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Working with Balance Sheet Accounts and Budgets

Learning Objectives

- Manage other current assets
- Prepare journal entries
- Create recurring entries
- Set up fixed-asset purchases
- Set up long-term liabilities
- Transfer funds between accounts
- Set up and manage petty cash
- Write off uncollectible receivables (bad debts)
- Set up budgets and view budget reports

Recording Other Current Assets

- Other current assets - items the business plans to use within a one-year period
- Usually prepaid, such as:
 - Prepaid insurance
 - Prepaid rent
 - Security deposits
- Usually recorded at time of purchase
 - Each period a portion is used, an entry is made to decrease the asset and increase the expense

Journal Entries and Recurring Transactions

- Use journal entries for adjustments
- Recurring journal entries save time
 - Scheduled – record transactions on a fixed schedule
 - Reminder – record transactions on a set schedule; includes reminders
 - Unscheduled – no schedule; data is incomplete but always available

The screenshot shows a form titled "Recurring Journal Entry". It has two main sections. The top section contains "Template name" with the value "Prepaid Auto" and "Type" with a dropdown menu set to "Scheduled". To the right of these is a "Create" button and a field for "days in advance". The bottom section is divided into two parts. The left part is labeled "Interval" and contains a dropdown for "Monthly", followed by "on", a dropdown for "day", a dropdown for "1st", "of every", a field for "1", and "month(s)". The right part is labeled "Start date" and "End". The "Start date" field contains "10/01/2029" with a calendar icon. The "End" section contains a dropdown for "After" and a field for "5", followed by the word "occurrences".

Template name		Type	Create		days in advance
Prepaid Auto		Scheduled			

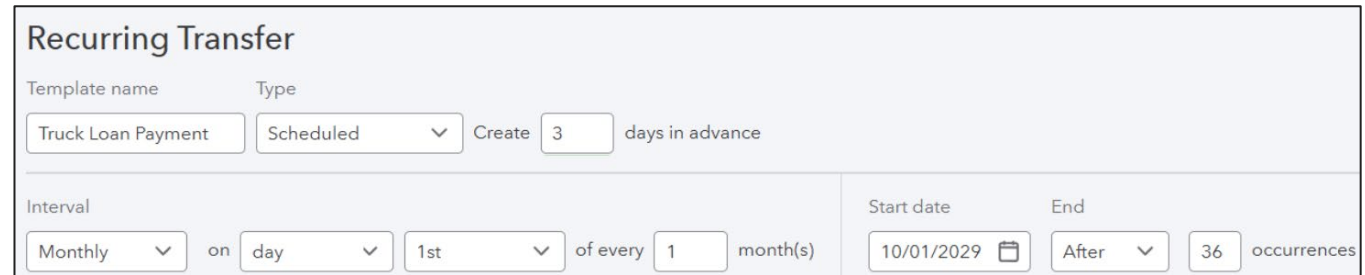
Interval						Start date	End			
Monthly	on	day	1st	of every	1	month(s)	10/01/2029	After	5	occurrences

Fixed Assets and Long-Term Liabilities

- Fixed assets are used long term
 - Examples
 - Company vehicle
 - Buildings
 - Machinery
- Long-term liabilities are paid over time
 - Usually loans for fixed assets, such as a vehicle loan
- Both are balance sheet accounts

Transferring Funds Between Accounts

- Transfers between business accounts are common
 - Examples:
 - Savings to checking
 - Checking to credit card or loan installment
- QuickBooks provides a Transfer form that can also be made recurring



The screenshot shows the 'Recurring Transfer' form in QuickBooks. It includes fields for 'Template name' (Truck Loan Payment), 'Type' (Scheduled), and 'Create' (3 days in advance). The 'Interval' section shows 'Monthly' on the '1st' of every '1' month(s). The 'Start date' is '10/01/2029' and the 'End' is 'After 36 occurrences'.

Recurring Transfer									
Template name		Type							
Truck Loan Payment		Scheduled		Create		3		days in advance	
Interval									
Monthly	on	day	1st	of every	1	month(s)	Start date	End	
							10/01/2029	After	36 occurrences

Petty Cash

- Cash kept on hand to pay for small expenses
- Funded by bank account; replenished as needed
- Must set up a bank account for petty cash in QuickBooks

Handling Uncollectible Receivables/ Bad Debts

- Uncollectible accounts – sales for which you don't expect to receive payment
 - Examples:
 - Bankruptcy
 - Dispute
 - Cannot locate the customer
 - Etc.
- Do not void or delete
 - Better to maintain a record of the sale and do the following:
 - Create a product or service for the bad debt
 - Create an expense account in your Chart of Accounts
 - Record a credit memo for the bad debt

Creating and Reviewing Budgets

- Budgets help plan for future income and expenses
- Allow a business to measure performance against prediction
- Ways to create a budget:
 - Using numbers from a previous year
 - From scratch
- QuickBooks has a Budgeting feature and various budget reports