**QUICKBOOKS
DESKTOP 2018**

1 Managing Physical Inventory

In this chapter, you will examine the inventory features available in QuickBooks. Inventory is the storing and tracking of items (goods) to be sold. An example of a company needing to track inventory is a retail store that sells electronics with merchandise stored in a stockroom. 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 learn how to 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

▸ Utilize reports to manage inventory and sales

🗁 Project: Average Guy Designs

In this chapter, you will help Guy to set up inventory items in QuickBooks, as he has decided to sell products from his shop as well as online. After inventory items have been created, you will be able to sell them to your customers, tracking those items sold and the quantities remaining in stock. 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 that will help to 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.

⤴ Edit→Preferences

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 that 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, QuickBooks Pro is not the most compatible software for your company. 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 timeframe is quite short, you may find that updating your inventory in QuickBooks is tedious.

- **How do I value my inventory?** QuickBooks Pro 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.

DEVELOP YOUR SKILLS 1-1

In this exercise, you will confirm that inventory features are turned on. The password for all files unless otherwise stated is Password1. *Leave the company file open unless otherwise instructed.*

Before You Begin: *Visit the Learning Resource Center at* labyrinthelab.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 password for all files, unless otherwise stated, is* **Password1**. *Leave the company file open unless otherwise instructed.*

1. Start QuickBooks 2018.

2. Choose **File→Open or Restore Company**.

3. Open **DYS_Chapter01 (Company)** or restore **DYS_Chapter01 (Portable)** from your file storage location and save your file as: **DYS_Chapter01 Average Guy Designs**

Set Preferences to Track Inventory

Remember, preferences allow you to customize QuickBooks. There are two customizations that can be made: My Preferences and Company Preferences.

4. Choose **Edit→Preferences**.

5. Follow these steps to turn on the inventory feature:
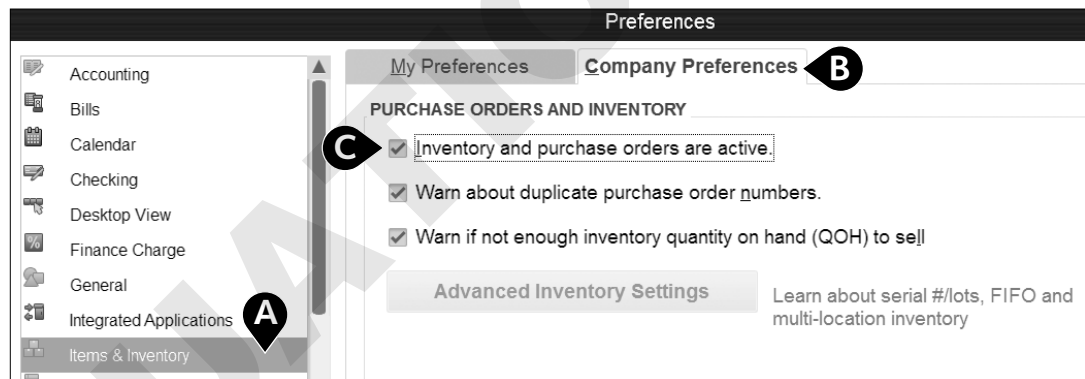
Ⓐ Click **Items & Inventory**.

Ⓑ Click the **Company Preferences** tab.

Ⓒ Click to check the **Inventory and purchase orders are active.** box.

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

6. Click **OK**, and then **OK** again if necessary, to allow QuickBooks to close all windows to make this preference change.

Tracking Inventory Sales

You will likely need to create a new account and possibly subaccounts to track the sales of your inventory. In this chapter, you will be creating a new account and three subaccounts to make sure that you can track your sales effectively.

Note! In some Premier versions of QuickBooks, there is a feature called the Inventory Center. This center looks similar to the Customer and Vendor centers. It provides a convenient place for you to manage your inventory items.

Note! In the Premier and higher versions of QuickBooks, there is 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). This is especially useful for companies that distribute or manufacture items.

Show Lowest Subaccount Preference

You might choose to create accounts and subaccounts to better categorize your inventory items. For example, the Clothing account could be a subaccount of Product Sales. However, when viewing transactions, it is 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•Product Sales:41100•Clothing

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

41100•Clothing

Tip! It is a good idea to use Account Numbers for your Chart of Accounts to more easily identify the accounts. This feature can be turned on in the Accounting tab of Company Preferences.

DEVELOP YOUR SKILLS 1-2

In this exercise, you will first check that your accounts have numbers. Next you will create a new account and subaccounts, which will help you to track inventory income. To see the lowest subaccount names, you will change your company preferences.

Create a New Account

1. Choose **Lists→Chart of Accounts**.
2. Scroll through the Chart of Accounts to see whether there are any that do not have an account number assigned.

   You will see that all accounts have a number assigned, which is necessary to show the lowest subaccounts only.
3. Click the **Account** drop-down arrow ▾ at the bottom of the window and choose **New** from the menu.
4. Use this information to create the new account:
   • Account Type: **Income** (click **Continue**)
   • Number: **41000**
   • Account Name: **Product Sales**
   • Description: **Sales Income**
5. Click **Save & New**.

Create Subaccounts to Track Inventory Sales

You will now create three subaccounts to further classify your inventory sales income account.

6. Enter this information to create the first subaccount:

- Number: **41100**
- Account Name: **Clothing**
- Subaccount of: Click in the checkbox and choose **41000•Product Sales** from the menu
- Description: **Clothing Sales Income**

7. Click **Save & New**.

8. Use this information to add two additional subaccounts to the income account Product Sales:

Subaccount 1:

- Account Number: **41200**
- Account Name: **Accessories**
- Subaccount of: Click in the checkbox and choose **41000•Product Sales** from the menu
- Description: **Accessories Sales Income**

Subaccount 2:

- Account Number: **41300**
- Account Name: **Home Decor**
- Subaccount of: Click in the checkbox and choose **41000•Product Sales** from the menu
- Description: **Home Decor Sales Income**

9. Click **Save & Close**.

Because they are subaccounts of Product Sales, they both appear indented underneath Product Sales.

10. Close the Chart of Accounts window.

Set the Show Lowest Subaccount Preference

11. Choose **Edit→Preferences**.

12. Click the **Accounting** category.

13. Click the **Company Preferences** tab.

14. Click to check the **Show Lowest Subaccount Only** box for display purposes.

15. Click **OK**.

Setting Up the Item List

In order to select items that you will be selling from a sales form or purchase order, each one must first be set up as an item in the Item List. Setting up your inventory requires an understanding of when items qualify as inventory items and when they are non-inventory items:

- 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 re-sale to customers.

  Lists→Item List→Item→New

Two-Sided Items

When you create an inventory item, it has two sides: the purchase information and the sales information. When you purchase items at wholesale to resell to your customers, the purchase price you pay is the cost of goods sold (COGS). Your profit is the difference between your sales and COGS. All of the information needed to track both sides of the item is detailed in the New Item window.

The purchase info for when you buy
the item using the COGS account

The sales info for when you sell the item at a
markup, using the Income Account for that item

Add/Edit Multiple List Entries

If you are 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.

Tip! You can paste your list from Microsoft Excel.

DEVELOP YOUR SKILLS 1-3

In this exercise, you will help Average Guy Designs create inventory items for the company 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. Enter this information to create an inventory item:
   - Type: **Inventory Part**
   - Item Name/Number: **T-Shirt**
   - Description: **Extreme Designs original t-shirt**
   - Cost: **15**
   - Preferred Vendor: **Extreme Designs** (then Tab and choose **Quick Add**)
   - Sales Price: **30**
   - Income Account: **41100•Clothing**
   - Reorder Point (Min): **10**

   The quantity On Hand and Total Value will be addressed later when you purchase the t-shirts with a purchase order.
4. Click **OK**, choosing to **Add** "t" to the dictionary in the Spell Check window (and correcting any errors that you may have made) 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.

5. 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, click **OK**.
6. Choose **Inventory Parts** as the List.
7. Click **Customize Columns**.

8. Follow these steps to customize the columns for data entry of the inventory part items:

Ⓐ Click the **Purchase Description** column heading.

Ⓑ Click **Add**.

Ⓒ Click **Move Up** until Purchase Description is displayed above *Subitem of* and below *Item Name*.

9. Select the **Sales Description** item and **Add** it to the Chosen Columns list. Move it up until it is displayed above *Income Account*, if necessary.

10. Click **OK** to complete customizing the columns.

11. To add the next inventory part item, enter this information into the appropriate columns:

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

- Item Name: **LS Shirt**
- Purchase Description: **Extreme Designs original long sleeve shirt**
- Cost: **20**
- Sales Price: **40**
- Sales Description: **Extreme Designs original long sleeve shirt**
- Preferred Vendor: **Extreme Designs**
- Income Account: **41100•Clothing**
- Reorder Pt (Min): **10**

12. Enter these inventory items, using **Quick Add** for the new vendors.

Enter this information for a coaster set by Hartwell Designs:

- Item Name: **Coasters**
- Purchase Description: **Coaster Set (4)**
- Cost: **7.93**
- Sales Price: **15**
- Preferred Vendor: **Hartwell Designs**
- Sales Description: **Set of 4 Coasters**
- Income Account: **41300•Home Decor**
- Reorder Pt (Min): **8**

Enter this information for a scarf by Julie's Treasures:

- Item Name: **Scarf**
- Purchase Description: **Handmade Knit Scarf**
- Cost: **10**
- Sales Price: **20**
- Preferred Vendor: **Julie's Treasures**
- Sales Description: **Hand Knit Scarf**
- Income Account: **41200•Accessories**
- Reorder Pt (Min): **12**

Enter this information for small tiles by Hartwell Designs:

- Item Name: **Sm Tiles**
- Purchase Description: **Small hanging tiles with original design**
- Cost: **5.30**
- Sales Price: **11.99**
- Preferred Vendor: **Hartwell Designs**
- Sales Description: **Small hanging original tiles**
- Income Account: **41300•Home Decor**
- Reorder Pt (Min): **20**

13. Click the **Save Changes** button at the bottom of the window and click **OK** in the Record(s) Saved window.

14. Close the Add/Edit Multiple Entries List.

    View the Item List to confirm that the entries were added. Notice Sales Description were not entered for each item. At a later time, you can edit each item to copy the Purchase Description to the Sales Information box.

15. Close the Item List window.

Dealing with Sales Tax in QuickBooks

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 before you set up sales tax for your company. If your company is selling products and not just services, you/it might need to charge sales tax for those products.

> *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 have to 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 a sales tax item or group.

The Sales Tax Group is comprised of two sales tax items payable to two separate tax agencies.

Default Tax Rate

Once you have 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.

Dealing with Multiple Sales Tax Rates

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 only one default tax rate for the company or default tax rate for each customer.

↗ Edit→Preferences→Sales Tax→Company Preferences tab→Your most common sales tax item

↗ Customers→Customer Center→New Customer & Job→New Customer

DEVELOP YOUR SKILLS 1-4

In this exercise, you will create a sales tax item. Before you can create any sales tax items or groups, you must have the preference turned on.

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

Ⓐ Click **Company Preferences**.

Ⓑ Click **Yes** to note you charge sales tax.

Ⓒ Click **Add Sales Tax Item** (and then tap [Tab]).

Ⓓ Sales Tax Name: **San Tomas**

Ⓔ Description: **San Tomas County Sales Tax**

Ⓕ Tax Rate: **9.2**

Ⓖ Tax Agency: **State Board of Equalization** (and then **Quick Add** it as a **Vendor**)

4. Click **OK**.

5. Click the drop-down arrow ▾ for **Your most common sales tax item** and then choose **San Tomas**.

6. Click **OK** and then click **OK** again in the Updating Sales Tax window.

    Notice that two Sales Tax Codes are created automatically: Taxable and Non-taxable. These codes are assigned to Customers and Items. QuickBooks will apply tax to any Customer or Item where the code is set to Taxable, although this can be changed on a sales form.

7. Click **OK** in the Warning window, and QuickBooks will close and reopen the file.

You can create additional codes such as "OOS" (Out of State) if needed and determine whether those codes are taxable or non-taxable.

Note! You can edit whether a customer is Taxable or Non-Taxable in the Sales Tax Settings tab of the Edit Customer window. You can assign or edit an item's tax code in the Edit Item window. You must know your state's sales tax requirements.

Creating Purchase Orders to Order Inventory Stock

Many businesses use purchase orders (POs) 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.

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 P&L report or your balance sheet report) 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 1-5

In this exercise, you will create POs for the inventory you will be selling. You will create a PO for an order of t-shirts and long-sleeved shirts from Extreme Designs, and a second PO for an order from Julie's Treasures. You will also look at the Open Purchase Orders report for verification purposes.

1. Choose **Company→Home Page**.
2. Click the **Purchase Orders** 📄 task icon in the Vendors area of the Home page.
3. Enter this information to create a PO:
   - Vendor: **Extreme Designs**
   - Date: **110723**
   - Item: **T-Shirt**
   - Qty: **25**
   - Item: **LS Shirt**
   - Qty: **20**
   - Memo: **Extreme: T-Shirts and LS Shirts 11/2023**
4. Click **Save & New**.
5. Enter this information to create the second PO:
   - Vendor: **Julie's Treasures**
   - Date: **110723**
   - Item: **Scarf**
   - Qty: **30**
   - Memo: **Julie's: Scarf 11/2023**
6. Click **Save & Close**.

View the Open Purchase Orders Report

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

7. Click the **Chart of Accounts** task icon in the Company area of the Home page.
8. Scroll to the bottom of the list and notice the nonposting 90100•Purchase Orders account.
9. Double-click the **Purchase Orders** account.
10. Type **a** to set the date range to **All**.

    QuickBooks creates a QuickReport showing open POs.

11. Choose **Window→Close All**.

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.

Two Methods of Receiving Items

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.

When you receive inventory, choose this drop-down arrow ▾ and select Receive Inventory with Bill or without Bill.
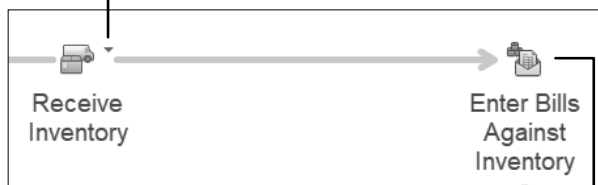
If you received the inventory items without the bill, then when the bill arrives, click the Enter Bills Against Inventory task icon.

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.

Discount Payment Terms

Your vendors may offer you discount payment terms as incentive to pay your bills earlier. You can set default payment terms for a customer; 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 that 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

Regardless of the path you take, the behind-the-scenes action is the same: An Inventory Asset will be debited, and Accounts Payable will be credited.

12100•Inventory Asset	20000•Accounts Payable
775.00	775.00

⤷ 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 1-6

In this exercise, you will receive the shirts and later receive the bill for them. Following the receipt of the bill for the shirts, you will receive the scarves and the bill for them together.

1. Choose **Company**→**Home Page**.

2. Click the **Receive Inventory** task icon drop-down arrow ▾ in the Vendors area of the Home page and then choose **Receive Inventory without Bill**.
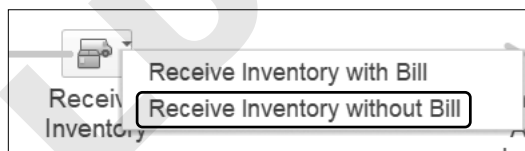
3. Type **extr** and then tap ⌷Tab⌷.

   QuickBooks fills in Extreme Designs, and the Open PO's Exist window appears.

4. Click **Yes** in the Open PO's Exist window to receive inventory against your order.

5. Click to place a checkmark in the first column for **PO number 1** dated 11/07/2023, and then click **OK**.

   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!

6. Tap ⌷+⌷ on the keyboard to change the date to: **11/08/2023**

7. Click **Save & Close** to record the item receipt.

Receive the Bill

8. Click the **Enter Bills Against Inventory** 📇 task icon in the Vendors area of the Home page.

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

9. Enter this information to choose the correct Item Receipt:

- Vendor: **Extreme Designs**
- Click anywhere in the line to select the Item Receipt dated 11/08/2023 (click **OK**)

QuickBooks will display the Enter Bills window, with the order information filled in.

10. In the Memo field type: **Extreme: T-Shirt and LS 11/2023**

11. Click **Save & Close** to record the new bill; click **Yes** to record your changes.

> **BEHIND THE SCENES BRIEF**
>
> 12100•Inventory Asset DR 775.00; **20000•Accounts Payable CR <775.00>**

Receive Inventory Items with a Bill and Add an Expense to the Bill

The scarves and the bill for them arrived at the same time. The bill also included a shipping fee of $25 that must be accounted for on the bill.

12. Click the **Receive Inventory** task icon drop-down arrow ▾ in the Vendor area of the Home page and then choose **Receive Inventory with Bill**.
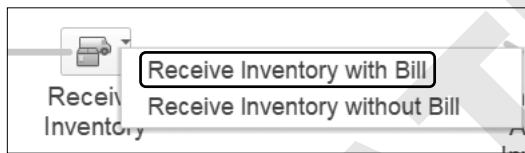
13. Type **j** and then tap [Tab].

QuickBooks fills in Julie's Treasures as the vendor, and the Open PO's Exist window appears.

14. Click **Yes** in the Open PO's Exist window to receive inventory against the open PO.

15. Click to place a checkmark in the first column for **PO number 2**.

16. Click **OK** to move to the Enter Bills window; click **OK** in the Warning window, if necessary.

The Julie's Treasures order was short 5 pieces, so you need to record receipt of only 25.

17. Follow these steps to complete the bill:

- Date: **111023**
- Ref. No.: **Julie's, 11/2023**
- Amount Due: **275**
- Terms: **1% 10 Net 30**

  You will receive a 1 percent discount if you pay the bill by the Discount Date.

- Memo: **Julie's, Inventory Scarves, 11/2023**
- Qty: change *30* to **25**

  Leave the bill open for the next step.

Enter an Expense on the Bill for Inventory Items

You will now enter the $25 shipping charge as an expense on the bill, and set up the new item for Shipping Expense.

18. Follow these steps to enter the shipping expense:

Ⓐ Click to display the **Expenses** tab.

Ⓑ Type **Shipping Expense** and tap Tab.

19. Click **Set Up** and then **Continue** to enter the new expense account using this information:

- Account Number: **67500**

- Description: **Shipping Expense**

20. Click **Save & Close**.

> **BEHIND THE SCENES BRIEF**
>
> 12100•Inventory Asset DR 250.00; 67500•Shipping Expense DR 25.00;
> **20000•Accounts Payable CR <275.00>**

21. Click **Save & Close** in the Enter Bills window.

22. Click **No** to reject changing the current terms for Julie's Treasures.

Selling Inventory Items

After you have created, ordered, and received your items, it is 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 receivable transaction.

Selling Inventory for Cash and On Account

You can sell inventory items either of these two ways:

- The Create Invoices window (on account—it affects Accounts Receivable behind the scenes)

- The Enter Sales Receipts window (for cash—it does *not* affect Accounts Receivable)

NEW! 2018 To quickly see which invoices are overdue, show the Past Due stamp on invoices. On the Create Invoices window, go to Formatting→Manage Templates, click OK, and select Print Past Due Stamp. Toggle between Turn Off and Turn On using the link on the invoice.

BEHIND THE SCENES

The accounting that occurs for product sales is different from what occurs when you sell services. Take a look behind the scenes.

When an inventory item is sold, it "moves" the value of the item from the Inventory Asset account to the Cost of Goods Sold account.

50000•Cost of Goods Sold		12100•Inventory Asset	
75.00			75.00

Don't forget Sales tax… The rest of what happens behind the scenes looks similar to what happens when service items are sold. Notice that the credits (Clothing + Design Income + Sales Tax Payable) equal the debits (Accounts Receivable).

11000•Accounts Receivable		25500•Sales Tax Payable	
703.80			13.80

40140•Clothing		43200•Design Income	
	150.00		540.00

Note! If you have the Premier or Enterprise edition of QuickBooks, there is a sales orders feature available that allows you to manage customer orders for both products and services. After a sales order has been created, you can print a pick list that will assist you in fulfilling the order from inventory. If the order is for a service, you can schedule the service. There are many important benefits to explore if using this feature.

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. In order to complete this task, you should 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 that 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 have created a batch of invoices for customers, you will see the Batch Invoices Summary window. Here you can choose to either print or email the invoices (based on the preferred send method for each customer).

Batch Invoice Summary
Your invoices are created. They're marked for print or email based on each customer's **Preferred Send Method.** How do I enter or change the Send Method?

0	marked for print	**Print**
2	marked for email	**Email**
0	unmarked (you can send these later)	

Send a Batch of Forms

You can send more than just invoices from QuickBooks. In the Preferences window, you can set the default message for twelve types of forms and reports.

When you are ready to send all of the forms and reports that you have indicated you wish to send, QuickBooks uses Microsoft Outlook as the default to send emails after you have chosen to send forms.

Invoices
Estimates
Statements
Sales Order
Sales Receipt
Credit Memo
Purchase Order
Report
Pay Stubs
Overdue Invoices
Almost Due Invoices
Payment Receipt

The types of forms and reports that you can choose to send from QuickBooks

NEW! 2018 Enhanced Webmail allows you to send secure webmail from QuickBooks (Gmail, Hotmail, Live, and Outlook). In the Preferences window, choose Send Forms and select how to send email in the My Preferences tab.

📌 Customers→Create Invoices

📌 Customers→Create Batch Invoices

📌 File→Send Forms

DEVELOP YOUR SKILLS 1-7

In this exercise, you will first help Average Guy Designs to create an invoice for a customer with discount payment terms. Then you will assist in creating a batch of invoices for website maintenance services.

Hernando from Lite Foot Dance Company has asked Guy to do design work to produce business cards, letterhead, flyers, and a website mock-up. Also, he likes Extreme Designs' t-shirts and has purchased five of them for his staff. You will need to create a new job for the customer first.

1. Click the **Customers** icon button on the icon bar.
2. Single-click **Lite Foot Dance Company** on the Customers & Jobs List.
3. Click the **New Customer & Job** button on the toolbar above and then choose **Add Job**.
4. Type **Marketing** as the Job Name and then click **OK**. Right-click in the white space to the right of the Customer & Jobs List search field and choose **Hierarchical View**.

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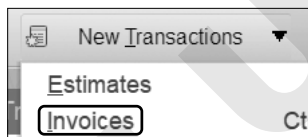
The Create Invoices window will appear with the Customer:Job entered.

6. Complete the invoice for Lite Foot Dance Company with this information:

• Template: **Intuit Product Invoice**

• Date: **111623**

• Ship To: **Ship To 1**

• Terms: **2% 10 Net 30**

• Via: **US Mail**

First item:

- Qty: **12**
- Item Code: **Graphic Design**
- Price Each: **45**

Click OK if the Price Levels window appears.

Second item:

- Qty: **5**
- Item Code: **T-Shirt**

For the remainder of the invoice:

- Customer Message: **It's been a pleasure working with you!**

7. On the Ribbon, click the checkbox for **Email Later** and ensure that Print Later is not selected.

8. Click **Save & Close**.

An Information Missing or Invalid window will launch.

BEHIND THE SCENES BRIEF

50000•Cost of Goods Sold DR 75.00; **12100•Inventory Asset CR <75.00>**

11000•Accounts Receivable DR 703.80; **40140•Clothing CR <150.00>**;
43200•Design Income CR <540.00>; **Sales Tax Payable CR <13.80>**

---

9. Type **HDiaz@email.com** and then click **OK**.

10. Click **Yes** in the Information Changed window and then click **No** to continue working if the Outlook Profile window opens.

11. Leave the Customer Center open.

Set Up Customers for Batch Invoicing

Guy is now offering a monthly fee for website maintenance, so you will create a batch of invoices for the first two customers who subscribe to the monthly maintenance service fee. These customers pay a flat fee for the month. First, you will need to ensure that the two customers are set up correctly.

12. Double-click **Tim's BBQ Palooza** to open it for editing.

13. Enter or verify that this information is in the appropriate tabs to ensure Tim's account is set up properly for batch invoicing:

- Main Email: **timBBQ@email.com**
- Payment Terms: **Net 30**
- Preferred Delivery Method: **E-mail**
- Tax Code: **Tax**
- Tax Item: **San Tomas**

14. Click **OK**.

15. Double-click **Masters Manufacturing** to open it for editing.

16. Enter this information or verify it is in the appropriate tabs to ensure Masters Manufacturing's account is set up properly for batch invoicing:

- Main Email: **mastersm@email.com**
- Preferred Delivery Method: **E-mail**
- Tax Code: **Tax**
- Tax Item: **San Tomas**

17. Click **OK**.

18. Close the Customer Center.

Create a New Billing Group

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

The Batch Invoice window will appear.

20. Click the **Billing Group** drop-down arrow ▾.

21. Choose **Add New**.

22. Enter **Monthly Website Maintenance** as the Group Name and then click **Save**.

23. Select two companies to be in the Billing Group as follows:

NAME ▲	BALANCE TOTAL	TERMS
Marketing	703.80	Net 30
Lucy's Cupcake Factory	325.00	Net 15
Marketing	325.00	
Masters Manufacturing ◀ Ⓐ	320.00	Net 15
Outside Signage	320.00	Net 15
Miata Events, Inc.	140.00	Net 15
Explore the Coast Miata...	0.00	Net 15
Marketing	140.00	
Purposeful Playtime	345.00	Net 15
Open House	345.00	Net 15
Tim's BBQ Palooza ◀ Ⓑ	400.00	Net 30
Menu Design	400.00	Net 30

Ⓒ **Add >**

< Remove

Ⓐ Scroll down and then click to select **Masters Manufacturing**.

Ⓑ Press ⎡Ctrl⎤ and then click **Tim's BBQ Palooza**.

After clicking Tim's BBQ Palooza, both customers should be highlighted in green so that you can add both of them to the group at the same time.

Ⓒ Click **Add**.

24. Click the **Save Group** button located below the Customers in This Group list and then click **Next** on the bottom-left portion of the window.

Create a Batch of Invoices

25. Enter this information to add a new item and set it for the batch invoice:

- Date: **111623**
- Template: **Intuit Service Invoice**
- Item: **Web** (then ⎡Tab⎤)
- In the Item Not Found window, click **Yes** to add it

New item:

- Type: **Service**
- Description: **Website Design Work**
- Tax Code: **Non**
- Account: **43200•Design Income**
- Click **OK** (if necessary, choose **Add** to add *Website* to the Spelling dictionary)

Batch invoice:

- Amount: **125.00**
- Customer Message: **Thank you for your business.**
- Click **Next**

26. Review the list of invoices that you are preparing to create.

Invoice Date: 11/16/2023									
SELECT	CUSTOMER	TERMS	SEND METHOD	AMOUNT	TAX CODE	TAX RATE	TAX	TOTAL	STATUS
✔	Masters Manuf...	Net 15	Email	125.00	Tax	9.2%	0.00	125.00	OK
✔	Tim's BBQ Pal...	Net 30	Email	125.00	Tax	9.2%	0.00	125.00	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.

27. Click **Create Invoices**.

The Batch Invoice Summary window displays.

> **BEHIND THE SCENES BRIEF**
>
> 11000•Accounts Receivable DR 250.00; **43200•Design Income CR <250.00>**

28. Click **Close** to close the Batch Invoice Summary window because you will choose to send all of the invoices you have created in this exercise in the following steps.

Choose to Send Forms from QuickBooks

Now you will send the invoice for Lite Foot Dance Company that you marked to be sent by email as well as the two invoices you created as a batch. Because QuickBooks now sends emails utilizing Outlook, we will just look at how to initiate the action but will not actually send them as the computer you are working on may not have Outlook installed or set up.

29. Choose **File→Send Forms**.

The Select Forms to Send window will be displayed.

30. Take a look at the three invoices selected to be emailed.

Select the email(s) you want to send and **click Send Now**

3 of 3 Selected   ✉ **3 email(s)** to Send

	SEND TO	TYPE	NUM	DATE	AMOUNT
☑	Marketing	INV	10024	11/16/2023	$703.80
☑	Masters Manuf…	INV	10025	11/16/2023	$125.00
☑	Tim's BBQ Palo…	INV	10026	11/16/2023	$125.00

If you were working with your own company and had Outlook installed, this is when you would click Send Now.

31. Click **Close** in the Send Forms window.

Receiving Discounted and Electronic Payments

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

You can easily apply the discount in the QuickBooks Discount and Credits window. Quick-Books calculates the discount based on the payment terms.

BEHIND THE SCENES

When you receive a discounted payment, you need to credit the customer's Accounts Receivable account for the full amount even though you are not receiving the full amount in cash. The additional debit will be recorded in an expense account called 49000•Less Discounts Given.

Working with Electronic Customer Payments/Wire Transfers

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 that you can include on 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 in your bank account. There are monthly plan and transaction fees for this service.

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 QuickBooks. QuickBooks will process the shipment and create a shipping label for you with the customer information that you have stored in QuickBooks. In addition, you can track your shipments from within QuickBooks.

📌 Customers→Receive Payments

📌 Customers→Create Invoices→Send/Ship

DEVELOP YOUR SKILLS 1-8

In this exercise, you will record a discounted payment and process an electronic payment for Average Guy Designs. Lite Foot Dance Company has sent in the payment within 10 days of the invoice, and it has therefore submitted its discounted payment.

1. Click the **Receive Payments** 📇 task icon in the Customers area of the Home page.
2. Enter this information to record the discounted payment:
   - Received From: **Lite Foot Dance Company: Marketing**

   Note at the bottom of the window a box stating, "This customer has discounts available."

   - Payment Amount: **689.72**
   - Date: **111823**
   - Reference #: **2Q78X901**
   - Payment Method: **e-Check**

   Notice the Underpayment section on the bottom-left portion of this 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. On the Ribbon, choose **Discounts And Credits** 🗞.
4. In the Discount Account field, type: **Less Discounts Given** (then ⎣Tab⎦)
5. Click **Set Up**.
6. Enter this information:
   - Number: **49000**
   - Description: **Account to track discounts**

7. Click **Save & Close**.

8. Click **Done** to return to the Receive Payments window.

> **BEHIND THE SCENES BRIEF**
>
> 12000•Undeposited Funds DR 689.72; 49000•Less Discounts Given DR 14.08;
> **11000•Accounts Receivable CR <703.80>**

9. 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.

10. Click the **Record Deposits** task icon in the Banking area of the Home page.

The Payments to Deposit window will appear.

11. Click the **e-Check** you just entered to select it and then click **OK**.

12. Ensure the deposit is going to the Checking account.

13. Enter **111923** as the Date.

> **BEHIND THE SCENES BRIEF**
>
> 10000•Checking DR 689.72; **12000•Undeposited Funds CR <689.72>**

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

Working with 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 will appear. In this
window, you can enter the information for the refund check.

Creating a Credit Memo

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 you can choose to 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.
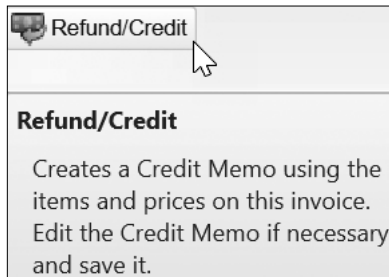
Convert an invoice to a credit memo by clicking the Refund/Credit button on the Create Invoice window Ribbon.

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.

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

Entering a Credit from a Vendor

If you are 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 1-9

In this exercise, you will create a credit memo and then apply the credit toward a future invoice. In this example, you have told Billy Mercedes that you will refund invoice 10013 as he has decided to go with you for a comprehensive branding plan.

1. Choose **Customers→Customer Center**.

2. Single-click **JLR Doggie Playhouse** in the Customers & Jobs list.

3. Double-click the **Invoice #10013** displayed on the Transactions tab to open it.

4. Click the **Refund/Credit** button on the Ribbon to convert the Invoice to a Credit Memo.
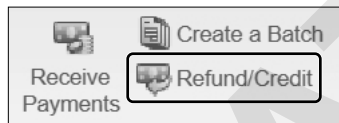
5. To create the credit memo for Billy, enter this information:

   • Date: **123023**

   • Credit No.: **CR 10027**

   • Tax: **San Tomas**

   Leave the Create Credit Memos/Refunds window open. You will issue the refund from it in the next step.

Apply a Credit and Create a New Invoice

You will now choose to 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.

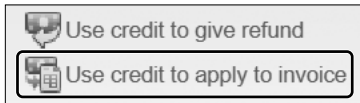7. Click **OK** in the Warning window; click **Save & Close** to record the credit memo.

BEHIND THE SCENES BRIEF

43200•Design Income DR 180.00; **11000•Accounts Receivable CR <180.00>**

8. Click **Save & New** in the Create Invoices window.

9. In the Create Invoices window, enter this information to create an invoice for the branding:

   - Customer: Job: **JLR Doggie Playhouse: New Business Kickoff Campaign**

   - Date: **123023**

   - Invoice #: **10028**

   - Item: **Branding**

   - Quantity: **1**

   - Customer Message: **Thank you for your business.**

10. Click the **Apply Credits** button on the Ribbon.
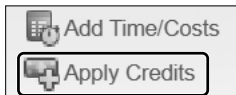
11. Click **Yes** in the Recording Transaction window.

   The Apply Credits window will launch. Take a look at how the credit has been applied to the invoice, and the balance due is now $220.

12. Click **Done** in the Apply Credits window; click **Save & Close** to close the Create Invoices window.

Producing Inventory Reports

QuickBooks features many preset reports to help you efficiently manage inventory and sales.

Periodically, it is important to physically count your inventory items and to make sure that 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 that can 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 what you actually have during a physical inventory count.

The following table lists many reports useful when you work with inventory items.

INVENTORY REPORTS AND THEIR PURPOSES	
Inventory Report Name	**What it will tell you…**
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 but arranged by vendor
Physical Inventory Worksheet	A printable worksheet used to count physical inventory or to compare physical quantity to the number QuickBooks has recorded

Tracking Sales

The Sales area of the Report Center features reports and graphs that help you to understand 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.

↗ Reports→Report Center→Inventory | Reports→Inventory

↗ Reports→Report Center→Sales | Reports→Sales

DEVELOP YOUR SKILLS 1-10

This report 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 Guy to determine when he needs to order additional items.

4. Choose **Reports→Inventory→Inventory Stock Status by Item**.

5. Tap **a** to set the date range to **All**.

Notice that a checkmark appears in the Order column when it is time to place an order.

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

Create a Sales Graph

Finally, you will create a graph that will show you all of the sales by month and the sales by customer for the fiscal year to date.

7. Choose **Reports→Sales→Sales Graph**.

8. Click the **Dates** button on the toolbar, type **a**, and then click **OK**.

9. Click the **By Customer** button on the toolbar.
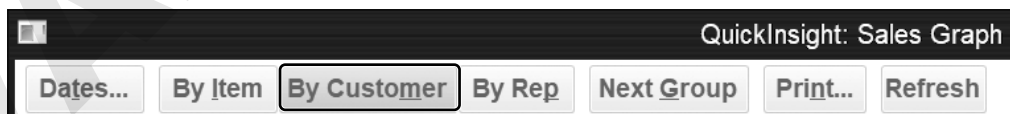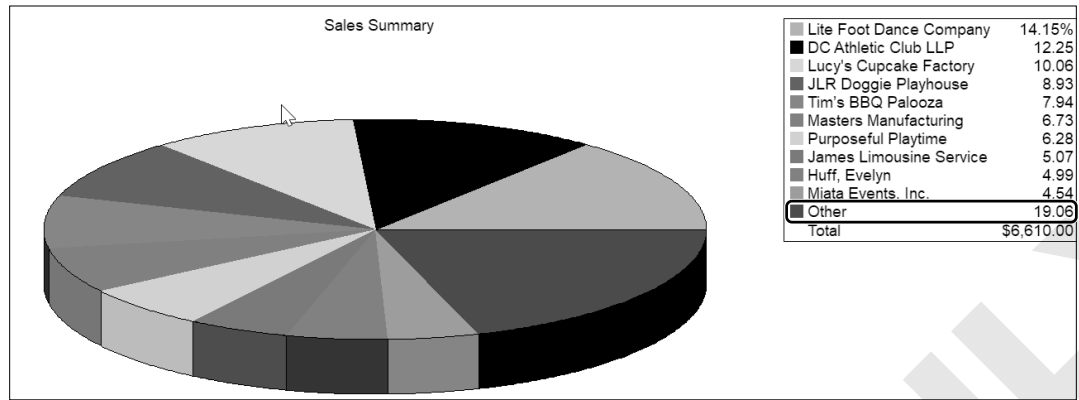
Notice the sales graph in the lower area of the window by customer. There are so many customers for the company that you will have to use QuickZoom to drill down to those classified as "Other."

10. Point to *Other* in the legend of the graph and double-click to QuickZoom, displaying the detail of the Other grouping in a second graph.

11. Close the Sales Graph windows.

Tackle the Tasks

Now is your chance to work a little more with Average Guy Designs and apply the skills that you have learned in this chapter to accomplish additional tasks. You will use the same file you used in the Develop Your Skills exercises throughout this chapter. Enter the following tasks, referring back to the concepts in the chapter as necessary.

|	
Create Inventory Item	Item Name: Earrings; Description: Designer Earrings; Cost: 19.50; Sales Price.: 40.00; COGS: 50000•Cost of Goods Sold; Pref. Vendor: Holly's Bead Art; Income Acct: 41200•Accessories; Asset Acct.: 12100•Inventory Asset; Reorder: 15; Qty on Hand: 0
Create PO	Create a PO on 11/14/23 to purchase 25 of the earrings you just entered as an inventory item.
Receive Items	Receive the earrings with the bill on 11/20/23. Add a $15 shipping charge to the bill.
Sell Items	Sell three pairs of earrings to Chris Nelson (new customer) for his employees on 11/22/23, terms 2% 10 Net 30. Terms are only for this invoice.
Receive Payment	Receive an e-check, 758946, from Chris Nelson for the earrings on 11/27/23. Chris has taken advantage of the early payment discount. Deposit the payment to Checking on the same day.
Run Reports	Create a report that shows the inventory on hand and its value as of 11/30/23. Create a report that shows the total sales for November 2023.

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. Accounts Payable is debited when you create a PO.   *True   False*

2. Non-posting accounts appear at the bottom of your Chart of Accounts.   *True   False*

3. QuickBooks Pro uses the Last-In, First-Out (LIFO) method of inventory valuation.   *True   False*

4. The Show Lowest Subaccount preference helps you overcome the problem of narrow account fields in QuickBooks.   *True   False*

5. The Inventory Valuation Detail report tells you which items you need to reorder.   *True   False*

6. You must set up sales tax as an item to be able to include it on a sales form.   *True   False*

7. In some editions of QuickBooks, sales orders can be used to schedule services to be performed.   *True   False*

8. QuickBooks allows you to ship a package within the Create Invoices and Enter Sales Receipt windows using various services.   *True   False*

9. You can receive payments from your customers electronically.   *True   False*

10. The Sales Graph can display the total sales by item or by vendor.   *True   False*

11. In which case 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.

12. Which report would 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

13. What would the discount be for early payment on an invoice for $100 with terms of 2% 10 Net 30?
    A. $10
    B. $2
    C. $4
    D. $20

14. Which type of account is Purchase Orders?
    A. Inventory Asset
    B. COGS
    C. Inventory Expense
    D. Non-Posting

📌 Reinforce Your Skills

Electrical Energy, Inc., has expanded to a second location in Putnam County, New York. They've also begun to sell products commonly requested by their customers. The password for all files unless otherwise stated is Password1. *Leave the company file open unless otherwise instructed.*

REINFORCE YOUR SKILLS 1-1

Set Up Inventory and Sales Tax Items

In this exercise, you will need to set up a new Sales Tax Item for Putnam County, and you will move through the entire process of purchasing, receiving, and selling these products. 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_Chapter01 (Company)** or restore **RYS_Chapter01 (Portable)** from your file storage location and save your file as: **RYS_Chapter01 Electrical Energy**
3. Choose **Edit→Preferences**.
4. Display the **Company Preferences** tab of the Sales Tax category.
5. Add a new sales tax item using this information:
    - Sales Tax Name: **Putnam County**
    - Description: **Sales Tax**
    - Tax Rate: **8.375%**
    - Tax Agency: **NYS Department of Taxation and Finance**
6. Click **OK** to add the new sales tax item.
7. Ensure *Westchester County* is the most common sales tax item.
8. Click **OK** to close the Preferences.

Turn On Inventory Preferences

Emily Holly wants to start offering switch plates, lighting and other popular items for sale to her customers. You will now set up QuickBooks to deal with inventory along with the new income and expenses involved.

9. Choose **Edit→Preferences**.
10. Click the **Items & Inventory** category and then click the **Company Preferences** tab.
11. Click the checkbox to turn on **Inventory and Purchase Orders Are Active**.
12. Click **OK** to close the Preferences window; click **OK** to close the Warning window, allowing QuickBooks to close and then reopen the file.

Create a New Income Account

The next step is to set up a separate income account for the product sales.

13. Choose **Lists→Chart of Accounts**.
14. Click the **Account** drop-down arrow ▼ and then choose **New**.
15. Choose **Income** as the account type and then click **Continue**.

16. Enter this information to set up the income account:

- Number: **45000**
- Account Name: **Product Sales**
- Description: **Income from Product Sales**

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

Create a New Inventory Item

Now you will set up a taxable inventory item that Electrical Energy will be able to sell using one of the sales forms.

18. Choose **Lists→Item List**, click the **Item** drop-down arrow ▾, and then choose **New**.

19. Choose **Inventory Part** as the item type.

20. Enter this information to create a new inventory item:

- Item Name: **LED Track Lighting**
- Description: **LED Track Lighting – light bronze finish**
- Cost: **52**
- Sales Price: **99.99**
- Preferred Vendor: **Tri-County Electrical Supply** (**Quick Add** the **Vendor**)

Next you will create the income subaccount to track sales of light fixtures.

- Income Account: **Lighting** (then ⎡Tab⎤ and click **Set Up**)
- Number: **45001**
- Subaccount of: Click in the **checkbox** and choose **45000•Product Sales** from the menu
- Description: **Lighting Sales Income**

21. Click **Save & Close**.

22. Enter a Reorder Point (Min) of: **6**

23. Click **OK**, close the Item List, and leave the file open.

REINFORCE YOUR SKILLS 1-2

Create POs and Receive Items

In this exercise, you will help Electrical Energy to order and receive inventory items. You will begin by creating a PO for LED Lighting.

1. Choose **Vendors→Create Purchase Orders**.

2. Enter the following information into the PO:

- Vendor: **Tri-County Electrical Supply**
- Date: **041023**
- PO No.: **1001**

Fill in the vendor address under the vendor name:

- **8 Commerce Street** ⎡Enter⎤ **Yorktown Heights, NY 10598**
- Item: **LED Track Lighting**

- Qty: **12**

- Memo: **Tri-County: LED Track Lighting**

3. Click **Save & Close**.

4. Click **Yes** to make the address for the vendor permanent in the Information Changed window.

Receive the Items

The light fixtures have arrived without the bill, so Emily needs to receive them into QuickBooks.

5. Choose **Vendors→Receive Items**.

6. Choose **Tri-County Electrical Supply** as the vendor and then click **Yes** to receive against an open PO.

7. Click the checkmark to select the PO dated **04/10/2023** and then click **OK**.

8. Change the date of the Item Receipt to **041223** and then click **Save & Close**.

Receive the Bill

The bill for the light fixtures has just arrived, so it is time to enter it into QuickBooks.

9. Choose **Vendors→Enter Bill for Received Items** and then choose **Tri-County Electrical Supply** as the vendor.

10. Click on the Item Receipt dated **04/12/23** to select it and then click **OK**.

11. Enter this information to complete the bill:

- Date: **041423**

- Ref. No.: **Inv TCE0616**

- Terms: **Net 15**

- Memo: **Tri-County: LED Track Lighting 04/2023**

12. Click **Save & Close**, clicking **Yes** to agree to change the transaction.

13. Click **Yes** to permanently change the information for Tri-County Electrical Supply and leave the file open.

REINFORCE YOUR SKILLS 1-3

Sell Inventory Items

When the products have been entered into inventory, it is time to start selling! In this exercise, you will record inventory sales.

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

2. Choose **Miller, Sally** as the Customer:Job.

3. Enter this information for the sales receipt:

- Payment Method: **Check**

- Date: **042023**

- Check No.: **53095**

- Item: **LED Track Lighting**

- Qty: **2**

- Customer Message: **Thank you for your business.**

- Memo: **Miller: LED (2)**

4. Click **Save & New** to record the sale.

Record Sales from an On the Job Sale

One of the electricians sold lighting fixtures to a customer while on the job in Westchester County. You will now help to enter the sales.

5. Use a Sales Receipt with no customer name and the default tax of Westchester to record the sale:

- Payment Method: **Cash**

- Date: **042223**

- Item: **LED Track Lighting**

- Qty: **2**

- Memo: **On the Job Sale**

6. Click **Save & Close** to record the sale and leave the file open.

REINFORCE YOUR SKILLS 1-4

Process Payments

In this exercise, you will deposit all of the payments received into the company Checking account.

1. Choose **Banking→Make Deposits**.

The Payments to Deposit window will appear.

2. Click the **Select All** button and then click **OK**.

3. Change the date of the deposit to **042523**, ensure that *Checking* is the account displayed, and then click **Save & Close**, leaving the file open.

All of the payments waiting in the Undeposited Funds account have now been deposited into the Company Checking account.

REINFORCE YOUR SKILLS 1-5

Produce a Report

In this exercise, you will create an inventory report that details the quantity and value of inventory on hand.

1. Choose **Reports→Inventory→Inventory Valuation Detail**.

2. Type **a** to set the date range to **All**.

3. Using **QuickZoom**, go to the bill for the LED Track Lighting.

4. Change the terms of the bill to **Net 30**.

5. Save the bill with the changes, choosing to have the new terms appear next time and become a permanent change to the vendor record.

6. Click **Yes** to refresh the report.

7. Close the report, choosing not to memorize it, and then close the file.

✎ Apply Your Skills

Wet Noses Veterinary Clinic has started buying and selling inventory. 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 password for all files unless otherwise stated is Password1.

APPLY YOUR SKILLS 1-1 QG

Set Up Sales Tax and an Item List

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_A1_Chapter01 (Company)** or restore **AYS_A1_Chapter01 (Portable)** from your file storage location and save your file as: **AYS_A1_Chapter01 Wet Noses Clinic**

3. Open the **Preferences** window and set the preference to collect sales tax.

4. Set up a new sales tax item (**King County Sales Tax** for **10%**, payable to **King County Treasurer**) and then set it as the most common sales tax item.

5. Choose to make all existing customers taxable but not all existing non-inventory and inventory parts.

6. Open the **Preferences** window and then turn on the **Inventory and Purchase Order** feature.

7. Open the **Chart of Accounts** and then create a new income account numbered **45000** called **Inventory Sales**.

8. Create these inventory part items:

   First item:

   - Item Name: **Toothbrush**
   - Purchase/Sales Description: **Dog toothbrush and paste kit**
   - Cost: **6.49**
   - Preferred Vendor: **Seattle Vet Supply**
   - Sales Price: **14.99**
   - Income Account: **45000•Inventory Sales**
   - Reorder Point: **15**

   Second item:

   - Item Name: **Chew Toy**
   - Purchase/Sales Description: **The great indestructible ball!**
   - Cost: **3.71**
   - Preferred Vendor: **Bothell Pet Supply Co.**
   - Sales Price: **8.99**
   - Income Account: **45000•Inventory Sales**
   - Reorder Point: **20**

Third item:

- Item Name: **Cat Collar**
- Purchase/Sales Description: **Designer cat collar**
- Cost: **8.00**
- Preferred Vendor: **Take a Walk**
- Sales Price: **19.99**
- Income Account: **45000•Inventory Sales**
- Reorder Point: **10**

9. Run the **Item Listing** report for detailed information about each item.

10. Click the **Excel** Excel ▾ button and export this list to a new worksheet, saving the worksheet to your file storage location as: **CH1_A1 New Item Listing**

11. Close the company file.

APPLY YOUR SKILLS 1-2 QG

Purchase and Receive Inventory Items

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

1. Choose **File→Open or Restore Company**.

2. Open **AYS_A2_Chapter01 (Company)** or restore **AYS_A2_Chapter01 (Portable)** from your file storage location and save your file as: **AYS_A2_Chapter01 Wet Noses Clinic**

3. Create POs for these three items:
   - 25 toothbrushes from Seattle Vet Supply on 07/01/23
   - 40 chew toys from Bothell Pet Supply Co. on 07/02/23
   - 15 cat collars from Take a Walk on 07/02/23

4. 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.

5. 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.

6. 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 a 66500 Postage and Delivery account for the shipping charge.

7. 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.

8. Run the **Inventory Stock Status by Item** report for All dates to determine how many inventory items are currently in stock.

9. Click the **Excel** Excel ▾ button and export this report to a new worksheet, saving the worksheet to your file storage location as: **CH1-A2 Current Inventory Status**

10. Close the company file.

APPLY YOUR SKILLS 1-3 [QG]

Sell Inventory

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

1. Choose **File→Open or Restore Company**.

2. Open **AYS_A3_Chapter01 (Company)** or restore **AYS_A3_Chapter01 (Portable)** from your file storage location and save your file as: **AYS_A3_Chapter01 Wet Noses Clinic**

3. Sell two of the new designer cat collars to Jill Ann Tank on 07/14/2023. She pays with cash.

4. 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.

5. 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.

6. 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.

7. Click the **Excel** [Excel ▼] button and export this report to a new worksheet, saving the worksheet to your file storage location as: **CH1_A3 Sales by Customer Summary**

8. 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.

9. Stacy LiMarzi has paid the entire amount of the invoice for her cat Reagan with check 448 on 07/22/2023.

10. Run the **Sales by Item Summary** report that shows which items sold the most during the month of July 2023.

11. Click the **Excel** [Excel ▼] button and export this report to a new worksheet, saving the worksheet to your file storage location as: **CH1_A3 Sales by Item Summary**

12. Close the company file.

APPLY YOUR SKILLS 1-4 [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. Choose **File→Open or Restore Company**.

2. Open **AYS_A4_Chapter01 (Company)** or restore **AYS_A4_Chapter01 (Portable)** from your file storage location and save your file as: **AYS_A4_Chapter01 Wet Noses Clinic**

3. Duke, a City of Seattle K-9 Unit dog, did not receive the nail trim he was charged for. Create a Credit Memo numbered RF1 on 07/14/2023, adding the Customer address of 15 Lenora Street, Seattle, WA 98121 on the memo, and give a refund to the K-9 Unit as a check that will be printed later.

4. Run the **Item Listing** report to view Quantity on Hand for each item on the Item List.

5. Click the **Excel** Excel ▼ button and export this report to a new worksheet, saving the work-sheet to your file storage location as: **CH1_A4 On Hand Item Listing**

Note the On Hand amount for cat collars is 12.

6. Jill Ann Tank has returned the cat collar on 07/19/2023. Process a refund check that will be printed later.

7. Run the **Inventory Stock Status by Item** report for All dates to display total inventory on hand by item.

8. Click the **Excel** Excel ▼ button and export this list to a new worksheet, saving the work-sheet to your file storage location as: **CH1_A4 After Return Inventory Status**

Notice the returned cat collar has changed the On Hand amount from 12 to 13 as the item was added back into inventory.

9. Close the company file.

Extend Your Skills

In this exercise, you will purchase inventory, create a sales tax item, charge sales tax, and return damaged inventory to a vendor. You will need to wade through information on your desk that you are finally able to get to after being out of the office for several days visiting additional baking facilities that you've been contemplating, as your business is growing quickly. Open **EYS_Chapter01 (Company)** or restore **EYS_Chapter01 (Portable)**. The password is *Password1*. Also, open **Baked Café Company Checklist** from the EYS Miscellaneous Files folder for Chapter 01.

Be sure to use the appropriate job, job types, and classes for sales and expenses; assign the appropriate customer type and create any needed accounts.

- Email request from the Women's Club of Briarcliff and Elmwood Day Camp to purchase some of the items you use in your work. Based on this and other requests, you decide to try stocking and selling inventory, for which you will charge combined NY State and Westchester County sales tax of 7.375%, payable to the NY State Department of Taxation, NYS Sales Tax Processing Center, PO Box 15172, Albany, NY 12212, which can be viewed at: tax.ny.gov

- Packing slip and bill received with inventory items on 04/03/23 from Paper and More. Items received: 100 aprons costing $5.70 and selling at $18.99, 40 chefs' hats costing $4.89 and selling at $11.00, and 36 coffee mugs costing $2.25 and selling at $6.95. All items are taxable inventory parts. The income from aprons and hats should show in a Chef Apparel Sales subaccount of the Product Sales Income account, while the income from the sales of coffee mugs should be in a subaccount of Product Sales called Serving Supply Sales. Assign Product as the class for each item. A shipping charge of $38 was included on the bill.

- Sticky note found on your desk: "Forgot to invoice Evan McCrory $495 for a private Home Cooks Baking Workshop job he hosted at his home on 02/21/23."

- Upon receipt of the inventory, the office manager emailed to let you know that 2 of the coffee mugs were damaged. The vendor has credited your account.

- Phone message from Marissa DePalma ordering a dozen coffee mugs to keep in the office kitchen for the Women's Club of Briarcliff. First change the Customer Type to Social Media. Include the terms 2% 10 Net 30, assign Product as the class, and add sales tax for Westchester County on the invoice you create on 04/10/23.

- Note from the office manager on 04/14/23: "The Women's Club paid their invoice, taking advantage of the discount terms, and I deposited only check #2009 today."

- Note from the office manager: "Pay bill on 04/28/23 to Paper and More for inventory items received." Be sure to apply the credit for damaged merchandise and assign check #1001 for this payment.

- Email from Elmwood Day Camp ordering 15 aprons, which are taxable, on 04/12/23.

- Reminder: Don't forget to run report showing the itemized inventory stock for the month of April 2023.