense	Sales Tax Penalty

### Show Lowest Subaccount Preference

When you use subaccounts to better categorize your QuickBooks data, it's often difficult to see the name and number of the subaccount that you used because of the narrow account fields in the windows. You can overcome this problem by choosing 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•Gift Shop and Vending Sales:41100•Clothing Sales

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

41100•Clothing Sales

 Edit→Preferences

## DEVELOP YOUR SKILLS 7-1

In this exercise, you will turn on account numbers and the inventory features of QuickBooks.

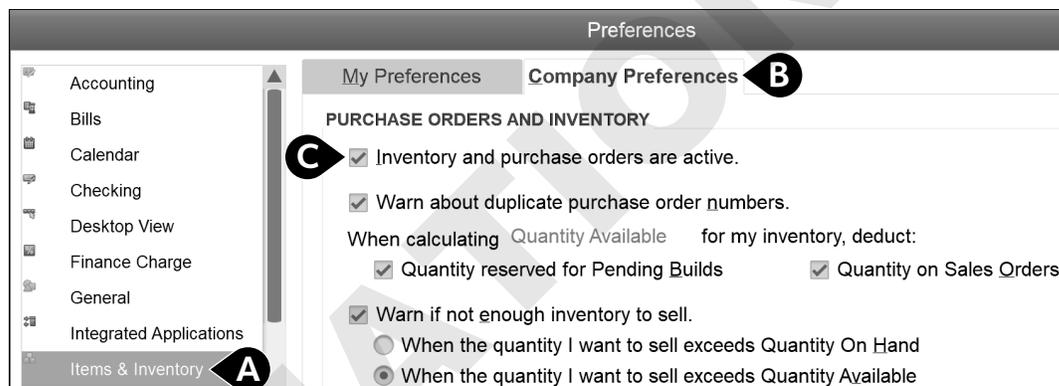
**Before You Begin:** Visit the Learning Resource Center at [labyrinthlab.com/lrc](http://labyrinthlab.com/lrc) to retrieve the exercise files for this course before beginning this exercise. Two versions of the files are available—portable company files and company files. The username for all files is Admin and the password for all files unless otherwise stated is Password1.

1. Start QuickBooks 2021 and choose **File**→**Open or Restore Company**.
2. Open **DYS\_Chapter07 (Company)** or restore **DYS\_Chapter07 (Portable)** and save it as: **DYS\_Chapter07 Parrot's Paradise Resort**

You need to save the file with a different name only if you're using a portable company file. If you're using a company file, just open it and begin working.

Now you'll set preferences to track inventory. Remember, preferences allow you to customize how you interact with QuickBooks. There are two that can be made: My Preferences and Company Preferences.

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



- A Click **Items & Inventory**.
- B Click the **Company Preferences** tab.
- C Click the checkbox for **Inventory and purchase orders are active**.

You will be warned if you use a duplicate purchase order number and if your inventory quantity on hand is not enough.

## Turn on Account Numbers and Set the Show Lowest Subaccount Preference

5. Click the **Accounting** category, click **Yes** in the Save Changes window, and then click **OK** to close all windows and make the preference change.

6. Click the checkboxes to the left of **Use account numbers** and **Show lowest subaccount only**.

The screenshot shows the 'Preferences' window with the 'Company Preferences' tab selected. Under the 'ACCOUNTS' section, the following options are checked:

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

7. Click **OK** and then choose **Company** → **Home Page**.

*Notice the new task icons in the Vendors area of the Home Page that are present now that inventory features are turned on.*

**Note!** Unless otherwise instructed, always leave the company file open at the end of an exercise.

## Tracking Inventory Sales

To most accurately track your inventory sales, you will create subaccounts for 41000 • Gift Shop and Vending Sales and Vending Sales. When using subaccounts, it's important to always direct funds toward them rather than the parent account.

NAME	TYPE
41000 • Gift Shop and Vending Sales	Income
41100 • Clothing Sales	Income
41200 • Food Sales	Income
41300 • Accessory Sales	Income
41400 • Souvenir Sales	Income
41500 • Sundry Sales	Income

The subaccounts that will be used to track retail sales are indented under the parent account, Gift Shop and Vending Sales, in the Chart of Accounts.

## Cost of Goods Sold

The cost of goods sold (COGS) are the expenses directly related to the manufacture or acquisition of products or services that the company sells. In manufacturing, some expenses that might be considered COGS are labor, raw materials, depreciation, and overhead. In the case of a retail operation, the COGS is the wholesale cost of inventory. You do not pass on the COGS to a customer (it is instead incorporated into the final price of the product).

NAME	TYPE
50000 • Cost of Goods Sold	Cost of Goods Sold
51500 • Linens and Lodging Supplies	Cost of Goods Sold
51800 • Merchant Account Fees	Cost of Goods Sold
52900 • Purchases - Resale Items	Cost of Goods Sold

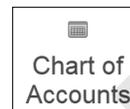
Four COGS accounts were created when the company file was set up using the Lodging (Hotel, Motel) industry as a starting point for the new company file.

## DEVELOP YOUR SKILLS 7-2

In this exercise, you will first check that your accounts have numbers. Then you will create subaccounts to track inventory sales, which will help you to track inventory income.

**Before You Begin:** If the Home Page is not displayed, choose Company→Home Page.

1. Click the **Chart of Accounts** task icon in the Company area of the Home Page.
2. Scroll through the Chart of Accounts to see whether any do not have an account number.



You will see that all accounts have a number assigned, which is necessary to show the lowest subaccounts only.

### Create a New Subaccount to Track Inventory Sales

3. Click the **Account** drop-down arrow ▼ at the bottom of the window and choose **New** from the menu.
4. Choose **Income** as the Account Type and click **Continue**.
5. Follow these steps to create the new subaccount:

 A screenshot of the 'New Account' window in QuickBooks Desktop. The window has several fields and a 'Subaccount of' section. Callouts A through F point to specific elements:
 

- A**: Points to the 'Number' field containing '41100'.
- B**: Points to the 'Account Name' field containing 'Clothing Sales'.
- C**: Points to the 'Subaccount of' checkbox, which is checked.
- D**: Points to the 'Subaccount of' dropdown menu, which is set to '41000 · Gift Shop and Vending ...'.
- E**: Points to the 'Description' field containing 'Clothing and shoe retail sales'.
- F**: Points to the 'Tax-Line Mapping' dropdown menu, which is set to 'Income: Gross receipts or sales ...'.

- A** Type **41100** in the Number field.
  - B** Tap **Tab** and type: **Clothing Sales**
  - C** Click in the **Subaccount of** checkbox.
  - D** Click the drop-down arrow ▼ and choose **41000•Gift Shop and Vending Sales**.
  - E** Tap **Tab** and type: **Clothing and shoe retail sales**
  - F** Click the drop-down arrow ▼ and choose **Income: Gross receipts or sales....**
6. Click **Save & New**.

## Create Additional Subaccounts

You will now create four more subaccounts to further classify your retail sales income account.

7. Create the additional subaccounts for **41000•Gift Shop and Vending Sales**. All accounts map to **Income: Gross receipts or sales**. Click **Save & New** after each of the first three entries.

Number	Account Name	Description
41200	Food Sales	Food and beverage sales
41300	Accessory Sales	Accessory and jewelry sales
41400	Souvenir Sales	Souvenir and novelty sales
41500	Sundry Sales	Sundries and personal item sales

8. Click **Save & Close** after the last entry.

*Notice that the five new subaccounts are indented under the parent account, 41000•Gift Shop and Vending Sales.*

9. Close the Chart of Accounts window.

## Dealing with Sales Tax in QuickBooks

If you live in a state that collects sales tax, or your business requires that you collect and remit it for other states, you will need to set it up in your company file. Thankfully, QuickBooks makes it easy to charge and collect sales tax for items. You can also choose whether to charge tax for customers who resell merchandise to *their* customers. How you set up sales tax in QuickBooks depends entirely on which state(s) you conduct business in. You must know the sales tax laws in your state/jurisdiction before you set up sales tax for your company and what type of items are taxable so you can properly designate them in QuickBooks.

**Warning!** When dealing with sales tax, learn about the sales tax laws in your jurisdiction. How you display items on invoices, whether items are stated separately or grouped together, can affect the amount of tax due on a transaction. Talk to an accountant, if necessary.

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. Often, you must pay the tax collected to multiple tax agencies. QuickBooks allows 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 the appropriate sales tax item(s) or group. In fact, you can create your sales tax items right from the Preferences window!

## Default Tax Rate

Once you've created your sales tax item(s) and group(s), you should set the default to the most commonly used tax rate in Preferences. This rate will appear when you create a sales form for a customer for whom a tax rate is not specified; you can change it on a sale-by-sale basis.

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.

## Sales Tax Codes

QuickBooks automatically sets up two sales tax codes when you turn on the preference, Taxable and Non-Taxable. These codes are assigned to customers and items. QuickBooks will apply sales tax to any customer or item where the code is set to Taxable, although this can be changed on an individual basis on the sales forms. You can even create additional sales tax codes, as needed, through the Sales Tax Code List.

The image shows two overlapping windows from QuickBooks Desktop. The background window is titled "Sales Tax Code List" and contains a table with the following data:

CODE	DESCRIPTION	TAXABLE
Tax	Taxable Sales	✓
Non	Non-Taxable Sales	

The foreground window is titled "New Sales Tax Code" and contains the following fields and options:

- Sales Tax Code:** A text input field containing "OOS" with a note "(maximum 3 characters)".
- Description:** A text input field containing "Out of State".
- Taxable/Non-Taxable:** Two radio buttons. "Taxable" is unselected, and "Non-Taxable" is selected.
- Buttons:** "OK", "Cancel", and "Next".
- Checkbox:** "Sales Tax Code is inactive" (unchecked).

The Sales Tax Code List allows you to create additional codes such as Out of State, allowing you to track sales to customers who do not live in your state and are not required to pay your sales tax.

➤ Edit→Preferences : Sales Tax→Company Preferences tab→[your most common sales tax item]

➤ Customers→Customer Center : New Customer & Job→New Customer

## DEVELOP YOUR SKILLS 7-3

In this exercise, you will turn on the sales tax preference and create a sales tax item. Then you will create a second sales tax item, a sales tax group, and an additional sales tax code.

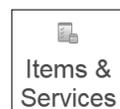
1. Choose **Edit**→**Preferences**.
2. Click the **Sales Tax** category and the **Company Preferences** tab.
3. Follow these steps to set the sales tax preference and to set up your default sales tax item:

- A Click in the circle next to **Yes**.
  - B Click **Add sales tax item...** and then tap **[Tab]**.
  - C Type: **FL Sales Tax**
  - D Tap **[Tab]** and type: **Florida State Sales Tax**
  - E Tap **[Tab]** and type: **6**
  - F Tap **[Tab]** and type: **Florida Department of Revenue**
4. Click **OK**, choose to **Quick Add**, and click **OK** again.
  5. Click the **Your most common sales tax item** drop-down arrow ▼ and choose **FL Sales Tax**.
  6. Click **OK** and then click **OK** in the Updating Sales Tax window, and, finally, click **OK** in the Warning window.

## Create a Sales Tax Item and Group

In our example, there is a state tax rate and then each local area has an additional amount that is charged. You will now create another sales tax item and then create a sales tax group. Finally, you will update the most common sales tax item to this new group.

7. Choose **Company**→**Home Page** and then click the **Items & Services** task icon in the Company area of the Home Page.



8. Press **Ctrl**+**n** and click to choose **Sales Tax Item** as the new item type.
9. Complete the new sales tax item:
  - Sales Tax Name: **KW Local Tax**
  - Description: **Key West Local Sales Tax**
  - Tax Rate: **1.5**
  - Tax Agency: **Florida Department of Revenue**
10. Click **Next** and then follow these steps to create the sales tax group:

TYPE			
Sales Tax Group <b>A</b>		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.	
Group Name/Number			
Key West ST <b>B</b>			
Description			
Key West Sales Tax Group Rate <b>C</b>			
Enter each individual sales tax you need to charge in this district. QuickBooks will collect tax for these items as a group, but will report on each one individually.			
TAX ITEM	RATE	TAX AGENCY	DESCRIPTION
FL Sales Tax <b>D</b>	6.0%	Florida Department of Revenue	Florida State Sale...
<b>E</b> KW Local Tax	1.5%	Florida Department of Revenue	Key West Local Sal...
Group Rate		7.5%	

- A** Click the drop-down arrow ▼ and choose **Sales Tax Group**.
  - B** Tap **Tab** and type: **Key West ST**
  - C** Tap **Tab** and type: **Key West Sales Tax Group Rate**
  - D** Click under **Tax Item** and then click the drop-down arrow ▼ and choose **FL Sales Tax**.
  - E** Tap **Tab**, click the drop-down arrow ▼, and choose **KW Local Tax**.
- Notice that after choosing the sales tax items, the group rate automatically calculates for you.*
11. Click **OK** and then close the Item List and the Check Spelling on Form window, if necessary.
  12. Choose **Edit**→**Preferences**.
  13. Click the **Sales Tax** category and the **Company Preferences** tab.
  14. Choose **Key West ST** as the most common sales tax item.
  15. Click **OK**.

Your most common sales tax item
Key West ST ▼

## Work with the Sales Tax Code List

*Now that you have set up your sales tax items, you will add an entry to the Sales Tax Code List.*

16. Choose **Lists**→**Sales Tax Code List**.

*Two sales tax codes were created automatically: Taxable and Non-Taxable. These codes are assigned to customers and items. QuickBooks will apply sales tax to any customer or item where the code is set to Taxable, although this can be changed on a case-by-case basis.*

17. Click **Sales Tax Code** and then choose **New**.
18. Create the new, non-taxable sales tax code:
  - Sales Tax Code: **OOS**
  - Description: **Out of State**
19. Click **OK** and then close the Sales Tax Code List window.

## Setting Up Inventory Items

In order to select items you will be selling from a sales form or purchase order (PO), each one must first be set up as an item in the Item List. Setting up your inventory requires an understanding of when to classify items as inventory parts or 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 patients, lamps that an interior decorating company buys and resells, or branded ceramic coffee cups that a bakery might sell.
- Non-inventory parts include items you don't track as inventory, such as nails used by a contractor or thread used by a seamstress, or items you purchase for a particular customer or items you sell but don't first purchase, such as livestock that you breed and sell. These products are necessary for the business, but they are not being stocked for resale to customers.

The Item List for Parrot's Paradise Resort has been set up to group items that are sold by category, which are represented by numbers. Most of the categories represent service items; now you will be creating inventory items for the retail sales category. Sales from each category are directed into a separate income account.

Category Number	Category Description	Income Account
0	Lodging Services	Lodging Sales
1	Retail Sales	Gift Shop and Vending Sales
2	Event Services	Banquet and Events Income
3	Excursion Services	Excursion Income
4	Rental Services	Rental Income
5	Camp Services	Camp Income
6	Restaurant Sales	Food and Beverage Sales
7	Spa Services	Spa Income

### *Two-Sided Items*

Inventory items have two sides: one for the purchase information and the other for the sales information. When you purchase items at wholesale to resell to your customers, the purchase

price you pay is the COGS. Your profit is the difference between your sales price and COGS. All the information needed to track both sides of the item is detailed in the New Item window.

Unit of measure allows you to purchase using one unit, such as yards, and sell at another, such as inches.

The sales side fields track price, tax code, and income account.

The purchase side fields track cost, COGS, and preferred vendor.

Set the information about the asset here: account, point to reorder, quantity, and value.

## Add/Edit Multiple List Entries

If you're adding more than a few items at once, QuickBooks has a feature to easily record multiple entries in your lists. This feature is also available for customers and vendors to make your data entry faster. And you can quickly update several entries in your lists by right-clicking and choosing either the Clear Column or Copy Down command.

ITEM NAME	PURCHASE DESCRIPTION	SALES DESCRIPTION	COST	SALES PRICE	COGS ACCOUNT	PREFERRED VENDOR
1.101 Logo Tee	T-shirt with PPR logo	T-shirt with PPR logo	6.39	25.00	52900 · Purchases - Resale Items	Keys Apparel
1.201 Smores Pack	Basket of graham crackers, marshmallows, and chocolate bars to make 8 smores	Basket of graham crackers, marshmallows, and chocolate bars to make 8 smores	8.00	32.00	52900 · Purchases - Resale Items	Creola Catering
1.301 Beach Hat	Floppy beach hat	Floppy beach hat	4.59	19.99	52900 · Purchases - Resale Items	Keys Apparel
1.401 Water Bottle	32oz. logo water bottle	32oz. logo water bottle	3.96	18.99	52900 · Purchases - Resale Items	Carolina Coast Wholesale
1.501 Sunscreen	Reef-safe 30 SPF sunscreen	Reef-safe 30 SPF sunscreen	3.78	13.50	52900 · Purchases - Resale Items	Carolina Coast Wholesale

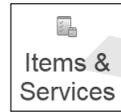
The Add/Edit Multiple List Entries window resembles an Excel spreadsheet and makes it easy to enter list entries efficiently.

Lists → Item List : Item → New

## DEVELOP YOUR SKILLS 7-4

In this exercise, you will help Jimmy create inventory items for Parrot's Paradise Resort by entering a single item and then creating additional items using the Add/Edit Multiple List Entries feature.

1. Click the **Items & Services** task icon in the Company area of the Home Page.
2. Click the **Item** drop-down arrow ▼ from the bottom of the window and choose **New**.
3. Follow these steps to create an inventory item:



**TYPE**

Inventory Part **A** Use for goods you purchase

Item Name/Number  Subitem of

**B** 1.101 Logo Tee

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**PURCHASE INFORMATION**

Description on Purchase Transactions

**C** T-shirt with PPR logo

Cost **D** 6.39

COGS Account 52900 · Purchases - Res... **E**

Preferred Vendor Keys Apparel **F**

- A** Click to choose **Inventory Part**.
  - B** Tap **Tab** and type: **1.101 Logo Tee**
  - C** Tap **Tab** four times and type: **T-shirt with PPR logo**
  - D** Tap **Tab** and type: **6.39**
  - E** Click the drop-down arrow ▼ and choose **52900•Purchases - Resale Items**.
  - F** Tap **Tab** and type: **Keys Apparel**
4. Tap **Tab**, click **Set Up**, and then set up the vendor, clicking **OK** when finished:

Company Name	<b>Keys Apparel</b>
Full Name	<b>Ms. Angela Pepka</b>
Job Title	<b>Sales Manager</b>
Main Phone	<b>(305) 555-9442</b>
Billed From/Shipped From Address	<b>2016 Kirkland Drive, Marathon, FL 33050</b>
Vendor Type	<b>Suppliers</b>

5. Follow these steps to finish setting up the new item:

Cost	6.39	Sales Price	25.00
COGS Account	52900 · Purchases - Res...	Tax Code	Tax
Preferred Vendor	Keys Apparel	Income Account	41100 · Clothing Sales
<b>INVENTORY INFORMATION</b>			
Asset Account	Reorder Point (Min)	Max	On Hand
12100 · Inventory...	15		0.00
			Total Value
			0.00
			As of
			03/01/2022

- A** Tap **Tab** twice and type **25** in the Sales Price field.  
**B** Click the drop-down arrow ▼ and choose **41100•Clothing Sales**.  
**C** Tap **Tab** twice and type: **15**

The description you enter for purchase transactions (which will appear on purchase orders) will automatically copy to the sales transactions side (which will appear on sales forms, such as invoices). You can leave it or edit it to meet your needs. The quantity on hand and total value are both zero because no items have been purchased yet.

6. Click **OK** and then close the Check Spelling on Form window, if necessary.

## Create Multiple Inventory Items

Next, you will create multiple inventory items using the Add/Edit Multiple List Entries window, but first you will customize the columns to include fields currently not displayed.

7. Click the **Item** drop-down arrow ▼ at the bottom of the window and choose **Add/Edit Multiple Items**. If the Time Saving Tip window appears at any time during this exercise, click **OK**.

Note that *Inventory Parts* is already selected as the list type; however, if it isn't, choose to display *Inventory Parts* as the list before continuing.

8. Click **Customize Columns**.  
 9. Follow these steps to customize the columns for data entry of the inventory part items:

Available Columns		Chosen Columns
Full Item Name		Item Name
Purchase Description	<b>A</b> Add >	Subitem of <b>C</b>
Sales Description	< Remove <b>D</b>	Cost
As Of Date		Sales Price
Inactive	<b>B</b> Move Up	COGS Account
Avg. Cost	Move Down	Preferred Vendor
	Default	Income Account
		Asset Account
		Reorder Pt (Min)
		Max
		Total Value
		Sales Tax Code
		Manufacturer's Part number

- A** Click **Purchase Description** and then click **Add**.  
**B** Click **Move Up** until Purchase Description is displayed below *Item Name*.  
**C** Click **Subitem of**.  
**D** Click **Remove**.

10. Continue to add and remove columns, as well as move them up and down, until the Chosen Columns list matches the illustration.
11. Click **OK** to finish customizing the columns.
12. Click in the row below *Logo Tee* and enter the next four items, clicking **OK** in the Time Saving Tip window, if necessary.

*All items are taxable and share the same COGS account (52900•Purchases - Resale Items) and asset account (12100•Inventory Asset), so you can use the Copy Down command for each. Quick Add any vendors not on the Vendor List.*

Chosen Columns
Item Name
Purchase Description
Sales Description
Cost
Sales Price
COGS Account
Preferred Vendor
Income Account
Asset Account
Reorder Pt (Min)
Sales Tax Code

**Tip!** Tapping **Tab** after each entry will move the cursor one field to the right, speeding up data entry. You can also right-click and select from a list to copy down, clear a column, and insert or delete lines.

Item Name	1.201 Smores Pack	1.301 Beach Hat	1.401 Water Bottle	1.501 Sunscreen
Purchase & Sales Description	Basket of graham crackers, marshmallows, and chocolate bars to make 8 smores	Floppy beach hat	32oz. logo water bottle	Reef-safe 30 SPF sunscreen
Cost	8.00	4.59	3.96	3.78
Sales Price	32.00	19.99	18.99	13.50
Preferred Vendor	Creola Catering	Keys Apparel	Carolina Coast Wholesale	Carolina Coast Wholesale
Income Account	41200•Food Sales	41300•Accessory Sales	41400•Souvenir Sales	41500•Sundry Sales
Reorder Point	20	25	20	35

13. Click **Save Changes** at the bottom of the window and then click **OK** in the Record(s) Saved window.
14. Close the Add/Edit Multiple List Entries.  
*View the Item List to confirm that the entries were added.*
15. Close the Item List window.

# Purchase Orders

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

If you purchase items for sale to a specific customer, you can indicate that in the Customer column and select it in the Drop Ship To field.

The Vendor Message field displays when the PO is produced for the vendor, whereas the Memo field is for your internal records.

## 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.

## Non-Posting Accounts

When you create your first PO, QuickBooks creates a non-posting account (an account that *does not* affect your profit & loss or balance sheet reports) 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.

➤ Vendors → Create Purchase Orders

## DEVELOP YOUR SKILLS 7-5

In this exercise, you will create purchase orders for the inventory Jimmy will be selling. You will create a PO for an order of logo shirts and floppy hats from Keys Apparel, a second PO for smore packs from Creola Catering, and a third for sunscreen and water bottles from Carolina Coast Wholesale. Finally, you will review the Open Purchase Orders report.

1. Click the **Purchase Orders** task icon in the Vendors area of the Home Page.
2. Choose **Keys Apparel** as the Vendor and then follow these steps to complete the PO:



### Purchase Order

DATE: 03/01/2022

P.O. NO.: 1

VENDOR: Keys Apparel  
Angela Pepka  
2016 Kirkland Drive  
Marathon, FL 33050

SHIP TO: Parrot's Paradise Resort  
730 Panama Street  
Key West, FL 33040

ITEM	DESCRIPTION	QTY	RATE	CUSTOMER	AMOUNT
1.101	T-shirt with PPR logo	50	6.39		319.50
1.301	Floppy beach hat	40	4.59		183.60
<b>TOTAL</b>					<b>503.10</b>

MEMO: PO, Keys Apparel, 3/1/22

Save & Close
Save & New
Clear

- Tap **Tab** three times and enter the date: **030122**
  - Click the drop-down arrow ▼ and choose **1.101 Logo Tee**.  
*When you click in the Item column, the drop-down arrow will appear.*
  - Tap **Tab** twice and type: **50**
  - Click the drop-down arrow ▼ and choose **1.301 Beach Hat**.
  - Tap **Tab** twice and type: **40**
  - In the Memo field, type: **PO, Keys Apparel, 3/1/22**
  - Click **Save & New**.
3. Create the next two POs on 3/1/2022, adding new words to the dictionary as needed:

Vendor	<b>Creola Catering</b>	<b>Carolina Coast Wholesale</b>
P.O. No.	<b>2</b>	<b>3</b>
Item/Quantity	<b>1.201 Smores Pack/40 units</b>	<b>1.401 Water Bottle/50 units 1.501 Sunscreen/65 units</b>
Memo	<b>PO, Creola Catering, 3/1/22</b>	<b>PO, Carolina Coast, 3/1/22</b>

4. Click **Save & Close** after the final PO.

## View the Open Purchase Orders Report

Next, you will view the Purchase Orders non-posting account QuickBooks created when the first PO was entered and produce a QuickReport showing all open POs.

5. Click the **Chart of Accounts** task icon in the Company area of the Home Page.
6. Scroll to the bottom of the list and notice the non-posting 90100•Purchase Orders account.
7. Double-click the **Purchase Orders** account and tap **a** to set the date range to All. QuickBooks creates a QuickReport showing open POs.
8. Close the Account QuickReport and Chart of Accounts windows.



## Receiving Items

When you receive the items on a PO, you need to enter them into inventory. This transaction can be handled in either one or two steps, depending on how your vendor delivers the accompanying bill. If a vendor sends the inventory items and the bill together, you can record them as one transaction. If you receive the items first and the bill later, you will enter them in two separate steps.



There is a drop-down arrow ▼ on the Receive Inventory task icon that allows you to choose whether to enter the bill for the items with the inventory receipt or later.

### *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, where the inventory is entered, but rather as an expense on the Expenses tab.

Expenses	\$30.00	Items	\$503.10
ACCOUNT	AMOUNT	MEMO	CUSTOMER:JOB BILLABLE?
67600 · Shipping Expense	30.00	Shipping, PO 1, 3/2022	

Expenditures listed on the Expenses tab will show up on a Profit & Loss report as an expense, whereas those on the Items tab will show up on the Balance Sheet as an asset.

### *Discount Payment Terms*

Your vendors may offer you discount payment terms as incentive to pay your bills earlier (just as you may offer them to your customers). You can set default payment terms for a vendor; however, you may change the terms on an individual invoice as needed.

**Note!** You will use the payment terms of 1% 10 Net 30 when entering a bill in this section. This means 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.

### BEHIND THE SCENES: Receive Items with the Bill

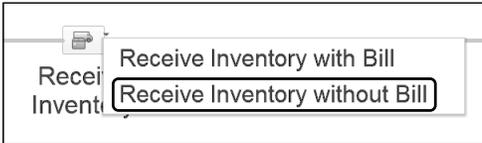
<b>12100•Inventory Asset</b>		<b>20000•Accounts Payable</b>	
<i>INCREASE to Assets</i>		<i>INCREASE to Liabilities</i>	
$\text{Assets} = \text{Liabilities} + \text{Capital} + \text{Revenue} - \text{Expenses}$			
$\$320.00 = \$320.00 + \$0.00 + \$0.00 - \$0.00$			
<b>12100•Inventory Asset</b>		<b>20000•Accounts Payable</b>	
<i>Debit</i>	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>
\$320.00			\$320.00

- Vendors→Receive Items and Enter Bill
- Vendors→Receive Items
- Vendors→Enter Bill for Received Items
- Lists→Customer & Vendor Profile Lists→Terms List

### DEVELOP YOUR SKILLS 7-6

In this exercise, you will receive inventory items for Parrot's Paradise Resort both with and without the bill.

- Click the **Receive Inventory** task icon in the Vendors area of the Home Page and choose **Receive Inventory without Bill**.
- Type **keys** and tap **Tab**.  
*QuickBooks fills in Keys Apparel, and the Open PO's Exist window appears.*
- Click **Yes** in the Open POs Exist window to receive inventory against your purchase order.



- Click to place a checkmark in the first column for **PO NO. 1** (dated 3/1/2022) and then click **OK**.

Open Purchase Orders		
Vendor <b>Keys Apparel</b>		
Select a Purchase Order to receive		
DATE	PO NO.	MEMO
<input checked="" type="checkbox"/> 03/01/2022	1	PO, Keys Apparel, 3/1/22

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

- Tap **+** on the keyboard until the date is **03/06/2022**.
- Click **Save & Close** to record the item receipt.

## Receive the Bill and Add an Expense

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

- Click the **Enter Bills Against Inventory** task icon in the Vendors area of the Home Page.
- Choose the correct item receipt:
  - Vendor: **Keys Apparel**
  - Click anywhere in the line to select the 03/06/2022 item receipt and click **OK**.



Select Item Receipt		
Vendor <b>Keys Apparel</b>		
<input type="checkbox"/> Use item receipt date for the bill date		
Choose the Item Receipt which corresponds to your bill		
DATE	REF NO.	MEMO
03/06/2022		Received items (bill to follow)

The *Enter Bills* window appears with the order information filled in and the invoice items on the *Items* tab.

9. Follow these steps to complete the bill:

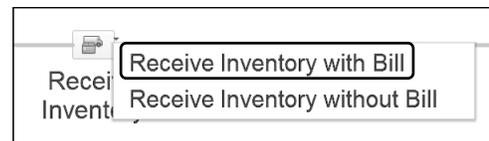
VENDOR	Keys Apparel	DATE	03/10/2022
ADDRESS	Keys Apparel Angela Pepka 2016 Kirkland Drive Marathon, FL 33050	REF. NO.	PO1, Inv 2335
TERMS		AMOUNT DUE	533.10
MEMO	PO, Keys Apparel, 3/2022	BILL DUE	03/20/2022
<b>Expenses</b>	\$30.00	Items	\$503.10
ACCOUNT	AMOUNT	MEMO	CUSTOMER:JOB BILLABLE?
67600 · Shipping Expense	30.00	Shipping, PO 1, 3/2022	

- A Tap **Tab** and type the date: **031022**
  - B Tap **Tab** and type: **PO1, Inv 2335**
  - C Tap **Tab** and type: **533.1**
  - D Tap **Tab** three times and type: **PO, Keys Apparel, 3/2022**
  - E Click the **Expenses** tab.
  - F Click the drop-down arrow ▼ and choose **67600•Shipping Expense**.
  - G Tap **Tab** twice and type: **Shipping, PO 1, 3/2022**
10. Click **Save & Close** to record the new bill, choosing **Yes** to record your changes.

## Receive Inventory Items with Bills

*The smores packs and the bill for them were delivered to the resort at the same time.*

- 11. Click the **Receive Inventory** task icon in the Vendor area of the Home Page and choose **Receive Inventory with Bill**.
- 12. Choose **Creola Catering** as the Vendor.  
*QuickBooks fills in Creola Catering as the vendor, and the Open PO's Exist window appears.*
- 13. Click **Yes** in the Open PO's Exist window to receive inventory against the open PO.
- 14. Click to place a checkmark in the first column for **PO NO. 2**.
- 15. Click **OK** to move to the Enter Bills window; click **OK** in the Warning window, if necessary.
- 16. Complete the bill:
  - Date: **030722**
  - Ref. No.: **PO2, Inv. 145**
  - Amount Due: **320**
  - Memo: **PO, Creola, 3/2022**



17. Click **Save & New**.
18. Choose **Carolina Coast Wholesale** as the Vendor.  
*QuickBooks will indicate that a PO exists for the vendor even if you don't initiate the bill through the Receive Inventory command.*
19. Click **Yes** in the Open PO's Exist window to receive inventory against the open PO.
20. Click to place a checkmark in the first column for **PO NO. 3**.
21. Click **OK** to move to the Enter Bills window; click **OK** in the Warning window, if necessary.
22. Complete the bill:
  - Date: **030922**
  - Ref. No.: **PO3, Inv. 22-47**
  - Amount Due: **468.70**
  - Terms: **1% 10 Net 30**  
*You will receive a 1 percent discount if you pay the bill by the Discount Date.*
  - Memo: **PO, Carolina, 3/2022**

## Enter an Expense on the Bill for Inventory Items

*You will now enter the \$25 shipping charge as an expense on the bill for Carolina Coast Wholesale.*

23. Click the **Expenses** tab and complete the bill:
  - Account: **67600•Shipping Expense**
  - Amount: **25**
  - Memo: **Shipping, PO 3, 3/2022**

### BEHIND THE SCENES BRIEF

12100•Inventory Asset DR 1,266.80 | 67600•Shipping Expense DR 55.00;  
**20000•Accounts Payable CR 1,321.80**

12100•Inventory Asset has **increased** | 67600•Shipping Expense has **increased**;  
Accounts Payable has **increased**

**Check Figure:** Accounts Payable \$1,924.19

**Tip!** You can easily compare these figures to those in your Chart of Accounts.

24. Click **Save & Close**.  
*The Behind the Scenes Brief shows a summary of all three inventory receipt transactions.*
25. Click **No** to reject changing the current terms for Carolina Coast Wholesale.

# Selling Inventory Items

After you've ordered and received your items, it's time to start selling them! In this section, you will use the Create Invoices window, batch process invoices, and apply discount payment terms to a sales transaction.

There are two forms on which you process inventory sales in QuickBooks:

- The Create Invoices window (on account—it affects Accounts Receivable behind the scenes)
- The Enter Sales Receipts window (for immediate payment—it does *not* affect Accounts Receivable)

Switch between different templates.

Additional fields will aid in the shipment of inventory items.

All customers have their own tax code, but if a customer is taxable and an item is not, it will be overridden by the individual item tax code.

You can change the sales tax item if it's not correct.

The tax code fills in from the item list entry, but if a customer is not taxable, the sale will not be taxed.

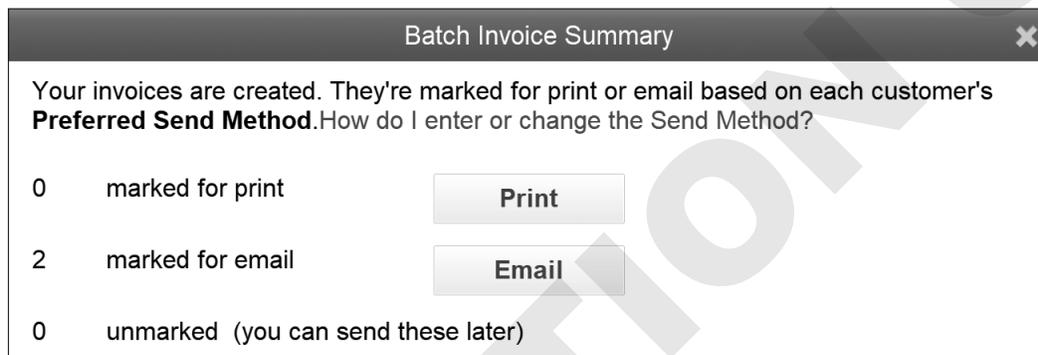
## Batch Invoicing

The batch invoicing feature allows you to fill out an invoice just once for the customers in the batch and then create invoices for all of them. This is extremely efficient if your company charges a standard monthly fee for many customers. To complete this task, first create a billing group of the customers for whom you wish to batch invoice (although you can add customers one at a time as well).

**Note!** Make sure the terms, sales tax code, and preferred delivery method are set up in the customer's record 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.

## Batch Invoices Summary

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



## 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 the app. QuickBooks will process the shipment and create a shipping label for you with the customer information you've stored. In addition, you can track your shipments from within QuickBooks.



The Send/Ship tab of the Create Invoices window ribbon makes it easy to ship a package using the carrier of your choice.

## BEHIND THE SCENES: *Invoice with Sales Tax*

<b>11000•Accounts Receivable</b>
<i>INCREASE to Assets</i>

<b>41100•Clothing Sales 25500•Sales Tax Payable</b>
<i>INCREASE to Revenue INCREASE to Liabilities</i>

$$\begin{array}{r}
 \text{Assets} = \text{Liabilities} + \text{Capital} + \text{Revenue} - \text{Expenses} \\
 \text{\$26.88} = \text{\$1.88} + \text{\$0.00} + \text{\$25.00} - \text{\$0.00}
 \end{array}$$

↗ Equity

11000•Accounts Receivable	
Debit	Credit
\$26.88	

41100•Clothing Sales	
Debit	Credit
	\$25.00

25500•Sales Tax Payable	
Debit	Credit
	\$1.88

This example shows the behind-the-scenes activity for the sale of a logo tee.

- Customers → Create Invoices
- Customers → Create Batch Invoices
- Customers → Create Invoices : Send/Ship tab of ribbon

### DEVELOP YOUR SKILLS 7-7

*In this exercise, you will first help Parrot’s Paradise Resort create an invoice for Sherwood Tours with discount payment terms. Since Sherwood Tours will be bringing multiple tour groups to the resort, you will be creating a job for each. Finally, you will create a batch of invoices for families that are participating in summer camps.*

1. Click the **Customers** CUSTOMERS button in the Customers area of the Home Page.
2. Single-click **Sherwood Tours** on the Customers & Jobs List.

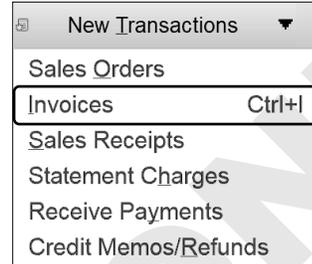
3. Click the **New Customer & Job** button on the toolbar above and choose **Add Job**.
4. Type **29Mar22** in the Job Name field and click **OK**.

### 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 on the toolbar and choose **Invoices**.

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



6. Follow these steps to complete the invoice:

- A Click the drop-down arrow ▼ and choose **Intuit Product Invoice**.
- B Tap **Tab** and type: **031122**
- C Click the drop-down arrow ▼ and choose **1% 10 Net 30** as the terms.

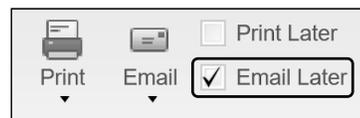
Nothing will be shipped to the customer, so you will leave the Ship To, Via, and FOB fields blank. If the customer had provided you with a PO number, you would enter it in the appropriate field.

7. Enter the items sold:

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT	TAX
14	0.02 King Ocean	King Bed - Ocean View Room	169.00	2,366.00	Non
20	2.03 Sunset Cruise	Sunset cruise - 2 hour	39.00	780.00	Non
20	1.101 Logo Tee	T-shirt with PPR logo	25.00	500.00	Tax
20	1.401 Water Bottle	32oz. logo water bottle	18.99	379.80	Tax
3	1.201 Smores Pack	Basket of graham crackers, marshmallows, and chocolate bars to make 8 smores	32.00	96.00	Tax

The Description, Price Each, Amount, and Tax columns for each item will fill in once the Item Code is selected.

8. Choose **We appreciate your prompt payment.** for the Customer Message.
9. Type this text for the memo: **Sherwood: 29Mar22 Tour**
10. On the ribbon, click the checkbox for **Email Later** and ensure Print Later is not selected.



**Tip!** If the size of a field is not large enough to display the entire entry, you can hover your mouse pointer over the field and a pop-up will appear with the full list entry displayed.



- Click **Save & Close**.

*An Information Missing Or Invalid window will launch.*

- Type **SherwoodTours@email.com** and click **OK**.
- Click **Yes** in the Information Changed window.

#### BEHIND THE SCENES BRIEF

11000•Accounts Receivable DR 4,194.99; **40000•Lodging Sales CR 2366.00 | 42000•Banquets and Events Income CR 780.00 | 41000•Gift Shop and Vending Sales CR 975.80 | 25500•Sales Tax Payable CR 73.19**

11000•Accounts Receivable has **increased**; 40000•Lodging Sales has **increased** | 42000•Banquets and Events Income has **increased** | 41000•Gift Shop and Vending Sales has **increased** | 25500•Sales Tax Payable has **increased**

**Check Figure:** Accounts Receivable \$26,969.74

- Leave the Customer Center open.

## Set Up Customers for Batch Invoicing

*With spring break fast approaching, Parrot's Paradise Resort is gearing up for the weeklong kids' camp. Many of the kids who attend camp over spring break also attend a summer session, so you will create a batch of invoices for two of these customers. First, you will need to ensure that the two customers are set up correctly.*

- Set up two customers for batch invoicing, double-clicking each customer to open it for editing and clicking **OK** to save the edits for each customer.

Customer	<b>Angeles, Kyra</b>	<b>Laughlin, Tim</b>
Main Email	<b>KAngeles@email.com</b>	<b>TimL@email.com</b>
Payment Terms	<b>Net 15</b>	<b>Due on Receipt</b>
Preferred Delivery Method	<b>Email</b>	<b>Email</b>
Tax Code	<b>Tax</b>	<b>Tax</b>
Tax Item	<b>Key West ST</b>	<b>Key West ST</b>

- Close the Customer Center.

## Create a New Billing Group

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

*The Batch Invoice window will appear.*

- Click the **Billing Group** drop-down arrow ▼ on the right side of the window and choose **Add New**.
- Enter **Kids Camp-Week** as the Group Name and click **Save**.

20. Select two customers to be in the Billing Group as follows, resizing the Name field and scrolling, if necessary:

NAME	BALANCE TOTAL	TERMS
Angeles, Kyra	0.00	Net 15
Bates, Brandon	0.00	Due on receipt
Beach, Kathie	500.00	Due on receipt
Gator Tours	5,062.00	Net 15
Hitchcock Family Reunion	0.00	Net 15
Humboldt Tour Company	4,453.00	Net 15
Laughlin, Tim	120.00	Due on receipt
Martinez, Toni	0.00	Due on receipt

Buttons: Add > (C), < Remove

- A Click to select **Angeles, Kyra**.
- B Press **Ctrl** and click **Laughlin, Tim**.  
*After clicking Laughlin, Tim, both customers should be highlighted in green so you can add them to the group at the same time.*
- C Click **Add**.
21. Click the **Save Group** button below the Customers in This Group list and click **Next** on the bottom-left portion of the window.

## Create a Batch of Invoices

Now you will set up the invoice that will be sent to the batch of customers. In this case, the kids get a \$5 logo tee when they attend camp, so you will include it on the invoice and change the price.

22. Follow these steps to create the batch invoice:

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT	TAX
	5.01 Kids Camp	Kids Summer Day Camp - 5 days	189.00	189.00	Non
	1.101 Logo Tee	T-shirt with PPR logo	5.00	5.00	Tax
CUSTOMER MESSAGE				TOTAL	194.00
Thank you for your business.					

- A Type: **031522**
- B Click below *ITEM CODE* and then click the drop-down arrow ▼ and choose **5.01 Kids Camp**.
- C Click in the next line down and then click the drop-down arrow ▼ and choose **1.101 Logo Tee**.  
*If the Price Levels window appears, click OK.*
- D Tap **Tab** twice and type: **5**
- E Click the drop-down arrow ▼ and choose **Thank you for your business**.

23. Click **Next** and then review the list of invoices you are preparing to create.

Invoice Date: 03/15/2022									
SELECT	CUSTOMER	TERMS	SEND METHOD	AMOUNT	TAX CODE	TAX RATE	TAX	TOTAL	STATUS
<input checked="" type="checkbox"/>	Angeles, Kyra	Net 15	Email	194.00	Tax	7.5%	0.38	194.38	OK
<input checked="" type="checkbox"/>	Laughlin, Tim	Due on receipt	Email	194.00	Tax	7.5%	0.38	194.38	OK

The screen will show all invoices to be created. You could choose not to create an invoice for a member of the group by deselecting it.

24. Click **Create Invoices**.

The Batch Invoice Summary window displays.

BEHIND THE SCENES BRIEF
11000•Accounts Receivable DR 388.76; <b>45000•Camp Income CR 378.00   41100•Clothing Sales CR 10.00   25500•Sales Tax Payable CR 0.76</b>
11000•Accounts Receivable has <b>increased</b> ; 45000•Camp Income has <b>increased</b>   41100•Clothing Sales has <b>increased</b>   25500•Sales Tax Payable has <b>increased</b>
<b>Check Figure:</b> Accounts Receivable \$27,358.50

25. Click **Close** in the Batch Invoice Summary window.

## Receiving Discounted and Electronic Payments

The procedure for receiving a discounted customer payment is similar to receiving a regular payment, except that you must identify the account to be debited for the discount amount.

Discount and Credits			
<b>INVOICE</b>			
Customer:Job	Sherwood Tours:29Mar22		
Number	22-0014	Amount Due	4,194.99
Date	03/11/2022	Discount Used	41.95
Original Amt.	4,194.99	Credits Used	0.00
		Balance Due	4,153.04
<b>Discount</b>	<b>Credits</b>		
Discount Date	03/21/2022		
Terms	1% 10 Net 30		
Suggested Discount	41.95		
Amount of Discount	41.95		
Discount Account	49000 · Less Discounts Given		

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

## Electronic Customer Payments

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.

**Note!** For a fee, you can subscribe to QuickBooks Payments. This service has a Pay Now button you can include on emailed invoices so customers can instantly make payments. The service also allows you to accept credit card payments and bank transfers. In addition, your books will be automatically updated when the money is deposited into your bank account. There are monthly plan and transaction fees for this service.

### BEHIND THE SCENES: *Receive a Discounted Payment*

<b>12000•Undeposited Funds</b> <b>49000•Less Discounts Given</b>
<i>INCREASE to Assets</i> <i>DECREASE to Revenue</i>

<b>11000•Accounts Receivable</b>
<i>DECREASE to Assets</i>

$$\text{Assets} = \text{Liabilities} + \text{Capital} + \text{Revenue} - \text{Expenses}$$

↗ Equity

$$\$4,153.04 - \$4,194.99 = \$0.00 + \$0.00 + (-\$41.95) - \$0.00$$

<b>12000•Undeposited Funds</b>	
<i>Debit</i>	<i>Credit</i>
\$4,153.04	

<b>11000•Accounts Receivable</b>	
<i>Debit</i>	<i>Credit</i>
	\$4,194.99

<b>49000•Less Discounts Given</b>	
<i>Debit</i>	<i>Credit</i>
\$41.95	

↗ Customers → Receive Payments

## DEVELOP YOUR SKILLS 7-8

In this exercise, you will record a discounted payment and process an electronic payment for Parrot's Paradise Resort. Sherwood Tours has made its payment within 10 days of the invoice, therefore qualifying for a discounted payment.

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

- A Click the drop-down arrow ▼ and choose **Sherwood Tours:29Mar22**.
- B Tap **Tab** and type: **4153.04**
- C Tap **Tab** and type: **031922**
- D Click **e-Check**.
- E Tap **Tab** and type: **2894**
- F Click **Discounts And Credits**.

Notice the Underpayment section on the bottom-left portion of the Receive Payments 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 leave this as an underpayment and apply the discount for early payment to the invoice to take care of the underpayment in this case.

3. In the Discount Account field, type: **Less Discounts Given**
4. Tap **Tab** and click **Set Up**.

5. Create the new income account:
  - Number: **49000**
  - Description: **Account to track discounts**
6. Click **Save & Close** and then click **Done** to return to the Receive Payments window.
 

*The discount has been applied so the underpayment information at the bottom left of the window is no longer displayed; the discount applied will be shown in the bottom right of the window.*
7. Enter this in the Memo field: **Sherwood: Disc Pmt, 29Mar22 Tour**

BEHIND THE SCENES BRIEF
12000•Undeposited Funds DR 4,153.04   49000•Less Discounts Given DR 41.95; <b>11000•Accounts Receivable CR 4,194.99</b>
12000•Undeposited Funds has <b>increased</b>   49000•Less Discounts Given has <b>decreased</b> ; Accounts Receivable has <b>decreased</b>
<b>Check Figure:</b> 11000•Accounts Receivable \$23,163.51

8. 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.

9. Click the **Record Deposits** task icon in the Banking area of the Home Page.
 

*The Payments to Deposit window appears. Note the 1 on the task icon, indicating one deposit is ready to be recorded.*
10. Click the **e-Check** you just entered and click **OK**.
11. Ensure the deposit will go to the **10300•Sailors Bank Checking** account and then click **OK** in the Setting Default Accounts window, if necessary.
12. Enter **031922** as the Date.



BEHIND THE SCENES BRIEF
10300•Sailors Bank Checking DR 4,153.04; <b>12000•Undeposited Funds CR 4,153.04</b>
10300•Sailors Bank Checking has <b>increased</b> ; 12000•Undeposited Funds has <b>decreased</b>
<b>Check Figure:</b> Sailors Bank Checking \$83,695.74

13. Click **Save & Close** to record the deposit to Sailors Bank Checking from Undeposited Funds where it was held prior to being deposited.

# Refunds

There are many times when you may need to issue a refund to a customer and a variety of reasons for doing so, such as:

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

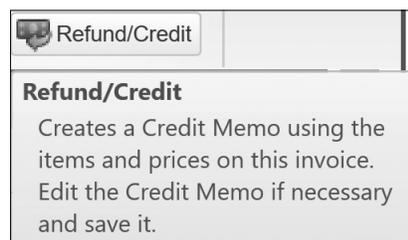
When you choose to issue a refund, the Issue a Refund window appears. Here you can enter the information for the refund check based on the amount from the invoice.

## Credit Memos

To account for returned merchandise, you will create a credit memo. After 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 issue a refund check or a return of funds to a credit card.

### 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.



Convert an invoice to a credit memo by clicking the Refund/Credit button on the Create Invoices window ribbon.

## Applying a Credit as a Part of a Payment

After 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.

**Apply Credits**

**INVOICE**

Customer:Job	Park, Ginny	Amount Due	650.96
Number	22-0017	Discount Used	0.00
Date	03/22/2022	Credits Used	650.96
Original Amt.	650.96	Balance Due	0.00

**Credits**

**AVAILABLE CREDITS**

DATE	CREDIT NO.	CUSTOMER:JOB	CREDIT AMT.	AMT. TO USE	CREDIT BALANCE
03/20/2022	CR1	Park, Ginny	826.00	650.96	175.04
<b>Totals</b>			826.00	650.96	175.04

Of all the credits issued to this customer, only unused credits applicable to this specific invoice are displayed above.

**PREVIOUSLY APPLIED CREDITS**

DATE	CREDIT NO.	CUSTOMER:JOB	CREDIT AMT.	AMT. TO USE	CREDIT BALANCE
------	------------	--------------	-------------	-------------	----------------

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

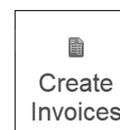
## Entering a Credit from a Vendor

If you're on the receiving end of a credit memo, you will need to enter it in your QuickBooks file as well. This is easily done through the Enter Bills window. After you have recorded the credit, use it when you pay bills to this vendor in the future.

### DEVELOP YOUR SKILLS 7-9

*In this exercise, you will create a credit memo and then apply the credit toward a future invoice. Ginny Park prepaid for a vacation and, because of a family matter, she has to cancel. You will create the credit for her to be applied to a future invoice.*

1. Click the **Create Invoices** task icon in the Customers area of the Home Page.
2. Click the **Find**  button on the ribbon.
3. Choose **Park, Ginny** as the Customer:Job and click **Find**.



*Invoice 22-0004 will display, as it's the only one created for Ginny Park.*

4. Click the **Refund/Credit** button on the ribbon to convert the invoice to a credit memo.



*QuickBooks opens the Create Credit Memos/Refunds window with the information from the invoice displayed. This window looks like the Create Invoices window but does the opposite behind the scenes: It decreases Accounts Receivable and decreases the income account(s).*

## 5. Create the credit memo:

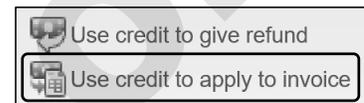
- Date: **032122**
- Credit No.: **CR1**
- Tax: **Key West ST**
- Memo: **Park: refund Inv 22-0004**

Leave the Create Credit Memos/Refunds window open; you'll issue the refund from it in the next step. It may seem strange to enter a sales tax item when no tax is involved, but it's required to ensure non-taxable sales are reported correctly for each jurisdiction once the preference is turned on.

## Apply a Credit and Create a New Invoice

Ginny will be rebooking a vacation on a different date, so you will now apply the credit to a new invoice, rather than issue a refund, and then create the new invoice.

6. Click the **Use credit to apply to invoice** button on the ribbon.
7. Click **OK** in the Warning window; click **Save & Close** to record the credit memo.



### BEHIND THE SCENES BRIEF

40000•Lodging Sales DR 596.00 | 43000•Excursion Income DR 230.00;  
**11000•Accounts Receivable CR 826.00**

40000•Lodging Sales has **decreased** | 43000•Excursion Income has **decreased**;  
 11000•Accounts Receivable has **decreased**

**Check Figure:** Accounts Receivable \$22,337.51

8. Click **Save & New** in the Create Invoices window and then create an invoice for the new vacation package:

Customer:Job	<b>Park, Ginny</b>
Date	<b>032222</b>
Invoice #	<b>22-0017</b>
Items/Quantity	<b>0.04 Fam Suite – Ocean/1 3.03 Reef Excur/4 2.01 Concert – Lawn/4</b>
Customer Message	<b>Thank you for your business.</b>
Memo	<b>Park: 5/2022 booking</b>

The product invoice template will be displayed since you used it last. You can use it for this invoice even though there are no inventory items being sold, as it affects the accounts the same behind the scenes. The product invoice template is just better designed to deal with the sale of inventory items, especially if they are being shipped.

9. Click the **Apply Credits** button on the ribbon and then click **Yes** in the Recording Transaction window.

*The Apply Credits window will launch. Look at how the credit has been applied to the invoice, and there is a remaining credit of \$175.04.*



### BEHIND THE SCENES BRIEF

11000•Accounts Receivable DR 650.96; **40000•Lodging Sales CR 299.00** |  
**42000•Banquets and Events Income CR 71.96** | **43000•Excursion Income CR 280.00**

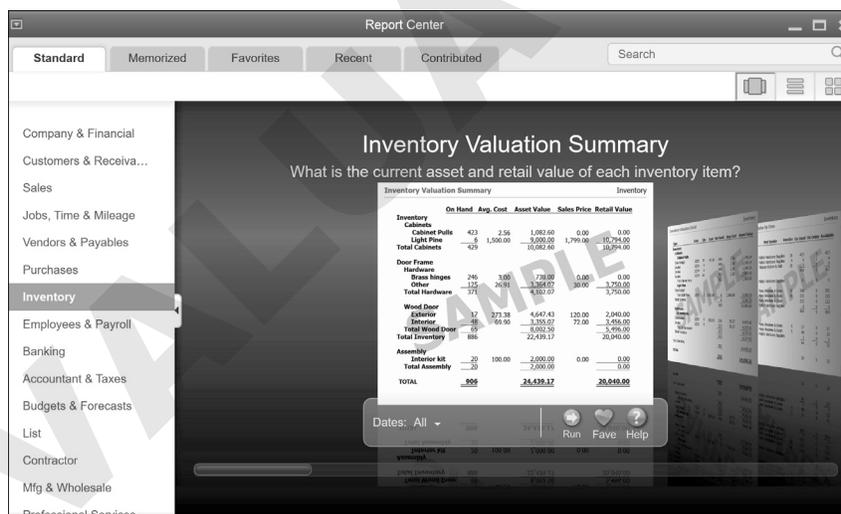
11000•Accounts Receivable has **increased**; 40000•Lodging Sales has **increased** |  
42000•Banquets and Events Income has **increased** | 43000•Excursion Income has **increased**

**Check Figure:** Accounts Receivable \$22,988.47

10. Click **Done** in the Apply Credits window and **Save & Close** in the Create Invoices window.

## Inventory Reports

QuickBooks features many preset reports to help you efficiently manage inventory and sales as well as many other financial aspects of your company. These reports can be accessed via the Report Center or the menu bar. The reports in the Inventory category of the Report Center provide a great start for obtaining information about your inventory. If you don't find the exact report you need, you can create a custom one or search the reports for your industry submitted by other QuickBooks users, found on the Contributed tab. All of the reports in the Report Center can also be produced from the Reports option on the menu bar.



The Carousel View of the Report Center helps you find just the right report. Use the left  and right  arrow keys to flip through the slides of the different reports in a category. Below the report slide are commands to set the report date range, run the report, mark it as a favorite, or search for help on it.

The report categories are the same in the Report Center and the Reports menu, though additional options are available via the menu.

## Physical Inventory Worksheet

Periodically, it's important to physically count your inventory items to make sure 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 to 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 your actual count during a physical inventory count.

Parrot's Paradise Resort - Chapter 7 Physical Inventory Worksheet				
Item	Description	Preferred Vendor	Quantity On Hand	Physical Count
1.101 Logo Tee	T-shirt with PPR logo	Keys Apparel	28	
1.201 Smores Pack	Basket of graham crackers, m...	Creola Catering	37	
1.301 Beach Hat	Floppy beach hat	Keys Apparel	40	
1.401 Water Bottle	32oz. logo water bottle	Carolina Coast Wholesale	30	
1.501 Sunscreen	Reef-safe 30 SPF sunscreen	Carolina Coast Wholesale	65	

The Physical Inventory Worksheet aids you in conducting a count of your inventory items to ensure the quantity on hand in QuickBooks matches the actual amount you physically have.

### INVENTORY REPORTS AND THEIR PURPOSES

Inventory Report Name	What It Shows
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 report but arranged by vendor
Physical Inventory Worksheet	A printable worksheet used to count physical inventory or compare physical quantity to the number QuickBooks has recorded

## Tracking Sales

The Sales category of the Report Center features reports and graphs that help you to analyze your company's sales. You can choose reports that show Sales by Customer, Sales by Item, and Sales by Rep. You can also view sales information by job if you have jobs set up for your company. The Sales Graph visually displays your sales by item, customer, and rep.

**Note!** Graphs are a great tool for data visualization. If QuickBooks doesn't provide a preset graph that works for you, you can export your data to Excel and create your graphs there.

## QuickZoom Revisited

Recall that QuickBooks provides the QuickZoom tool that allows you to drill down to the source data found on a report. When you see the magnifying glass icon, just double-click to move to the next level down of data.

The screenshot illustrates the QuickZoom process in three stages:

- Physical Inventory Worksheet:** Shows a list of items including '1.101 Logo Tee' and '1.102 Flip-Flops'. A magnifying glass icon is visible next to the 'Logo Tee' item.
- Inventory Item QuickReport:** Displays 'All Transactions' for the selected item. The table shows:
 

Type	Date	Num	Name	Memo	Qty
<b>Inventory</b>					
<b>1.101 Logo Tee (T-shirt with PPR logo)</b>					
Bill	03/10/2022	PO1, I...	Keys Apparel	T-shirt with...	50
Invoice	03/11/2022	22-0014	Sherwood Tours:...	T-shirt with...	-20
Invoice	03/15/2022	22-0015	Angela Kyra	T-shirt with...	1
Tot On Hand As of 03/2					
Total Inventory					
<b>TOTAL As Of 03/2</b>					
- Bill Window:** Shows details for a bill from 'Keys Apparel' dated '03/10/2022'. The amount due is '533.10'. The address is 'Keys Apparel, Angela Pepka, 2016 Kirkland Drive, Marathon, FL 33050'.

Double-clicking with the QuickZoom pointer on an item on the Physical Inventory Worksheet brings you to an Inventory Item QuickReport for the item. Double-clicking a transaction on the Inventory Item QuickReport opens the window where the transaction was entered.

🔍 Reports→Report Center: Inventory | Reports→Inventory

🔍 Reports→Report Center: Sales | Reports→Sales

### DEVELOP YOUR SKILLS 7-10

*In this exercise, you will run a report that 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 Inventory Valuation Summary window, choosing not to memorize it.

## Determine Which Items to Reorder

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

- Choose **Reports**→**Inventory**→**Inventory Stock Status by Item** and then tap **a** to set the date range to All.

When a checkmark is displayed in the Order column, you know it's time to place an order. In this case, the number of items on hand is greater than the Reorder Pt (Min) for each item, so no items need reordering.

Parrot's Paradise Resort - Chapter 7												
Inventory Stock Status by Item												
All Transactions												
Inventory	Pref Vendor	Reorder Pt (Min)	Max	On Hand	On Sales Order	For Assemblies	Available	Order	On PO	Reorder Qty	Next Deliv	Sales/Week
1.101 Logo Tee (T-shirt with PPR logo)	Keys App...	15	28	28	0	0	28		0	0		10.34
1.201 Smores Pack (Basket of graham cracke...	Creola Ca...	20	37	37	0	0	37		0	0		1.9
1.301 Beach Hat (Floppy beach hat)	Keys App...	25	40	40	0	0	40		0	0		0
1.401 Water Bottle (32oz. logo water bottle)	Carolina C...	20	30	30	0	0	30		0	0		12.7
1.501 Sunscreen (Reef-safe 30 SPF sunscreen)	Carolina C...	35	65	65	0	0	65		0	0		0

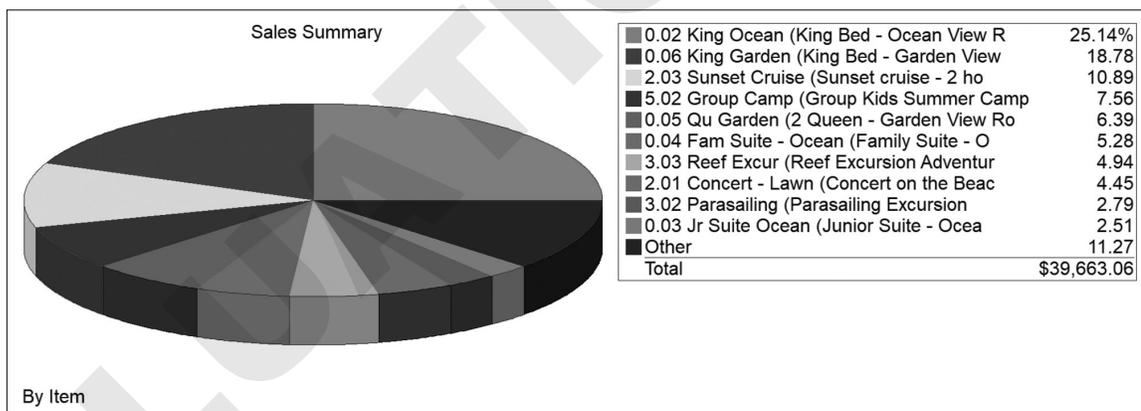
- Close the Inventory Stock Status by Item window, choosing not to memorize it.

## Create a Sales Graph

Finally, you will create a graph that shows all sales by month and sales by customer.

- Choose **Reports**→**Sales**→**Sales Graph**.
- Click the **Dates** button on the toolbar and then type **a** and click **OK**.
- Click the **By Item** button on the toolbar.

Note how the pie chart at the bottom changes.



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

Note the Next Group button at the top right of the window that will allow you to see the remainder of the Other group.

- Point to *Other* in the legend of the graph or on the dark purple pie slice and double-click to QuickZoom, displaying the detail of the Other grouping in a second graph.
- Close the sales graph windows.

## Tackle the Tasks

Now is your chance to work a little more with Parrot's Paradise Resort and apply the skills you've just learned to accomplish additional tasks. Continue with the same company file you've been using in this chapter so far. If you need to reopen the company file, the username is *Admin* and the password is *Password1*.

<b>Create an Inventory Item</b>	Item Name: 1.102 Flip-Flops; Purchase Description: PPR logo flip-flops, various sizes; Sales Description: PPR logo flip-flops; Cost: 4.39; Sales Price: 25.00; COGS: 52900•Purchases - Resale Items; Pref. Vendor: Keys Apparel; Income Acct.: 41100•Clothing Sales; Asset Acct.: 12100•Inventory Asset; Reorder: 35; Qty on Hand: 0
<b>Create a PO</b>	On 03/16/2022 to purchase 50 of the flip-flops just entered as an inventory item
<b>Receive Items</b>	Receive the flip-flops with the bill on 3/20/2022; add a \$15 shipping charge to the bill
<b>Sell Items</b>	Sell 20 pairs of flip-flops to Gator Tours on 3/22/2022, terms 2% 10 Net 30; terms are only for this invoice
<b>Receive Payment</b>	Receive an e-Check, 758946, from Gator Tours for both invoice 22-0009 and 22-0018 on 3/27/2022 for \$5,588.75 Mary took advantage of the early payment discount (click the invoice to which you are applying the discount before clicking Discounts/Credits); deposit the payment to Sailors Bank Checking on the same day
<b>Run Reports</b>	Create a report that shows the inventory on hand and its value as of 3/31/2022 Create a report that shows the total sales for March 2022

# Self-Assessment

Check your knowledge of this chapter's key concepts and skills using the Self-Assessment quiz here, in your ebook, or in your eLab course.

1. Non-posting accounts appear at the bottom of your Chart of Accounts. *True False*
2. QuickBooks Desktop uses the Last-In, First-Out (LIFO) method of inventory valuation. *True False*
3. The Show Lowest Subaccount preference helps you overcome the problem of narrow account fields in QuickBooks. *True False*
4. The Inventory Valuation Detail report tells you which items you need to reorder. *True False*
5. You must set up sales tax as an item to be able to include it on a sales form. *True False*
6. QuickBooks allows you to ship a package within the Create Invoices and Enter Sales Receipt windows using various services. *True False*
7. You can receive payments from your customers electronically. *True False*
8. The Sales Graph can display the total sales by item or by vendor. *True False*
9. When might QuickBooks NOT be a good tool for tracking inventory for a company?
  - A. The company sells one-of-a-kind antiques.
  - B. The company sells approximately 75 items.
  - C. The company uses the average cost method for inventory valuation.
  - D. The company's items are purchased at wholesale and sold at retail cost.
10. Which report do you run to determine the value of your inventory by item?
  - A. Inventory Stock Status by Item
  - B. Sales by Item Summary
  - C. Inventory Valuation Detail
  - D. Inventory Valuation Summary
11. What is the discount for early payment on an invoice for \$100 with terms of 2% 10 Net 30?
  - A. \$10
  - B. \$2
  - C. \$4
  - D. \$20
12. What type of account is Purchase Orders?
  - A. Inventory Asset
  - B. COGS
  - C. Inventory Expense
  - D. Non-posting
13. Accounts Payable is \_\_\_\_\_ when you receive inventory with a bill.
  - A. debited
  - B. credited
  - C. cleared out
  - D. reconciled

# Reinforce Your Skills

*In the Reinforce Your Skills exercises, you will work with the company Donnell Construction, for which Colleen Donnell is the president. This limited liability company (LLC) provides general contracting services to residential and commercial customers, and you will assist Colleen in a variety of QuickBooks tasks. The company has decided to begin selling finished wood products, so you will help Colleen purchase, track, sell, and report on the inventory items. The username for all files is Admin and the password for all files unless otherwise stated is Password1.*

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## REINFORCE YOUR SKILLS 7-1

### Set Account Number and Sales Tax Preferences

*In this exercise, you will set up a new Sales Tax Item for Cook County and set up inventory preferences, accounts, and items. The first steps are to turn on the sales tax preference and set up a sales tax item.*

1. Choose **File**→**Open or Restore Company**.
2. Open **RYS\_Chapter07 (Company)** or restore **RYS\_Chapter07 (Portable)** and save it as: **RYS\_Chapter07 Donnell Construction**
3. Choose **Edit**→**Preferences**.
4. Display the **Company Preferences** tab of the **Accounting** category.
5. Choose to **Use account numbers** and **Show lowest subaccount only**.
6. Click the **Sales Tax** category; click **Yes** to save changes.
7. Click in the circle to the left of **Yes** to indicate you charge sales tax.
8. Add a new sales tax item:
  - Sales Tax Name: **IL State**
  - Description: **IL State Sales Tax**
  - Tax Rate: **6.25%**
  - Tax Agency: **Illinois Treasury Department** (Quick Add the new vendor)
9. Click **OK** to add the new sales tax item.
10. Set **IL State** as the most common sales tax item and then click **OK** three times, closing the Preferences, Updating Sales Tax, and Warning windows.
11. Create an additional sales tax item:
  - Sales Tax Name: **Cook County**
  - Description: **Cook County Sales Tax**
  - Tax Rate: **2.75%**
  - Tax Agency: **Illinois Treasury Department**

12. Create a sales tax group called **Oak Park ST** using the **IL State** and **Cook County** sales tax items.
13. Choose **Edit**→**Preferences**, set **Oak Park ST** as the most common sales tax item in the preferences, and click **OK**.

## Turn On Inventory Preferences and Set Up Inventory Items

*Colleen Donnell wants to start offering custom wood products for sale to her customers. You will now set up QuickBooks to deal with inventory along with the new necessary accounts.*

14. Choose **Edit**→**Preferences**.
15. Click the **Items & Inventory** category and then click the **Company Preferences** tab.
16. Click the checkbox to turn on **Inventory and Purchase Orders Are Active**.
17. Click **OK** to close the Preferences window and then click **OK** to close the Warning window, if necessary.

## Create New Accounts

*The next step is to set up separate income and cost of goods sold accounts for the product sales.*

18. Choose **Lists**→**Chart of Accounts**.
19. Click the **Account** drop-down arrow ▼ and choose **New**.
20. Create two new accounts:

Account Type	<b>Income</b>	<b>Cost of Goods Sold</b>
Number	<b>45000</b>	<b>55000</b>
Account Name	<b>Product Sales</b>	<b>Purchases - Retail Sales</b>
Description	<b>Gross revenue for product sales</b>	<b>Wholesale cost for product sales</b>
Tax-Line Mapping	<b>Schedule C: Gross receipts or s...</b>	<b>Schedule C: Purchases, cost of...</b>

21. Click **Save & Close** and then close the Chart of Accounts window.

## Create a New Inventory Item

*Now you will set up a taxable inventory item that Donnell Construction will sell on sales forms.*

22. Choose **Lists**→**Item List**, click the **Item** drop-down arrow ▼, and choose **New**.
23. Choose **Inventory Part** as the item type.

**24.** Create three new inventory items:

*All items are taxable and will use 45000•Product Sales as the Income Account and 55000•Purchases – Retail Sales as the Cost of Goods Sold account; Quick Add the vendor.*

Item Name	Wine Cart	Roll Top Desk	Hall Mirror
Purchase/Sales Description	<b>Solid oak 36 bottle wine cart</b>	<b>Solid oak roll top desk</b>	<b>Solid oak ornate large framed mirror</b>
Cost	<b>225</b>	<b>489</b>	<b>94</b>
Preferred Vendor	<b>Oak Park Oak Factory</b>	<b>Oak Park Oak Factory</b>	<b>Oak Park Oak Factory</b>
Sales Price	<b>475</b>	<b>1,200</b>	<b>350</b>
Reorder Point (Min)	<b>10</b>	<b>4</b>	<b>12</b>

*Click Next after each of the first two items; Quick Add the vendor the first time you enter it.*

**25.** Click **OK** and then close the Item List.**REINFORCE YOUR SKILLS 7-2****Create POs and Receive Items**

*In this exercise, you will help Donnell Construction order and receive inventory items. You will begin by creating a PO for Oak Park Oak Factory.*

**1.** Choose **Vendors**→**Create Purchase Orders** and create the PO:

Vendor	<b>Oak Park Oak Factory</b>
Date	<b>030122</b>
PO No.	<b>22-01</b>
Vendor Address	<b>302 Hidden Lake Drive Oak Park, IL 60302</b>
Items/Quantities	<b>Wine Cart/15 Roll Top Desk/7 Hall Mirror/20</b>
Memo	<b>Oak Factory: PO 3/2022</b>

*Type in the vendor address under the name in the Vendor field.*

**2.** Click **Save & Close** and click **Yes** to make the address for the vendor permanent.

*The inventory from Oak Park Oak Factory has arrived without the bill, so you will receive them into QuickBooks for Colleen.*

3. Choose **Vendors**→**Receive Items**.
4. Choose **Oak Park Oak Factory** as the vendor and then click **Yes** to receive against an open PO.
5. Click the checkmark column to select the PO dated **03/01/2022** and click **OK**.
6. Change the date of the Item Receipt to **031022** and then click **Save & Close**.

## Receive the Bill

The bill for the inventory has just arrived, so it's time to enter it into QuickBooks.

7. Choose **Vendors**→**Enter Bill for Received Items** and then choose **Oak Park Oak Factory** as the vendor.
8. Click the item receipt dated **03/10/2022** and then click **OK**.
9. Complete the bill:

Date	<b>031522</b>
Ref. No.	<b>Inv 22031</b>
Terms	<b>Net 15</b>
Memo	<b>Oak Park: Inventory 3/2022</b>
Shipping Expense (Expense tab)	<b>85</b>

10. Click **Save & Close**, click **Yes** to agree to change the transaction, and click **Yes** to permanently change the information for Oak Park Oak Factory.

## REINFORCE YOUR SKILLS 7-3

### Sell Inventory Items and Process Payments

Once the products have been entered into inventory, it's time to start selling! In this exercise, you will record an inventory sale for Hayden Popelka and a friend of Hayden's who liked her desk so much that she wants one as well. You will record the second sale without listing the customer, as you don't foresee completing any construction projects for her. Next, you will deposit the payments received into the company Checking account.

All sales will use the default tax rate for Oak Park.

1. Choose **Customers**→**Enter Sales Receipts**.

- Choose **Popelka, Hayden** as the Customer:Job and then use this information to complete the sales receipts, taking care to click **Save & New** after the first sale and **Save & Close** after the second:

Customer:Job	<b>Popelka, Hayden</b>	[Select no customer]
Payment Method	<b>Check</b>	<b>Cash</b>
Date	<b>032322</b>	<b>033022</b>
Check No.	<b>3320</b>	[none]
Item	<b>Roll Top Desk</b>	<b>Roll Top Desk</b>
Customer Message	<b>Thank you for your business.</b>	<b>Thank you for your business.</b>
Memo	<b>Popelka: Desk 3/2022</b>	<b>Cash sale: Desk 3/2022</b>

- Choose **Banking**→**Make Deposits**.
- Click the **Select All** button and then click **OK**.
- Ensure the date of the deposit is **03/30/2022** and *10100•Checking* is the account displayed.
- Click **Save & Close**.

*All payments that were waiting in the Undeposited Funds account have been deposited into the Checking account.*

## REINFORCE YOUR SKILLS 7-4

### Produce a Report

*In this exercise, you will create an inventory report that details the quantity and value of inventory on hand and use QuickZoom to make a change to an underlying form.*

- Choose **Reports**→**Inventory**→**Inventory Valuation Detail** and then type **a** to set the date range to All.
- Using **QuickZoom**, go to the bill for the Oak Park Oak Factory.
- Change the terms of the bill to **Net 30**.
- Save the bill with the changes, choosing to have the new terms appear next time and become a permanent change to the vendor record.
- Click **Yes** to refresh the report.
- Close the report, choosing not to memorize it, and then close the company file.



# Apply Your Skills

*In the Apply Your Skills exercises, you will work with a company called Wet Noses Veterinary Clinic. It's run by Dr. Sadie James, DMV, a small-animal veterinarian specializing in dogs and cats. Wet Noses has started buying and selling inventory, and you will manage the sales tax, purchase and receive inventory items, and sell products to customers. As needed, you will issue credit memos and discount purchases based on payment terms. The username for all files is Admin and the password for all files unless otherwise stated is Password1.*

---

## APPLY YOUR SKILLS 7-1 QG

### Set Up Sales Tax and Inventory Items

*In this exercise, you will set up sales tax and items to begin selling to customers.*

1. Choose **File**→**Open or Restore Company**.
2. Open **AYS\_Chapter07 (Company)** or restore **AYS\_Chapter07 (Portable)** and save it as: **AYS\_Chapter07 Wet Noses Clinic**
3. Open the Preferences window and set the preference to collect sales tax.
4. Set up a new sales tax item, setting it as the most common sales tax item:
  - Name: King County Sales Tax
  - Rate: 10%
  - Payable to: King County Treasurer
5. Choose to make all existing customers taxable but NOT all existing non-inventory and inventory parts.
6. Open the Preferences window and turn on the Inventory and Purchase Order feature and set the company to Use account numbers.
7. Open the Chart of Accounts and create a new income account named Inventory Sales and numbered 45000.
8. Add account numbers to these accounts:
  - **Money Market** - 10800
  - **AmEx-9944** - 21000

9. Create these inventory part items using 50000•Cost of Goods Sold as the COGS account:

Item Name	Toothbrush	Chew Toy	Cat Collar
Purchase/Sales Description	Dog toothbrush and paste kit	The great indestructible ball!	Designer cat collar
Cost	2.49	1.71	5.00
Preferred Vendor	<b>Seattle Vet Supply</b>	<b>Bothell Pet Supply Co.</b>	<b>Take a Walk</b>
Sales Price	14.99	8.99	19.99
Income Account	<b>45000•Inventory Sales</b>	<b>45000•Inventory Sales</b>	<b>45000•Inventory Sales</b>
Reorder Point	15	20	10

10. Run the Item Listing report for detailed information about each item.
11. Click the **Excel**  button and export this list to a new workbook saved to your file storage location as: **CH7\_A1 New Item Listing**
12. Close Excel and close the report window.

## APPLY YOUR SKILLS 7-2 QG

### Purchase and Receive Inventory Items

*In this exercise, you will purchase and receive new inventory items in order to have them in stock.*

- Create POs for these three items:
  - 25 toothbrushes from Seattle Vet Supply on 07/01/2023
  - 40 chew toys from Bothell Pet Supply Co. on 07/02/2023
  - 15 cat collars from Take a Walk on 07/02/2023
- You received all 25 toothbrushes from Seattle Vet Supply on 07/07/2023, along with the bill. Receive the items and enter the bill, making sure to receive against the PO you created.
- You received 33 of the chew toys from Bothell Pet Supply Co. The rest are on back order, so you did not receive the bill yet. Receive these 33 items into inventory on 07/08/2023.
- You received all 15 of the cat collars from Take a Walk on 07/12/2023, along with the bill. Included on the bill was a shipping charge of \$12.95. Receive the items into inventory and enter the bill and create a 66500•Postage and Delivery account for the shipping charge.
- On 07/14/2023 you received a bill for the chew toys you received on 07/08/2023, along with a shipping charge of \$13.50. You then receive the seven chew toys that were on back order, along with a bill for the items with no shipping charge, on 07/25/2023.
- Run the Inventory Stock Status by Item report for all dates to determine how many inventory items are currently in stock.
- Click the **Excel** button and export this report to a new workbook saved to your file storage location as: **CH7\_A2 Current Inventory Status**
- Close Excel.

**APPLY YOUR SKILLS 7-3** QG

## Sell Inventory

*In this exercise, you will process sales of inventory items.*

1. Sell two of the new designer cat collars to Jill Ann Tank on 07/14/2023. She pays with cash.
2. Sell seven toothbrushes and seven chew toys to King County Sheriff K-9 Unit on 07/15/2023. The Terms should be 2% 10 Net 30 and should not be made permanent.
3. Create an invoice for Stacy LiMarzi's cat, Reagan, dated 07/19/2023. The invoice should include a New Patient Exam, a FIV/FelV test, a dose of Revolution-Cat/Small Dog for a cat, and a cat collar. Only the collar is taxable.
4. Run the Sales by Customer Summary report to show the sales amount for each customer for the month from 07/01/2023 to 07/31/2023.
5. Click the **Excel** button and export this report to a new workbook saved to your file storage location as: **CH7\_A3 Sales by Customer Summary**
6. On 07/21/2023, King County Sheriff K-9 Unit has paid the invoice from 07/15/2023 in the amount of \$180.96 with check 7796. Because the payment was received within 10 days, a 2 percent discount of \$3.69 will be applied and should be reflected in the 47320•Less Discounts Given income account. (Make sure to click the invoice to which you want to apply the discount before clicking the Discounts/Credits button.)
7. Stacy LiMarzi has paid the entire amount of the invoice for her cat, Reagan, with check 448 on 07/22/2023.
8. Run the Sales by Item Summary report that shows which items sold the most during the month of July 2023.
9. Click the **Excel** button and export this report to a new workbook saved to your file storage location as: **CH7\_A3 Sales by Item Summary**
10. Close Excel.

**APPLY YOUR SKILLS 7-4** QG

## Issue Credits and Refunds and Manage Returned Inventory

*In this exercise, you will issue a credit memo, process a refund check, and review inventory on hand.*

1. Sampson, a King County Sheriff K-9 Unit dog, did not receive the nail trim he was charged for. Create a Credit Memo numbered RF1 on 07/14/2023 and retain as an available credit. Nail trims are a service and therefore not a taxable item.
2. Run the Item Listing report to view Quantity on Hand for each item on the Item List. Close the Item Listing report.
3. On 7/19/2023 Jill Ann Tank returned one of the cat collars she purchased. Process a refund check that will be printed later.
4. Run the Inventory Stock Status by Item report for All dates to display total inventory on hand by item.
5. Click the **Excel** button and export this list to a new workbook saved to your file storage location as: **CH7\_A4 Stock Status by Item**  
*Notice the returned cat collar has changed the On Hand amount from 12 to 13; the item was added back into inventory.*
6. Close Excel and the company file.

## Extend Your Skills

**Before You Begin:** Open **EYS\_Chapter07 (Company)** or restore **EYS\_Chapter07 (Portable)**. The username is *Admin* and the password is *Password1*.

You've 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 just sat down at your desk and opened a large envelope from Arlaine that contains a variety of documents; you also have several emails from her. It's your job to sort through the papers and emails and make sense of what you find, entering information into QuickBooks as appropriate and answering any questions in a word-processing document saved as: CH07\_EYS\_[LastnameFirstinitial]

Remember, you're dealing with random papers dumped out of an envelope and various emails, so part of your challenge is determining the order in which to complete the tasks.

- Sticky note from Arlaine: We're going to start selling items made by Guatemalan women. I want to see if we can set them up in QuickBooks. Our accountant said we should use "average cost" to track our inventory. Will we be able to track this in QuickBooks? (Explain your answer.)
- Packing slip and bill from Guatemalan Women's Art Alliance (GWAA) dated 8/14/2022. You've received the rest of the scarves and cosmetic bags, and a \$45 shipping charge was included on the bill.
- Scrap of paper: If we can track inventory in QuickBooks, please set up "Traditional Guatemalan Scarf" as an inventory item; the cost from 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 of \$35.00. As of 8/1/2022, order the following inventory: 50 scarves, 40 cosmetic bags, and 25 handbags.
- Handwritten invoice: 10 scarves and 5 handbags sold to Parrot's Paradise Resort, dated 8/16/2022, due 2% 10 Net 30.
- Packing slip from GWAA: Dated 8/5/2022 for receipt of 45 scarves, 30 cosmetic bags, and 25 handbags; the rest are on backorder.
- Photocopy of a check: Check 2007 from Parrot's Paradise Resort dated 8/23/2022 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?