

## QuickBooks in the Classroom – Lesson Exercises with Answers

This document provides several multiple-choice and open-ended questions based upon the concepts introduced in each chapter. As an instructor, there are many uses for these exercise questions, such as:

- Hand out the entire set of questions for a chapter as an exam at the completion of each chapter
- Hand out a smaller selection of questions for each chapter as a quiz at the completion of that chapter
- Mix and match questions from each chapter to provide an overall evaluation at the end of the course

Each multiple-choice question has the correct answer from the list highlighted. For the open-ended questions, a detailed answer has been provided and highlighted. Each answer has been prepared and reviewed by QuickBooks experts and care has been taken to ensure the answers are accurate and detailed. However, for some of the open-ended questions, there may be correct responses beyond what has been provided due to differing interpretations of the question or inexhaustible examples.

These questions and answers have been provided with the understanding that they will not be distributed to students to remove from the classroom or computer lab. Please help to retain the integrity and value of these exercises for all Educational Institutions by only using them for supervised, in-classroom evaluation.

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## Lesson 1 – Getting Started

### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. Which of the following would *not* be included in your 'Chart of Accounts'?
  - a. Savings
  - b. Customer**
  - c. Depreciation
  - d. Asset
2. Which of the following would be considered an 'Asset'?
  - a. Accounts Receivable
  - b. Accounts Payable
  - c. Computer
  - d. Both 'a' and 'b'
  - e. Both 'a' and 'c'**
3. Chequing, Savings, and Petty Cash are all examples of what kind of accounts in QuickBooks:
  - a. Liability
  - b. Bank**
  - c. Equity
  - d. Accounts Receivable
4. Which of the following would decrease the value of a company's equity?
  - a. Owner's draw
  - b. Net loss during current accounting period
  - c. Net profit during current accounting period
  - d. Both 'a' and 'b'**
  - e. Both 'a' and 'c'
5. In QuickBooks, once you have selected either 'Accrual' or 'Cash' basis for your accounting report, you cannot change that setting:
  - a. True
  - b. False**
6. You are applying for a business loan. The two reports that your loan officer are most likely to require are:
  - a. Transaction Detail Report and Accrual Basis Report
  - b. Income Statement (Profit and Loss Statement) and Transaction Detail Report
  - c. Income Statement (Profit and Loss Statement) and Balance Sheet Report**
  - d. Transaction Detail Report and Cash Basis Report

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7. A 'Balance Sheet' is:
  - a. A financial summary of a company over the past year
  - b. A financial snapshot of a company at a specific point in time
  - c. A summary of a company's revenue and expenses
  - d. A summary of a company's receipts and payments for a specific accounting period
  
8. You are preparing the accounting records for three different companies. QuickBooks requires that you:
  - a. Have a separate installation of QuickBooks for each file
  - b. Open each company in a separate window
  - c. Open only one company at a time
  - d. Report to the CRA (Canada Revenue Agency) which companies you are preparing accounting records for
  
9. Which of the following statements reflects the 'Accounting Formula'?
  - a.  $\text{Liabilities} = \text{Assets} - \text{Equity}$
  - b.  $\text{Liabilities} = \text{Assets} + \text{Equity}$
  - c.  $\text{Liabilities} = \text{Assets}$
  - d.  $\text{Equity} = \text{Assets} + \text{Liabilities}$
  - e. None of the above
  
10. QuickBooks helps track and manage which of the following?
  - a. Customers & Vendors
  - b. Assets & Liabilities
  - c. Bills & Invoices
  - d. Both 'a' and 'b'
  - e. All of the above

## Open-ended Response Questions

Please answer the following questions in complete sentences.

1. What are 'lists' used for in QuickBooks?
  - a. Lists are used for storing information frequently used in QuickBooks (such as Customers, Vendors, Employees, Items, Services, Tax Codes, Accounts, etc.). Lists help eliminate duplicate data entry and save you time and help you enter information consistently and correctly.
2. What is the difference between 'Cash' and 'Accrual' basis accounting?
  - a. 'Cash-basis accounting' is when you record business transactions based upon when the money is paid out or received, regardless of when the transaction occurred. 'Accrual-basis accounting' is when you record business transactions based upon when the transaction occurred, regardless of when the money was received or paid out. Most accountants feel that the accrual method of accounting provides a truer financial picture of a business. Example: You receive a bill for your electricity charges on August 15<sup>th</sup> that is due on August 31<sup>st</sup>. You pay the bill on September 31<sup>st</sup>. In Cash-basis accounting, you would record this transaction in your accounting system when you paid the bill (September 31<sup>st</sup>), not when you received it. In Accrual-basis accounting, you would record this bill when the payment is due (August 31<sup>st</sup>), not when you paid it.
3. Define 'Equity' from an accounting standpoint.
  - a. Equity is the difference between what you have (Assets) and what you owe (Liabilities) – it is the amount of money a company would have left after selling off all of its assets and paying off all of its debt. Equity comes from three sources: Money invested in the company by its owners (or 'shareholders'); Net profit from operating the business during the current accounting period; Retained earnings, or the accumulated net profits from all earlier accounting periods that have not been distributed to the owners.
4. List the three main ways that data is entered into QuickBooks.
  - a. Forms (such as invoices, bills, and purchase orders); Lists (such as Customer, Vendor, or Employee lists); and Registers (such as the Accounts Receivable register or the Accounts Payable register) are the three main ways that data is entered into QuickBooks.
5. List three ways to access features in QuickBooks.
  - a. QuickBooks features can be accessed through using QuickBooks Menus (e.g. File/ Print forms); the Icon Bar (e.g. Clicking on the 'Invoice' icon at the top of the screen); the Shortcut List (e.g. Turn the 'Shortcut List' on under the 'View' menu and select 'Receive Payments'); or the QuickBooks Navigators (e.g. going to the Employees Navigator and clicking 'Pay Employees').

## Lesson 2 – Setting up QuickBooks

### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. The QuickBooks ‘Easy Step Interview’ is used to:
  - a. Pay a company’s bills
  - b. Set up a new company in QuickBooks
  - c. Create common reports for a company
  - d. Complete a business tax return for a company
2. In QuickBooks, ‘Units of Measure’ is used to define:
  - a. Whether QuickBooks will use Imperial or Metric measurements
  - b. Whether items will be purchased and sold in different currencies
  - c. The number of units that will typically be included on an invoice
  - d. Whether items are typically bought in different measurement units than they are and sold in
3. When setting up a company in QuickBooks, what does the ‘Start Date’ signify?
  - a. The date the company was created
  - b. The date for which you are entering the first historical transaction(s)
  - c. The first date of a new fiscal year
  - d. The date the company was incorporated
4. QuickBooks recommends that you should use the ‘Easy Step Interview’ anytime you want to make a change or addition to your company file.
  - a. True
  - b. False
5. The ability to turn the functionality to handle Inventory on or off is handled through what component of QuickBooks?
  - a. Company Information
  - b. Preferences
  - c. Cash or Accrual Basis
  - d. Chart of Accounts
6. The four Invoice ‘types’ that are available in QuickBooks are:
  - a. Product, Detail, Professional, and Service
  - b. Detail, Summary, Retail, and Custom
  - c. Retail, Industry, General, and Custom
  - d. Product, Service, Professional, and Custom

## QuickBooks in the Classroom – Lesson Exercises with Answers

7. When setting up 'Tax Codes' within QuickBooks, you are limited to selecting only a Federal (GST/HST) or a Provincial tax code.
  - a. True
  - b. False
  
8. When setting up a company in QuickBooks, if you enter in incorrect information, you cannot go back and change it.
  - a. True
  - b. False
  
9. QuickBooks allows you to convert Quicken data files into QuickBooks Company Files.
  - a. True
  - b. False
  
10. Once you have set up your 'Chart of Accounts', you are not able to add, delete, or modify these accounts.
  - a. True
  - b. False

## Open-ended Response Questions

Please answer the following questions in complete sentences.

1. Define 'Opening Balances' as it pertains to setting up a company in QuickBooks.
  - a. *Opening Balance is the amount outstanding (owing or owed) in an account at the time of setting up the QuickBooks company file (specifically the 'Start Date'). For example, the Opening Balance of a customer would be the amount that they owe you as of the Start Date of the company file. The Opening Balance of the Bank Account would be the balance of the account as of the QuickBooks Start Date of the company.*
2. Why are accurate Opening Balances important when setting up a company in QuickBooks?
  - a. *Opening Balances are the starting point for all accounts, which are used when creating a balance sheet report. If the Opening Balances are inaccurate, then all account balances, balance sheets, and financial reports will also be inaccurate.*
3. In QuickBooks, what does 'Multicurrency' mean, and when is it used?
  - a. *Multicurrency is the ability for QuickBooks to track transactions that occur in different currencies. For example, a company in Canada that does business with the United States will likely have a need to purchase and/or sell in U.S. Dollars (foreign currency) in addition to Canadian Dollars (home currency). When Multicurrency is turned on, it enables the user to set an exchange rate for each currency used and maintains a home currency balance (i.e. what each foreign currency transaction and/or balance is in the home country's currency). It is used when buying or selling goods in other countries. Note: Once the Multicurrency feature has been turned on in QuickBooks, it cannot be turned off.*
4. How should you determine whether you should be setting up one or multiple company files in QuickBooks?
  - a. *In QuickBooks, you can manage the accounting records of an unlimited number of businesses or companies. However, each separate business enterprise should have a separate company file in QuickBooks. In general, there should be a separate company file for each business enterprise that you report on your tax returns (whether T1 Personal or T2 corporate returns).*

## QuickBooks in the Classroom – Lesson Exercises with Answers

5. List five functions that you can turn on or off through the ‘Preferences’ section of QuickBooks.
- a. *Multicurrency (once turned on, it cannot be turned off)*
  - b. *Inventory*
  - c. *Units of Measure (once a transaction using different units of measure has been entered, it cannot be turned off)*
  - d. *Payroll*
  - e. *Estimates*
  - f. *Progress Invoicing*
  - g. *Sales Order*
  - h. *Classes*
  - i. *Time Tracking*
  - j. *Reminders*
  - k. *Handling bills (i.e. to enter cheques directly or to enter bills first and then payments)*
  - l. *GST/PST Handling preferences (how QuickBooks handles the reporting)*
  - m. *Invoice format*
  - n. *Cash vs. Accrual basis reporting*



### Lesson 3 – Working with Lists

#### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. What is the extension of a QuickBooks 'Backup' company file?
  - a. .qbw
  - b. .qbr
  - c. .qbu
  - d. .qbb
  
2. What is the extension of a QuickBooks company file?
  - a. .qbw
  - b. .qbr
  - c. .qbu
  - d. .qbb
  
3. Match the information below with the appropriate QuickBooks list on the right:

a. Subcontractor	1. Customer: Job list
b. One who purchases the goods or services you sell	2. Items list
c. New hire	3. Vendor list
d. Chequing Account	4. Employee list
e. Products you sell	5. Chart of Accounts
a. Subcontractor	3. Vendor list
b. One who purchases the goods or services you sell	1. Customer: Job list
c. New hire	4. Employee list
d. Chequing Account	5. Chart of Accounts
e. Products you sell	2. Items list
  
4. In which tab of the 'Customer: Job list' would you enter a customer's payment terms (for example: 'Net 30 days')?
  - a. Address Info
  - b. Additional Info
  - c. Payment Info
  - d. Job Info
  
5. Once you define a custom field, it can only be used with one specific list.
  - a. True
  - b. False

## QuickBooks in the Classroom – Lesson Exercises with Answers

6. You are tracking three separate jobs for one customer (for example, one customer has three warehouses, and you are installing an overhead door at each location). The best way to track this in QuickBooks would be to:
  - a. Setup each location as a separate customer
  - b. Setup a separate job for each location under that customer
  - c. Enter all work as one order under that customer
  - d. Use a custom field to track each location
  
7. Which of the following can you do with entries in a QuickBooks list?
  - a. Sort
  - b. Merge
  - c. Rename
  - d. Print
  - e. All of the Above
  
8. Once you have marked a list entry as 'inactive', any transactions that have been entered into QuickBooks using that entry will still show in reports.
  - a. True
  - b. False
  
9. Which of the following would you *not* be able to do from a 'Customer: Job list'?
  - a. Run an 'Open Balance' report
  - b. Create a 'Bill'
  - c. Add a customer
  - d. Assess finance charges
  - e. None of the above
  
10. Which of the following forms could potentially be populated by the 'Vendor list'?
  - a. Purchase Order
  - b. Bills
  - c. Paycheque
  - d. Both 'a' and 'b'

### Open-ended Response Questions

Please answer the following questions in complete sentences.

1. Provide an example of a QuickBooks 'list' and explain the advantage of it.
  - a. *The 'Item list' is an example of a QuickBooks list. It enables the user to track all of the different inventory items that they buy or sell. Using this list, they only need to enter the basic information once (name, description, item-type, tax code, price, account, etc.) and the appropriate forms will automatically be pre-filled with the correct information by either typing in the name of the item or selecting it from the list. It ensures that the same name and information is maintained throughout the accounting records and eliminates unnecessary data entry. Because the same name is used throughout QuickBooks, it makes it easy to run accurate reports and get the complete picture for that item at any time. It also significantly speeds up the creation of forms and transactions.*
  - b. *Other examples would be: Vendor List: Vendors, Terms, Credit; Customer: Job List: Customers, Terms, Credit, Projects; Employee List: Wages/Salary, Employee #, SIN, DOB, Date hired/terminated; Chart of Accounts: Accounts, Balances, Account-type; Other Names List: Contacts; Price Level List: Price-levels, Increase/Decrease, Percentage/Fixed; Tax Codes List: Tax rates, Exemptions; Fixed-Asset List: Assets, Accounts, Description, Warranties, Dates, Costs.*
2. Provide three examples of information that could be entered into 'Custom Fields' on any list and what that information could be used for.
  - a. *Colour: To identify inventory parts that are identical except for colour.*
  - b. *Style: To identify similar inventory parts that are differentiated by the style of the item*
  - c. *Birth date of Customers: To track the birth-date of customers so that you can use this information to strengthen business relationships and build additional rapport with customers*
  - d. *Spouse's name for Customers: To track the spouse's name of customers so that you can use this information to strengthen business relationships and build additional rapport with customers*
  - e. *Date of last review for Employee: To track when feedback was last given to an employee. Can be used to determine when the next review is required, to track timing for disciplinary actions, etc.*
  - f. *There are limitless options to the applicability of Custom Fields.*
3. Explain what 'printing a list to a file' means.
  - a. *This is a way of exporting the contents of a list to an electronic file. In QuickBooks, the user can determine the type of file they would like it exported as (for example, ASCII Text, Comma delimited, or Tab delimited) in order to be used in a Word Processor, Spreadsheet, Database, or other application.*

## QuickBooks in the Classroom – Lesson Exercises with Answers

4. Provide three different methods you could use to sort a 'Customer: Job list'.
  - a. *Customer Name: Sorting the list alphabetically by name of customer (either Ascending or Descending).*
  - b. *Balance: Sorting the list by the outstanding balance for each customer (either Ascending or Descending).*
  - c. *Job Status: Sorting the list by the current job status for each customer (Ascending or Descending).*
  - d. *Estimate Total: Sorting the list by the Estimate amounts for each customer.*
  - e. *Manually: By dragging the diamond beside a customer to the new desired location (note: To manually sort a list, no other sorting can be selected. If a list has already been sorted, it will need to be cleared by clicking the large diamond at the top of the list before it can be manually sorted).*
5. What situation must exist in order for QuickBooks to allow you to delete an entry from a list?
  - a. *The entry must not ever have been used in a transaction. If a list entry has been used in a transaction, then it cannot be deleted. It can be marked as 'inactive' such that it no longer shows in lists and list reports. However, any reports for transactions that used that inactive item will still show that item on the report.*

## Lesson 4 – Working with Bank Accounts

### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. Which of the following information would you *not* find in a QuickBooks 'Chequing' register?
  - a. Vendor address
  - b. Transaction date
  - c. Account balance
  - d. Whether a cheque has 'cleared' the bank or not
  - e. All of the above
2. Which of the following could have a possible effect on a company's bank reconciliation?
  - a. Service charges
  - b. Interest
  - c. Depreciation
  - d. Both 'a' and 'b'
  - e. All of the above
3. What does the '✓' in a QuickBooks register mean?
  - a. The transaction is open
  - b. The transaction has been reconciled
  - c. The transaction links to a vendor or customer list
  - d. The transaction has been edited
4. Why does QuickBooks Pro recommend that you print out each reconciliation report?
  - a. It is faster to find a hard-copy report than to generate an electronic report
  - b. It is required by the CRA (Canada Revenue Agency)
  - c. It is easier to match transactions to the bank statement
  - d. To provide a permanent record. QuickBooks Pro overwrites the previous reconciliation report with data from the latest reconciliation
5. In order for QuickBooks to balance properly, all cheques must be printed through QuickBooks (you cannot hand-write a cheque).
  - a. True
  - b. False
6. The ending balance of a QuickBooks 'Chequing' register:
  - a. Takes into account only those cheques that have been printed
  - b. Takes into account only those cheques that have been reconciled
  - c. Takes into account only transactions for the current accounting period
  - d. Takes into account all entries in the register

## QuickBooks in the Classroom – Lesson Exercises with Answers

7. You write a 'Cheque' in QuickBooks. The amount of the cheque:
  - a. Shows only in the 'Chequing' register
  - b. Shows in the 'Chequing' register and an amount in at least one other account equal to the amount of the cheque
  - c. Shows only in the 'Reconciliation' register
  - d. Shows only in the 'To be reconciled' report until it has been cleared
  
8. The 'Transfer Funds' feature in QuickBooks can only be used to transfer funds from one bank account to another.
  - a. True
  - b. False
  
9. Which of the following would represent a statement that a company would likely *not* receive from their financial institution to perform a reconciliation in QuickBooks?
  - a. Credit Card statement
  - b. Mortgage statement
  - c. Chequing Account statement
  - d. Savings Account statement
  
10. Which of the following buttons would you press to allocate a transaction to multiple expense accounts?
  - a. Record
  - b. Splits
  - c. Restore
  - d. Allocate

## Open-ended Response Questions

Please answer the following questions in complete sentences.

1. Explain the purpose of the 'Expense' and 'Item' tabs in the 'Write Cheques' screen. Provide an example of when you would use the 'Expense' tab. Provide an example of when you would use the 'Items' tab.
  - a. *Whenever you write a cheque, in order for QuickBooks to do the proper double-entry accounting behind the scenes, it needs to know the purpose of writing that cheque. If it is directly related to an expense (for example, paying rent or paying utilities), the 'Expense' tab is used to assign the amount of the cheque to the appropriate expense accounts. If it is directly related to the purchase of inventory items that you are going to stock, then the appropriate items are selected on the 'Items' tab. A cheque can also have amounts 'split' between items and expenses.*
2. What does 'Quick Add' do in QuickBooks? When would you use it?
  - a. *Quick Add is a way of quickly adding a new entry to a list without completely setting up the entry with all details. For example, if you are writing a cheque to a new vendor, Atlas Incorporated, when you type in the name, QuickBooks will notify you that it is a new entry that is not currently in the Vendor list. QuickBooks then gives you the choice to either 'setup' that vendor or do a 'quick add'. If you choose 'setup', you will go to the add vendor screen and enter in the details for that vendor. If you choose 'quick add', QuickBooks adds an entry to the vendor list (Atlas Incorporated) but does not add any details. You might use this if a vendor is waiting in-person at your office for a cheque and you do not want to take the time to enter all vendor details. The user can go to the list at any time and add or change information for that entry.*
3. Define 'reconciliation' from an accounting perspective. What is the purpose of it?
  - a. *Reconciliation in accounting is a general term that refers to the process of making sure that different accounts, lists, or data sources that contain the same data are in agreement and match. In other words, making sure that two sources of data 'correspond' or to check source against another for accuracy. Most commonly, reconciliation refers to the process of making sure that the statement a company receives from their bank (i.e. Bank Chequing Statement or Bank Savings Statement) is in agreement with what the company shows in their accounting records (i.e. the Chequing Account or Savings Account).*

## QuickBooks in the Classroom – Lesson Exercises with Answers

4. What does the 'AutoRecall' feature in QuickBooks do?
  - a. *When the 'AutoRecall' feature is turned on, it automatically recalls that last transaction entered for that name the next time that you pull up that list entry. For example, if you have 'AutoRecall' turned on and you go to write a cheque to 'The Receiver General', it will pre-fill the cheque based upon the last cheque that was written to 'The Receiver General'. This feature is especially useful when you have recurring payments for the same or similar amounts. (Note this is only for purchase transactions Auto-recall is not for Sales forms)*
5. How often should you perform a reconciliation?
  - a. *Whenever you receive a bank statement or at least on a monthly basis.*



## Lesson 5 – Using Other Accounts in QuickBooks

### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. For proper accounting, QuickBooks recommends that a business use cheques exclusively to pay for expenses.
  - a. True
  - b. False**
2. Which of the following would *not* likely be considered a 'Current Asset'?
  - a. Inventory
  - b. Computer**
  - c. Reimbursable expense
  - d. Accounts receivable
3. 'Accumulated depreciation' is typically what kind of account in QuickBooks:
  - a. A subaccount of a fixed asset account**
  - b. A subaccount of a current asset account
  - c. An expense account
  - d. A subaccount of a liability account
4. Which of the following would likely be considered a 'Long-term Liability'?
  - a. Credit card account
  - b. Accounts payable
  - c. Rent
  - d. Vehicle loan**
5. The 'Principal' of a loan is:
  - a. The individual or business receiving the loan
  - b. The total amount of interest that has been paid on a loan
  - c. The outstanding (remaining) balance of a loan**
  - d. The financial institution providing the loan
6. 'Retained Earnings' is:
  - a. The accumulation of a company's net income or loss from its start date**
  - b. The amount of money that a business retains for paying employees
  - c. The earnings from non-essential business services
  - d. The amount of interest saved from paying off a loan early
7. Which of the following would not *decrease* the value of a company's equity?
  - a. Net loss for the fiscal year
  - b. Paying corporate dividends
  - c. Owner draws money out of the company
  - d. Company takes out a loan to purchase a new asset**

## QuickBooks in the Classroom – Lesson Exercises with Answers

8. Match the information below with the appropriate account-type on the right:

- |                      |                        |
|----------------------|------------------------|
| a. Retained Earnings | 1. Fixed Asset         |
| b. Office supplies   | 2. Current Liability   |
| c. Accounts Payable  | 3. Equity              |
| d. Sales Revenue     | 4. Expense             |
| e. Inventory         | 5. Long-term Liability |
| f. Delivery Truck    | 6. Current Asset       |
| g. Building Loan     | 7. Income              |

- |                      |                        |
|----------------------|------------------------|
| a. Retained Earnings | 3. Equity              |
| b. Office supplies   | 4. Expense             |
| c. Accounts Payable  | 2. Current Liability   |
| d. Sales Revenue     | 7. Income              |
| e. Inventory         | 6. Current Asset       |
| f. Delivery Truck    | 1. Fixed Asset         |
| g. Building Loan     | 5. Long-term Liability |

9. There are multiple ways to track Depreciation.

- a. True
- b. False

10. Which of the following would accurately represent the value of a 'Fixed Asset' on the balance sheet:

- a. Original Cost of asset only
- b. Net Cost of asset only
- c. Accumulated Depreciation on asset only
- d. Market Value of asset only

## Open-ended Response Questions

Please answer the following questions in complete sentences.

1. Explain the difference between a 'Current Asset' and a 'Non-current' or 'Fixed' Asset.
  - a. A 'Current Asset' is typically defined as a 'liquid' asset – anything that will be used up within 1 year or can easily be liquidated (changed into cash or cash equivalents) and used up within one year. A 'Fixed' or 'Non-current Asset' is an asset whose value will not likely be used up or converted into cash or cash equivalents within the course of a year.
2. Describe two different timing methods of entering credit card charges into the 'Enter Credit Card Charges' screen and one advantage for each.
  - a. You can enter credit card charges into QuickBooks as you use your credit card. This enables you to always have an accurate credit card account balance that matches what is outstanding on your credit card. It also easily enables you to allocate a credit card charge to a Customer:job, if applicable.
  - b. You can also enter credit card charges when you receive the statement. This allows you to enter in the month's credit card charges all at one time, thus reducing data entry time (it is more efficient to enter in 100 transactions at one time than it is to enter in 100 different transactions throughout the month).
3. Briefly describe what 'Depreciation' means from an accounting perspective, and how it is used.
  - a. Depreciation (also known as amortization or depletion, often depending upon the type of asset) is the recognition of the 'use life' or 'useful life' of a Fixed Asset. It represents the decline in value in an asset over time. In accounting, depreciation reflects the allocating or charging of a capital asset's cost to expense over time. There are many different methods for tracking depreciation (for example: Straight-line depreciation – equally dividing the cost of the asset over the expected life of the asset; Declining Balance depreciation – uses a constant rate of depreciation [percentage of the asset's cost], which reflects higher depreciation expenses earlier in an asset's life; Activity Method depreciation – which determines depreciation as a function of use or productivity as opposed to the passage of time). In addition, the CRA (Canada Revenue Agency) has specified depreciation methods and rates that it allows for taxation purposes (called 'CCA' – Capital Cost Allowance).

## QuickBooks in the Classroom – Lesson Exercises with Answers

4. Briefly describe the proper way to track a long-term liability and subsequent payments against that liability.
  - a. *When the liability is first acquired, appropriate entries need to be made that reflect the transaction – what was received by the company when the liability was incurred. For example, if the long-term loan was to purchase a new truck, the truck would need to be entered as a Fixed Asset into QuickBooks and the corresponding loan as a long-term liability. As payments are made against the loan, they should be recorded as payments to both 'Interest Expense' for the loan interest and decreases to the liability account as a payment of 'Principal'. The 'Write Cheques' screen in QuickBooks should be used to make these payments.*
5. Briefly describe what the 'Equity' section on a balance sheet represents.
  - a. *Equity is the difference between what you have (Assets) and what you owe (Liabilities) – it is the amount of money a company would have left after selling off all of its assets and paying off all of its debt. Equity comes from three sources: Money invested in the company by its owners (or 'shareholders'); Net profit from operating the business during the current accounting period; Retained earnings, or the accumulated net profits from all earlier accounting periods that have not been distributed to the owners.*

## Lesson 6 – Entering Sales and Invoices

### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. Which of the following would generally *not* be considered a ‘Sales Form’?
  - a. Invoice
  - b. Credit Memo
  - c. Sales Receipt
  - d. Customer Statement
2. If you regularly invoice a customer for similar amounts or services, the best way to handle this in QuickBooks is to:
  - a. Enter all Invoices in advance with future dates
  - b. Memorize the Invoice
  - c. Find a previous Invoice and edit it
  - d. Use a Sales Receipt
3. QuickBooks allows users to setup different ‘on-screen’ and ‘printed’ versions of sales forms.
  - a. True
  - b. False
4. What is the maximum number of price levels that can be setup in QuickBooks?
  - a. 2
  - b. 10
  - c. 15
  - d. 20
  - e. Unlimited
5. Price levels are associated with:
  - a. Invoices
  - b. Items
  - c. Customers
  - d. Sales Receipts
  - e. Both ‘b’ and ‘c’
6. When using price levels in QuickBooks, every line-item on a sale must use the same price-level.
  - a. True
  - b. False

## QuickBooks in the Classroom – Lesson Exercises with Answers

7. Which of the following are *not* line items that can be added to a ‘Sales Form’
  - a. Subtotal
  - b. Discount
  - c. Terms
  - d. Sales Tax Item
  - e. None of the above
  
8. Which of the following forms can price levels *not* be used on?
  - a. Invoice
  - b. Bill
  - c. Sales Receipt
  - d. Credit Memo
  - e. None of the above
  
9. In QuickBooks Pro, price levels can only be assigned as a percentage increase or decrease of an item’s price?
  - a. True
  - b. False
  
10. With QuickBooks, you can see exactly how a form will print before printing it.
  - a. True
  - b. False

## Open-ended Response Questions

Please answer the following questions in complete sentences.

1. What is the main difference between an Invoice and a Sales Receipt in QuickBooks? Provide an example of when you would use each one.
  - a. *An Invoice is used when you are billing a customer for purchases that they are going to pay for later. Alternatively, the Sales Receipt is used when a customer is paying on the spot, in person. When you have Invoiced a customer, you will later need to use the 'Receive Payments' window in QuickBooks to enter that payment. When using a Sales Receipt, since payment is made at that time, the Sales Receipt collects and records the payment (whether cash, cheque, or credit card). An example of when to use an Invoice would be for a customer who is ordering something to be delivered through the mail (and will receive the product with an invoice to pay), or a customer who purchases on terms. An example of when to use a Sales Receipt is when a customer comes into your place of business to purchase an item, such as a computer, and pays you for it before they leave the store with their new purchase.*
2. Describe a situation in which you would want to set up multiple price levels in QuickBooks.
  - a. *There are many situations and scenarios in which a business may want to setup multiple price levels. Here are some examples:*
    - i. *Company has a wide-range of customers – some of which purchase single items and some of which buy in bulk quantities. For example, you may want to charge single-purchasers full price, provide a 10% discount for purchases of greater than 10 items and a discount of 15% for purchases of greater than 100 items.*
    - ii. *A company that sells to both Commercial customers (Wholesale) and Individual customers (Retail). In order to avoid competition with the other retailers that buy and re-sell their products, a company may charge regular prices to their Commercial customers and a 40% mark-up (price increase) to Retail customers.*
    - iii. *A company having a sale. Select items, or all items, could be setup with a given discount rate (5%, 10%, 25%, etc.) for the duration of a sale.*

## QuickBooks in the Classroom – Lesson Exercises with Answers

3. List two advantages to using ‘Customer Billing Statements’ or ‘Enter Statement Charges’ in QuickBooks over ‘Invoices’. List two disadvantages.
  - a. *The advantages for Customer Billing Statements are that they easily allow you to assess a regular monthly charge (for example, a recurring charge for Cable TV) or to accumulate frequent, multiple purchases and request payment for those purchases only once per billing period (for example, monthly). You can even setup QuickBooks to automatically enter the charges when it is time to send out your statements.*
  - b. *The disadvantages of Customer Billing Statements are that they do not allow you to record sales tax, percentage discounts, payment items, or group items as a separate charge on a billing statement. To bill for any of these as a separate charge, an invoice must be used. In addition, you cannot group related items together and subtotal them, charge for multiple items on a single statement (must use a separate statement for each different service or product item), or add customer fields to the statement form. For any of these requirements, a QuickBooks user must use the invoice function.*
4. You have setup various price levels. Whenever you use those price levels, the amounts are displayed with partial dollar amounts. How would you change this?
  - a. *QuickBooks has a ‘round all sales prices up to the next whole dollar amount’ preference. This preference is especially useful for companies that frequently use percentage discounts but want all amounts to show in rounded prices with no partial dollar amounts. By turning this preference on, the user can eliminate the partial dollar amounts from being displayed.*
5. What is the difference between a ‘Customer Billing Statement’ and a ‘Reminder Statement’?
  - a. *A Customer Billing Statement is a statement that is requesting payment from a customer. Thus, the Customer Billing Statement must have information entered on it (i.e. items purchased, pricing and applicable discounts, etc.). A Reminder Statement is used when the sales payment form has already been created and sent to the customer (for example, an invoice has been created and sent to the customer), but payment has not been received. Since all purchase details have already been collected on the sales form, the Reminder Statement does not need to have any information entered on it prior to sending it out. You simply need to review the statement for each customer, determine whether to assess finance charges, and then print and send them. When creating Reminder Statements, you can determine how overdue a payment needs to be before they will receive a Reminder Statement (for example, 60 days past due).*



## Lesson 7 – Receiving Payments and Making Deposits

### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. A customer has 3 outstanding jobs and makes a partial payment. In QuickBooks, that payment:
  - a. Must be applied to the first job taken on for that customer
  - b. Must be applied to the last job taken on for that customer
  - c. Can be applied to one specific or split between any combination of jobs
  - d. Cannot be applied against that customer until full payment is received
2. What account does QuickBooks temporarily hold payments you receive from customers in before you submit them to your bank?
  - a. Undeposited Funds
  - b. Customer Payments
  - c. Cheques Received
  - d. Outstanding Payments
3. With QuickBooks, you can easily print 'Deposit Slips' to take to the bank with your customers' payments.
  - a. True
  - b. False
4. QuickBooks can handle which of the following types of payment scenarios:
  - a. Prepayment of a product or service
  - b. Down payment towards a product or service
  - c. Overpayments from a customer
  - d. Partial payments from a customer
  - e. All of the above
5. A customer pays you in full for a product or service at the time they order it. Which form would be most appropriate to record this transaction in QuickBooks?
  - a. Make Deposit
  - b. Sales Receipt
  - c. Invoice
  - d. Receive Payments

## Open-ended Response Questions

Please answer the following questions in complete sentences.

1. You invoice a customer and later collect payment from them. How do you enter that payment into QuickBooks?
  - a. *By going to the 'Receive Payments' window in QuickBooks. Select the customer who you have received the payment from and enter the amount of the payment. If there are multiple amounts outstanding, you can choose to apply the payment against all outstanding amounts (if the amount covers all outstanding amounts), assign the payment to a specific amount, or assign portions of the payment across multiple charges.*
2. How does QuickBooks handle an overpayment from a customer?
  - a. *When an overpayment is received from a customer, QuickBooks creates a Credit for that customer. That credit can be applied against future purchases or refunded to the customer by using the Cheque Refund from the credit memo.*
3. Briefly describe how you would apply an existing customer credit against a new Invoice for that customer.
  - a. *You would enter the Invoice for that customer as you would for any other purchase. When you are ready to record the payment (i.e. the customer either provides payment for outstanding amounts or you decide that you want to use the customer's credit), you use the 'Receive Payments' window in QuickBooks. When you pull up that customer, it shows all outstanding invoices for that customer. You can either enter an amount of a payment (if any) or simply click the 'Set Credits' button and apply all or a portion of the outstanding credit amount to the outstanding invoice(s).*
4. Briefly describe how payments you receive from your customers get associated with the appropriate accounts in QuickBooks when you deposit them with your bank.
  - a. *Whenever a sale is made in QuickBooks, the sale amount is associated with the appropriate account that you setup for that specific item (during the setup process for a product or service item, you must select an account where the sale of these items will be recorded). When you sell a product without collecting payment, the amount of that transaction is recorded as an 'Account Receivable'. If you receive a cheque payment from that customer, the amount of the cheque payment is deducted from the 'Accounts Receivable' account and is added to the 'Undeposited Funds' account. When that deposit is made (by using the 'Make Deposits' window in QuickBooks), the deposit amount is removed from the 'Undeposited Funds' account to the selected banking account (typically 'Chequing' account).*

## Lesson 8 – Entering and Paying Bills

### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. What does the 'Accounts Payable' account track?
  - a. Money that customers still need to pay you
  - b. Money that you still need to pay to vendors**
  - c. All outstanding current liabilities
  - d. All outstanding long-term liabilities
  - e. Both 'b' and 'c'
2. Why would you uncheck the 'Bill Received' checkbox when entering a bill on the 'Enter Bills' screen?
  - a. To keep inventory up to date when you have received items but have not received the corresponding bill**
  - b. When you do not want the bill to be printed
  - c. If there is a discrepancy between the bill received and your expectations
  - d. If you are not planning on paying the bill until closer to its due date
  - e. All of the above
3. Through the 'Pay Bills' screen, you can:
  - a. Pay all outstanding bills
  - b. Make a partial payment on any outstanding bill
  - c. Make a payment via credit card
  - d. Specify a 'bill due by' date
  - e. All of the above**
4. You make a cheque payment of \$1,000 to a vendor through the 'Pay Bills' screen. QuickBooks automatically:
  - a. Deletes the bill
  - b. Increases the A/P account by \$1,000 and increases the Sales account by \$1,000
  - c. Decreases the A/P account by \$1,000 and decreases the Chequing account by \$1,000**
  - d. Decreases the A/P account by \$1,000 and increases the Chequing account by \$1,000
  - e. None of the above
5. Which of the following is *not* an option on the 'Pay Bills' screen?
  - a. Show bills on or before a specific due date
  - b. Sort bills by ...
  - c. Set discount ...
  - d. Go to bill ...
  - e. None of the above**

## QuickBooks in the Classroom – Lesson Exercises with Answers

6. What does the 'Clear Splits' button on the 'Enter Bills' screen in QuickBooks do?
  - a. Changes the existing tax code(s) to 'Zero Rated'
  - b. Removes any entries in the 'Expenses' or 'Items' tabs
  - c. Merges selected bills into one bill to the same vendor
  - d. Reconciles differences between items received and items billed for
  
7. QuickBooks can be setup to automatically remind you when bill payments are due.
  - a. True
  - b. False
  
8. Which of the following are *not* potential payment methods on the 'Pay Bills' screen in QuickBooks?
  - a. Direct Payment
  - b. Credit Card payment
  - c. Cheque payment
  - d. Payment in kind

## Open-ended Response Questions

Please answer the following questions in complete sentences.

1. List the four methods for dealing with business expenses in QuickBooks.
  - a. Use QuickBooks to track accounts payable (amounts you owe to vendors), your cash flow needs, and handle the bills you want to pay later. (A preferred method)
  - b. Use QuickBooks to record a credit card payment and enter (or download) the credit card receipt into QuickBooks later. (A preferred method).
  - c. Use QuickBooks to write and print a cheque. When you receive a bill that you want to make immediate payment and have it recorded in your Chequing Account, you would use this method. (This is not a preferred method – it does not take full advantage of the features, tracking, reporting, and controls in QuickBooks).
  - d. Write a manual cheque and enter the information into a QuickBooks cheque register later. (This is not a preferred method – it does not take full advantage of the features, tracking, reporting and controls in QuickBooks).
2. Briefly describe the benefits of using ‘Accounts Payable’ to track expenses in QuickBooks.
  - a. Using ‘Accounts Payable’ has two distinct advantages. Firstly, it allows a business to increase efficiencies by accumulating their expenses and paying them all at one time (i.e. once a month at month-end) or when they are due. Secondly, it allows a business to better manage their cash flow. They can identify what is due, when, when cash inflows are expected (accounts receivable reports, sales forecasts, etc.) to ensure that they have the money they need to make payments when they are due. This also has the advantage of allowing a business to hold onto its cash for as long as possible before making payments in order to leverage its ‘float’ (the ability to earn interest on the cash it has on hand).
3. What is a ‘Bill Payment Cheque’ and how does it differ from a regular cheque in QuickBooks?
  - a. A ‘Bill Payment Cheque’ tracks payments against outstanding bills (and allows you to set applicable discounts and/or credits), to assign payments to one, all, or a selection of outstanding bills. It also manages your Accounts Payable account – when you write a cheque using the ‘Bill Payment’ window, it reduces the Accounts Payable by the appropriate amount and also reduces the amount of your chequing account by the appropriate amount. If you only used a generic Cheque to record a bill payment, you would need to manually update your Accounts Payable by applying the cheque to a bill.

## QuickBooks in the Classroom – Lesson Exercises with Answers

4. You want to determine all bills in QuickBooks that are eligible for a discount. Briefly describe the steps to achieve this.
  - a. *You can use the 'Pay Bills' window to display all bills due on or before a specific date. Once you have done that, you can sort those bills by 'Discount Date'. You can then select those bills that are eligible for a discount, use the 'Set Discount' button, and either apply the terms setup for that vendor in QuickBooks or manually define a discount.*
5. How would you setup QuickBooks to automatically use discounts and apply discount amounts to the same discount account?
  - a. *By using the 'Paying Bills' preference in the 'Purchases and Vendors' preference section in QuickBooks. When you click on 'automatically use discounts and credits', the 'Default Discount Account' field becomes active and allows you to select a specific account that all future discounts will automatically be associated with.*

## Lesson 9 – Analyzing Financial Data

### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. What is a 'QuickReport' in QuickBooks?
  - a. Any QuickBooks report
  - b. A graphical representation of any QuickBooks report
  - c. A pre-designed report of the data you are currently viewing on-screen
  - d. A snapshot report of the Balance Sheet
2. When can you create a QuickReport in QuickBooks?
  - a. Only when a customer or account is active
  - b. Only when you are on a list, a register, or a QuickBooks form
  - c. Only at the end of a fiscal period
  - d. Only when an account balance is greater than zero
  - e. Only for balance sheet accounts
3. Which of the following cannot be done in a 'QuickReport'?
  - a. Change the defaults for the next time you run the QuickReport
  - b. Modify the columns displayed in a QuickReport
  - c. Modify the date range in a QuickReport
  - d. All of the above
4. You want to run a 'Profit and Loss' report. In which reporting category would you find it?
  - a. Company & Financial
  - b. Customers & Receivables
  - c. Sales Reports
  - d. Purchases Reports
5. An example of a filtered report would be:
  - a. A Balance Sheet report that only displays 'Asset' accounts
  - b. A Profit and Loss report that only displays transactions for a specific date range
  - c. An Inventory report that only displays transactions with an amount of greater than \$50
  - d. A Sales by Customer Detail report that only displays those transactions that have been cleared
  - e. All of the above

## QuickBooks in the Classroom – Lesson Exercises with Answers

6. How can you save a report in QuickBooks to allow you to quickly run a new report with the same criteria?
  - a. Customize a report and click 'File' and 'Save'
  - b. Customize a report and click 'Modify' and 'Save'
  - c. Customize a report and click 'Save'
  - d. Customize a report and click 'Memorize'
  
7. Which of the following can you *not* do automatically when exporting a QuickBooks report to Excel?
  - a. Maintain QuickBooks data formatting in Excel
  - b. Have Excel 'Auto-fit' column widths to display all QuickBooks headers and numbers
  - c. Update QuickBooks with the changes entered in Excel
  - d. Have Excel 'Freeze Panes' to keep row and column headers in view when scrolling through data
  - e. None of the above
  
8. You can double-click on a section of a 'QuickInsight' graph to see underlying transactions and details.
  - a. True
  - b. False
  
9. Which of the following preferences are *not* available for QuickInsight graphs in QuickBooks?
  - a. To select 'Line-graph' format
  - b. To draw graphs in '2D' or '3D' formats
  - c. To use 'Patterns' as opposed to 'Colours' to differentiate different graph segments
  - d. To automatically refresh a graph whenever data affecting that graph changes
  - e. None of the above



## Open-ended Response Questions

Please answer the following questions in complete sentences.

1. What is the difference between a 'QuickReport' and a 'Preset Report'?
  - a. *A QuickReport is a pre-designed report that allows you 'one-click' access to a report of the data you are currently looking at. A generic 'Preset Report' requires the user to use the 'Reports' menu, select a reporting category, and then select a specific report. You can select a Preset Report for any category at anytime – you do not have to be specifically looking at that data (as you do with a QuickReport).*
2. What is 'QuickZoom' in QuickBooks?
  - a. *'QuickZoom' is the ability to click on data in a report in order to acquire more detail. For example, if you were looking at a Customer Balance Summary report, you could double-click (QuickZoom) on an amount in that report to bring up a Customer Balance Detail report. If you again double-click (QuickZoom) on an amount, you would be taken to the underlying transaction that is being shown in that report. The QuickZoom can be accessed anywhere you see the magnifying glass with a "z" in it.*
3. Briefly describe what the 'Report Filter' allows you to do?
  - a. *The Report Filter allows you to select custom criteria for the transactions that you want included in a report. When you select a report filter, QuickBooks only displays those transactions that meet those criterion in the report. For example, if you filtered a report for 'Date Range' (transactions on or before July 15<sup>th</sup>, 2007), you would not see any transactions that occurred after July 15<sup>th</sup>, 2007 in that report. The Report Filter in QuickBooks is extremely powerful and allows you to create flexible, comprehensive reporting to meet virtually every business need.*
4. What are 'Report Groups' in QuickBooks and what are they used for?
  - a. *Report Groups are categories of similar reports under the 'Memorized Reports' menu that you can select to be run or created in a batch. There are a number of preset Report Groups in QuickBooks, but you can add or remove the reports that appear in these report groups, and you can create your own Report Groups from scratch. It is a quick and easy way to get all of the data you need for a specific function. For example, you could create a Report Group for 'Month End' that includes all of the reports, customized to your business's specific needs, that management wants to review at the end of each month.*
5. What two graphs are typically shown in the 'QuickInsight' Graphs in QuickBooks? What are their purposes?
  - a. *The two graphs usually utilized for 'QuickInsight' Graphs are vertical bar graphs and pie charts. Vertical bar graphs are used to show values over time (for example, budget vs. actual expenses for the fiscal year or accounts receivable balances by month for the fiscal year) and pie charts are used to show portions of a whole – a breakdown of amounts or*

## QuickBooks in the Classroom – Lesson Exercises with Answers

*percentages that add up to 100% (for example, a pie chart that shows the percent of annual expenses by expense category).*

## Lesson 10 – Setting up Inventory

### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. In QuickBooks, Inventory is a feature that can be turned on or off.
  - a. True
  - b. False
2. You have entered a Purchase Order in QuickBooks for \$1,000 to purchase inventory. Which of the following accounts are affected?
  - a. Inventory Account is increased by \$1,000 and Chequing Account is decreased by \$1,000
  - b. Inventory Account is decreased by \$1,000 and Chequing Account is increased by \$1,000
  - c. Inventory Expense is increased by \$1,000 and Cost of Goods Sold Account is increased by \$1,000
  - d. Inventory Expense is increased by \$1,000 and Cost of Goods Sold Account is decreased by \$1,000
  - e. None of the above
3. You have received an order of inventory goods. You can update your QuickBooks inventory by:
  - a. Using the 'Item Receipts' screen
  - b. Creating a purchase order
  - c. Entering a bill in the 'Enter Bills' screen
  - d. Both 'a' and 'c'
  - e. All of the above
4. When would you use the 'Adjust Quantity/Inventory on Hand' feature?
  - a. When you have received an order of inventory items
  - b. When you have sold an inventory item
  - c. When a portion of your current inventory becomes damaged
  - d. Both 'a' and 'b'
  - e. All of the above
5. Purchase orders do not affect the 'Chart of Accounts'.
  - a. True
  - b. False

## QuickBooks in the Classroom – Lesson Exercises with Answers

6. Which of the following statements are true?
  - a. Once an item has been setup with assigned 'Units of Measure', it cannot be deleted
  - b. Once an item has been setup with assigned 'Units of Measure', those units of measure cannot be changed
  - c. Once an item has been setup with assigned 'Units of Measure', it cannot be marked as 'inactive'
  - d. Once an item assigned with different 'Units of Measure' has been used in a transaction, those units of measure cannot be changed
  - e. All of the above
  
7. The ability to track 'Units of Measure' is available in all versions of QuickBooks.
  - a. True
  - b. False
  
8. When would you use an 'Item Receipt' in QuickBooks?
  - a. Whenever you receive items
  - b. When you receive items that you have already paid for
  - c. When you have received items but have not yet received a bill for those items
  - d. When you are manually adjusting the inventory quantities for an item

## Open-ended Response Questions

Please answer the following questions in complete sentences.

1. Provide an example of a type of business that would benefit from using the Inventory feature in QuickBooks. List at least three benefits that the Inventory feature would provide them.
  - a. *Any business that deals with purchasing items that it plans on re-selling. For example, a business that purchases bikes from a wholesaler and then resells them to individual customers.*
  - b. *There are many benefits to a company using the QuickBooks Inventory feature. Among them are:*
    - i. *Tracking quantity on-hand of given items (i.e. how many bicycles of each type are in stock)*
    - ii. *Being automatically notified when it is time to reorder a given item (i.e. you can setup a reorder point in QuickBooks – when you are down to the last 5 mountain bikes you need to order more)*
    - iii. *Automatically being able to update quantities on-hand when a new shipment is received (or an new order is sold)*
    - iv. *Being able to track the total value of all inventory, and get accurate breakdowns of inventory components or types. This can be extremely useful in determining if you are stocking too many of specific items (and needlessly tying up the company's cash)*
    - v. *Business analysis – tracking revenues, costs, and profitability for a given inventory item or group of items. Maybe some inventory lines are not profitable and should be discontinued? Maybe some are extremely profitable and should be expanded? Perhaps there is enough margin in one area to reduce prices and sell more units? Etc.*
    - vi. *Ability to track purchases and sales in separate units (for example, easily keeping track of chains that you purchase in cases of 12 but sell in units of one).*
2. What does the 'Unit of Measure' feature do in QuickBooks? Provide an example.
  - a. *The Unit of Measure feature in QuickBooks allows the user to associate different units with the same inventory item. For example, if you purchase bicycle chains in cases (of 12), but sell them in units of one, you can easily track that in QuickBooks using the Units of Measure feature. As well, you could track items that you purchase by weight and sell individually, by volume, or virtually any other measure.*

## QuickBooks in the Classroom – Lesson Exercises with Answers

3. List at least three ways in which the quantity of an inventory item can change.
  - a. *The quantity of an inventory item can change by any of the following entries:*
    - i. *When setting up an initial or new Inventory Item, using the 'Quantity on Hand' field in the 'New Item' window*
    - ii. *Using the 'Receive Items' window to receive items into inventory (increasing inventory)*
    - iii. *Selling an item on an invoice (decreasing inventory)*
    - iv. *Accepting a return/refund for a customer through the 'Credit Memo' window (increasing inventory)*
    - v. *Using the 'Adjust Quantity/Value on Hand' window to either increase or decrease the amount of inventory*
4. List a typical set of QuickBooks procedures for a company to purchase and sell an item of inventory.
  - a. *Using the 'Create Purchase Orders' window, enter a Purchase Order for item(s) to be purchased and submit to vendor*
  - b. *When the item(s) are received with a bill, use the 'Enter Bills' screen to receive items against the Purchase Order (and thus enter a bill for the outstanding amount and receive the item(s) into inventory). If the item(s) is/are received before the bill, use the 'Create Item Receipts' window to receive the items into inventory. When the bill is eventually received, use the 'Enter Bill for Received Items' window.*
  - c. *Pay the bill using the 'Pay Bills' window.*
  - d. *Sell the item(s) using the 'Create Invoices' window.*
  - e. *Collect payment using the 'Receive Payments' window.*
  - f. *If payment was made via cheque, use the 'Make Deposits' window to create a deposit slip and deposit the funds in the bank.*

## Lesson 11 – Tracking and Paying Sales Tax

### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. Which of the following statements is false?
  - a. Some items in QuickBooks may be taxable while others may not be
  - b. If you charge tax to one customer, you have to charge tax to all customers
  - c. In some cases, you may be required to collect and pay more than one tax
  - d. QuickBooks automatically sets up your tax codes based upon your Province of residence
  
2. QuickBooks allows you to override a calculated tax amount.
  - a. True
  - b. False
  
3. Which of the following GST/PST preferences are *not* available in QuickBooks?
  - a. GST/PST reporting period
  - b. Government tax agency to remit payments to
  - c. Default tax codes
  - d. Electronically file your GST/PST return
  
4. Which of the following would *not* show up on a ‘GST Liability’ report?
  - a. Transactions marked as ‘Filed’
  - b. Transactions after the dates specified in the report filter
  - c. Transactions that are GST exempt
  - d. All of the above
  
5. Sales tax codes can be assigned to:
  - a. A customer
  - b. A vendor
  - c. An item
  - d. Both ‘a’ and ‘c’
  - e. All of the above
  
6. In which report category would you find the PST liability report?
  - a. Company & Financial
  - b. Customers & Receivables
  - c. Vendors & Payables
  - d. Banking
  - e. Taxes & Liabilities

## Open-ended Response Questions

Please answer the following questions in complete sentences.

1. What are the three ways that QuickBooks provides you to determine the amount of your sales tax liability?
  - a. *The GST or PST Liability report, the GST or PST Payable register, and the Pay Sales Tax window are three different ways that can be used in QuickBooks to determine a company's sales tax liability.*
2. You are preparing to submit a sales tax return and you find that the government agency owes you money. How does QuickBooks handle this?
  - a. *QuickBooks will automatically create an invoice for the refundable amount from the appropriate government agency. When the cheque is received, simply use the 'Receive Payments' window and receive the payment against this invoice.*
3. There are two ways to pre-assign tax codes. What are they? Which one overrides the other?
  - a. *You can either pre-assign a tax code to a specific item or pre-assign a tax code to a specific customer. If a customer has a pre-assigned tax code, it will always override the product or item tax code (since tax codes are frequently determined by the ship-to address of an order, or by a specific customer's status, it makes the most sense for the customer tax code to override the item tax code).*
4. You are entering an invoice for a customer that is purchasing five doors and five door hinge sets. Their unique tax status means that they are exempt from being charged sales tax on hardware items (the door hinges). How would you deal with this in QuickBooks?
  - a. *QuickBooks allows you to select a different tax code for each line item on an invoice. Therefore, you would simply create one invoice with both line items (one for five doors and one for five hinge sets) and select the appropriate tax code for each line. In this example, the line for five doors would have the standard tax code and the line for five hinge sets would have an exempt tax code.*



## Lesson 12 – Doing Payroll with QuickBooks

### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. What does QuickBooks use to calculate payroll?
  - a. Tax tables
  - b. Tax grid
  - c. Tax brackets
  - d. Tax matrix
2. As an employer collecting EI and income taxes, how frequently do you need to submit those payments to the government?
  - a. Whenever you submit a GST/PST return
  - b. Biweekly or monthly, depending upon the size of your payroll
  - c. Annually when you submit T4 slips for your employees
  - d. Quarterly or semiannually, depending upon the size of your payroll
3. The Payroll feature in QuickBooks is controlled (turned on or off) through:
  - a. The company file
  - b. The Preferences window
  - c. The Easy Step Interview
  - d. Either 'b' or 'c'
  - e. All of the above
4. Which two accounts in QuickBooks are typically affected by Payroll Items when using the Payroll feature?
  - a. Payroll accruals and payroll taxes
  - b. Payroll salary and payroll accruals
  - c. Payroll salary and payroll taxes
  - d. Payroll liabilities and payroll expenses
5. In QuickBooks, which of the following is *not* a Payroll Item Type?
  - a. Wage
  - b. Addition
  - c. Deduction
  - d. Company Contribution
  - e. None of the above
6. You need to know how much you owe the government for Payroll deductions (Federal Tax, CPP, EI, etc.). Which QuickBooks report would you use?
  - a. Payroll Liability Report
  - b. Payroll Expense Report
  - c. Payroll Accrual Report
  - d. Payroll Tax Report

## Open-ended Response Questions

Please answer the following questions in complete sentences.

1. List three standard paycheque deductions and an additional two common ones.
  - a. *There are many acceptable answers to this question as paycheque deductions can be different for each company. However, standard deductions are typically the following:*
    - i. *Federal income tax*
    - ii. *Employment insurance (EI)*
    - iii. *Canada Pension Plan (CPP)*
  - b. *And additional common deductions are:*
    - i. *RRSP contributions*
    - ii. *Union Dues*
    - iii. *Employee purchase plans (purchases of corporate stock, repayments of loans, etc.)*
    - iv. *Long-term disability*
    - v. *Health care payments*
    - vi. *Life Insurance*
    - vii. *Health Insurance*
    - viii. *Etc.*
2. You have 15 employees to setup within QuickBooks. Each of them has the same hourly wage, pay periods, and base deductions. What is the easiest way to enter these employees into QuickBooks?
  - a. *In QuickBooks, you can setup 'Employee Defaults'. For every new employee you setup in payroll, QuickBooks uses these defaults to speed up payroll setup and reduce data entry. Employee defaults can include pay items, pay periods, classes that employees are coded to, payroll taxes, vacation pay, additions, deductions, company contributions, etc. For any employees you setup that have unique situations or amounts, you can simply edit those specific areas on those employees.*
3. What is the alternative in QuickBooks to printing out a paystub for each employee?
  - a. *By using 'Voucher Cheques', you can have QuickBooks print the paystub information in the voucher area. This allows you to complete the payroll in one print run and the employees can separate their cheque from the voucher and retain their paystub information.*
4. What is the best way to create a cheque for the payroll amounts you owe to the government? Why?
  - a. *The best way to create a cheque to pay payroll liabilities in QuickBooks is to use the 'Pay Liabilities' window. This ensures that the appropriate liability accounts are offset by the payment. If you were simply to write a cheque using the 'Write Cheques' screen in QuickBooks, you would have paid your liabilities, but QuickBooks would still show the liability in your accounting records. In order to rectify this, you would need to adjust the liability account. This is done automatically when using the 'Pay Liabilities' window.*

## Lesson 13 – Estimating and Progress Invoicing

### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. An 'estimate' in QuickBooks is what kind of account?
  - a. An asset account
  - b. A liability account
  - c. An equity account
  - d. A non-posting account
  - e. None of the above
2. QuickBooks allows you to create multiple estimates per customer.
  - a. True
  - b. False
3. You can create an estimate in which of these products?
  - a. QuickBooks Basic
  - b. QuickBooks Pro
  - c. QuickBooks Premier
  - d. 'a' and 'b' only
  - e. 'b' and 'c' only
4. Which of the following options are *not* available when creating an invoice from an estimate?
  - a. Create invoice for the entire estimate
  - b. Create invoice for service items only
  - c. Create invoice for a percentage of the entire estimate
  - d. Create invoice for selected items or for different percentages of each item
  - e. None of the above
5. You prepared an estimate for a customer and were subsequently awarded the contract. How would you change the job from 'Pending' to 'Awarded'?
  - a. By changing the 'Job Status' in the Customer:Job list
  - b. By creating an invoice from the original estimate
  - c. By updating the estimate to reflect the changes to the final order
  - d. Any of the above

## Open-ended Response Questions

Please answer the following questions in complete sentences.

1. Describe the steps you would use to find an estimate you have previously created in QuickBooks.
  - a. Use the 'Create Estimates' window and click the 'Previous' and 'Next' buttons to scroll through existing estimates.
  - b. Use the 'Create Invoice' window and select the customer. If there is an outstanding estimate(s) for that customer, it will ask you if you want to select one of them – you can choose from a list of any outstanding estimates for that customer.
  - c. Using the 'Create Estimates' window, right-click with your mouse and select 'Find Estimates', or click the 'Edit' menu and select 'Find Estimates'
  - d. Create a report for 'Estimates by Job' and double-click on the chosen estimate to 'QuickZoom' to that estimate.
  - e. From the 'Customer: job' list, right-click with your mouse and select 'Find', or use the 'Edit' menu to select either 'Simple Find' or 'Advanced Find'. Select the appropriate criterion and click the 'Find' button.
2. What is 'Progress Invoicing'? Provide an example of when you might use it.
  - a. Progress Invoicing is the concept of invoicing customers based upon the progress you have made toward completion of the task or service you have been contracted to do. In QuickBooks, Progress Invoicing allows you to invoice for jobs that you work on and complete in phases. You can create an estimate for a job (whether or not you provide that estimate to the customer), and as you complete each phase of work that you wish to invoice for, you can easily transfer specific items from the estimate to an invoice. Using the 'Create Progress Invoice Based on Estimate' window, you can select to invoice 100% of an estimate, any percentage of the invoice that you enter, or to create an invoice only for items that you select, or different percentages of each item. After a job has been completed, you can also use the QuickBooks reporting functionality to track estimated vs. actual costs for each job.

## QuickBooks in the Classroom – Lesson Exercises with Answers

3. If there are outstanding estimates for a customer and you are not expecting those estimates to ever turn into jobs, what would you do to prevent being prompted to convert that estimate into an invoice?
  - a. *Mark the estimate as 'Inactive'. This provides a record of the estimates that were created for that customer (for future reference), but does not prompt against it as a viable, active estimate.*

## Lesson 14 – Tracking Time

### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. Time tracking is available in QuickBooks Basic.
  - a. True
  - b. False
2. QuickBooks Time Tracking can track which of the following items by job?
  - a. Time worked
  - b. Vacation time
  - c. Sick time
  - d. General overhead
  - e. All of the above
3. Which of the following can Time Tracking in QuickBooks *not* be used for?
  - a. Invoice a customer for time spent on a job
  - b. Flag when more staffing for a given project is required
  - c. Track the cost of employee's gross pay by job
  - d. Provide hours worked on an employee's paycheque
  - e. None of the above
4. You have several employees that you need to track time for, but they do not need to have QuickBooks installed on his or her computer. What is the easiest way to track their time and input it into QuickBooks?
  - a. Have them fill in physical time-sheets that you print off from QuickBooks
  - b. Have them install the QuickBooks Timer program on their computer
  - c. Have them install and use QuickBooks anyway
  - d. Have them track his or her time in a spreadsheet
5. Which report would you use if you wanted to determine how many hours were spent on each activity and whether or not the time was billed?
  - a. Time by Item report
  - b. Time by Job Summary report
  - c. Time by Name report
  - d. Time by Job Detail report
6. When paying owners or partners of your company, you should use which account to track the payment?
  - a. Owner's Draw account
  - b. Payroll expense account
  - c. An equity account
  - d. Either 'a' or 'c'
  - e. None of the above

## Open-ended Response Questions

Please answer the following questions in complete sentences.

1. There are three ways to input time data into QuickBooks. What are they?
  - a. *By entering time directly onto a weekly timesheet/single activity form in QuickBooks, by using the 'Stopwatch' to time an activity while you are performing it, or by using the 'QuickBooks Timer Program' to track time and then import the time directly into QuickBooks.*
2. Briefly describe the steps that you would use to invoice a customer based upon the time spent on a job.
  - a. *Use the 'Create Invoices' window and select the appropriate customer*
  - b. *Click the 'Time/Costs' button at the top right-hand corner of the 'Create Invoices' window*
  - c. *Click the 'Time' tab and select the time items you would like to invoice for.*
  - d. *Click 'Ok'. QuickBooks creates an invoice for that customer based upon the time items selected.*
3. You want to pay the owner of your company for time they have worked. Briefly describe how you would do this.
  - a. *Setup a service item using the 'New Item' window and click the 'This service is performed by a subcontractor, owner, or partner' checkbox.*
  - b. *Associate the Item with the appropriate Equity Account (such as 'Owner's Draw' in the 'Income Account' field and select the 'E' (for exempt) tax code.*
  - c. *You can either track time for work performed by the owner, or simply use the 'Write Cheques' window and select the item created above in the 'Items' tab. Enter in the appropriate quantities and click 'Save & Close' or 'Save & New'.*

## Lesson 15 – Customizing Forms and Writing QuickBooks Letters

### Multiple Choice Questions

Please select the response that *best* answers the questions below.

1. The QuickBooks tool that is used to create custom forms is called:
  - a. QuickBooks Forms Designer
  - b. QuickBooks Layout Designer**
  - c. QuickBooks Custom Form Tool
  - d. QuickBooks Customizer
2. What procedure would you use to select multiple fields (for example, to move several fields down at the same time) when customizing a form?
  - a. Hold down the 'Shift' key and click the fields you want to select**
  - b. Hold down the 'Ctrl' key and click the fields you want to select
  - c. Right-click the fields you want to select with your mouse
  - d. Double-click the fields you want to select with your mouse
3. The column orders in QuickBooks forms are fixed and cannot be adjusted.
  - a. True
  - b. False**
4. To change the font appearance when customizing a form, what window is used?
  - a. "Add" window
  - b. "Zoom" window
  - c. "Properties" window**
  - d. "Adjust" window
5. QuickBooks can help create customized letters for your customers or vendors using:
  - a. Corel WordPerfect
  - b. Microsoft Excel
  - c. Lotus Notes
  - d. Microsoft Word**
  - e. QuickBooks' own embedded word processor
6. QuickBooks can insert balances and other customer data into a QuickBooks letter?
  - a. True**
  - b. False



## QuickBooks in the Classroom – Lesson Exercises with Answers

7. Which of the following would you *not* be able to do when customizing a form in QuickBooks?
  - a. Add a field for Total Customer Balance
  - b. Resize a field
  - c. Format text
  - d. Add amounts from various fields together

## Open-ended Response Questions

Please answer the following questions in complete sentences.

1. List at least four forms that can be customized in QuickBooks.
  - a. *The 'Invoice', 'Sales Receipt', 'Credit Memo', 'Statement', 'Purchase Order', 'Estimate', and 'Sales Orders' forms can all be customized in QuickBooks.*
2. You are wanting to track information on an invoice that you do not want your customers to see. What is the easiest way to do this in QuickBooks?
  - a. *Using the 'Customize Invoice' window, use an existing field, or create a custom field, and make sure that a checkmark shows in the 'Screen' checkbox but not in the 'Print' checkbox. This way, any information entered in this field will show on-screen when you view the invoice, but it will not show up when the invoice is printed and provided to the customer.*
3. You have customized and saved a new form template. However, when you select that template in QuickBooks, it doesn't display the customized changes you have made. Why not?
  - a. *QuickBooks does not display the customized layout on-screen when you are using that form. However, when you print the form, it will print using the logos and layout that you customized using the Layout Designer.*