QUICKBOOKS **ONLINE**

2 Setting Up a New Company File

A QuickBooks Online company file is a powerful accounting solution in which the financial records for a company are collected and managed. Managing financials is a critical element for business success. In this chapter, you will prepare for and create a company file in QBO. You will build on the company file throughout this course to learn the skills you need to set up an account for your own company or a client's.

LEARNING OBJECTIVES

▸ Create a new company file
▸ Customize the company settings
▸ Import external lists and transactions
▸ Manage users
▸ Add and categorize products and services
▸ Convert data from other accounting programs

Project: Beautiful Blooms Floral Co.

One of the first companies that AW Accounting Services (AWAS) will be moving to QuickBooks Online is Beautiful Blooms Floral Co. (BBFC). A new client of AWAS, the business is relatively new but starting to grow, and the owner of BBFC, Melanie Taylor, wants to have online access to her bookkeeping records so she can do more on a daily basis herself, wherever she is. However, she also needs the support of your accounting team for some of the monthly bookkeeping and reporting. Melanie's accounting is currently managed using Excel spreadsheets since the beginning of the year. Now that you have a better idea of how to navigate QBO, you will create the Beautiful Blooms Floral Co. QBO company file. You will use this file to add customers and suppliers and to process the daily, weekly and monthly transactions and reporting.

Planning and Creating Your Company File

Before you set up a company file, it is critical that you have all the data you need. This data includes general information about the company, its address, its bank account names and knowledge of the types of services that the company will provide. If you have been working with a company that is currently using QuickBooks Desktop (QBDt), all this information will migrate for you into your new QBO file. We will look at setting up a new file, as well as the process for completing a migration of a QBDt file into QBO.

NOTE! When creating a company file for yourself or your client, remember that the business revenue and expenses must be kept separate from any other business operated by the same owner. Each legal business must have its own company file; if the company is a corporation and divisions of the corporation do business as other names, but everything is a part of the main corporation, that is still considered one company. If you are ever unsure, speak to your accounting professional for guidance as this impacts tax reporting.

New Company File

Melanie from Beautiful Blooms Floral Co. has given you her list of products and services, a list of ongoing customers and a list of suppliers she purchases from to help with the setup process. You will find those lists in the exercise files.

COMPANY DETAILS	
Company Name	Beautiful Blooms Floral Co. - Student Name
Street Address	104 Main Street Suite #100
City, State, Zip	Toronto, ON Canada M2K 5T1
Phone	416-567-9856
Website	www.beautifulbloomsfloral.net
Industry Type	Florists
Business Type	Sole proprietor
Fiscal Year	January
CRA Business No.	82135 8955
Logo	Located in the student exercise files for this chapter
Chart of Accounts	Use default to start
Bank Account	Toronto Dominion
Credit Card Account	Capital One MC
What are the items sold?	See list
List of Customers	See list
List of Suppliers	See list
Accounting Basis	Accrual

☁ View the Intuit Canada video "New Company Setup."

DEVELOP YOUR SKILLS 2-1

In this exercise, you will access your student trial subscription to QuickBooks Online and use Melanie's information for Beautiful Blooms Floral Co. **Your instructor must invite you to your QBO company file; if you have already been invited to and accessed your student trial subscription, skip this exercise and continue to the next topic.**

You will go to a web page for the access instructions. The steps are not included in your textbook because Intuit may change the process at any time.

1. In your web browser, go to: **lablearning.com/qboc-setup**
2. After you create your account, follow the steps provided here and through the link above (not in the invite to QBO email, as that may not be accurate). This will allow you to begin setting up the company file in your student trial subscription to QuickBooks Online Plus. Here's an overview of the settings outlined in the setup instructions:
   - The business name is Beautiful Blooms Floral Co. - Your first name and last initial.
   - The industry is All other miscellaneous store retailers (except tobacco stores).
   - The business structure is Sole proprietor.
   - Your role is Bookkeeper or accountant.
   - Who works at this business? Select Only the owner <u>and</u> Contractors.

- Does a bookkeeper help with your books? Answer, **No**.
- Click **Skip for Now** at the lower end of the next screen ("What do you want to set up next?").
- Select **Get Ready to Invoice** and then click **Next**; click **Skip for Now** at the lower-right corner of the next screen ("Start getting paid with invoices").
- Click **Next** for the App download; you are skipping the download, as you will need to use a laptop or desktop computer to access QBO to complete your work.

Keep in mind that as QBO is updated regularly, some of these questions may change, but this is the general information you want to make sure to start with. If you make an error here, do not panic. All this information is requested so QBO can help you set up the company properly (QBO wants to provide you with a relevant starting Chart of Accounts and lead you to the import section). You will input all details of the company file into the Account and Settings area in the next exercise.

QuickBooks Desktop Migration

For those who are currently working in QBDt, you can migrate all historical data into a new QBO company file. The migration utility is a comprehensive tool and will move all data from a QBDt company file to a QBO company file. What this means is that if you, or your client, have been using the desktop software for ten years, you will have ten years of data that is brought over to the QBO file. Because of this, there are some best practices when completing a migration. The overall process is very simple, and provided the prep work is done prior and review done after, the migration will be successful and allow for a new QBO file with all historical company data.

Though QBO looks and feels different, it is using the same foundation as QBDt; the basic transactions are the same, but there are some things that are different and will result in some changes after migration. We will not be working through a migration as part of this course, but we are providing some general information to assist you or your client if a conversion is required at some point.

> **NOTE!** A migration does not change your desktop file. It will remain intact for you to access after migration.

Tips for a Successful Migration

- **Update QuickBooks Desktop and check the number of targets in the company file in the Product Information window:** Press Ctrl+1 and make sure that the file does not have more than 750,000 targets for 2020 versions and newer (older versions are limited at 350,000 targets); if it does, the file cannot be migrated in this way, and you will need to contact the Intuit Canada Service Delivery team to see if migration is possible or recommended. A target is a line on a transaction, so companies with large transactions will have a lot of line entries. The size of the company file (file size, not target amount) does not impact migration other than to take a bit longer, so a larger file size might mean doing the migration overnight.
- **Clean up the "other names" list:** These become suppliers in QBO, so if this was used and you do not need all of them, deal with them in QBDt first. The same can be applied to all lists.
- **Some QBDt Premier features do not get converted:** If these features are important for your business or your clients, moving to QBO might not be an option without considering additional applications. Most of these functions relate to manufacturing and inventory, such as Units of Measure, Assembly Items, Price Levels, Item Receipts and Sales Orders. Inventory does convert but changes from an Average Weighted Cost method to the first-in, first out (FIFO) method in QBO.

- **Finish off any open reconciliations:** Though reconciliations are still complete, you will not have access to the reconciliation reports from QBDt in QBO, as the reconciliation was not done in that program. Download copies of past reports if you want them for historical purposes.
- **File that last sales tax return:** The sales tax returns will migrate from the desktop area to the QBO one, but it is better to not be in the middle of completing the filing process.
- **Run payroll:** Payroll does not migrate to QBO other than to bring over the employee list and the transactions generated because of the payroll. Payroll in QBO is its own operation and the two cannot interface. If you plan to use QBO payroll or another payroll software, be prepared to enter all year-to-date (YTD) information and all the necessary payroll items and employees' details.

TIP! Give yourself time to do this; do not do a conversion with a payroll due right away unless you have planned ahead with another software.

- **Confirm data:** After the migration is complete, it is essential to compare key information between the two programs to ensure that it was successful. It is recommended, at minimum, to compare the Balance Sheet, Profit & Loss, **Accounts Receivable** (A/R) detail and even **Accounts Payable** (A/P) detail.

WARNING! Remember, when double-checking data, ensure that you are comparing the same report periods in both products.

Completing a Migration from QuickBooks Desktop

When completing a migration, you are working in both desktop and online files at the same time. Follow the instructions provided by QuickBooks Online, and after the migration is complete be sure to confirm the data, as noted in the key tips.

TIP! From the Gear ⚙ menu, you can find the helpful "Import Outside Data" migration walkthrough video (under the Tools heading).

A few other steps will be needed to finish off the setup in the new QBO company file. These include setting up users, customising forms and resetting recurring transaction dates. QuickBooks Online provides step-by-step instructions for migrating your desktop file to QBO. If you have questions, always seek assistance from an Intuit Service Delivery Manager.

Which app have you been using?

QuickBooks Desktop ▾

1 First, check out this brief video overview to get started.

2 Then, begin your migration using this step-by-step guide.

3 Finally, wrap up a few finishing touches and you're all set.

Importing Lists and Transactions

Even though you are starting a new QBO company file, you may not be starting a new company but rather moving from a different accounting program. Unlike the ease and comprehensiveness of a migration with a QBDt file, moving into QBO from another accounting program is a bit different. QBO offers the ability to import a significant portion of the data, provided you can export it from your past software.

In the same part of the Gear menu where you can import from desktop, you will see an option to Import Data; this is where you can import data from CSV or Excel files using the templates that QBO provides.

For specific accounting programs, such as Sage 50 and Xero, you would select Import Outside Data, just as you did for migrating from QBDt. Instructions will be provided here, within QBO to complete the migration. For more information, contact your organization's Business Development Manager (BDM), who can connect you with a Service Delivery Manager.

Customizing Your Company File

QBO is now ready for you to start working, but if you were setting this up for yourself or a client, it is a good practice to select all the settings for your specific business right from the beginning. Do not change any settings at this time unless specifically told to do so, as this is just a general overview.

QBO allows you to easily customize settings to your own preferences. In the Gear menu you can customize the following Your Company settings:

- Account and Settings
- Manage Users
- Custom Form Styles
- Chart of Accounts
- Payroll Settings (if you have subscribed to the payroll function)

Account and Settings

As we walked through navigating QBO, we touched on the general areas that pertain to the account settings for the company itself, such as what we saw in the Gear menu. There are several things you will want to complete as part of the company setup for your client or your own business, and they include adding in all the basic business information as provided by the client.

Company Information

The basic company information is what you would expect:

- company name and logo
- company type
- contact information
- address

Set Company Preferences

Every individual company has specific preferences with respect to their accounting. For example, do they offer terms and discounts? Perhaps they want to send all invoices by email and have custom fields to record information that pertains just to their services. All of this is set up within the following three areas of the Account and Settings section:

- Sales
- Expenses
- Advanced

It is good practice as an accounting professional or a business owner to work through this part of QBO prior to using it actively. For this course, however, you should edit only what you are asked to edit in the instructions.

Activate Special Features (When Required)

When we refer to special features, we are referring to items that are not enabled automatically upon file creation as they are specific to certain businesses and not all businesses use them, and several require the QBO Plus subscription level. Throughout the company preference sections are functions that must be turned on prior to using them, but **do NOT enable any of these now**, as doing so will impact your work, and there are many features you can't turn off. You will be directed to enable these features as needed. Examples of these are:

- Account Numbers
- Progress Invoicing
- Purchase Orders
- Multicurrency
- Price Rules
- Budgeting (Plus only)
- Projects (Plus only)
- Track Classes and Locations (Plus only)

View the Intuit Canada video "Account and Settings."

DEVELOP YOUR SKILLS 2-2

In this exercise, you will use information you have from Melanie to customize your settings in your student trial account for Beautiful Blooms Floral Co. You will also add a logo to her company file.
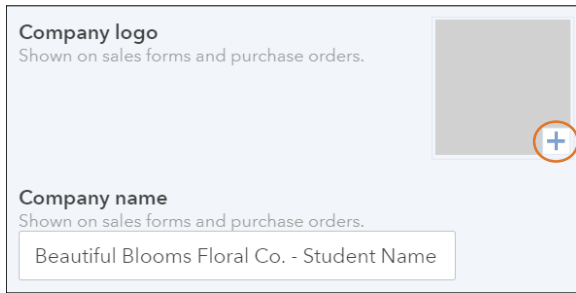
Before You Begin: *Download the student exercise files from* labyrinthelab.com/lrc. *Not all exercises have files. When you need one, you will be directed to go to a chapter folder (such as "navigate to your Chapter 02 folder"). You may also be directed to save your reports as files to a chapter folder so you can upload them for grading later. Store your files and folders in a location that will be easy for you to remember and access throughout the course.*

1. Click the **Gear** ⚙ icon and choose **Account and Settings** under Your Company.

   As we move forward, instructions like this will appear as: Choose Gear→Your Company→Account and Settings.
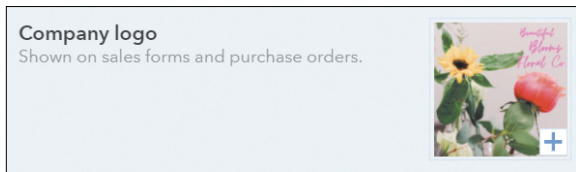
2. Click the **Edit** ✎ icon in the Company Name portion of the window.

3. Click the **plus sign** in the logo box.

Notice that you can also edit your business name in this window and add the legal name of the business if you're operating under a "doing business as" (DBA).

4. Click the next **plus sign** and then navigate to your **Chapter 02** folder and double-click the **BBFC Logo.png** file (the logo can be no larger than 10 MB); click **Save**.

5. Type **82135 8955** in the Business Number (BN) field and click **Save**.

6. In the Company type section, confirm the tax form is *Sole proprietor* and the Industry is *All other miscellaneous store retailers*. You already entered this information, but if it's missing, enter it now.

7. Edit the Contact Info section as indicated and click **Save** when finished:
   - Email: **melanie@example.ca**
   - Company Phone: **1-416-567-9856**
   - Website: **www.beautifulbloomsfloral.net**

8. Edit the Address section with these address details, clicking **Save** when finished:
   - **104 Main Street #100**
   - **Toronto, Ontario M2K 5T1**

   Confirm that Customer-Facing Address and Legal Address are checked.

9. In the Advanced tab, verify that the accounting method is set to **Accrual**, the tax form type is set to **Sole Proprietor** and the Date format is dd/MM/yyyy; edit the settings, if necessary.

10. Click **Done** to close the Account and Settings window.

    Always return to the Dashboard at the end of an exercise, unless directed otherwise.

The Chart of Accounts

The **Chart of Accounts** is the foundation of the company file as this list of accounts makes up the General Ledger and is what categorizes every transaction in the system; those accounts and their balances create a business' financial statements. The Chart of Accounts can be accessed through the Gear menu or in the left-hand Navigation bar, under Accounting.

We will go into greater detail regarding the Chart of Accounts and using the General Ledger accounts later in this course, but we will briefly touch on a few items here to get started as you need to have accounts in the Chart of Accounts to begin creating products and services to sell or to record expenses.

Gear ⚙→Your Company→Chart of Accounts

BEHIND THE SCENES: Transactions

QuickBooks Online is a double-entry accounting system, meaning every time one account is affected, there is an equal and opposite effect on a corresponding account (or combination of accounts); every transaction requires at least two accounts. An example of a transaction is a purchase made for office supplies using a debit card. One account is the business bank account, Operating Account, where assets are tracked, and the other is the Office Supplies expense account, where expenses are tracked. In a transaction such as this, the asset account balance decreases on the balance sheet, and the expense account balance increases on the profit and loss report.

Debits and credits in bookkeeping are often the toughest to master and can cause a lot of frustration and error. By using an accounting solution such as QBO, you record the transaction in the Expense form, and QBO does the accounting work behind the scenes.

Office Supplies Expense	Operating Account
INCREASE to Expenses	*DECREASE to Assets*

One of the most important things to know when working in accounting is the accounting equation. This equation explains how the accounts are related to each other and how one impacts another.

$$\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY}$$
$$\text{Where...}$$
$$\text{EQUITY} = (\text{REVENUE} - \text{EXPENSES}) + \text{CAPITAL}$$

For the example above, with a transaction of $450, this is what the accounting equation would look like:

				→ Equity			
Assets	=	*Liabilities*	+	*Capital*	+ *Revenue*	−	*Expenses*
-$450.00	=	$0.00	+	$0.00	+ $0.00	−	$450.00

Office Supplies Expense		Operating Account	
Debit	*Credit*	*Debit*	*Credit*
$450.00			$450.00

Creating New Accounts

QuickBooks Online creates a basic default Chart of Accounts for each company based on the industry chosen at setup. The Chart of Accounts has the following account types: Assets, Liabilities, Equity, Income, Cost of Goods Sold and Expenses.

The Assets and Liabilities account types are broken down even further:

- **Assets** include Accounts Receivable; Bank; Current Assets; Property, Plant and Equipment; and Long-Term Assets.
- **Liabilities** include Accounts Payable, Credit Card, Other Current Liabilities and Long-Term Liabilities.

Income and expense account types are also broken down further, with each having an "other" option: Other Income and Other Expense.

As you create a new account, you choose the account type. QBO then displays detail types for that account. Each detail type has a brief narrative on what type of transaction may be recorded in that account type to assist in accurate setup.

These account and detail types define placement order on the financial reports and will also assign **GIFI** codes for income tax forms.

Accounts can be added from within the Chart of Accounts. However, if you need to create a new account while working within a transaction form, such as creating an expense or deposit transaction, you can quickly add it from within the form. It is not necessary to go back to the Chart of Accounts.

"Quick Adding" Suppliers, Customers, Accounts or Products

QBO allows us to add many things as we are working within the transaction forms. If you don't have a supplier, you can create it right there. Just make sure you select the correct currency and that it is a supplier and not a customer; if you need a new category (ledger account) to apply the expense to, you can create it right there as well. All of that is done without having to leave what you are working on, and once you save the new item, you are right back to completing your transaction. Throughout this course, if you are prompted to Quick Add an item, do so.

When you enter a new supplier on an Expense form, you will be prompted to Quick Add the supplier (left). You can also Quick Add a new category to apply the expense to (right).

☁ **View the Intuit Canada video "Add a New Account."**

Editing the Default Chart of Accounts

You can add new accounts to the default Chart of Accounts, and you can also edit, inactivate (you can't delete) or merge existing accounts to fit your desired account list. You can also import your own Chart of Accounts if you have one that you have customized and like to use for your clients.

> **TIP!** Create a Chart of Accounts that will result in reports that are beneficial to the business, not just the tax authority. As these accounts are what is represented on the financial statements, they should be set up in the way the information will be reviewed.

Note that you can merge only accounts of the same type. For example, an income account cannot be merged with an expense account because they are different types. To affect an account in the Chart of Accounts, use the options in the Action column to the far right-hand side of the list. Most lists have this column, and you will use it throughout QBO to make changes to list items.

> **WARNING!** You cannot un-merge.

Add a new account

Edit an account

Inactivate an account

Some accounts cannot be made inactive. These accounts are preset by QuickBooks Online as defaults, or they have been linked to another feature. Examples of preset (default) accounts are Undeposited Funds, Uncategorized Asset, Uncategorized Income, Uncategorized Expense and Opening Balance Equity. You will get an error message with a brief explanation if you try to make them inactive.

View the Intuit Canada video "Edit an Account."

View the Intuit Canada video "Merge Accounts."

View the Intuit Canada video "Make Accounts Inactive."

DEVELOP YOUR SKILLS 2-3

In this exercise, you will continue to work in your student trial account for Beautiful Blooms Floral Co. to add, edit and merge accounts in the Chart of Accounts.

To ensure everyone is using the same starting Chart of Accounts, we will begin by inactivating all accounts and then uploading our own custom Chart of Accounts list.

1. Choose **Gear** ⚙→**Your Company**→**Chart of Accounts**. The first time you open your Chart of Accounts, you will have to select **See Your Chart of Accounts**.

   To inactivate the accounts, you must select all accounts in the default Chart of Accounts list.

2. Check the box in the upper-left corner of the list under Batch Actions to select all of your accounts.

3. Click the **Batch Actions** button and select **Make Inactive**.

   Notice that not all accounts can be made inactive, as they are being "used."

4. Click **Got It** and continue on and make the remaining accounts inactive by clicking **Yes, Make Inactive**.

Import a New Chart of Accounts

5. Choose **Gear** ⚙ →**Tools**→**Import Data**.

6. Select **Chart of Accounts**.

   QBO will take you through a three-step process. When working in your own company file, you will want to download the sample CSV file to make sure the data is in the proper format. In this exercise, you will upload a provided file.

7. Upload the **CH02 Chart of Accounts.csv** file from your **Chapter 02** folder in your exercise files, confirm mapping as below and click **Next**.

8. Review the accounts to be imported (there should be 44) and then click **Import**.

9. To add an account individually, choose **Gear �ⁱ→Your Company→Chart of Accounts**.

10. Click the **New** button and make these settings:
    - Account Type: **Bank**
    - Detail Type: **Chequing**
    - Name: **TD Operating Account**

11. Click the **Save and Close menu** button ▾ and then choose **Save and New**.

12. Use these settings to add an income account:
    - Account Type: **Income**
    - Detail Type: **Service/Fee Income**
    - Name: **Services**

13. Click the **Save and New menu** button ▾ and then choose **Save and Close**.

Make an Account Inactive

As you reviewed the Chart of Accounts, you identified at least one account you do not need. You will now make that account inactive.

14. Scroll to the Miscellaneous account (or filter by name in the search field) and click the **downward-facing arrow** icon in the Action column.

    You must click the arrow—not the words—to see the menu of available actions.

> **TIP!** Moving forward, the downward-facing arrow icon will be referred to as the Action menu when you are working in lists.

15. Choose **Make Inactive** and then click **Yes** to confirm.
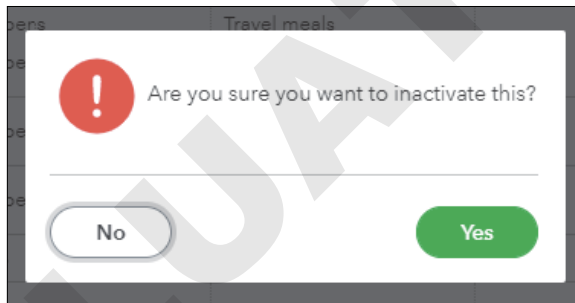
QBO allows you to inactivate an account, customer or supplier even if there is a balance. It creates a transaction to offset the balance to the Reconciliation Discrepancies account. Though QBO does this, it is not the optimal choice for the purposes of writing off this transaction and for year-end reporting; it is better to create a proper adjusting entry to the correct ledger account when needing to clear bad debt or deal with doubtful collections.

Edit an Account

Now you will change the name of the Services account, an Income account, to something more appropriate for Beautiful Blooms Floral Co.

16. Choose **Services→Action menu→Edit**.

17. In the Name field, change *Services* to: **Special Occasions**

18. Click **Save and Close**.

Products and Services

The Products and Services area is where you set up products or services that you sell and will need when you create a Sales form or Purchase form, such as an invoice, sales receipt or estimate, or order inventory items. Provided they are set up correctly in terms of income and cost accounts, when they are used, the accounting is done behind the scenes properly, and data can be extracted with detail and summary reports. Each Product and Services item is linked to at least one account in the Chart of Accounts.

QBO provides a default list of products and services based on the information provided at setup. All these features can be edited (changed) as well as inactivated if you do not wish to use them unless they are a default for another action in QBO.

In addition to providing a default list of products and services, QBO lets you add your own unique list of products and services. In the Products and Services list, you can create categories of products and services to quickly organize what you sell. This feature can save you time when you create sales transactions.

> Gear ⚙→Lists→Products and Services | Navigation bar: Sales→Products and Services

DEVELOP YOUR SKILLS 2-4

Still working in the student trial company, in this exercise, you will create a new list of services. You will use the Categories feature to group the services.
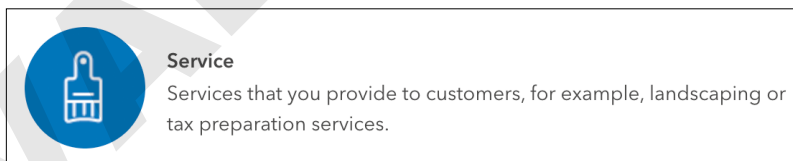
1. Choose **Gear** ⚙→**Lists**→**All Lists** and then click **Product Categories** on the Lists screen.
2. Click the **New Category** button, type **Corporate Services** in the Name field and click **Save**.
3. Add two new categories: **Special Occasions** and **Home Decor and Sundries**
4. Click the **Products and Services** link in the top-left portion of the window.

Product Categories
‹ Products and Services

Add a New Service Item

Now that you have a category, you can add the services for that category.

5. Click **Add a Product or Service** (this is for the first time you add an item; the next time you will click the New button) and choose **Service**.

Service
Services that you provide to customers, for example, landscaping or tax preparation services.

6. Fill in the fields as shown:

Product/Service information   ✕

Service Change type

Name*

Bridal Flowers

SKU

Category

Special Occasions ▼

Description

☑ I sell this product/service to my customers.

Bridal Party Flowers

Sales price/rate	Income account
0.00	Special Occasions ▼

☐ Also update this account in historical transactions

Purchasing information

☐ I purchase this product/service from a supplier.

7. Click **Save and Close**.

8. Add these services and prices to the Products and Services list for the Special Occasions category (remember to change the name of the Income account to **Special Occasions**):

Service	Price
Wedding Arrangements	**$500**
Funeral Basket	**$250**
Graduation Balloon Arrangement	**$150**
Birthday Vase	**$75**

Don't forget to click Save and New after entering the data for the first three services; click Save and Close after the final entry.

Create a Products/Services List Report

*Now you will create a report so you can view the result of your categorizing the services.*

9. Toward the top-right corner of the screen choose **More→Run Report**.
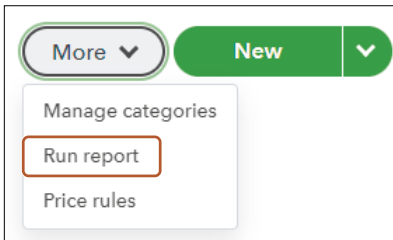
*If a window pops up about customizing the report, click the X to close it.*

10. Scroll to the top of the report.

Notice the Save Customization button at the top-right corner. Also notice the small icons that allow you to email the report, print it and export it to Excel or PDF.
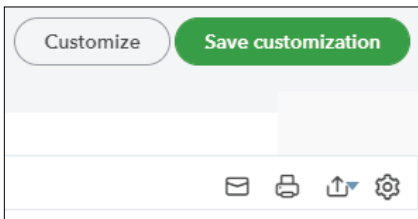
11. Click the **Export** button, choose **Export to PDF** and then click **Save as PDF** to save the file in your **Chapter 02** folder as: `CH02 Products and Services`

12. To return to the Products and Services list, click the **X** in the upper-right corner.

In the Products and Services section, there are two ways to download a report of your list. The first, as done above, uses the More menu. The second is to export the list from the settings menu of the list itself, without going into the More menu.
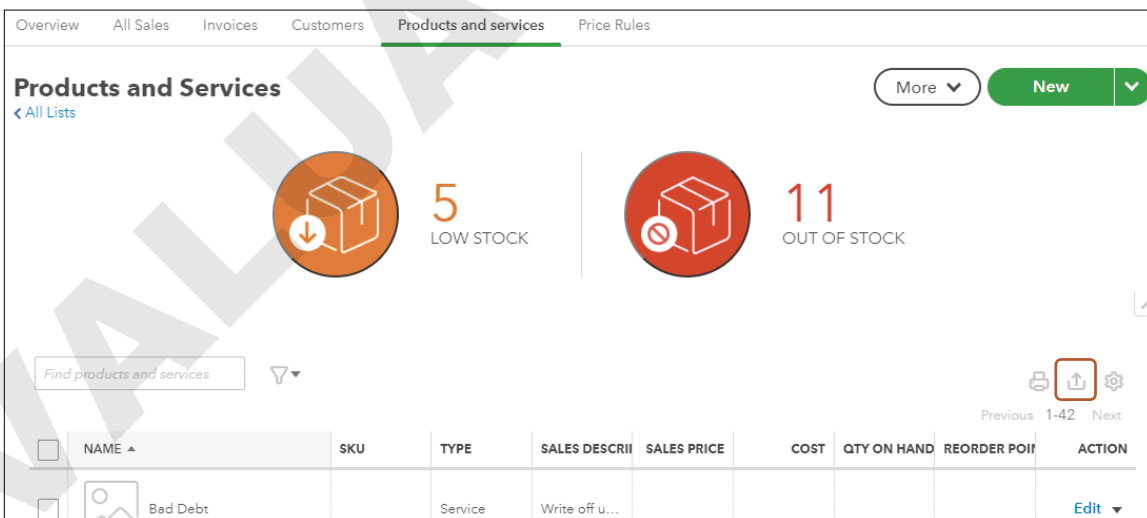
Sales Taxes

Depending on your company, you may or may not need to set up sales tax. Setting up sales tax depends on whether you are a business that is currently registered to collect and remit sales tax, whether it is the federally managed **GST/HST** program (Goods and Services Tax/Harmonized Sales Tax) or you're in a province/territory that manages its own **PST** (Provincial Sales Tax) or **QST** (Québec Sales Tax).

We will not be discussing the rules surrounding setting up a sales tax account with the various tax agencies, as that is not part of this course; however, note that you must *not* set up your QBO company file to track or collect any sales tax unless you are legally registered to do so.
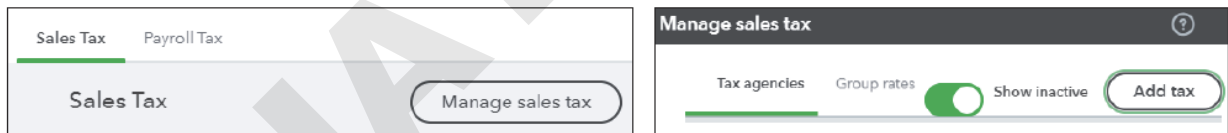
☁ View the Intuit Canada video "Setup Sales Tax."

NOTE! You must provide your sales tax registration number on all sales forms when you add sales tax to your sales.

QBO allows for multiple sales tax rates and tax agencies to be set up under one company file. This allows for businesses that are providing services or products across Canada and may fall under multiple sales tax regulatory agencies. It is essential for you to be aware of what sales tax rules apply to your business and where you are selling your products and services. The CRA oversees GST/HST, but if you are in a province or territory that has PST (or QST in Québec), you will need to connect with the provincial Ministry of Finance for details.

The initial setup of sales tax is quite simple in QBO and starts in the Navigation bar.

Taxes→Sales Taxes→Set Up Sales Tax

The initial setup will be based on the province where your business is located; the standard tax rates and applicable agencies will be set up automatically for you. After that point if you need to add additional tax rates for your own province or for selling into other provinces, that is done through the Manage Sales Tax function.

Taxes→Sales Taxes→Manage Sales Tax→Add Tax

DEVELOP YOUR SKILLS 2-5

In this exercise, you will continue using your student trial account as you turn on sales tax for Melanie's business, Beautiful Blooms Floral Co. Remember that she is in Ontario.

1. In the Navigation bar, choose **Taxes→Sales Tax** and then click **Set Up Sales Tax**.
2. From the drop-down list, select **Ontario** and then click **Save**.

3. Complete the tax information as shown and click **Next**.

> Tell us how you currently handle this tax and we'll do the rest.
>
> **Agency**
> Canada Revenue Agency
>
> **Start of tax period**
> January ⌄
>
> **Filing frequency**
> Quarterly ⌄
>
> **Reporting method**
> ● Accrual
> ○ Cash
>
> **GST/HST number**
> 82135 8955

4. Click **OK** to close the setup confirmation screen.

Managing Users

Depending on your subscription level, you will be given only a certain number of standard or admin users. QBO Plus allows up to five users with permission controls and two Accountant users; QBO Essentials allows three users and two Accountant users. Some users do not count towards the user limit, and those are for reports only and for time tracking only.

The Manage Users feature allows the primary administrator (you, in this case, if you created the company file) to control user access and monitor activity. An important management feature is the ability to view the audit log, which records the activity of each user, including logged-in and logged-out times and all transaction postings.

☁ **View the Intuit Canada video "Setup Users."**

☁ **View the Intuit Canada video "Get Connected to Your Instructor."**

> **NOTE!** On the Manage Users screen, there are two tabs: Users and Accounting Firms. If you wanted to add an accountant or bookkeeper who would have access to your company file through QuickBooks Online Accountant, you would select Accounting Firms, not Users.

Gear→Your Company→Manage Users

Gear→Tools→Audit Log

👍 Best Practice

To help protect confidential information (for example, payroll information), when you set up individual users, allow each to access only the activities they need to perform their jobs.

DEVELOP YOUR SKILLS 2-6

In this exercise, using the student trial company, you will add Melanie to her QBO company file as an admin user and define her permissions.

1. Choose **Gear** ⚙→**Your Company**→**Manage Users**.
2. Click **Add User**. (You may need to enable pop-ups within your browser.)

    A user-type selection menu appears, providing descriptions of each permission type available.
3. Because Melanie Taylor is the owner and needs to have all access rights, choose **Company Admin** and then click **Next**.

Add a new user

Select user type

These count toward your user limit.

○ Standard user

You can give them full or limited access, without admin privileges.

◉ Company admin

They can see and do everything. This includes sending money, changing passwords, and adding users. Not everyone should be an admin.

These don't count toward your user limit.

○ Reports only

A pop-up might appear to confirm your identity using the phone number you input when you signed up for QBO. You will be sent a code to confirm.

You must enter a first and last name along with an email address for each new user. The new user will be sent an email invitation that includes a link to your company account.

For this exercise, enter an email address here that is your own (another Gmail or school email), but not the one you used for the student trial sign on. This way you will get the invitation and see the process. If you don't have another email account, create one for free with Gmail to use in this course.

4. Click **Save**.

    Your new user is listed as Invited until that person responds to the email invitation.

Opening Balances and Historical Transactions

Not all businesses starting in QBO will be new company files. Many will be looking to move online from another accounting software or even from their Excel worksheets. You will need to record prior balances or transactions to ensure you capture all costs and asset/liability balances that were prior to the start of the QBO file.

If Beautiful Blooms Floral Co. were an ongoing business with many historical transactions, you would need to carefully evaluate whether to enter those transactions by summary total or individual transaction. You could use a journal entry to record beginning balances from the closing Trial Balance report for the last fiscal period (usually the end of the last tax year), or you could create a new transaction form

for each opening balance. The latter would provide more detail but could take some time depending on the number of transactions. For outstanding invoices or bills, take advantage of QBO's import transactions function. If these are unpaid transactions, they will upload efficiently into the company file.

👍) **Best Practice**

If you have an ongoing business with historical transactions, use a hybrid of summary totals and individual transactions if you are not migrating from another accounting program. Enter the open transactions for A/R and A/P and use a journal entry for the remaining accounts so the end of the last fiscal period is correct now in QBO.

This can be tricky, so it is important to get this correct; if you are not sure of how you need to input the information, it would be in your best interest to check with your accounting professional for advice on historical transactions.

☁️ **View the Intuit Canada video "Import List Information."**

Gear→Tools→Import Data

DEVELOP YOUR SKILLS 2-7

As Melanie previously managed her accounting records in Excel, you need to input some opening and outstanding balances. Melanie has provided you with several pieces of information to get started, including a list of invoices that are outstanding and a list of her favourite suppliers. In this exercise, you will import the list of invoices and suppliers into the QBO company file.

1. Choose **Gear** ⚙️→**Tools**→**Import Data**.
2. Select **Invoices**.

   QBO will take you through a three-step process. When working in your own company file, make sure you download the Sample CSV file to make sure the data is in the proper format. In this case, you will upload a provided file.

3. Upload the **CH02 Outstanding Invoices.csv** file from your student exercise files **Chapter 02** folder and be sure to click that you want new contacts or products/services added based on the list; click **Next**.

4. Map the columns, noting that the date format should be D/M/YYYY to match the file and the Item Amount is **Exclusive of Tax**, and then click **Next**.

5. Map your tax codes to match the QBO tax codes; click **Next**.

QBO will review the file and the invoices and their details to be imported and will advise of new customers and products to be added.

6. Click **Start Import** and then click **OK** once completed.

7. Go back to Step 2 and follow the same process but for Suppliers, not Invoices, using the provided list of suppliers. You will upload the **CH02 Import Suppliers.csv** file from your **Chapter 02** folder.

Keep in mind that the mapping will look different for suppliers than it did for invoices. If you see a red exclamation mark, that means a value is missing and you must correct it. Ten suppliers should be added with this file import.

Enter Remaining Banking Transactions

We need to add in the investment deposit for Melanie that she made into the company when she started up at the beginning of the year: $15,000 on January 1, 2026.

8. Return to the **Dashboard** and at the bottom of the Bank Accounts section choose **Go to Registers→TD Operating Account**.
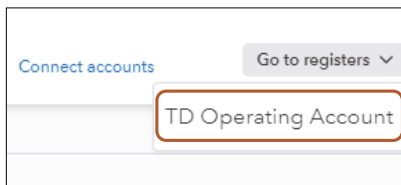
9. To enter Melanie's investment, choose **Add Cheque menu button** ▼→**Deposit** on the left side of the Bank Register window.
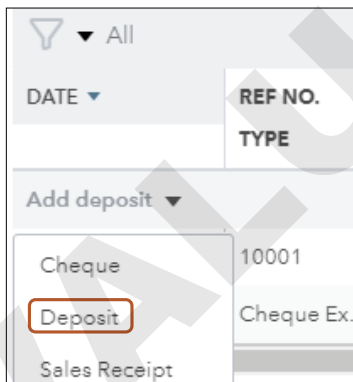
10. Add the following information to complete the deposit:

   • Date: **01/01/2026**

   • Ref No. Type: **Deposit**

   • Payee Account: **Owner's Equity**

   • Deposit: **15,000.00**

DATE ▼	REF NO.	PAYEE	MEMO	CLASS	PAYMENT	DEPOSIT	✓	TAX	BALANCE
	TYPE	ACCOUNT		LOCATION			☐		
Add deposit ▼									
01/01/2026 🗓	Ref No.	Payee ▼	Memo	Class ▼		15,000.00		Tax Code ▼	
	Deposit	Owner's Equity ▼		Location ▼					
								Cancel	Save

If the Owner's Equity category (ledger account) is not in the drop-down list, create it using Quick Add (the Account and Detail Types is in the same as the account name, so be sure to select correctly so it is in the right place in your account list). For a refresher, review the introduction to the "Chart of Accounts" section earlier in this chapter. Remember, you do not have to leave the transaction form to add new accounts (or suppliers or customers, etc.).

11. Click **Save** when done with the entry.

   We will get into working with customers and suppliers in later chapters, but this is a brief look at the process of using a transaction form to input historical transactions.

   Now you will enter any remaining transactions into the bank account register. Consider a cheque that was issued for $5,650 but has not been cashed yet.

12. Click the **+ New** button and choose **Suppliers→Cheque**.

13. Type **Keeping it Kool** in the Payee field, tap ⌨Tab to add the name as a new supplier and click **Save**.

14. Using ⌨Tab to move through the sections, select **TD Operating Account** for the Bank Account, type **10/01/2026** in the Payment Date field and type **10001** in the Cheque No. field. Leave the Amounts Are setting as Exclusive of Tax.

15. Type **Flower Fridges** in the Category field and tap ⌨Tab.

16. In the Account window, complete the fields as indicated and click **Save and Close**:

   • Account Type: **Property, plant and equipment**

   • Detail Type: **Machinery & Equipment**

   • Name: **Flower Fridges**

17. Finish the cheque by typing **5000** in the Amount field and then choose **Sales Tax→HST ON**.

18. Click **Save and Close**.

   Return to the Dashboard and keep QBO open.

Self-Assessment

Now it's time for you to check your knowledge of the key concepts and skills introduced in this chapter.
Complete the quiz in eLab or your ebook for immediate feedback!

1. If completing a migration from QuickBooks Desktop, what is the first thing you need to do?
   A. Run your financial statements.
   B. Update QuickBooks.
   C. Confirm file size.
   D. Delete old accounts.

2. You can upload your company logo into QuickBooks Online from:
   A. the Navigation bar
   B. Account and Settings
   C. the + New button
   D. the Dashboard

3. Some functions of QBO must be enabled before they will work; an example is:
   A. Classes
   B. Projects
   C. Multicurrency
   D. all of these options

4. Asset accounts include:
   A. bank accounts
   B. credit card accounts
   C. Accounts Payable
   D. advertising expenses

5. QuickBooks Online creates a default Chart of Accounts based on:
   A. which province you are in
   B. the business type selected during setup
   C. how long you have been in business
   D. QBO does not provide a default Chart of Accounts.

6. Within the Chart of Accounts, you CANNOT:
   A. edit or change the account name
   B. add a new account
   C. merge accounts
   D. delete an account

7. What is the accounting equation?

    A. Assets + Liabilities = Equity

    B. Liabilities – Equity = Assets

    C. Assets = Liabilities + Equity

    D. Debits – Credits = Assets

8. When setting up sales tax, what information does QBO need to get started?

    A. where you are selling to

    B. what you are selling

    C. what province you're in

    D. what city you're in

9. A client who has been operating using another software comes to you to move to QBO. What is/are the best process/es for the opening balances and historical transactions?

    A. Start at zero, as you don't need historical details.

    B. Enter trial balance closing numbers as of the end of the fiscal period.

    C. Post outstanding A/R and A/P to the ledger as transactions.

    D. Both enter trial balance closing numbers as of the end of the fiscal period AND post outstanding A/R and A/P to the ledger as transactions.

10. What user level is given to a user who needs to manage the A/R for the company?

    A. Standard User

    B. Time Tracking Only

    C. Reports Only

   D. Payroll User

Reinforce Your Skills

REINFORCE YOUR SKILLS 2-1

Set Up the Chart of Accounts for Beautiful Blooms Floral Co.

Now that you have discovered the features you need to customize in QBO for Beautiful Blooms Floral Co., you will continue to edit the Chart of Accounts. You have reviewed the Chart of Accounts and made some notes on what you want to inactivate, change and add. In this exercise, you will continue to customize the Chart of Accounts by inactivating the accounts you do not think will be used.

1. In the Navigation bar, choose **Accounting→Chart of Accounts**.
2. On the Freight and Delivery Expenses line, click the **Action** menu and choose **Make Inactive**; choose **Yes** to confirm.
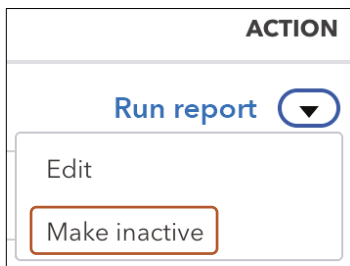
   You will not always be told in a step to confirm by clicking Save, Yes, OK or similar. When QuickBooks Online prompts you to confirm your action, do so.

3. Make these accounts inactive:
   - Discounts
   - Cost of Goods Sold
   - Other Costs - COS
   - Purchases - COS

Edit an Account and Add an Account

Now that you have reduced the size of the Chart of Accounts, you will rename an account.

4. In the Advertising Expenses line, choose **Action menu→Edit**.
5. Type **Marketing** in the Name field and then click **Save and Close**.

   Melanie wants to open a savings account at the same bank so that she can save for taxes and new equipment. You will now add that account.

6. Scroll to the top of the screen and click the **New** button at the top-right corner.
7. Complete the fields as indicated:
   - Account Type: **Bank**
   - Detail Type: **Savings**
   - Name: **TD Savings**
8. Click **Save and Close**.

REINFORCE YOUR SKILLS 2-2

Set Up Products and Services for Beautiful Blooms Floral Co.

You have the Beautiful Blooms Floral Co. lists of services as well as the default Products and Services list. After a review, you decide to make some changes. In this exercise, you will add some products and edit all the services linked to Services so they link to Special Occasions income account (do not check off inclusive of sales tax).

Previously you added the categories for the services. Now you will add the service to the appropriate category.

1. Using the Gear menu or the Navigation bar, go to the **Products and Services** tab in the **Sales** centre.

2. Click the **New** button at the top-right corner and choose **Service** as the type.

3. Complete the Product/Service Information fields as indicated:

   • Name: **Weekly Office Flower Program**

   • Category: **Corporate Services**

   • Sales Price/Rate: **150**

   • Income Account: **Sales of Product Income**

   • Tax: **HST ON**

4. Choose **Save and Close menu button** ▼→**Save and New**.

5. Add these services for **Corporate Services**, using the same sales tax and income account as above:

Service	Price
Weekly Office Flower Program (6-months)	$3500
Potted Plant Care Program (Weekly)	$50

6. Return to the **Dashboard**.

Edit Products and Services

7. Choose **Gear→Lists→Products and Services**.

8. Add a sales price of **500** for the Bridal Flowers product you created earlier, adding **HST ON** under Tax.

> **NOTE!** Be sure to review and edit all other items in your list for the same sales tax setting and update them as necessary.

Apply Your Skills

The Apply Your Skills projects challenge you by describing what needs to be done but not exactly how to do it. Take your time, follow all directions, and use the approaches presented in the chapter discussions and examples unless otherwise noted.

If your classroom is using Quick Grader, you can upload your exported report to eLab for automatic grading to see how you're doing. Do not make any changes to the work that are not specified, as this may prevent your work from being properly graded by the automated system. Your instructor will likely use a combination of the auto-graded files and reviews of your QBO company file to calculate your final grade for the course (so make sure they are your Accountant user). Ask your instructor for grading details so you know how your work will be evaluated.

> **NOTE!** Remember that a change is being made to QBO related to how reports are viewed and exported. As of publication of this edition, development is in the testing stages, but some company files will show the differences. Always click Switch to Classic View when it is an option on any report *before* running and exporting. If you are asked to run a report for all dates and the option to select *All Dates* is missing, switch to the classic view.

APPLY YOUR SKILLS 2-1 [QG]

Complete the Chart of Accounts Setup

Melanie has reviewed the Chart of Accounts and would like you to make some additional changes. In this exercise, you will complete the Chart of Accounts setup for Beautiful Blooms Floral Co.

1. Make these accounts from the Chart of Accounts inactive if they are displayed:
   - Refunds-Allowances
   - Subcontractors - COS
   - Insurance - Disability
   - Purchases
2. Rename the *Job Materials* account to: Shop Supplies
3. Add an expense account: *Website* (Advertising/Promotional) as a sub-account of Marketing
4. Add a new income account: *Everyday Flowers and Workshops* (Service/Fee Income)
5. Add a new cost of goods sold account: *Flower Purchases and Supplies* (Cost of Goods Sold)
6. Add Melanie's new VISA as a credit card named TD VISA.
7. Click **Run Report** to run an Account list.
8. Click the **Export** button, choose **Export to Excel** and then save the file in your **Chapter 02** folder as: `CH02 Chart of Accounts`

   Always submit your files as directed by your instructor. (You may be asked to submit manually or upload to a platform, like eLab, for autograding.) If your classroom is using Quick Grader, the system will automatically grade your report and provide instant feedback. Always open the downloaded file first, select Enable Editing and then click Save.

APPLY YOUR SKILLS 2-2 QG

Complete the Products and Services Setup

In this exercise, you will complete the Product and Services setup for Beautiful Blooms Floral Co.

1. Add a new category called Everyday Flowers and then add (or upload) the services for the Everyday Flowers category found in the **CH02 Products & Services.csv** file in your **Chapter 02** folder. Make sure all have the income account Everyday Flowers and Workshops assigned to them and the proper category as mentioned above.

   You can either manually input these services or import them. Double-check the field mapping (Hint: Tax on Sales) and any red-marked items in the import and make any necessary corrections before clicking Import. Sometimes QTY shows red zeros, but this should not stop your import.

   After importing, if you remain in the Import screen but the confirmation pops up, that's OK; click X to close and then click Yes*, and you should see your new items in your list.*

2. Review the products and services you have just added. All items should have their sales tax code as HST ON and the category as listed above. If that's not the case, be sure to make any necessary corrections to each item.

3. Click the **Export** ⬚ (icon may look different) button (be sure to export from right in the List Settings menu, not the More menu in the Products and Services area) and then save the file in your **Chapter 02** folder as: `CH02 Products and Services list`

   When you export QuickBooks data to Excel, the resulting file will be in either the .xls or the .xlsx file format. (In this case, you will likely get an .xls file.) If your class is using Quick Grader, you must submit an .xlsx file or the autograding will not work. To change the file format in desktop versions of Excel (2007 and higher), choose File→Save As and change the Save As Type to Microsoft Excel (*.xlsx). In the online app, when you choose File→Save As, the .xlsx file format is applied by default. Always pay attention to the format of exported files and resave to .xlsx when necessary. You won't always be reminded.

APPLY YOUR SKILLS 2-3 QG

Enter Opening Balances

In this exercise, you will enter the opening balances from information Melanie provided.

1. From the Bank Accounts section on the Dashboard, choose **Go to Registers→TD Operating Account**.

2. Use this information to add a cheque from the drop-down menu:
   - Date: 07/01/2026
   - Cheque: 10002 (confirm or type)
   - Payee: City of Toronto
   - Memo: Business License
   - Payment: 450, Sales Tax: Exempt
   - Account: **Taxes and Licenses**

3. Click **Save**.

4. Enter the three remaining transactions into the TD Operating account register; all expenses have HST ON included (you still need to select HST ON in the Tax column), and you may need to Quick Add a supplier or account:

Cheque No.	Date	Amount	Payee	Description	Account
10003	15/01/2026	$2,825	Flower Growers Corp.	First purchase	Flower Purchases and Supplies
10004	17/01/2026	$904	Easy Media Design	Set up website	Website
10005	30/01/2026	$3,729	We Work Space Co.	6 months' rent in advance	Prepaid Expenses

5. Click the **Export** ⬆️▾ (icon may look different) button (QuickBooks will export to Excel automatically in this case; remember to enable editing and then change the file format if needed) and then save the file in your **Chapter 02** folder as: `CH02 Bank Register`

   The ending balance in the TD Operating account is $1,442. If this is not correct, review your postings and watch the net and sales tax amounts.

6. Return to the **Dashboard**.

7. Run another Chart of Accounts report.

CHECK FIGURE *Your figures from the Chart of Accounts report you just ran should match those shown here:*

Account	Balance
TD Operating Account	$1,442
Accounts Receivable (A/R)	$2,514.25
Prepaid Expenses - CA	$3,300
Flower Fridges - PPE	$5,000
Owner's Equity	$-15,000

WARNING! Make sure your ending report figures match those in the Check Figure sections before moving to the next chapter. Each chapter builds on the previous one. If your figures are incorrect, any errors will carry over into the work you do in the next chapter, so you need to correct them before you proceed. Be sure you ran the correct report first and always watch the dates of your entries, as these are often the primary reasons for errors.

8. Click the **Export** ⬆️▾ button, choose **Export to Excel** and then save the file in your **Chapter 02** folder as: `CH02 Ending Chart of Accounts`

   Congratulations! You have set up the new company file for Beautiful Blooms Floral Co. You will use this file in the following end-of-chapter Reinforce Your Skills and Apply Your Skills exercises to create day-to-day business transactions as well as reports and bank reconciliations for Beautiful Blooms Floral Co.