



3 Steps to Using QuickBooks[®] Effectively

by Dawn Scranton, CQA

Did you know that 30% of the business owners that purchase QuickBooks, never actually start using it? Business owners often say they have procrastinated due to:

- ✓ They don't know accounting
- ✓ They don't have the time to learn
- ✓ They don't know how to get started

This guide is designed to eliminate all those reasons that delay your progress. There are only three things you must learn to begin using QuickBooks effectively:

- 1) How to Write Checks and Pay Bills
- 2) How to Record Invoices and Sales
- 3) How to Record Customer Payments and Deposits

So, let's get started.....

(1) HOW TO WRITE CHECKS AND PAY BILLS

There are two methods for "Paying Bills" in QuickBooks. The method you choose depends on the urgency and/or status of the bill. You are not required to use the same method for all purchase transactions.

First - The "WRITE CHECK" Method:

Commonly referred to as the "Cash Method". This option should be used to pay any bill that is immediately due, or print checks "on-demand" (such as a C.O.D. Shipments), or to record hand-written checks, ATM Withdrawals, Bank Transfers and any other bank debits that may occur in the course of a day.

Go to the "Banking" menu and select the "Write Checks" option:

The screenshot shows the 'Write Checks - Checking' window in QuickBooks. The 'Bank Account' is 'Checking' with an ending balance of 2,087.20. The check is for \$2,000.00, dated 01/10/2005, payable to American Express. Below the check form is an 'Expenses' table with the following data:

Account	Amount	Memo	Customer:Job
Meals & Entertainment	75.00	Meeting w/John Smith	Corcoran, Carol
Meals & Entertainment	65.00	Meeting w/Employee	Chekris, Benjamin
Airfare, Lodging & Travel	300.00	Travel to NY	Crider, Craig
Airfare, Lodging & Travel	250.00	Travel to CA	Heldt, Bob
Office Supplies	200.00	Toner, Folders, etc	
Gas, Tolls & Parking	300.00		
Telephone	400.00		
Equipment	410.00	New Computer	


1 Enter the check number (or) select the "To Be Printed" box if you wish to print the check. (This field will also accept text such as: "ATM", "Withdrawal", "Transfer", "Debit", or anything else that helps you trace the transaction in your bank account register.)

2 Enter the type of expenses incurred (If you switch to the "Items" tab, you may also add inventory items purchased)

3 Enter the appropriate notes that you would like to transfer to the clients invoice.

4 Enter the name of your customer (or) client, and the project/job/matter (if applicable)

TIP: QuickBooks uses the "check" date to track which month the expense should appear. For Example, if the check is dated Jan 10, 2005, then the expense will appear in the "Profit & Loss" report in the month of January 2005.

The  (blue invoice) icon indicates that you are going to copy these costs to a clients invoice. If you do not wish to invoice the client, click "once" on the icon, a red "X" will appear over the icon.

Second - The "Bill Payment" Method:

Typically referred to as the "Accrual Method". This two-step method should be used for any bills that you expect to pay at a later date. Examples would be re-occurring rent, utilities, or shipments for inventory purchases.

Step 1) Go to the "Vendors" menu and select the "Enter Bills" option:


Note: QuickBooks uses the "Date" to track which month the expenses should appear. For Example, if the bill is dated Jan 10, 20XX, the "Profit & Loss" report will show the expense in the month of January 20XX (regardless of when the bill is actually paid.)

1 Enter the date of the "Bill". The "Bill Due" date should be the date you are expected to pay the bill. The "Ref. No." should be the invoice number or something that makes that bill unique. (You cannot use account numbers, or QuickBooks will tell you it is a duplicate bill when it searches thru your database) Use the "Memo" field to copy account numbers onto the check.

2 Enter the type of expenses incurred. (If you switch to the "Items" tab, you may also add inventory items purchased) You can also use a combination of "Expenses" and "Items".

3 Enter notes that you would like to transfer to the clients invoice.

4 Enter the name of the customer or client, and the project/job/matter (if applicable)

The  (blue invoice) icon indicates that you are going to copy these costs to a clients invoice. If you do not wish to invoice the client, click "once" on the icon, a red "X" will appear over the icon.

Step 2) When you are ready to pay the bill, go to the "Vendors" menu, select the "Pay Bills" option:

1 Select the outstanding bills that you desire to pay by placing a check mark in the left column.

2 Enter the amount you wish to pay. (QuickBooks will select the full amount by default, but you may over-ride the amount with a smaller amount)

3 Select the preferred method of payment. (This can be any checking account or credit card.)

4 When you select "Pay & Close" QuickBooks will create a check in your checkbook register. Now, print the check by selecting the "Print Checks" option from the "File" menu.

(2) HOW TO RECORD SALES AND INVOICES

Record Sales and Invoices:

The "Invoice" method allows customers to pay at a later date. This two-step process allows you to track what is owed to you, and what payments (cash, credit card, check or wire transfers) have been received on account.

Go to the "Customer" menu and select the "Create Invoice" option:

The screenshot shows the 'Create Invoices' window with the following details:

- Customer:** Job: Smith, Joe
- Template:** Intuit Product Invoice
- Date:** 05/23/2006
- Invoice #:** 1010
- Bill To:** Smith, Joe, 123 4th St, Anytown, ST 12345
- Ship To:** (Empty)
- Table:**

Quantity	Item Code	Description	Price Each	Amount	Tax
2	Item 1	Item 1 - Product	50.00	100.00	Tax
1	Item 2	Item 2 - Product	1.00	1.00	Tax
5	Item 3	Item 3 - Service	75.00	375.00	Tax
	Shipping	Shipping & Delivery Charges	5.95	5.95	Non
			Total	510.51	
- Customer Message:** Thank you for your business.
- Tax:** Dept of Rev... (6.0%)
- Buttons:** To be printed, To be e-mailed, Customer Tax Code, Tax, Apply Credits, Payments Applied, Balance Due, Memo, Save & Close, Save & New, Revert.

1 These "fields" should be filled-in according to your company' policy. "Fields" can be customized by size or name, and can be added or subtracted to match your own preferences.

2 Fill-in the sales information to record the amount due from your customer. (Each item can be labeled as "tax" for taxable, or "Non" for non-taxable)

3 Indicates if the sale is "taxable" or "Exempt". This information can be modified on a "per sale" basis.

4 Indicates if your customer is "Taxable" or "Exempt". This default can be modified in the customer record or on a "per sale" basis.

5 Be sure to indicate whether you want to "Print" or "Email" the invoice. (You may do both)

(3) HOW TO RECORD CUSTOMER PAYMENTS AND DEPOSITS

There are two methods for "Recording Deposits" in QuickBooks. The method you choose depends on the reason you received payment. You are not required to use the same method for all deposit transactions.

First - The "Receive Payment" Method:

This method is used to customer payments received on account, or checks received by mail. This three step process allows you to track what has been received and deposited in the form of cash, credit card, check or wire transfers.

Step 1) Go to the "Customers" menu and select the "Receive Payments" option:

The screenshot shows the 'Receive Payments' window in QuickBooks. The window title is 'Receive Payments'. At the top, there are navigation buttons: Previous, Next, History, Journal, and Get Online Pmts. The main section is titled 'Customer Payment'. Below this, there are several input fields: 'Received From' (Cook, Brian), 'Amount' (1,166.69), 'Pmt. Method' (Check), 'Memo' (Inv # 42 & 57), 'Customer Balance' (7,812.63), 'Date' (12/15/2007), 'Check #' (empty), and 'Deposit to' (Undeposited Funds). There is a checkbox for 'Process credit card payment when saving' and a 'Find a Customer/Invoice...' button. Below these fields is a table with columns: Date, Job, Number, Orig. Amt., Amt. Due, and Payment. The table contains several rows of data, with the last row showing a total of 1,166.69. At the bottom right, there is a section titled 'Amounts for Selected Invoices' with sub-sections for 'Amount Due' (1,166.69), 'Applied' (1,166.69), and 'Discount and Credits Applied' (0.00). There are buttons for 'Un-Apply Payment', 'Discount & Credits...', 'Save & Close', 'Save & New', and 'Clear'.

Date	Job	Number	Orig. Amt.	Amt. Due	Payment
10/15/2007	Kitchen	42	3,100.00	700.00	700.00
11/25/2007	Kitchen	57	1,636.69	466.69	466.69
11/25/2007	2nd story addi...	58	5,418.00	5,003.30	0.00
12/11/2007	Kitchen	FC 6	5.95	5.95	0.00
12/15/2007	Kitchen	76	1,636.69	1,636.69	0.00
Totals			11,797.33	7,812.63	1,166.69

- 1 Enter the name of the customer.
- 2 Enter the amount received.
- 3 Enter the payment method. If you select "credit card" you will have an option to process the credit card (if you have signed-up for QuickBooks Merchant Services)
- 4 Enter a reference number for the payment received.
- 5 Enter any memo that is on the check or any information that helps you cross-check the information at a later date.
- 6 "Undeposited Funds" is a holding bucket, for accumulating multiple payments that need to be batched and deposited. You may select your bank account, if you took the check to the bank as a singular item.
- 7 Be sure to mark "which invoices" were paid.
- 8 You may over-ride the amounts, if they are not automatically distributed correctly by QuickBooks, then click "Save and Close".

Step 2) To record the deposit into your checking account register go to "Banking" then "Make Deposits":

Date	Time	Type	No.	Payment Met...	Name	Amount
12/15/2007		PMT	5100	Check	Cook, Brian	1,166.69
12/15/2007		PMT	345678	Check	Melton, Johnny	4,999.50
12/31/2007		PMT		Check	Abercrombie, Kristy:...	7,633.28
12/15/2007		PMT	1001	American Express	Baker, Chris	1,040.00
12/15/2007		PMT		Master Card	Lew Plumbing - C	175.00

1 Select the payments you are collectively taking to the bank.

2 Credit card deposits should be deposited separately, since they are processed electronically and daily. Refer to your "Merchant Statements" to correctly identify your credit card deposits.

3 The total "deposit amount" is what will post to your checking account register.

NOTE: If the "Payments Subtotal" needs to be adjusted, please refer to the procedures outlined in the next section: "Make Deposit" Method.

Please Note: It is not uncommon to have three deposits for one day: One for "Checks/Cash", one for "American Express" and another for "MC/VISA".

Second - The "Make Deposit" Method:

This method serves two purposes:

1. To record cash sales not entered as a "Sales Receipts" or "Customer Payments".
2. To adjust deposit totals for some of the reasons seen in this example:

Received From	From Account	Memo	Chk No.	Pmt Meth.	Amount
Cook, Brian	Undeposited Funds	Inv # 42 & 57	5100	Check	1,166.69
Melton, Johnny	Undeposited Funds		345678	Check	4,999.50
	Consulting Income				750.00
	Utilities:Telephone	Reimb. from Phone Co.			325.00
	Petty Cash	Replenish Petty Cash			-100.00
	Owner Distribution				-1,000.00
	Repairs:Building Repairs				-25.00

1 Enter the name of your bank.

2 Enter the date of the deposit.

3 "Received From" indicates this is a customer payment from accounts receivable.

4 "From Account" is the account you want to post to. You can use this column to record *why* the deposit was adjusted. For example:

- a. Refunds, Reimbursements, and Income
- b. Reductions from cash not deposited

5 Enter the amounts being added or subtracted from your deposit

6 The "Deposit Total" is the amount that will appear in your checking account register.

In Conclusion:

Once you have mastered these three fundamental concepts, you have a solid foundation for continuing your education with these intermediate to advanced features of QuickBooks:

- ✓ Payroll
- ✓ Job-Costing
- ✓ Tracking Inventory
- ✓ Class Tracking
- ✓ Financial Statement Reporting
- ✓ Budgeting