

Self-Study Training Guide for Canadian ProAdvisors

Welcome

Welcome to the QuickBooks Series of Self-Study Training Guides. Before using this module, and to understand the module's structure, objectives and methodology, review the section called *How to Use the Modules*.

About the Guide

This series of Self-Study Training Guides is designed to assist Canadian ProAdvisors in successfully completing the Certification program. The Self-Study guides comprise a series of fourteen individual modules, each incorporating numerous lessons that address a specific area of QuickBooks. Upon completion of the fourteen modules, ProAdvisors will be able to successfully advise their clients on the most-common applications of QuickBooks.

How to use the Modules

Each module is broken down into multiple lessons, each with 6 dedicated subsets. The introduction to every lesson subset is characterized by these unique icons:



Lesson heading



Lesson objective



What you'll learn



What's important



How to do it



Tips and tricks

Ready? Then let's get started.

Module 1 Addressing Client Design Issues



Lesson 1: Tailoring QuickBooks to the stakeholders' needs



Lesson Objective

This lesson offers examples of stakeholders and suggests how to use QuickBooks' inherent flexibility to tailor a company file so that it best meets the needs of each client.



What you'll learn

After completing this lesson, you'll be able to:

- ✓ List the stakeholders for the file you are setting up and identify their requirements.
- ✓ Determine the QuickBooks features that are required to meet the needs of each stakeholder.



What's important

Business owners frequently need to share information about their business with a varying number of interested individuals, companies, and agencies. Understanding the requirements of each stakeholder and configuring QuickBooks so that it meets each stakeholder's needs is a key first step in setting up a company file.



Determining stakeholder requirements timesheets

Use the table below to help you identify stakeholders and to assist you in understanding their requirements. While reviewing the table, ask the following questions:

- Who needs information about the company?
- What requirements do they have?
- How can I best set up QuickBooks to meet the needs of all stakeholders?

Stakeholder	Requirements	Will QuickBooks?
Your client	Accounts Receivable	<ul style="list-style-type: none"> • Create estimates, sales orders, invoices and statements? • Charge sales tax? • Track inventory including finished goods and units of measure?
	Accounts Payable	<ul style="list-style-type: none"> • Create purchase orders or work orders? • Track reimbursable time, expenses, special items or mileage?
	Payroll	<ul style="list-style-type: none"> • Calculate and track employee gross and net pay? • Track and remit source deductions, union dues or other payroll deductions?
	Banking and Credit Cards	<ul style="list-style-type: none"> • Reconcile bank and credit card accounts? • Use online banking?
	Reporting	<ul style="list-style-type: none"> • Track revenue and expenses by division, department or location? • Generate detailed job profitability reports
	Other	<ul style="list-style-type: none"> • Allow multiple users? • Create and process recurring transactions? • Use integrated software applications? • Track fixed assets?
Professional advisors	Year-end returns	<ul style="list-style-type: none"> • Export financial information to external tax or write-up applications?
Government agencies	Statutory Obligations	<ul style="list-style-type: none"> • Maintain a suitable general ledger? • Track and remit sales and payroll taxes
Financial institutions and merchant vendors	Payments and receipts	<ul style="list-style-type: none"> • Track and process direct deposits? • Receive electronic credit card payments? • Track outstanding bank loans?



Lesson 2: Understanding QuickBooks lists



Lesson Objective

This lesson discusses the importance of lists and their ability to simplify the process of recording transactions.



What you'll learn

After completing this lesson, you will have:

- ✓ An understanding of how lists are used in QuickBooks
- ✓ An introduction to the key lists that QuickBooks uses to process transactions



What's important

Lists comprise the framework of QuickBooks and they are used to fill out most QuickBooks forms. For example, to record a bill, you choose a name from a vendor list and QuickBooks enters the vendor information on the form for you. This saves time and prevents typing errors. In QuickBooks, there are six key lists. These are:

- ✓ Chart of Accounts
- ✓ Items
- ✓ Customers
- ✓ Vendors
- ✓ Sales Taxes
- ✓ Classes

The next sections introduce each of these key lists. Note that you'll learn more about each list in later modules of this study guide.



Understanding the chart of accounts

The chart of accounts is the backbone of the accounting system and it serves to not only track, but also report on a company's financial operations. A well-designed chart of accounts provides all stakeholders with the required information for effective decision-making.

Accounts on a chart of accounts are used to classify most transactions which are then displayed, and summarized, in various QuickBooks' reports.

The image shows three overlapping screenshots from QuickBooks. The top-left screenshot is the 'Chart of Accounts' window, displaying a list of accounts with columns for Name, Type, and Balance Total. The 'Automobile Expense' account is highlighted. The top-right screenshot is the 'Bank' account details window, showing a transaction for 'Car Repair' for \$1,000.00 on 07/26/2008. The 'Expenses' section of this window shows 'Automobile Expense' with a value of 1,000.00. The bottom screenshot is the 'Profit & Loss' report for 'NewCo Enterprises' as of July 26, 2008. It shows 'Automobile Expense' as a component of 'Total Expense' for 1,000.00, resulting in a 'Net Ordinary Income' of -1,000.00. Red arrows indicate the flow of information from the Chart of Accounts to the Bank account details and then to the Profit & Loss report.



Understanding account types

QuickBooks uses different types of accounts to track and report on financial transaction. It's very important, when setting up the chart of accounts, to choose the correct account type. Account types are arranged into two groups, Balance Sheet accounts and Profit & Loss accounts. Study the two tables below so that you are familiar with the account types for each group.

Balance sheet accounts

QuickBooks provides ten types of balance sheet accounts to choose from as you create and add to your chart of accounts. The following table describes each type of balance sheet account and the transactions you can use it for.

Use this account	To track
Bank	Chequing, savings, and money market accounts. Add one bank account for every account your company has at a bank or other financial institution. (You can also use this type for petty cash.)
Accounts receivable (A/R)	Transactions related to the customers that owe you money, including invoices, payments, deposits of payments, refunds, credit memos, and statements. Most companies have only one A/R account.
Other current asset	Assets that are likely to be converted to cash or used up within one year, such as petty cash, notes receivable due within a year, prepaid expenses, and security deposits.
Fixed asset	Depreciable assets your company owns that aren't likely to be converted into cash within a year, such as equipment or furniture.
Other asset	Any asset that is neither a current asset nor a fixed asset, such as long-term notes receivable.
Accounts payable (A/P)	Transactions related to money you owe, including bills, bill payments, and any credit you have with vendors. See also current and long-term liability accounts.
Credit card	Credit card purchases, bills, and payments.
Current liability	Liabilities that are scheduled to be paid within one year, such as sales tax, payroll taxes, accrued or deferred salaries, and short-term loans.
Long-term liability	Liabilities such as loans or mortgages scheduled to be paid over periods longer than one year.
Equity	Owner's equity, including capital investment, drawings, and retained earnings.

Income and expense accounts

Income and expense accounts track the sources of your income and the purpose of each expense. When you record transactions in one of your balance sheet accounts, you usually assign the amount of the transaction to one or more income or expense accounts. For example, not only do you record that you took money out of your chequing account, but you keep track of what you spent the money on: utilities, perhaps, or office supplies.

QuickBooks does not display balances for income and expense accounts in the chart of accounts. To see these balances, go to the Reports menu, choose Company & Financial, and then click one of the profit and loss report options. You can also select the income or expense account in the chart of accounts and click QuickReport.

Use this account	To track
Income	The main source of money coming into your company.
Other income	Money received for something other than normal business operations, such as interest income.
Expense	Money that's leaving your company.
Other expense	Money spent on something other than normal business operations, such as corporate taxes.
Cost of Goods sold	The cost of goods and materials held in inventory and then sold.



Understanding items

On QuickBooks sales form, anything you want to display (that has a dollar amount associated with it) must first be set up as an item. This includes services and products you sell, discounts you offer, or deposits you receive. Items are also used to track re-sellable goods you buy from a vendor or fixed assets that you own. While items are easy to set up, before doing so, spend some time deciding how they can best work for your client. Use the client's current list of services and products as a starting point. Consider how much detail is required on sales forms and set up items with that level of detail in mind. For example, if your client is a technician who builds, installs and repairs computer equipment, you can set up a single item no matter what type of work they want to invoice, or you can create individual items for each type of service or product they sell.

Much like the chart of accounts, QuickBooks uses Item Types to distinguish among the available items. Study the table below to understand how and when different item types are used.

Use this Item Type	When
Service	You charge for intangible items such as an hourly fee, labour or a service call
Inventory Part	You resell physical goods that you buy from a vendor
Inventory Assembly	You buy components and resell them as a finished good (only available in QuickBooks Premier Editions)
Non-inventory Part	You charge your customer for goods like shop supplies or other disbursements
Other charge	You charge for miscellaneous services such as shipping charges or set-up fees
Subtotal	You want QuickBooks to provide a subtotal for the items appearing up to that point on your invoice
Group	You want to quickly group existing items already in your Item List
Discount	You reduce the selling price of the displayed items by a certain amount or percentage
Payment	You received a prepayment (or deposit) from a customer
Sales Tax (Item/Group)	You charge Federal, Provincial or other taxes on your products or services



Understanding customers & jobs

As the name implies, customers are the companies or individuals your clients sell to. In QuickBooks you can further classify customers by individual jobs. Jobs can be the type of work a client does for a customer (for example, kitchen or bathroom renovations), or they can be different locations for a major customer.

This is a customer

This is a job

Customers & Jobs	
Transactions	
View	Active Customers
Name	Balance Total
ACME International	0.00
ACME Eastern Division	0.00
ACME Southern Division	0.00
ACME Western Division	0.00

Sales by Customer .. Type a help question Ask How Do I?

Modify Report... Memorize... Print... E-mail Export... Hide Header

Dates This Month-to-date From 07/01/2008 To 07/26/2008

NewCo Enterprises
Sales by Customer Summary
July 1 - 26, 2008

Jul 1 - 26, 08

ACME International	
ACME Eastern Division	1,200.00
ACME Southern Division	3,055.00
ACME Western Division	2,400.00
Total ACME International	6,655.00

When you use Jobs, you get sales information not only for each job,

But also for the main customer as well.

Sales by Customer ... Type a help question Ask How Do I?

Modify Report... Memorize... Print... E-mail Export... Hide Header

Dates This Month-to-date From 07/01/2008 To 07/26/2008

NewCo Enterprises
Sales by Customer Summary
July 1 - 26, 2008

Jul 1 - 26, 08

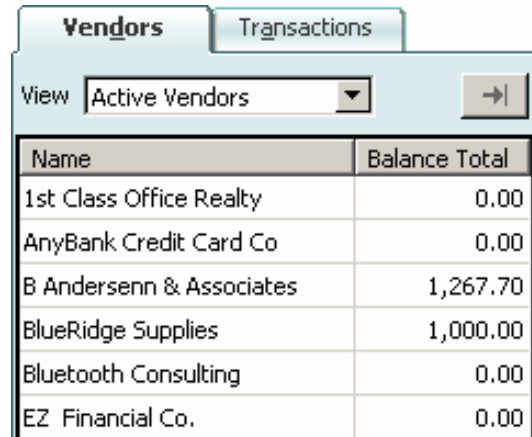
ACME International	6,655.00
TOTAL	6,655.00



Understanding vendors

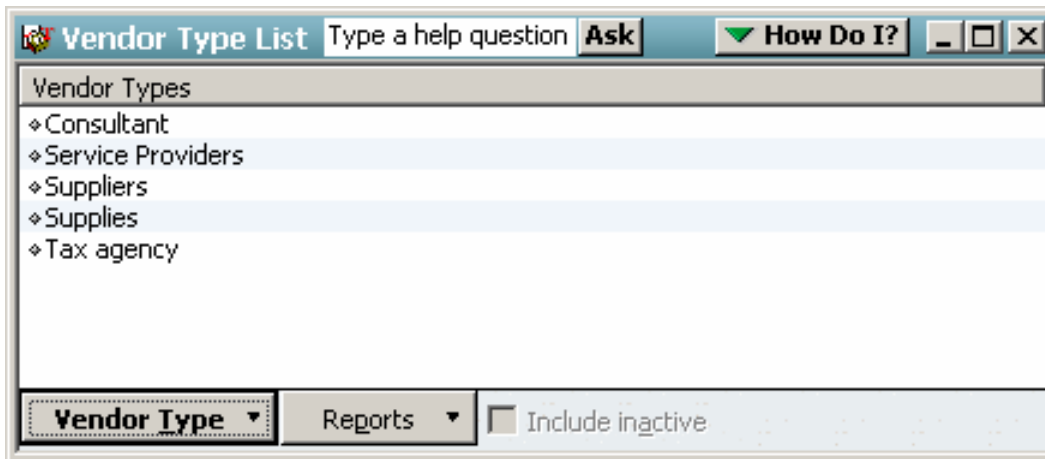
A vendor is anyone, other than an employee, that your client make payments to. Therefore, vendors include suppliers they buy products from, subcontractors they engage, landlords they pay rent to or banks they borrowed from.

Here is a sample vendor list. Note that unlike the customer list, you cannot set jobs for vendors.



Name	Balance Total
1st Class Office Realty	0.00
AnyBank Credit Card Co	0.00
B Andersenn & Associates	1,267.70
BlueRidge Supplies	1,000.00
Bluetooth Consulting	0.00
EZ Financial Co.	0.00

For further classification options, assign a type to any vendor. By establishing vendor types, you can create reports and do special mailings that are based on those types. For example, if your client owns a construction company and use subcontractors, they might want to use the ones closest to each job. By setting up vendor types, they could create a QuickBooks report that shows the subcontractors in each geographic area. Below is a list of sample vendor types.

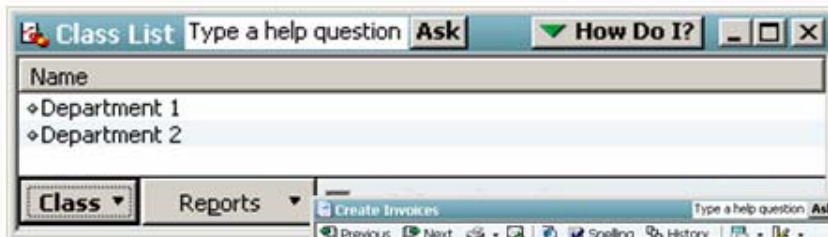


Tip Similar to vendor types, you can also set up customer types which you then use to establish specific pricing and create reports for each different customer type.

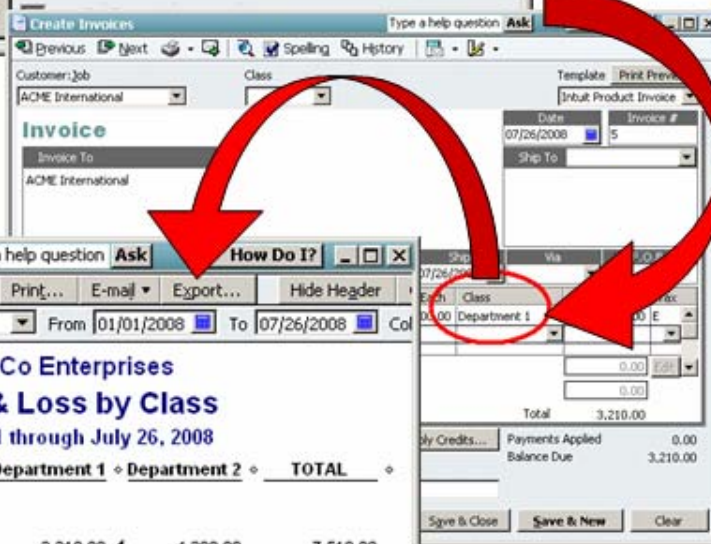


Understanding classes

Many organizations find it important to group their revenue and expenses into distinct business units. These units might be departments, business locations, profit centres, funds, phases of completion, or some other meaningful breakdown of a business. QuickBooks uses the Class list to track these grouped units.



To segregate a company's financial information, create classes on the Class List



Use classes on all applicable forms

Profit & Loss by Class

NewCo Enterprises
Profit & Loss by Class
 January 1 through July 26, 2008

	Department 1	Department 2	TOTAL
Ordinary Income Expense			
Income			
Sales	3,210.00	4,300.00	7,510.00
Total Income	3,210.00	4,300.00	7,510.00
Gross Profit	3,210.00	4,300.00	7,510.00
Net Ordinary Income	3,210.00	4,300.00	7,510.00
Net Income	3,210.00	4,300.00	7,510.00

And view profitability reports for each class