

QUICKBOOKS ONLINE

# 3

## Working with General Ledger Accounts

# Learning Objectives

- Explain the difference between balance sheet and profit and loss ledger accounts
- Explain the difference between operating expenses and cost of goods sold
- Post other income or other expense transactions
- Prepare journal entries
- Set up property, plant and equipment asset purchases
- Set up long-term liabilities
- Transfer funds between accounts
- Write off uncollectible receivables (bad debts)

# Balance Sheet Accounts

- The balance sheet collects data relating to a business's financial position
- The accounting equation:

$$\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY}$$

- Assets – what a business owns (cash; machinery; inventory; property, plant and equipment assets; outstanding invoices in A/R)
- Liabilities – what the business owes
- $\text{EQUITY} = \text{CAPITAL} + \text{REVENUE} - \text{EXPENSES}$

## Balance Sheet Accounts (cont.)

- Property, plant and equipment assets – tangible; useful life of more than a year
  - Loans for these are long-term liabilities
- Shareholder accounts – primarily liability and equity accounts (for corporations)
- Funds transfers between balance sheet accounts
  - From chequing to savings
  - To pay off credit card balances

# Profit and Loss (Income Statement) Accounts

- Profit and loss statement
  - Collects and reports the revenue, direct costs and operating expenses incurred during a period
  - Basis for gross profit, profit margin and net income calculations
- Cost of goods sold (COGS)
  - Expense accounts
  - Tracks expenses directly related to revenue earned
- Operating expenses
  - Follow gross profit total
  - Incurred regardless of whether earn any revenue (rent, insurance, office supplies, phone, Internet and salaries)

# Journal Entries and Recurring Transactions

- QBO uses journal entries for adjustments
- Recurring journal entries can save you time
  - Scheduled – record entries on a fixed schedule (e.g., loan payment)
  - Reminder – record entries on a schedule you set (e.g., utility bill)
  - Unscheduled – irregular or complicated transactions

The screenshot shows the 'Recurring Journal Entry' form. At the top, it has a title 'Recurring Journal Entry'. Below this, there are two main sections. The first section is for the template name and type, with a 'Create' button and a field for 'days in advance'. The second section is for the interval, start date, end date, and end date. The interval is set to 'Monthly' on the 'day' of the 'Last' of every '1' month(s). The start date is '30/09/2029', the end date is 'By', and the end date is '28/02/2030'.

Template name		Type	Create	days in advance
Insurance Expense		Scheduled		

  

Interval				Start date	End	End date			
Monthly	on	day	Last	of every	1	month(s)	30/09/2029	By	28/02/2030

# Sales Tax Accounts (GST, HST, PST, QST)

- Participating provinces/territories charge only the Harmonized Sales Tax (HST) rate on taxable goods and services
- Non-participating provinces/territories charge GST and sometimes PST (QST in Québec)

# Handling Uncollectible Receivables/ Bad Debts

- Uncollectible A/R amounts – sales for which you do not expect to receive payment
- Never void or delete them
  - Important to record the sale
  - Usually written off as bad debt
- Create a bad debt product or service and an expense account in your Chart of Accounts and then record a credit memo to apply the bad debt to the outstanding invoice(s)