



## *QUICKBOOKS 2003 TRAINING*

### BASIC/COMPUTER LITERATE COURSE

1. The Chart of Accounts
  - a. Setting up
  - b. Adding and Editing
  - c. Reorganising
  - d. What are capital accounts and what aren't
2. Income Accounts
  - a. The item list – attaching income accounts
  - b. The item list – attaching correct tax codes
  - c. Entering Invoices/cash sales
3. Expense Accounts
  - a. Tax Codes in the Chart of Accounts
  - b. Entering Expenses (cheque facility)
  - c. Entering Expenses (Bills)
4. Accounts Payable and Receivable
  - a. Receiving Payments from Accounts Receivable
  - b. Making Payments to Accounts Payable
5. Banking
  - a. Depositing Funds as lump sum (clearing account)
  - b. Bank Reconciliation
6. Maintenance and Reports
  - a. Maintaining the card file
  - b. Accessing Basic reports
  - c. Customising and Filtering Reports – fixing transactions

## **THE CHART OF ACCOUNTS**

### **SETTING UP**

The chart of accounts in Quickbooks is set up in the order of;

1. Assets
  - a. Bank Accounts (Business Only! - allow use in chq. facility)
  - b. Accounts Receivable (customers)
  - c. Fixed Assets (EG. Motor Vehicles, Equipment)
  - d. Other Assets (EG. Deposits, Prepaid Expenses)
2. Liabilities
  - a. Accounts Payable (suppliers)
  - b. Credit Cards (Business Credit Cards only!)
  - c. Other Current Liabilities (other loans to be paid <12mths)
  - d. Long Term Liabilities (EG. Mortgages etc. >12mths)
3. Owner's Equity/Capital
4. Income
5. Cost Of Goods Sold (for trading stock entities only)
6. Expenses
7. Other Income (Unnecessary to use)
8. Other Expenses (Unnecessary to use)

Using the "other" income and expense accounts only adds to the complexity of your data file set up and is not recommended unless you require complex reporting standards. Keeping your Chart of Accounts up to date and in the correct order ensures that the data you enter is turned into meaningful information.

### **ADDING AND EDITING ACCOUNTS**

To add or edit an account, click on company on the left margin navigator then chart of accounts on the right of the top row, or lists then chart of accounts. From this screen click on "Accounts" on the bottom left. This menu allows you to add another account or edit the currently highlighted account in the list. When adding or editing an account you must choose the correct account type as listed above.

### **REORGANISING ACCOUNTS**

Quickbooks allows you to arrange your accounts by account numbers, or alternatively, you can drag and drop your accounts. YOU CANNOT however drag and drop your accounts outside of the boundaries of the account type. For example, an income account cannot be dragged into the area of expenses, or an asset dragged into the area of liabilities. To do this you must first edit the account, change the account type and then drag it to its preferred location in your list. However you should not need to change the nature of your accounts unless under abnormal circumstances.

### **WHAT ARE CAPITAL ACCOUNTS AND WHAT AREN'T?**

Sometimes difficult to understand and sometimes a grey area of Taxation Law is the distinguishment between capital and revenue expenditure. Accordingly we have provided some examples that should help to understand common business transactions;

#### **CAPITAL**

##### Fixed Assets

- Motor Vehicles
- Office Furniture/Computers
- Equipment (costing over \$300.00 inc. GST)

##### Other Assets

- Security Deposits (rental bond, electricity)

#### **NON CAPITAL**

##### Expenses

- Tool & Equipment Replacements (under \$300.00 inc. GST)
- Administration/Stationery/Advertising/Fees/Materials

It is important to note that the payment of your GST or PAYG instalments IS NOT TREATED AS AN EXPENSE. If you are unsure of a transaction's nature, you should contact our office for confirmation. It is important for the reporting on your BASs as well as the correct deductions for income tax.

### **INCOME ACCOUNTS**

#### **THE ITEM LIST – ATTACHING INCOME ACCOUNTS**

Quickbooks uses an item list to apply income accounts to sales. To view this list, from the top menu select lists, then items. To add an or edit an item, click "Items" on the bottom left and select new or edit. In this window select "Service" for non trading stock businesses and type in a suitable name or number for the item. Always attach an income account from the drop down list, however a description and usual gross amount is optional.



### **THE ITEM LIST – CORRECT TAX CODES**

Where you are a GST registered entity, YOU MUST attach the “GST” tax code to your income item. It is also recommended that you select “amounts include tax” on the right of the window for ease of data entry. Quickbooks will automatically calculate 10% as GST on your sales.

### **ENTERING INVOICES AND CASH SALES**

Click on customers on the left hand margin navigation window. When the navigation window appears, click invoices for credit sales, or sales receipts for cash sales. You can type in a new customer and Quickbooks will ask if you want them added to your list. This window is where the items described are used to charge to income accounts. Once entering appropriate details such as the date, enter the appropriate item that the customer is being charged for, then check the amount charged and total of the invoice including GST. Customer Messages and Memos are optional.

### **EXPENSE ACCOUNTS**

#### **TAX CODES IN THE CHART OF ACCOUNTS**

Tax codes are attached to expense items in the chart of accounts, when they are edited or added. This field will only appear with expense items. It is extremely important that the correct tax code be used with expenses, some common examples are shown below;

“NCF” – Bank Fees, Interest Expense (GST free expenses)

“NCG” – Most common expenses, materials, advertising

“NCI” – Acquisitions for residential rental properties (input taxed)

Depreciation, Wages and Superannuation should have NO TAX CODE APPLIED AT ALL. They are not reported as GST applicable expenses on your Business Activity Statement.

#### **ENTERING EXPENSES – CHEQUE FACILITY**

Most expenses can be used in the cheque facility, select Banking from the left margin navigator, then cheques from the navigation window. It is imperative that you select the correct bank account at the top of this window. (This is where the money has directly come from to pay the expense). Where you have paid business expenses from your personal funds, you can set up a bank account called “Loan from ‘*your name*’” and use this account for this type of transaction. Enter the rest of the payment details and select the correct expense account (also ensure that a tax code shows up when you select the account where applicable).

#### **ENTERING EXPENSES – BILLS**

Where you wish to enter your bills and then make payment of them, you can enter them through the “suppliers” and then “enter bills” window. Similarly to the cheque window, enter all the details, however no bank account is entered here as no payment is made. When payment is made, use the “pay bills” button in the “suppliers” navigation window.



## **ACCOUNTS PAYABLE AND RECEIVABLE**

### **RECEIVING PAYMENTS FROM ACCOUNTS RECEIVABLE**

When you have entered your sales by invoice (not by cash sales) it is important to correctly allocate your payments from customers. Enter the “Customers” navigation window then select “receive payments”. In this window, select the customer from which you received a payment. A list of outstanding invoices should then appear in the lower of the window. Complete the amount, payment method, date and the memo field with relevant details.

You now need to apply your payment to the relevant invoice. Quickbooks will automatically apply to an invoice of the same amount of payment, **OR**, the first outstanding invoice. You can change the selection by clicking on the “tick” on the left of each invoice.

Where you receive cash and cheques and bank only once a week (or couple of days), it is recommended that you choose the “group with undeposited funds” deposit on the bottom left of this window. This “undeposited funds” account is a clearing account that holds all your cash and cheques until you physically deposit them into the bank in one lump sum. However, where the funds are directly deposited into your bank, you should select “deposit to” and then the correct bank account. This step is imperative in successfully completing your bank reconciliation.

### **MAKING PAYMENTS TO ACCOUNTS PAYABLE**

When you have entered expenses as bills and are about to make payment, access the “suppliers” navigation window and select “pay bills”. It will normally be easier to select “show all bills” and select “sort by supplier” to find the bill you are paying. The list should display all unpaid bills. If your bill does not appear you most likely never entered it or have already paid it.

Select the bill you are paying by clicking on the left of the bill in the list. Then select “payment account” in the bottom left, payment method (if by cheque select “assign cheque number”) and check the payment date is correct.

You can then enter “pay and close” if this is the only bill you are paying or “pay and new” if you are going to pay another bill. Where you are paying two different bills on the same day, you should pay them separately to ensure the cheque amount in your bank reconciliation matches.

## **BANKING**

### **DEPOSITING FUNDS AS A LUMP SUM (UNDEPOSITED FUNDS ACCOUNT)**

As mentioned under “accounts receivable” the undeposited funds account is a clearing account holding cash and cheques until you deposit them into the bank. It is a Quickbooks generated asset account and will dramatically enhance the ease of completing bank reconciliations.

To Deposit your funds on hand, select the “banking” navigation window, then “deposits”. Quickbooks will automatically bring up a list of undeposited amounts you have received. You should tick off the amounts you are depositing and then click “OK”. Then check the total of the deposit on the next window that appears. Where there is a difference, this is money you have withdrawn, or used to pay expenses.



Make any adjustments in the “cash back” area at the bottom of the window. Select the “cash back goes to” as the “petty cash” account and enter the difference. Where you have made expenses from this cash on hand, you should record it in the cheque facility and ensure that the “petty cash” account is set up as a bank account. Once the total is exactly the same as your deposit book, click save and close.

### **BANK RECONCILIATION**

Enter the bank reconciliation window via the “banking” navigation window then select “reconcile”. Select the bank account you are reconciling and then complete the other details from your bank statement. Click OK and the reconciliation window will appear.

In this window, check off the deposits from your bank statement on the right and be sure to mark your bank statement so you know what has been checked off. The deposit amounts should now match your bank statement.

On the left check off the presented cheques on your bank statement. Once you have finished the reconciliation should equal “0” on the bottom right. Once you have completed the reconciliation click “reconcile now”. You will then be prompted whether or not you wish to print a reconciliation report. If you print the report, attach it to your bank statement, if you do not print the report, mark your bank statement as reconciled and the debt.

### **MAINTENANCE AND REPORTING**

#### **MAINTAINING THE CARD FILE**

Card files should be maintained regularly to ensure your data file is easy to use and accurate. You can make accounts and cards inactive if they are no longer used. You should avoid making new cards if they are not necessary, it may become confusing and makes your data file large and cumbersome. To make an account or card inactive, right click in the account or card file list and select “make inactive”.

#### **ACCESSING BASIC REPORTS**

The most common reports to access are the profit and loss, balance sheet and transaction detail reports. Quickbooks allows you to zoom into the transactions that make up these reports should you have a query on a particular amount.

To access these reports from the top menus, select “reports” and then “company and financial” for the profit and loss or balance sheet, OR, “Accountant” then “transaction detail by account” for the transaction detail reports. Many other reports are available in this menu and can be modified and filtered in a number of ways. Should you require a particular report, please contact our office for assistance.

#### **CUSTOMISING AND FILTERING REPORTS (FINDING/FIXING TRANSACTIONS)**

Quickbooks allows you to filter and customise your reports and can assist in locating a particular transaction you may have a query with. Once your report is open, click “modify report” on the top left of the window. Under the “display” tab you can change the period the report covers and cash and accrual reporting. The “filters” tab allows you to choose the type of filter from the left menu, and then the actual filter just to the right. This is beneficial in locating a particular transaction as it will save time in correcting any errors. The right of the window displays the filters you have set for that report.



The “Header and Footer” and “Fonts & Numbers” tabs are only for advanced reporting requirements about the display of your report.

### ***IN SUMMARY***

The chart of accounts is the basis of your data file. The correct set up and maintenance of this important element is crucial to the accurateness of your data file information.

Income accounts are attached to items in Quickbooks and subsequently the items are used in invoices and cash sales receipts. It is very important to attach the correct GST tax code to your items (where you are a GST registered entity).

Expense account tax codes are attached in the chart of accounts. It is essential that the correct tax code is attached to ensure accurate BAS reporting and that you receive credit for all the GST you have paid.

Accounts Payable and Receivable may involve a substantial amount of your income and subsequently payments and receipts from these accounts need to be carefully and accurately recorded. Your hard copy paperwork system should back up your computerised accounting system and correct data entry will assist in the reconciliation of your accounts.

As most of your funds will flow through a bank account, it is also important to regularly reconcile your bank account. It is recommended that you reconcile your account whenever you receive your monthly bank statement. Reconciling your account will highlight any errors from data entry or from the bank to ensure your valuable cash resources are not lost.

Quickbooks’ maintenance and reporting features allow you to fully access the information developed by the data you enter. The reports are very flexible and can assist you in the successful management and future improvement of your business.