

QUICKBOOKS ONLINE

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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

Recurring Journal Entry									
Template name			Type						
<input type="text" value="Insurance Expense"/>			<input type="text" value="Scheduled"/>		Create <input type="text" value=""/> days in advance				
Interval						Start date		End	End date
<input type="text" value="Monthly"/>						<input type="text" value="30/09/2026"/>		<input type="text" value="By"/>	<input type="text" value="28/02/2027"/>
on <input type="text" value="day"/>								<input type="text" value="Last"/>	
of every <input type="text" value="1"/>						month(s)			

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)