Chapter 2: Customizing QuickBooks Online

TOPICS

In this chapter, you will learn about the following topics:

- Starting a New QuickBooks Online Company (page 35)
- Configuring Account and Settings (page 38)
- Setting Up the Chart of Accounts (page 44)
- Setting Up Products and Services (page 54)
- Customizing Lists (page 64)
- Implementing Custom Fields (page 68)
- Activating Class Tracking (page 68)
- Setting Up Sales Tax (page 70)
- Customizing Sales Forms (page 74)
- Adding Users and Passwords (page 80)

QuickBooks Online has many customizable options that allow you to configure the program to meet your own needs and preferences. This chapter introduces you to many of the ways you can make these configurations in QuickBooks Online by *importing data,* using *Account and Settings*, setting up your *Products and Services*, and creating templates for forms. This chapter also introduces some new lists including *Terms*, *Classes*, and *Custom Fields*.

OPEN THIS FILE
Open the *Craig's Landscaping sample company* using the bookmark you created on page 7, or go to http://qbo.intuit.com/redir/testdrive.

STARTING A NEW QUICKBOOKS ONLINE COMPANY

Converting a QuickBooks Desktop File

If a company has been using QuickBooks Desktop and wants to convert to QuickBooks Online, they have the choice of starting over from scratch, or importing their existing file. There is an option on the *Company menu* in QuickBooks Desktop to import the file into QuickBooks Online.

Importing data is a good option if a file's reports are accurate, the lists are current, and the file is not overly large. Create the QBO subscription first, and then do the import. Once the data has been transferred, you would review the steps in this chapter to confirm that the file imported correctly, and then do a little fine-tuning.

Starting from Scratch

On the other hand, if the QuickBooks Desktop file's reports are inaccurate, or the lists are full of customers, vendors, and products/services that are no longer needed, starting over again in QuickBooks Online is a welcome opportunity for a fresh start.

Importing Lists

Many of the lists in QuickBooks Desktop or in Point of Sale systems can be exported into Excel or .csv data files, and then imported into QuickBooks Online. When setting up a brand new QBO file, uploading lists of current customers, vendors, products, and even a Chart of Accounts saves a lot of time from having to build all the lists as you go.

> *DO NOT PERFORM THESE STEPS NOW.*
> *THEY ARE FOR DEMONSTRATION ONLY.*

Step 1.   Click on the *Gear* and choose **Import Data**, as shown in Figure 2-1.
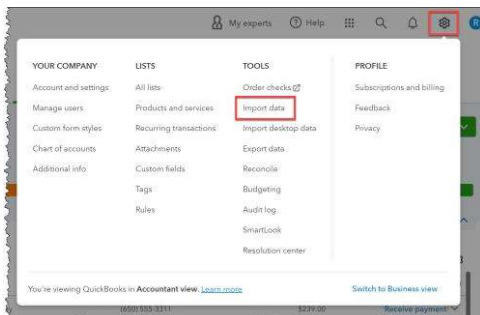

Figure 2-1 Import existing lists into your new QBO file

The screen in Figure 2-2 gives you the opportunity to import Customers, Vendors, a Chart of Accounts, Products and Services, and historic Invoices. There is also a button for importing Bank Transactions Feeds, which we will discuss on page 232.

Step 2.   In this example, we might choose to import a list of Customers with their details that we already exported from other software. Click on **Customers**.

Figure 2-2 Import these lists so that you don't have to start from scratch

Step 3.   On the next screen shown in Figure 2-3, you'll choose the file you want to import. It's a good idea to **Download a Sample File** to see the fields QuickBooks Online needs, then use it as a template. Click **Browse** to locate the file on your computer, then click **Next**.
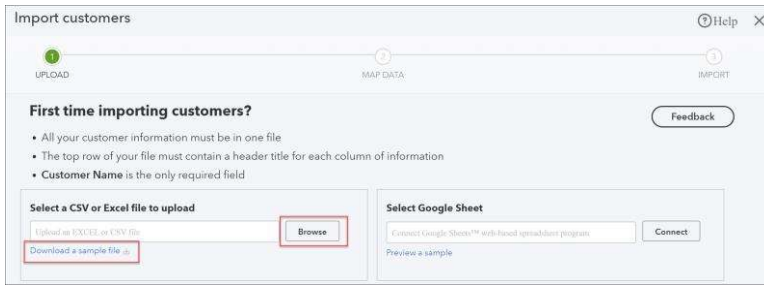
Figure 2-3 Download a template and upload your data

Step 4.   On the next screen shown in Figure 2-4, map the headings in your spreadsheet to the fields QuickBooks stores for customers. The only required field is *Name*. If you don't use one of the fields, leave **No Match** in the *Your Field* column.

Step 5.   If you don't like the results you see, click **Back** to return to the upload screen. Open your original spreadsheet to fix any errors, then click **Browse** again to upload the corrected file.
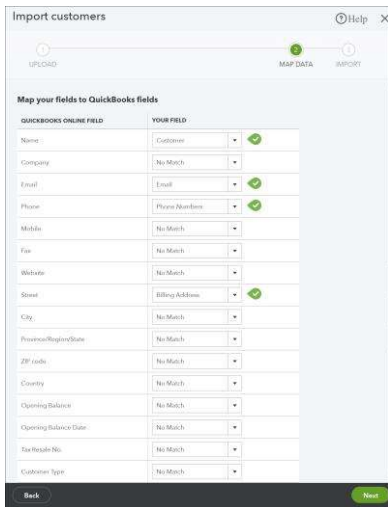

Figure 2-4 Map the headings in the spreadsheet to the fields in QBO

Step 6.   Click **Next** when ready.

Step 7.   In the preview screen, verify your data is correct. In this example, none of the *Phone* numbers should say "**Phone:**" in front of the number. In the *Street* field, the city is also displayed. If you see errors, click the **Back** button, fix your original data file, and then start the import again from scratch.
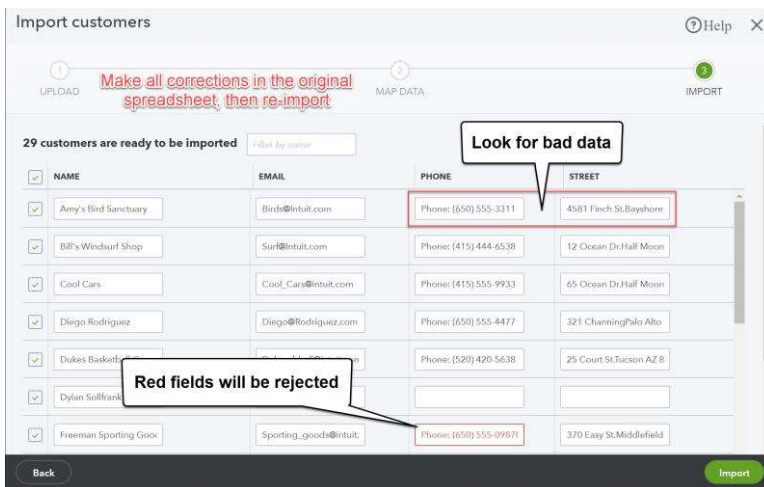

Figure 2-5 Preview your data and look for errors

Step 8.   Click the green **Import** button. QBO will tell you how many records were successfully imported.

DID YOU KNOW?

Sometimes QBO's import tools are not flexible enough for your needs. Third party apps such as Transaction Pro Importer and Saasant Excel Importer not only allow you to import additional data like bills and payments, but they even allow you undo an import if you don't like your results.

It may also be a good idea to use an app like Rewind to back up your QuickBooks Online file before you import, so that you can roll back the changes if the import does not go smoothly.

CONFIGURING ACCOUNT AND SETTINGS

At the end of Chapter 1, we created your company file for Imagine Photography. During the file setup process, the wizard walked you through questions about the company. In this chapter we will continue the setup process so that both *Craig's Landscaping* and *Imagine Photography* are ready to do business!

The first thing you need to do in a new QuickBooks Online company file is set up your preferences using **Account and Settings**.

It is important to go through your settings when you first set up your file in order to turn on and off the features needed for your company's workflow. In this chapter we will start with two of the company settings tabs and will later talk about the Sales and Expenses sections.

Company Settings

Open the *Craig's Landscaping sample company* using the bookmark you created on page 7, then click on the **Gear** in the upper right corner. Choose the first option, **Account and Settings** (see Figure 2-6).
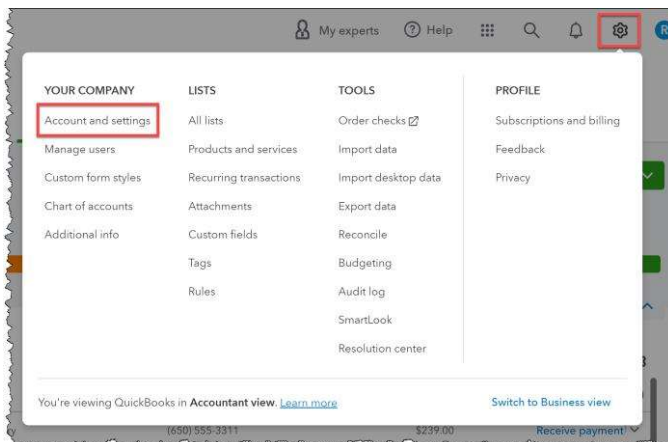

Figure 2-6 Open Account and Settings

Account and Settings contains all the preferences for your QBO file. It is broken up into five or more tabs; we will customize all these settings later in this course.

When creating a new file, start with the **Company** settings (see Figure 2-7).

TIP

Spelling and punctuation matter! The information you enter here will show up on all your customer forms and your tax reports, so be sure your entries are accurate.

Figure 2-7 Company Settings

HANDS-ON PRACTICE

Step 1.   Click on the **Pencil** on the right in the *Company Name* section (see Figure 2-8).

Step 2.   Click on the **Company Logo.** Import the **CraigsLogo.jpg**, included in the folder of files that came with your textbook (*Note: Your sample company may not permit you to upload the logo. If that's the case, skip this step*).

Step 3.   Enter the *Company Name*, Craig's Design and Landscaping, Inc..

If the company is a subsidiary of a parent company or you are a sole proprietor operating as a DBA ("Doing Business As," a fictitious name registered with your state), you would uncheck **Same as Company Name** and enter the **Legal Name**. We will not do this now.

Step 4.   Click the **dot** to the left of the *EIN (Employer Identification Number)* and enter **12-3456788**.

Step 5.   Click the **Save** button.

Figure 2-8 Enter in the Company Name and EIN

Step 6.   Click in the **Company Type** area (note that you don't actually need to click the *Pencil*). See Figure 2-9.

Step 7.   Choose the *Tax Form* Small Business Corporation, Two Or More Owners (Form 1120S).

Step 8.   In the *Industry* box, start typing the word **Landscaping.** As you type, the list will filter to types of landscaping services. Choose **Landscaping Services.**

Step 9.   Click **Save.**

Figure 2-9 Enter the company's Tax Form and Industry

Step 10. Click on the **Contact info** section (see Figure 2-10).

Step 11. In the *Company email* field, enter the email address where QuickBooks Online can send you messages, **bookkeeping@craigslandscaping.com**.

Step 12. Since we would like customers to contact the company at a different email address, uncheck **Same As Company Email**.

Step 13. Enter the email address **info@craigslandscaping.com**.

Step 14. Enter your company's customer service phone number, **123-456-7890**. Note that you don't need to type the () or hyphen. This is the phone number that will appear on sales forms.

Step 15. Enter the company's website, **craigslandscaping.com**.

Step 16. Click **Save**.

Figure 2-10 Enter the company's contact info

Step 17. Note that there are three different address fields. The *Company Address* is the one Intuit will use for billing. The *Customer-facing Address* is the street address or mailing address that will be shown to customers. The *Legal Address* is the address used on tax forms. Because Craig uses just one address for all three, we don't need to change these fields.

Step 18. In *Communications with Intuit*, you have the option to opt out of marketing email lists. We won't change these settings for now.

Step 19. Double-check all the information for accuracy. Remember, typos here will cause your customers, vendors, and Intuit to be unable to reach you!

Step 20. Leave this window open to get ready for the next step.

Advanced Settings

The next step in setting up a new company is to fine tune the ***Advanced Settings***. These control the behavior and tools available in your file (see Figure 2-11).

Normally, you will set these preferences once for each company, and only change them as your needs evolve.
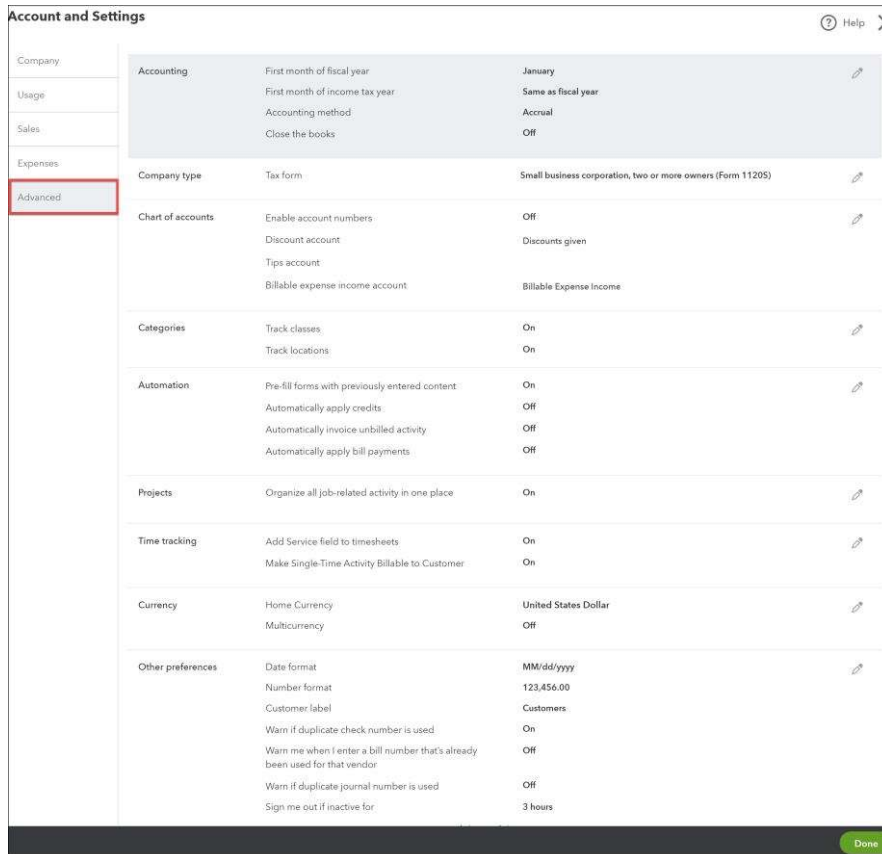
Figure 2-11 Advanced Settings

HANDS-ON PRACTICE

Step 1. If you are not already in *Account and Settings*, click the **Gear** to open them.

Step 2. Click the **Advanced** tab, the last on the list at left.

Step 3. Click on the **Accounting** section (see Figure 2-12).

Step 4. Leave your *First Month of Fiscal Year* on **January**. This field indicates the beginning of the year for year-to-date reports, such as the *Profit and Loss* report.

Some companies may have a July-June or October-Sept fiscal year. Most companies' *First Month of Income Tax Year* is the same as their fiscal year, but others will still file taxes for the calendar year.

NOTE FOR NEW BUSINESSES:

The *first month of your fiscal or income tax year* is NOT the month you started your business. It is the first month of your financial reporting period.

Setting the first month in your fiscal year correctly is important as it specifies the default date range for accounting reports such as the *Profit and Loss Statement* and *Balance Sheet*. The first month in your tax year specifies the default date range for *Income Tax Summary* and *Detail* reports.

Step 5.   Leave the *Accounting Method* on **Accrual.** Craig's customers pay on account, and he likes to track his revenue based on when services are provided, not just on the payments he has already received. His state also calculates *Sales Tax* based on open invoices, even if he has not received the money yet.

Step 6.   Also leave the *Close the Books* slider **Off.** Closing the books is a way to prevent changes in historic data, so you may want to update this setting at the end of a fiscal period.

Step 7.   Click **Save.**

Figure 2-12 Leave the Accounting section on the default settings

Step 8.   The *Company Type* section contains the same **S Corporation** form we selected on the previous screen. There is nothing to change here.

Step 9.   Click on the **Chart of Accounts** section to open it (see Figure 2-13).

Step 10.   If you wanted to turn on **Account Numbers**, you would turn on the **slider** next to *Enable account numbers*, and then put a **checkmark** in front of *Show Account Numbers*. See page 45 for more information. Do not do this now.

Step 11.   Leave all the defaults, including Discount Account, Tips Account, and Billable Expense Income Account.

Step 12.   Click **Save.**

Figure 2-13 This is where you would Enable Account Numbers

Step 13.   The *Categories* section is where you'll turn on **Classes** and **Locations** (see Figure 2-14). We will discuss class tracking on page 68.

Step 14.   Turn on the **slider** for *Track Classes*. Place a **checkmark** in front of *Warn Me When A Transaction Isn't Assigned a Class*. When you use classes, you need to use them consistently.

Step 15.   Leave the default on *Assign Classes:* **One to each row in transaction**.

Step 16.   Turn on the **slider** for *Track Locations*. Note that you can change the label to use this feature for Departments, Divisions, Properties, Stores, and Territories. Only one location can be assigned per transaction.

Step 17.   Click **Save**.

Figure 2-14 Turn on Classes and Locations

Step 18.   The *Automation* section controls whether QuickBooks Online will help you out with Accounts Receivable and Accounts Payable transactions (see Figure 2-15).

Step 19.   *Pre-Fill Forms With Previously Entered Content* is useful when you create a new invoice or bill. When you add a customer or vendor name, QBO will fill in the form using the same line items as the most recent transaction for that payee. This may help you save time, but if you find you constantly have to delete the products and services to start fresh, turn this slider off. We will leave it **On**.

Step 20.   *Automatically Apply Credits* will apply credit memos to the oldest invoices without alerting you. For small businesses with forgetful owners this can be helpful, but in large companies it's important that you monitor Accounts Receivable. Click the **slider** to turn this **Off**. We will learn about credit memos on page 186, and see a demonstration of this automation on page 200.

Step 21.   Leave the default **Off** for Automatically Invoice Unbilled Activity.

Step 22.   *Automatically Apply Bill Payments* will apply your payments and vendor credits to your oldest bills without alerting you. In large companies it's important that you track Accounts Payable carefully. Click the **slider** to turn this **Off**.

Step 23.   Click **Save**.

Figure 2-15 Automation settings for Accounts Receivable and Accounts Payable

Step 24.   The next two sections in the Advanced settings turn on and off the features for ***Projects*** and ***Currency***. We will leave these defaults.

Step 25.   The *Other Preferences* section (see Figure 2-16) is where you can change your date formats and *Customer Label*. Do you call your customers **Clients, Donors, Members, Patients,** or **Tenants**? Renaming them here will change the terminology across your entire QuickBooks Online file. Do not change this now.

Step 26.   Don't miss the option to lengthen the time you can stay signed in to QBO! By changing *Sign Me Out If Inactive For* to **3 Hours**, QBO's security is less likely to time out your file while you are working in it. Select **3 Hours** from the dropdown menu now.

Step 27.   Click **Save**.

Step 28.   Click the green **Done** button at the bottom right to return to the Dashboards.

> **TIP**
>
> If you are working in multiple tabs and haven't touched one of them for more than three hours, that tab may time out even though you're still active in another one. When that happens, you don't need to sign again – just refresh your browser window and it should return to its previous state.

Figure 2-16 Other Preferences, where you can change the sign out time and Customer Label

SETTING UP THE CHART OF ACCOUNTS

The **Chart of Accounts** (COA) is one of the most important lists in QuickBooks Online. It is a list of all the accounts in the General Ledger, and it populates the categories in many of your reports including the Profit and Loss Statement and the Balance Sheet. If you are not sure how to design your Chart of Accounts, ask your accountant or QuickBooks ProAdvisor for help.

In QBO Simple Start through Plus, you can have a maximum of 250 categories on your COA. This is enough for most businesses. If you need more than that because your company is complex, upgrade to QuickBooks Online Advanced, which has unlimited accounts. You'll notice alerts in the system about actions that add to or reduce your count (such as the message in Figure 2-25 that says "won't reduce usage") to help you keep an eye out when you get close to the limit.

Account Types

There are five basic account types in accounting: *assets*, *liabilities*, *equity*, *income*, and *expenses*. QuickBooks Online breaks these basic account types into subtypes:

- Accounting uses five types of asset accounts: **Bank**, **Accounts Receivable**, **Other Current Assets**, **Fixed Assets**, and **Other Assets**.
- There are four types of liability accounts: Accounts Payable, Credit Card, Other Current Liabilities, and Long Term Liabilities.
- Income accounts can be divided into **Income** or **Other Income** types.

- Expenses can be classified as Cost of Goods Sold, Expenses, or Other Expenses.
- Equity doesn't have subtypes, but it does have specific required accounts including **Opening Balance Equity** and **Retained Earnings**.

Activating Account Numbers

QuickBooks Online does not require *account numbers*. If you prefer, you can use just the account *name* to differentiate between accounts.

In traditional accounting, the Chart of Accounts uses account numbers to identify the categories. The numbering system allows accounting professionals to instantly distinguish between different types of accounts by ID number across different company files. For example, 1000-1999 accounts are always asset accounts, and 4000-4999 accounts are always revenue.

Account numbers allow you to rearrange the categories in any order instead of the default, alphabetically by type. For example, if you want the **Savings** account to be above the **Money Market** account, assign account numbers accordingly.

Be sure to leave gaps between the numbers so there is room to add new accounts in the future.

Using account numbers also encourages consistency if you are working in multiple company files. For example, numbering the main operating checking account as 1000 means you don't have to remember the exact bank name in each QBO file.

If you prefer to use account numbers, you can activate them in the **Advanced section** of **Account and Settings**, following the instructions on page 42.
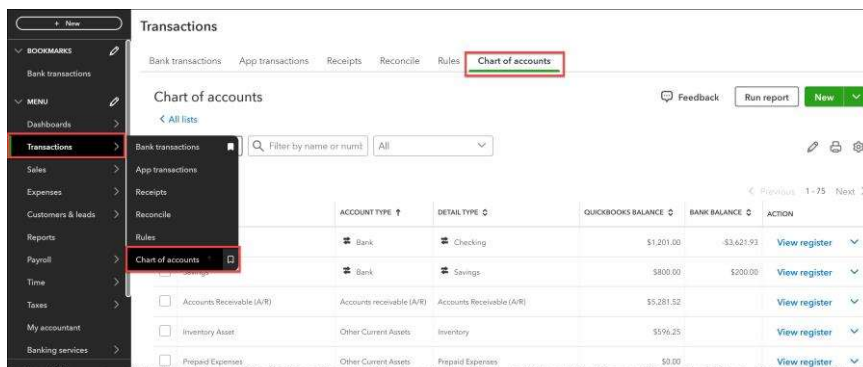
Adding Accounts

While QBO comes with a default Chart of Accounts, you will inevitably want to add categories of your own to represent your company's unique needs. On page 36 we saw that you can import your own Chart of Accounts.

HANDS-ON PRACTICE

Craig's Landscaping needs to track **Software** separately in its Profit and Loss report.

Step 1. Select the **Chart of Accounts** under the *Transactions* section of the *Left Navigation Bar*. If you get a *Take A Peek Under The Hood* screen, click **See your Chart of Accounts** (see Figure 2-17).

Figure 2-17 The Chart of Accounts

ANOTHER WAY:
To open the *Chart of Accounts*, you may also select Chart of Accounts from the *Gear*, or press Ctrl-Alt-A (Cmd-Option-A on a Mac).

> **DID YOU KNOW?**
>
> If you or your accountant uses TurboTax, ProSeries, Lacerte, ProConnect Tax, or other QuickBooks Online-compatible tax software to prepare your tax return, the *Detail Type* may help the software map your QBO accounts to the correct lines on your tax return. This allows the tax software to fill out your tax return automatically, based on the data in QuickBooks Online.

Step 2.   Click on the **New** button at the top right of the *Chart of Accounts* window (be sure to click on the main button itself and not the drop-down arrow on its right side).

Step 3.   Enter **Software** in the *Account Name* field and press **Tab**.

This is the name that will appear on your reports. Choose names that will help you or the business owner understand what type of transactions belong in this category.

Step 4.   In the *Account Type** field, scroll down and choose **Expenses**.

Step 5.   In the *Detail Type** field, choose **Office/General Administrative Expenses**.

Step 6.   Enter **Computer Software and Subscriptions** in the *Description* field. The *Description* field is not required, but it helps users understand the purpose of each category.

Step 7.   Scroll down to the *New Account Preview* to see how your new account will look in the Chart of Accounts and on your Profit and Loss Statement. Your screen should look like Figure 2-18.

Step 8.   Click **Save** at the bottom of the window to save the account.

Figure 2-18 Add a new Expense Account

Modifying Accounts

Many business owners find it helpful when category names reflect the terminology used in their company or industry. You are welcome to rename categories, as long as you don't alter the original purpose of the account.

HANDS-ON PRACTICE

Craig finds the category **Supplies** too vague, so he asks you to edit the existing account name and function.

Step 9.   Click **Next>** to continue to the second screen of categories (see Figure 2-19).

Step 10.   Click the drop-down arrow to the right of the *Supplies* row and choose **Edit.**

Figure 2-19 Edit the Supplies category

Step 11.   Change the *Account Name* to **Office Supplies**, and the *Detail Type* to **Office/General Administrative Expenses**, as shown in Figure 2-20, then click **Save.**

Figure 2-20 Change the Account Name and Detail Type to Office Supplies

Adding Sub-accounts

If you want additional detail in your Chart of Accounts, you can add **sub-accounts**. Account types for the main account and its sub-accounts must be same. You can add up to five levels of sub-accounts.

The main header account now totals the sub-accounts, so be sure to only use sub-accounts in transactions. In reports, whenever you see a total on the main account as well as under the sub-accounts, it means someone categorized a transaction into the header instead of the sub-account. To avoid this error, be sure to create all the sub-accounts you'll need for each contingency, or add an extra called **Other.**

When using a sub-account on a check, bill or other transaction, the account will appear with the main account followed by a colon and then the sub-account, in the format *Utilities:Garbage.*

DID YOU KNOW?

In *Reports* that include sub-accounts (e.g., *Balance Sheet* and *Profit and Loss Reports*), clicking the Collapse button removes the sub-account detail from the report. The balance of each primary account on the collapsed report is the total of its sub-account balances.

HANDS-ON PRACTICE

Craig's Landscaping determines that it would be useful to break out utility expenses on the *Profit and Loss Statement*. Their file already has utilities for **Gas & Electric** and **Telephone**, but also needs sub-accounts for **Garbage** and an **Other** category for any miscellaneous utility costs.

Step 12. Display the **Chart of Accounts** using any method shown previously, if it is not already displayed.

Step 13. Select the **New** button at the top right of the *Chart of Accounts* window.

Step 14. Type **Garbage** in the *Account Name* field.

Step 15. Select **Expenses** in the *Detail Type* field.

Step 16. Click the *Make This a Subaccount* **checkbox.**

Step 17. In the *Parent Account, ch*oose **Utilities.**

Step 18. Type **Trash and recycling** in the *Description* field.

Scroll down and confirm that **Garbage** appears indented under **Utilities** in the *New Account Preview* (see Figure 2-21).

Figure 2-21 Creating a sub-account

Step 19. Click the **Save** button.

Step 20. Click the **New** button again.

Step 21. Repeat the steps above to create a new **Other Utilities** expense sub-account under *Utilities*.

Step 22. Enter **Other Utilities** in the *Description* field.

Step 23. Click the green **Save** button.

Scroll down to the bottom of the list. Now the *Chart of Accounts* shows your new Utilities sub-accounts slightly indented under their main account, in alphabetical order (see Figure 2-22).

Figure 2-22 Sub-accounts in the Chart of Accounts

While sub-accounts provide granular detail, it is a best practice to keep your Chart of Accounts (COA) as tight as possible, while still providing sufficient operational data.

Notice that in the Income section on the first page of the Craig's Landscaping COA in Figure 2-23, *Landscaping Services* are broken down into *Job Materials* and *Labor*, and then further into types of materials. This is usually too much detail for a Chart of Accounts.

Separating *Job Materials* and *Labor Income* is a useful distinction on a P&L report. The *Decks and Patios*, *Fountains*, *Plants*, *Sprinklers*, *Installation*, and *Maintenance* categories should all be tracked with **Products and Services** instead. That way, you'll also be able to run a variety of Products and Services reports to see a detailed analysis of what the company buys and sells.

If you find yourself in this situation, you can simplify your Chart of Accounts either by **inactivating** or **merging** the accounts, as discussed in the next section.

Figure 2-23 A Chart of Accounts with too much detail

Removing Accounts from the Chart of Accounts

When you no longer need an account, it is best to remove it from the Chart of Accounts list. Removing unnecessary accounts helps avoid data entry errors by ensuring that no transactions are accidentally posted to these accounts. There are two ways to remove an account from the Chart of Accounts: **inactivating** the account or **merging** the account with another account.

Note that some accounts are generated automatically for use by QuickBooks Online and cannot be edited or inactivated.

Inactivating Accounts

Most list items in QuickBooks Online cannot be completely deleted, only **inactivated**. Inactivating an account category causes it to be hidden in the Chart of Accounts.

This is also true for lists, products and services, customers, and vendors. Inactivating unused items reduces the clutter in your lists while preserving your ability to see its history. Even after an account, product, customer, or vendor is made inactive, all transactions using that entry will still show on reports with **(deleted)** after the name.

IMPORTANT!

Asset, liability, and equity accounts cannot be inactivated if their balances are not zero. If you inactivate a Balance Sheet account, its balance will be automatically transferred to *Opening Balance Equity*, causing an error in the company's equity.

Before inactivating one of these categories, find out what happened to the remaining balance, and create the transfer or other transaction to move it to the correct account.

HANDS-ON PRACTICE

Craig notices that there's a **Purchases expense** account, but he doesn't use it. He would like to make it inactive. Before you inactivate it, do your due diligence to make sure that it's not important. Follow these steps to verify that it is not needed, then inactivate it:

Step 1.   Locate the **Purchases** expense in the *Chart of Accounts* list.

Step 2.   Click the blue **Run Report** action link on the far right to open a QuickReport.

Step 3.   Change the date range to **All Dates.**

Notice that there are no transactions on the list. This account has never been used, so there's no reason to keep it.
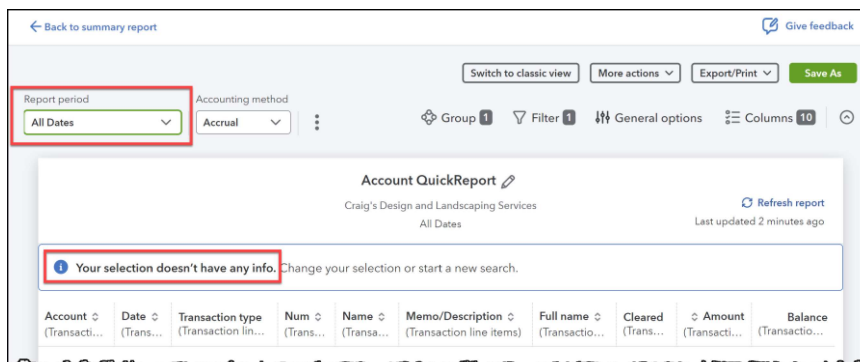

Figure 2-24 A QuickReport to confirm this account isn't important

Step 4.   Click the blue **< Back to Summary Report** link in the upper left.

Step 5.   Click **Exit** to go back without saving.

Step 6.   Click the **drop-down arrow** on the right of *Purchases*, and then choose **Make Inactive** from the menu (see Figure 2-25). Note the **(reduces usage)** message letting you know that inactivating this account will help your 250 category limit discussed on page 44.

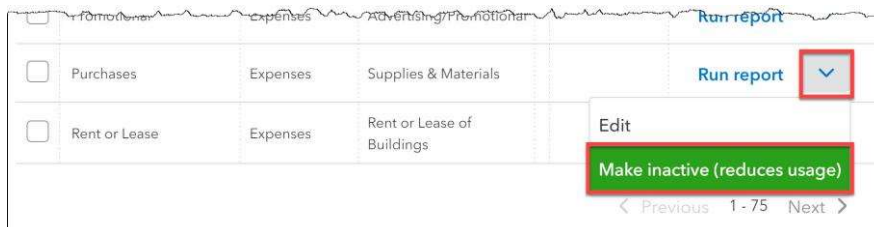Step 7.   In the confirmation alert, choose **Yes, Make Inactive**.

Figure 2-25 Making an account inactive in the Chart of Accounts

Merging Accounts

If you find that two categories both contain similar transactions and you no longer need that level of detail, you can combine them. When you *merge* two accounts, QuickBooks Online updates each transaction from the merging account so that it posts to the remaining (combined) account instead. Then QuickBooks Online removes the account from the *Chart of Accounts* list.

You can only merge accounts of the same Account Type and Detail Type. In this example, both accounts are Legal and Professional Fees accounts.

> **IMPORTANT:**
>
> Merging cannot be undone. Once you merge accounts together, there is no way to find out which transactions were in the old account, except by reviewing a backup file. If you are about to do a Chart of Accounts cleanup, consider a third-party app like *Rewind* to backup and restore the file in case you have unexpected results.

HANDS-ON PRACTICE

Craig's Landscaping originally separated the **Accounting** and **Bookkeeper** categories, but now Craig has decided that the two accounts can be combined.

Step 1.   Display the **Chart of Accounts** list and scroll down to *Legal & Professional Fees*.

Step 2.   Click **Run Report** on the right of *Legal & Professional Fees*.

Step 3.   If the *Name* column needs to be wider, carefully hover your cursor between the *Name* and *Description* column headers until you get a double-headed arrow, then drag it to the right.

Notice that the top transaction to *Pam Seitz* was accidentally coded to the main account instead of the sub-account (you would need to fix this later!), and that the two transactions to *Books by Bessie* are split between *Accounting* and *Bookkeeping*.

Figure 2-26 Report with all Legal & Professional Fees

Step 4.   Click the blue **<Back to summary report** link in the upper left corner.

Note the *Name, Account Type,* and *Detail Type* of the account you want to keep, **Accounting**. One way of ensuring that the name is exactly the same is to copy the name from the account you want to keep, and paste it into the name field of the one you want to inactivate.

Step 5.   Select the account whose name you *do not* want to keep. Click on the **drop-down arrow** to the right of **Bookkeeper,** then choose **Edit.**

Step 6.   Type or paste **Accounting** in the *Account Name** field (see Figure 2-27). If there is an *Account Number*, delete it. Confirm the **Expenses** *Account Type*, *Detail Type*, and *Parent Account* are correct. You must enter all this information EXACTLY as it appears in the category you will keep.

Step 7.   Scroll down to the *Account Preview*, shown in Figure 2-27. Note that **Accounting** is displayed twice, highlighted in red. QuickBooks Online has noticed that you are creating a duplicate account.
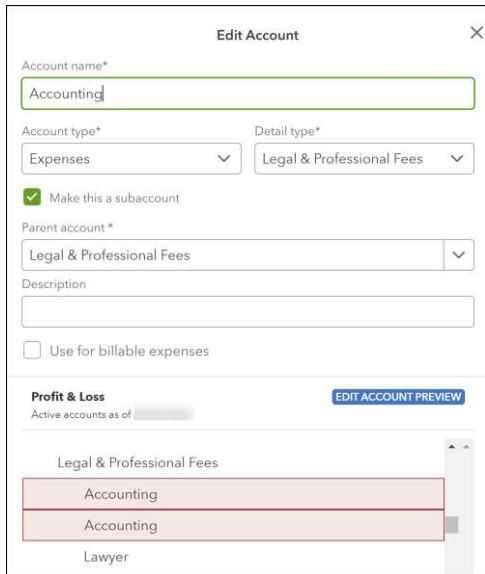
Step 8.   Click **Save.**

Figure 2-27 Modify the account to exactly match the account you will keep

Step 9.   Now that this account has the same name as the other account, QuickBooks Online asks if you want to merge the two accounts (see Figure 2-28). Click **Yes, merge accounts**.

Step 10.   Click **Save** again.
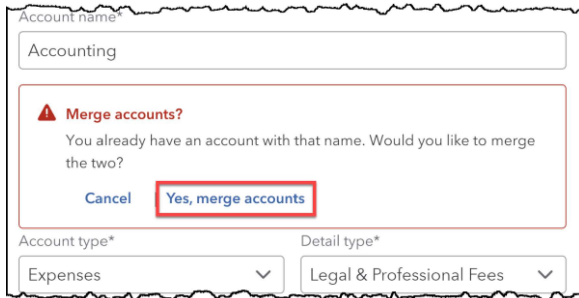
Figure 2-28 Click Yes to merge the accounts

Now that the **Bookkeeper** account has been merged into the **Accounting** account, running the QuickReport again shows that QBO has updated all the transactions that were categorized to **Bookkeeper** and moved them to **Accounting** instead, as shown in Figure 2-29. Remember to resize your columns as needed.

Figure 2-29 The Merged report shows the two Books By Bessie transactions together

Seeing All Accounts

To view all accounts in the Chart of Accounts, including the inactive accounts, click the **Grid Gear** to drop down additional settings for the list. Select **Include Inactive**, and scroll down to **Page Size** to change the number of rows to 300 (see Figure 2-30).
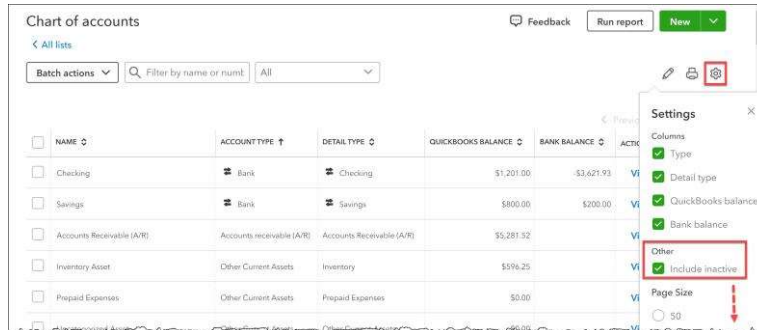
From this Grid Gear you can also show and hide columns.

Figure 2-30 When Include Inactive is checked, all accounts appear in the list

The word **(deleted)** next to an account name indicates that it has been inactivated or merged. To reactivate the account, click on the blue **Make Active** link on the right. The account name will be restored to the Active list. Note that if two categories were merged, the action was permanent, and you will not see the original transactions in the reactivated account.

Figure 2-31 Click Make Active to bring back an inactivated account

Sorting the Account List

The account types in the Chart of Accounts are arranged in the order in which they appear on financial statements. For example, all of the Bank accounts come first, followed by Accounts Receivable, Other Current Assets, and so on.

There are several ways to reorder the Chart of Accounts. Lists can be sorted by any column header. By default, the Chart of Accounts list sorts first by account type, and then alphabetically by account name within the account type.

If account numbers are in use, the Chart of Accounts will sort numerically by account number, instead of alphabetically.

> **NOTE**
> When account numbers are active and you click the Number header, QuickBooks Online sorts the list only by account number and not by account name or type. Therefore, if you assign an account number of 7000 to a Bank account, QuickBooks Online will place that account near the bottom of the Chart of Accounts, instead of the top.

Sorting by Header

When account numbers are inactive and you click the **Name** header, QuickBooks Online sorts the account list alphabetically by account name. Click the **Name** header again to sort it from Z to A.

You may also sort the table by **QuickBooks Balance** or **Bank Balance**.

Click the **Account Type** header to return the list to its original order.

Printing the Chart of Accounts

To print the Chart of Accounts, click the **Printer** on the top right of the list, next to the *Grid Gear*. A new tab opens with a printable list, ready to be saved to a PDF or printed (see Figure 2-32). Close the tab when you're done.
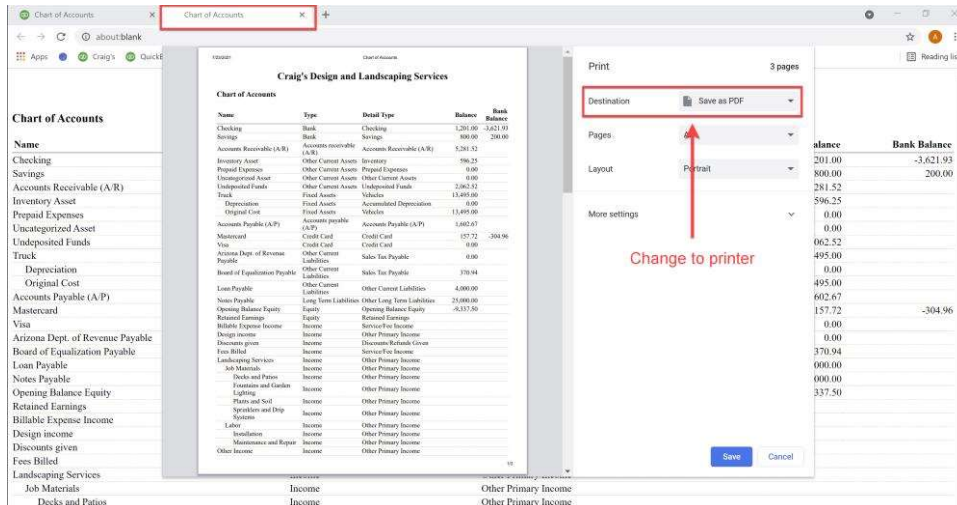

Figure 2-32 The Chart of Accounts, ready to print

SETTING UP PRODUCTS AND SERVICES

The **Products and Services List** is used to identify the goods and services your business sells and/or purchases.

In this section, you will learn more about QuickBooks Online's ***Products and Services*** items and how they affect the "accounting behind the scenes" as you create transactions. Every time you use a product or service in your transactions, its value flows into the linked accounts. In this way, Products and Services affect the financial statements for a company.

Products and Services in the *Products and Services List* are also used as part of the sales tax tracking process, as a means of generating subtotals, and as a method of calculating discounts.

Open the *Products and Services List* in one of four ways:

- Hover over **Sales** (or **Invoicing**) in the *Left Navigation Bar*, then click **Products & Services.**
- From anywhere the in the *Sales Center*, click the **Products & Services tab** at the top.
- Click **Products & Services** from the *Gear* in the upper right corner.
- Click **All Lists** from the *Gear* in the upper right corner and then click **Products and Services**.

The first time you view the Products and Services list, you will see default items suggested by QuickBooks Online based on the business entity type and industry you selected during the setup process (see page 40). Before you start using the file, be sure to update this list to reflect your company's offerings.

If you have a list of Products and Services from another system, you can import it using the instructions on page 36. Be sure to download the sample template because items and inventory have specific requirements.

In the Craig's Landscaping sample company, the list has already been created for you (see Figure 2-33).
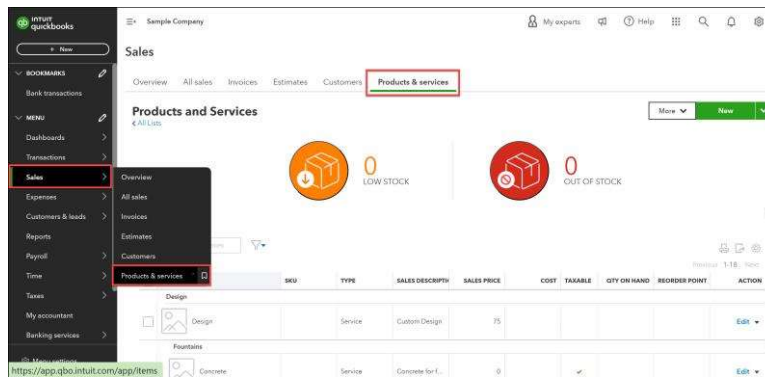
Figure 2-33 The Products and Services List

Product and Service Categories

Categories allow you to create groups of items. This is helpful when you have long lists of products, and for stores using a point-of-sale system that tracks departments.

When you use item categories, the *Sales by Product* reports will show totals for all inventory items by group. Categories are also handy when using Price Rules.

It is common to create a *Category* called **Admin** to contain fees and other non-commerce related items needed on sales forms.

The category list can be managed by clicking on the **More** button in the upper right of the *Product and Services Center*, as seen in Figure 2-33. We will create our item categories on the fly as needed during these exercises.

Products and Services Types

There are four different types of Products and Services items in QuickBooks Online as shown in Figure 2-34. When you create a new product or service, you indicate the **Type** along with the **Name** of the item and the **Account** with which the item is associated.
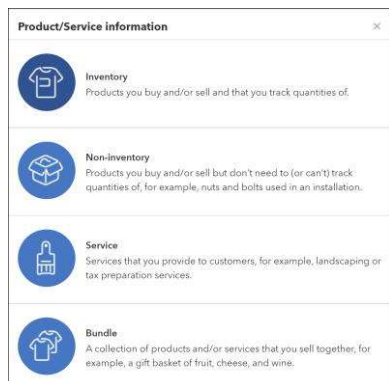
Figure 2-34 The New Product/Service Information window

Inventory items track the quantity and value of your stock on hand.

Non-inventory items are products you buy and/or sell but don't track quantity.

Service items track services you provide to customers. They can also be used for administrative charges such as shipping and finance charges.

Bundle items allow you to group several separate products and services together as a package and easily enter them on sales forms. Sales information for each item in the bundle is still tracked individually.

Service Items

Service items are used for all items on invoices and sales receipts that are not tangible goods.

HANDS-ON PRACTICE

Craig's Landscaping sells mowing services by the hour. To track the sales of this **Service**, create a new service called **Mowing**, and associate the item with the **Services Income** account.

Step 1.   Go to the **Products and Services List** if you are not already there.

Step 2.   Click the green **New** button in the upper right.

Step 3.   Choose **Service** from the *Product/Service Information* pane shown in Figure 2-34.

Figure 2-35 New Service Item

Step 4.   Fill in the detail of the **Mowing** service as shown in the Figure.

Step 5.   If you see a suggestion for the *Sales Tax*, click **Confirm**. Even though this service is now marked as taxable, QBO will only charge sales tax if required by your state.

Step 6.   If you don't see a suggested tax as shown in Figure 2-35, click **Edit Sales Tax** and select **Nontaxable**, as shown in Figure 2-36, then click **Done** to return to the *Product/Service Information* pane. Services are usually not taxable.

Step 7.   Click **Save and Close**.

Figure 2-36 Specify the service as Nontaxable

TIP

You will be able to edit the *Description* each time you use the Mowing service on an invoice or sales receipt. When setting up the item, you can enter a default description as placeholder text, or leave it blank.

If the price for this service varies, you can override this amount when you use it on a sales form. Therefore, when you set up the item, enter the rate you most frequently charge. Leave it blank if the price is always different.

Subcontracted Services

To track your **subcontracted services** in QuickBooks Online Plus and Advanced, you can set up a special **Two-sided Service item** to track both the sale to the customer and the cost of the subcontractor. By using a single item to track both the income and expense for the subcontracted service, you can track the profitability of your subcontractors.

HANDS-ON PRACTICE

Craig subcontracts a tree trimming service instead of providing the service through his employees. Match these steps to Figure 2-37.

Step 1.   With the *Products and Services* list displayed, click the **New** button.

Step 2.   Select **Service** from the *Product/Service Information* pane.

Step 3.   Enter **Tree Trimming** in the *Name** field. The asterisk indicates that this name will be used as the identifier for this item in QuickBooks Online, and must be unique.

Step 4.   Drop down the *Category* field, and then choose **Landscaping** from the list.

> **KEY TERM**
>
> *Categories* help to organize the *Products and Services List*. Use categories to group and subtotal information about similar products or service categories in sales reports.

Step 5.   Enter the *Description* **Tree Trimming**. You may choose to copy the service *Name* and paste it here.

Step 6.   Enter **120** in the *Sales Price/Rate* field.

Step 7.   Choose **Landscaping Services:Labor:Maintenance and Repair** for the *Income Account.* Note that the colon separates indented sub-accounts.

Step 8.   This service is not taxable in CA, so update the *Sales Tax* by clicking **Skip**.

Step 9.   Check the box **I purchase this product/service from a vendor** in the *Purchasing information* area at the bottom.

Step 10.   Selecting this box allows you to use the same item on sales transactions to "sell" the service to a customer, and on purchase transactions to "buy" the service from a vendor. Both types of transactions will flow through to the correct accounts on financial statements, and allow you to run item profitability reports.

Step 11.   The *Description on Purchase Forms* is the same, **Tree Trimming**.

Step 12.   The *Cost* that Craig pays the vendor for each tree is **$75**.

Step 13.   The *Expense Account* is **Cost of Goods Sold**, since this is a direct expense that Craig must incur in order to resell the service.

Step 14.   In the *Preferred Vendor* box, type in **Tony** to quickly filter the list, then choose **Tony Rondonuwu**.

Step 15.   Use the *drop-down arrow* next to the *Save* button, and then click **Save and New** to save this service and open another *New Item* window.

Figure 2-37 Subcontracted Service Item

Non-Inventory Products

To track physical products that you buy and/or sell but don't monitor as inventory, set up **Non-Inventory Products**.

HANDS-ON PRACTICE

Step 1.   Craig's Landscaping doesn't track grass seed in inventory, so they use a **Non-inventory** item to calculate how many cubic feet they sell.

Step 2.   Grass seed is a special tax category in the State of California, so you will need to specify its tax code.

If you were starting from scratch, you would select **Non-inventory** from the *Product/Service Information* pane. This time, because we are creating several products and services in a row, our sequence starts a little differently. Fill in the detail of the item as shown.

Step 3.   Click the blue **Change type** link next to *Service* at the top of the pane. Choose **Non-inventory**.

Step 4.   Enter **Grass Seed** in the *Name** field.

Step 5.   Choose **Landscaping** in the *Category* field.

Step 6.   In the *Description*, enter **Grass Seed**.

Step 7.   The *Sales Price/Rate* is **3** dollars.

Step 8.   Enter **Sales of Product Income** in the *Income Account*. Sales of Product Income is typically used for tangible goods.

Step 9.   Click the blue **Edit Sales Tax** link. Because Grass Seed has a special tax rate in this state, select it from the *Suggested* list, as shown in

You could also use the *Search* to quickly find the tax category by typing in **Grass Seed**, or **Browse All** to find it under *Professional Goods & Services*, then *Landscaping*, then *Grass Seed*.

Step 10.   Click the **Done** button to return to the product.

Step 11.   When your *Grass* Seed looks like Figure 2-38, click **Save and New** to save the item and start the next one.

Figure 2-38 A Non-inventory product item

Figure 2-39 Select the special sales tax category

Non-inventory Products - Passed Through

You can also track the profitability for each Non-inventory product. In this case, you should create a **Two-sided Non-inventory item** to track the purchase costs in a Cost of Goods Sold account, and the sales amounts in an Income account.

Two-sided non-inventory products are particularly useful for special orders. For example, Craig's Landscaping tracks all sculpture orders with one Non-inventory product, since each piece is unique. It doesn't make sense to create a new product for a one-time use.

HANDS-ON PRACTICE

Step 1.   If you are continuing from the previous step, you are ready to create a new Non-inventory product. If not, start a new **Non-inventory product**.

Step 2.   Fill in the detail of the item as shown at right.

This time we will leave the *Description*, *Sales Price/Rate* and *Cost* fields empty, since the price changes with every order.

Step 3.   Click **Edit Sales Tax**. Search for **Retail**, then select **General taxable retail products** (use this if nothing else fits). Click **Done**.

Step 4.   When your Non-inventory product matches the Custom Statue, drop down the arrow next to the **Save and New** button and choose **Save and Close** to save the item and go back to the *Products and Services list*.

Inventory Products

Sometimes a company not only purchases merchandise for resale, but also tracks the quantity and value of the stock on hand. **Inventory products** are common in retail businesses, and are two-sided by nature.

Inventory items are only available in QBO Plus and Advanced.

Figure 2-40 A Two-Sided Non-inventory product

> **TIP**
>
> Before setting up inventory, think about what products should be tracked as *Inventory products*. It may not be necessary to separately track every product you sell as inventory. If you do not buy items for resale, run detailed valuation reports, or require at-a-glance stock status information about the products, instead use *Non-Inventory Products* to track them.
>
> Also, if you are syncing your QuickBooks Online to an ecommerce website, point of sale system, or other third-party app that tracks your wares, you may not need to set up inventory in QBO. Some apps sync to QBO. Even if yours does not, there is no need to maintain inventory in two independent systems. Instead, use the other software for stock management and limit your accounting in QuickBooks Online to the daily sales totals.

HANDS-ON PRACTICE

Craig's Landscaping sells and installs birdbaths when they do landscape design, as backyard sanctuaries have become popular! Craig would like to be able to look up how many he has in stock instead of having to go out to the warehouse to look, and he wants to make sure he never runs out so that he doesn't have to delay any installations.

Step 1.   Go to the *Products and Services List* if you are not already there.

Step 2.   Click the green **New** button in the upper right.

Step 3.   Choose **Inventory** from the *Product/Service Information* pane.

Step 4.   Enter *Bird Bath* in the *Name** field and press **Tab**.

Step 5.   You may optionally assign each item in your inventory a **SKU number**, a code used in inventory management for internal barcoding or for manufacturer's part numbers. This enables you to reference the same number on purchase orders and bills to eliminate confusion.

We will skip this field for now. Press **Tab** to move to the next field.

Step 6.   Enter **Fountains** in the *Category* field.

Step 7.   In the Initial Quantity on Hand* box, enter **0**.

Step 8.   In the *As of Date** field, use the calendar to select **January 1**.

Step 9.   Enter **3** in the *Reorder Point*. When you dip below this threshold, QuickBooks Online will show a **Low Stock Indicator** at the top of the *Products and Services list*, alerting you that it is time to place an order.

Step 10.   The *Inventory Asset Account* should default to **Inventory Asset** from your Chart of Accounts. This holds your purchase costs as an asset on your Balance Sheet until the products are sold.

Step 11.   Enter **Marble bird bath** in the *Description* field and press **Tab**.

The description you enter here appears as the default description when you use this item on purchase orders and bills.

Figure 2-41 An Inventory Item

IMPORTANT!

These three fields, Initial quantity on hand*, As of Date*, and Reorder point are used to set the starting points for your inventory tracking. It's crucial that you do NOT use today's date and quantity in these fields! If you do, you will create an unnecessary Opening Balance Equity entry, and you will be unable to enter any transactions involving the inventory product if they occurred before this date.

Instead, use a 0 quantity and a date long before your first transaction involving the product (for example, January 1 of the previous year). After you're done setting up the products, create the actual expenses or bills to buy the product and record sales. Alternatively, use a single Inventory Qty Adjustment transaction to set up the quantity and value on hand for *all* the inventory items. This feature is found on the *+New* button.

Step 12.   Enter **350** in the *Sales Price/Rate* field. The sales price is the rate normally charged to customers for the item. You can enter a default here and later override it on sales forms if you need to.

Step 13.   Select **Sales of Product Income** from the *Income Account* drop-down list. This is the income account to which you want to post sales of this item.

Step 14.   Click *Edit Sales Tax*. At the bottom, select **Taxable – based on location only**. This default category will apply your locations's standard tax rate. Click **Done**.

Sales *Tax Codes* determine the default taxable status of the item. QuickBooks Online will calculate sales tax on this item when it appears on sales forms. If the item is sometimes taxable and other times nontaxable, create two separate items and use the appropriate item as needed. For more information on Sales Tax see page 68.

Step 15.   In the *Purchasing Information* box, enter **2 foot gray and white marble bird bath**.

QuickBooks Online allows you to have two descriptions for this item: one for sales forms and one for purchase forms. If you'd like, you can use your vendor's description when purchasing the item and a more customer-oriented description on your sales forms.

Step 16.   Enter **200** in the *Cost* field.

Use this field to track the amount you pay to your vendor (supplier) for the item. QuickBooks Online uses this amount as the default when you enter this item on *Purchase Orders, Bills, Checks,* and *Credit Card Charges*. You can override the amount on any current transaction, but if the price changes, you should come back and edit the default amount here.

Step 17.   In the *Expense Account* field, select **Cost of Goods Sold** if it is not already there.

QuickBooks Online uses the Cost of Goods Sold account to record the FIFO ("First In, First Out") cost of this item when you sell it.

KEY TERM

FIFO stands for "First In, First Out." It is a method for calculating inventory costs, meaning that when a product sells, you sell the oldest one on hand and its COGS is its actual original purchase price. QuickBooks Desktop uses *Average Cost*, meaning that when a product sells, its cost is calculated using the average purchase price of all items on hand. For this reason, QuickBooks Online's inventory calculation is technically more accurate than QuickBooks Desktop.

Step 18.   Select **Tim Philip Masonry** from the *Preferred Vendor* drop-down list.

The *Preferred Vendor* field is used to associate an item with the vendor from whom you normally purchase this part. It allows you to create a Purchase Order from an Estimate.

It is an optional field that you can leave blank without compromising the integrity of the system.

Step 19.   Compare your inventory product to the figure. Click **Save and Close** to save the new item.

THE ACCOUNTING BEHIND THE SCENES

When you purchase inventory, QuickBooks Online increases (debits) the Inventory Asset account by the amount of the purchase price, and credits the payment method used.

TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	DEBIT	CREDIT
Expense		Tim Philip Masonry		Checking		$125.00
			Rock Fountain	Inventory Asset	$125.00	
					$125.00	$125.00

When you sell inventory, QuickBooks Online decreases (credits) the Inventory Asset account and increases (debits) the Cost of Goods Sold account for the FIFO cost of that item at the time it is sold. We saw an example of this on page 26.

Bundles

Bundles allow you to use one item to group several separate products and services together as a package on sales forms. Instead of having to add individual line items every time, a bundle adds multiple lines all at once. You have the option of displaying the full list, or just the summary bundle. Quantities are tracked behind the scenes for each product or service within the bundle.

HANDS-ON PRACTICE

Every time Craig's Landscaping sells a rock fountain, it comes with a pump, requires concrete, and takes two hours to install. Instead of repeating these entries for every sale, Craig would like to be able to sell the products, materials, and service as one unit.

Step 1.   Open the *Products and Services list* if it is not already open.

Step 2.   Click the green **New button** in the upper right corner.

Step 3.   Select **Bundle** (see Figure 2-42).

Step 4.   Enter **Rock Fountain Installation** in the *Name** field. Press **Ctrl-A** to highlight all the text, then **Ctrl-C** to copy it (on a Mac, hold down **Cmd** instead).

Step 5.   Press **Tab** three times to move to the *Description* field, then press **Ctrl-V** (**Cmd-V**) to paste **Rock Fountain Installation** in the box.

Step 6.   Place a **checkmark** in front of *Display Bundle Components When Printing or Sending Transactions*. Craig wants to save time in typing, but he still wants his customers to see everything that goes into installing a fountain.

Step 7.   In the *Product/Service* grid, click in the first row and type **Rock**. Choose **Rock Fountain** from the list.

Step 8.   In the second row, add a **Pump**.

TIP

If you type too quickly and you override the autofill, QBO may pop up a window asking you to create a new product. If this ever happens, just click Cancel and try again, a little more slowly.

Step 9.   On line three, enter **Concrete**.

Step 10.   On the fourth line, add **Installation**. In the *Qty* box, enter **2**. It takes two billable hours to install a fountain.

Step 11.   When your Bundle matches Figure 2-42, click **Save and Close** to save the item and return to the *Products and Services* list.

Figure 2-42 Create a Bundle to turn multiple items into one

Step 12.   Try out the bundle! Click the **+New button** at the top of the black *Left Navigation Bar*. Choose **Invoice**.

Step 13.   Enter **Weiskopf Consulting** in the *Customer* field.

Step 14.   In line 1 of the *Product/Service grid*, enter **Rock Fountain Installation** and press **Tab** or click away. The bundle will burst into five lines, a header and four line items.

Step 15.   Change the *Qty* of the *Rock Fountain Installation* on the first row to **2**. Press **Tab** or click away.

All quantities and prices will recalculate according to the number of bundles sold. The prices and descriptions for each of the four line items may be customized. Behind the scenes, the inventory accounting will update automatically (see page 62).

Step 16.   Change the green button in the lower left corner to **Save and Close** the invoice. If you are prompted about missing *Class* fields, click **Yes**.

Figure 2-43 Invoice with Bundle

Collecting Sales Tax on Products and Services

It's important to understand how QuickBooks Online calculates sales tax. Every product and service is assigned to be *Taxable* or *Non-taxable* when created. As you add these items to invoices and sales receipts, a checkmark allows you to toggle whether or not sales tax will be calculated for that particular transaction.

But don't get fooled! If a product is sometimes taxable and other time non-taxable, create **two products**, one with each tax status. On your forms, be careful to choose the correct taxable or nontaxable item.

While checking or unchecking the taxable status on a sales form will change whether or not you collect tax in that single transaction, the Sales Liability Report calculates based on *the product sold*, *regardless of whether or not you actually collected the tax*.

> **IMPORTANT!**
> Using the checkmark to toggle sales tax on and off will create a discrepancy between the tax you collect and the tax you remit to your state agencies. Avoid overpaying sales tax by creating separate items for taxable and non-taxable sales.

CUSTOMIZING LISTS

QuickBooks Online provides many *Lists* that allow you to add information to each transaction and help you track more details. If you go to the *Gear* and click on **All Lists**, you'll see a list of lists. Some of these lists are fundamental building blocks of your company file, like the *Chart of Accounts* and *Products and Services*. Some of these populate the drop-down menus on the forms, like *Payment Methods* and *Terms*. And some are collections of items you create, like *Recurring Transactions*, *Attachments*, and *Custom Form Styles*.

In this section, you will learn how to modify the **Terms List** and **Payment Methods List.**

The Terms List

The **Terms List** is the place where you define the payment terms for invoices and bills. QuickBooks Online uses terms to calculate when an invoice or bill is due.

QuickBooks Online allows you to define two types of terms:

- **Standard Terms** calculate based on how many days from the invoice or bill date the payment is due.
- **Date-Driven Terms** calculate based on the day of the month that an invoice or bill is due. Date-driven terms are not applicable in all businesses. They are typically used when invoices are generated at the

same time each month, such as invoicing for monthly dues or services. Businesses will often prorate the first month's charges in order to get the customer into the regular billing cycle.

Customers and vendors can be assigned default terms. You can override the default terms on each sale or purchase as necessary. When you create reports for Accounts Receivable or Accounts Payable, QuickBooks Online takes into account the due date calculated by the terms on each invoice or bill.

Due on Receipt means that the payment is due immediately. Unpaid invoices and bills are marked *Overdue* the very next day.

Net 30 means that payments must be received within 30 days before being considered late. It's a common practice to add *late fees* to overdue invoices and bills, as discussed on page 198.

HANDS-ON PRACTICE

Step 1. Select the *Gear* menu, and then choose **All Lists**. From there, click on **Terms** (see Figure 2-44).
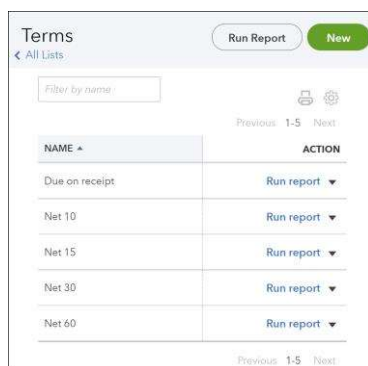
Figure 2-44 Terms List window

Step 2. If there are terms on this list you will never use, you can remove them. Craig's Landscaping never uses *Net 10* (meaning that the invoice or bill is due 10 days after its date). Click the **drop-down arrow** on its right and choose **Make Inactive**. Click **Yes** to confirm.

Step 3. To set up additional terms, select the **New** button in the upper right.

Step 4. Craig prefers to have all his clients pay him by the first day of the month, unless he does the work in the last week (in that case, they can pay the following month). Fill in the fields as shown in Figure 2-45, then click **OK**.

Step 5. **Save** the *New Terms* window.

Figure 2-45 The New Terms window with date-driven terms

Step 6.   Take a look at how these date-driven terms play out on an invoice. Click the **+New button**, then on **Invoice** (see Figure 2-46).

Step 7.   Click on the **drop-down arrow** for the *Terms* field. Choose the new **First of the month** option you just created. Change the *Invoice Date* to a day in the last week of the month. You'll see that the *Due Date* updates to the first of the following month.

Step 8.   Click the **X** in the upper right corner, and click **Yes** to leave without saving the invoice.
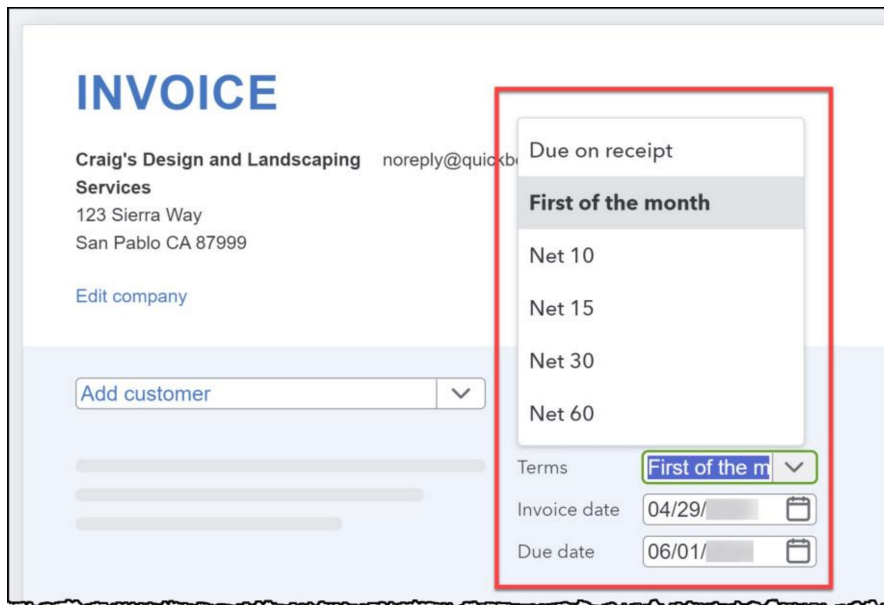
Figure 2-46 Change the Terms on an invoice, and the Due Date will update accordingly

Payment Methods

QuickBooks Online creates common ***Payment Methods*** by default, but you will want to customize this list to the ones you accept. Payment methods refer to both how you receive payments and how you make payments.

This list integrates with ***QuickBooks Payments***, QBO's built-in merchant services. When you have QB Payments turned on, any of the payment methods marked **Credit Card** will allow you to run a credit card right inside the interface. The payment method **Check** is used not just for paper checks, but for ACH (e-checks) as well.

We will see these payment methods in use when we receive invoice payments on page 114.

Figure 2-47 The list of Payment Methods

HANDS-ON PRACTICE

Craig's Landscaping doesn't take Diner's Club, but they do take PayPal, so you decide to edit the list.

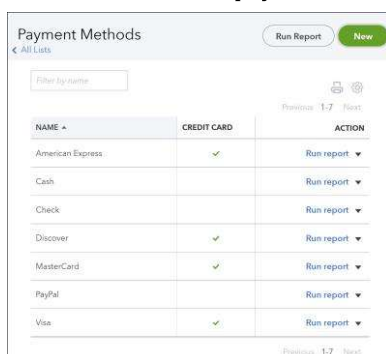Step 1.   Select the *Gear* menu, and then choose **All Lists**. From there, click on **Payment Methods** (see Figure 2-47).

Step 2.   If there are terms on this list you will never use, you can remove them. Craig's Landscaping does not accept *Diner's Club,* so there's no reason to keep it as an option. Click the **drop-down arrow** on its right and choose **Make Inactive**. Click **Yes** to confirm.

Step 3.   To create a new payment method, select the **New** button in the upper right.

Step 4.   Enter **PayPal** in the *Name* field.

Step 5.   Leave *This Is a Credit Card* unchecked. Only select that option when you will use the payment method to run credit cards inside QBO.

Step 6.   **Save** the New Payment Method window.

Figure 2-48 Add a Payment Method

IMPLEMENTING CUSTOM FIELDS

When you create transactions, you can define **Custom Fields** for tracking additional information. Custom fields are available as columns or filters on most reports.

Some common uses for Custom Fields include tracking Sales Reps, PO Numbers, and crews or vehicles assigned to a job. In some cases, your vendors or clients may require you to include specific information on your forms, like PO Numbers.

QuickBooks Online Plus has three basic built-in fields. Upgrading to QuickBooks Online Advanced extends this limit:

- Up to 12 custom fields for each type of form.
- Attach custom fields to transactions, vendors, and customers.
- Utilize data types including drop-down lists, text, number, and date formats.

HANDS-ON PRACTICE

Craig's Landscaping tracks each customer and vendor transaction by **Sales Rep**. This information allows the company to track employee productivity and customer satisfaction.

Step 1.   Access **Custom Fields** from the *All Lists* window under the *Gear*.

Step 2.   The first time you go to *Custom Fields*, click the green **Add Custom Field button**.

Step 3.   Enter **Sales Rep** in the *Name box* (see Figure 2-49).

Step 4.   Click the **checkmark** next to *All Sales Forms*. Turn the *slider* to **On** so that the Sales Rep field appears when you print and email forms.
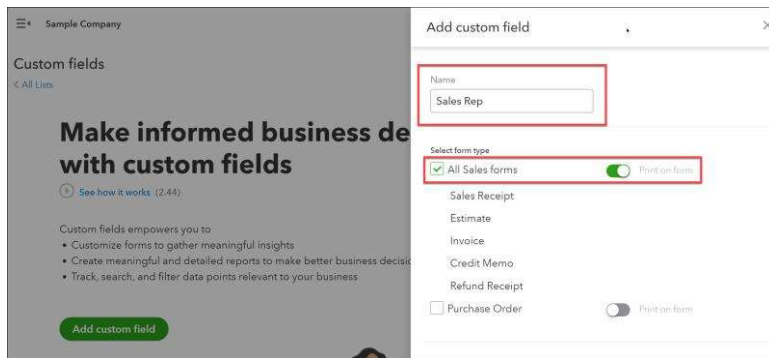
Step 5.   Click **Save**.

Figure 2-49 Add Custom Fields

In the *Custom Fields* list shown in Figure 2-50, you can edit existing custom fields, inactivate those you no longer need, view inactive fields, and add up to three in total. If you need more than three fields or would like enhanced features, upgrade to QuickBooks Online Advanced.
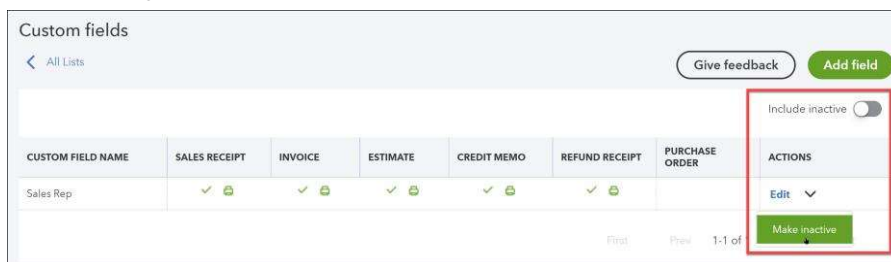

Figure 2-50 The Custom Fields list

ACTIVATING CLASS TRACKING

In QuickBooks Online Plus and Advanced, the **Class** and **Location** fields give you additional ways to segregate your transactions. You can use classes to separate your income and expenses by revenue stream, profit center, or any other meaningful breakdown of your business activity. You can use locations to track income and spending by department or branch. Alternatively, if your business is a not-for-profit organization, you could use classes to separately track transactions for each program or activity within the organization.

When you use classes and/or locations on each transaction (checks, bills, invoices, etc.), you'll be able to create separate reports for each class or location of the business, either by filtering reports for a specific class, or breaking up the report into multiple columns for each class. An example of a Profit and Loss by Class report can be found on page 276.

For example, a landlord might classify all income and expenses by property and be able to create separate Profit and Loss reports for each building or unit. A law firm might wish to view income and expenses by partner.

Classes can be nested seven levels deep.

Since you will have income or expenses that apply to all or none of your classes and locations, always include an additional entry called **Overhead** and assign such transactions there.

> **IMPORTANT!**
>
> Because the *Craig's Landscaping sample company* resets itself each time you use it, we will only turn on classes in some of the lessons. In your *Imagine Photography company file*, we will use classes to track each store branch throughout the exercises.

HANDS-ON PRACTICE

Craig's Landscaping provides services for both residential and commercial customers. Craig would like to be able to view his reports separated by these income and expense streams.

Follow these steps to create the **Classes List**:

Step 1.   Click on the **Gear**, and then choose **All Lists**.

Step 2. Click on **Classes** (if you don't see an option for *Classes*, turn to page 43 to them on again).

Step 3. Click the green **New** button.

Step 4. Enter **Residential** in the *Name* box (see Figure 2-51).

Step 5. Click **Save**.

Figure 2-51 Creating a Class

Step 6. Repeat steps 3-5 to add **Commercial** to the *Class List*.

Step 7. Add a third class for **Overhead**.

The *Classes* list now looks like Figure 2-52.

Figure 2-52 Craig's Landscaping's Classes list

Tagging

If you are not using QuickBooks Online Plus or Advanced and do not have access to classes, the *Tags* feature under the Gear is a great replacement. In fact, in some ways it is more flexible.

Tags are similar to classes in that they label income and expense transactions, and can be used as filters and columns in reports.

The difference is that tags can be color-coded into groups, and you can apply as many tags as you want to any transaction (although you can only apply one tag from each group).

Tags are a creative way to track events, employee activity, marketing sources, and other dimensions that don't fit into other QuickBooks Online fields.

HANDS-ON PRACTICE

Craig decides that he would like an easy way to analyze his jobs according to whether they are maintenance or new installations.

Step 1. Click on the **Gear**, and then choose **Tags**.

Step 2. From the green **New** button, select **Tag Group**

Step 3.   In the *Group Name* box, enter ***Job Type.***

Step 4.   Change the *color* to **Green** (top row, third circle). Click **Save.**

Step 5.   In the *Tag Name* box, type **Maintenance.** Click **Add.**

Step 6.   In the *Tag Name* box, type **New Install.** Click **Add.**
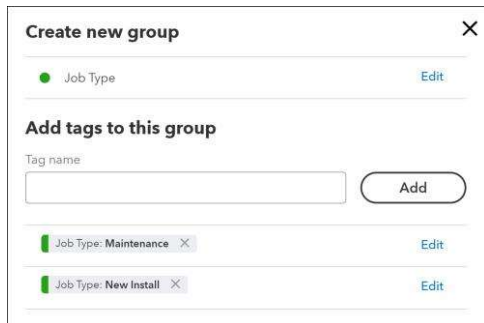
Step 7.   Click **Done.**

Figure 2-53 Creating Tag Groups and Tags

SETTING UP SALES TAX

If you sell products and certain types of services, chances are you will need to collect and remit **Sales Tax** to your state. In many states, each county or city may impose additional local taxes that businesses are also required to collect and report.

If you sell non-taxable goods and services, or if you sell to customers that are exempt from paying sales tax, your state will probably require a breakdown of non-taxable sales and the reason sales tax was not assessed.

These differing conditions may not apply in all jurisdictions, but QuickBooks Online allows you to track sales tax for all of these different situations.

> ### DID YOU KNOW?
>
> Sales tax is complicated! Some states are *home rule* states, meaning that your company address matters more than the location of your customers. Other states are *location-based*, and your taxes are calculated according to your customers' addresses.
>
> Also consider *nexus*. If you only have a few transactions or low total sales in particular jurisdictions, you may not owe any sales tax there.
>
> If you are not familiar with the sales tax rates or reporting requirements in your area, consult your state agency, your local QuickBooks Online ProAdvisor, or an accountant for guidance.

Collecting Sales Tax

You must set up your **Sales Tax Agencies** before using the Sales Tax feature in QuickBooks Online.

HANDS-ON PRACTICE

Step 1.   Click **Taxes** on the *Left Navigation Bar.*

Step 2.   The *Let's Set Up Your Sales Tax Center* dialog box appears. Click **Get Started.**

Step 3.   Verify that your *Business Address* is correct. If you need to make changes, click the **Pencil.** Otherwise, click **Next** (see Figure 2-54).
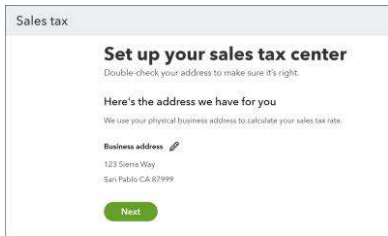
Figure 2-54 Verify your business address

Step 4. The next step is to set up the states where you do business. If you have already been using your QBO file, QuickBooks Online may suggest some tax rates for you (see Figure 2-55).

In the *Official Agency Name* column, assign the tax agencies. Some states just have one flat rate for all cities and counties. For other states, you may need to set up individual rates for every county where your customers reside.

If you have a lot of local taxes, use the ***Bulk Matching*** tool at the top.

Step 5. On the *California* row, select **California Department of Tax and Fee Administration**.

Step 6. On both the *AZ State Tax* and *Tucson City* rows, choose **Arizona Department of Revenue**.
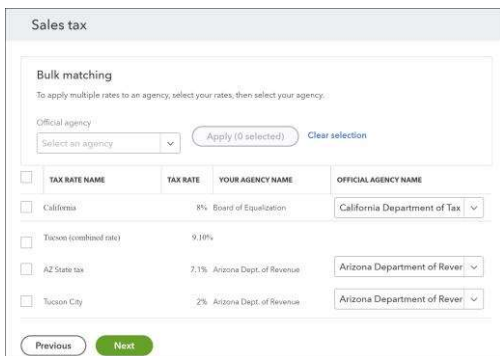
Step 7. Click **Next**.

Figure 2-55 Assign Sales Tax agencies

Step 8. QBO asks you to review your states, agencies, and tax rates. If you need to make any changes, click the blue **Change** link (see Figure 2-56). These are correct for Craig's Landscaping, so click **Save**.
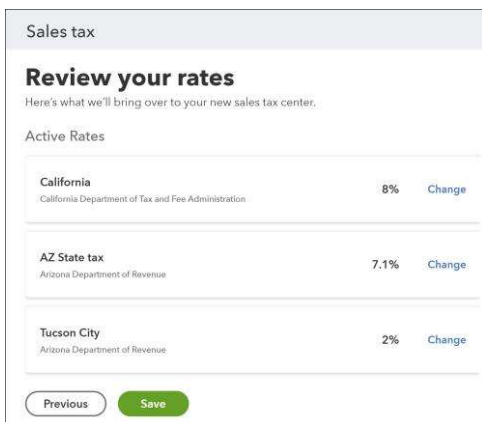

Figure 2-56 Sales Tax agency rates

Step 9. Click **Continue**, then click through any additional informational screens.

Step 10. Next QuickBooks Online will ask you *How Often Do You File Sales Tax?* Choose your *Filing Frequency* for each agency (see Figure 2-57). Be sure to get this information directly from your state's Department of Revenue.

For *Arizona*, select **Yearly**, then click **Next Agency.**

Step 11. For *California*, choose **Monthly**, then click **Save.**

Figure 2-57 Assign each agency's filing frequency

Craig's Landscaping is now set up to track sales tax for Arizona and California. Your *Sales Tax Center* will look similar to Figure 2-58. Dates and amounts will vary. Click on each state. Expand the *Tax Period Date* field as far back as you can to see past taxes.
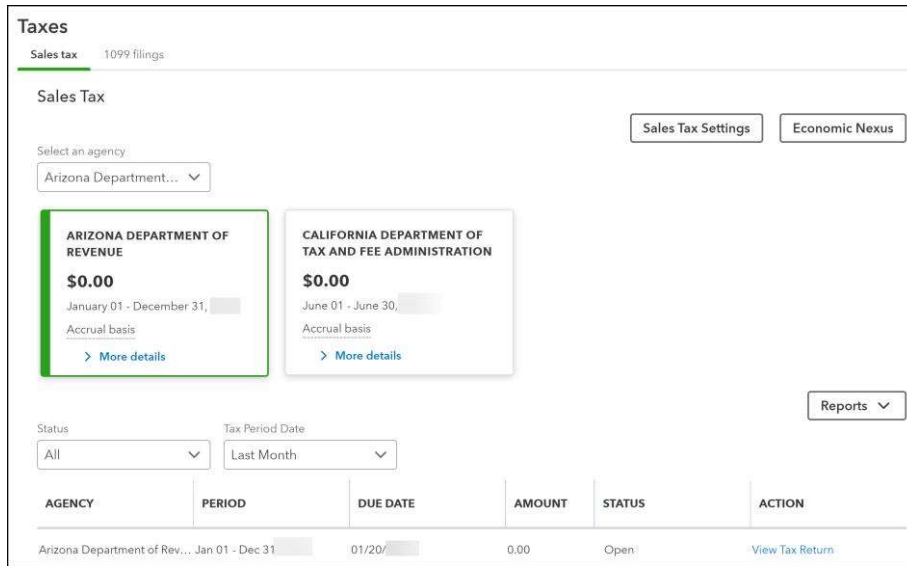
Figure 2-58 The Sales Tax Center tracks your liability - your screen may vary

<div style="border:2px solid green; padding:1em;">

IMPORTANT!

When you pay your sales taxes every month, be sure to use this *Sales Tax Center* to determine how much you owe. *More importantly, be sure to use this center to mark your sales taxes as paid!* The Sales Tax Center will apply the payment to decrease (debit) your Sales Tax Payable liability account to clear the balance owed. If you simply write a check or create a credit card payment without using the Sales Tax Center, you will overstate your expenses and the liability will remain on your Balance Sheet.

For more on paying the collected sales tax, see page 219.

</div>

If you look in your *Chart of Accounts*, you'll see new **Other Current Liabilities** collecting your unpaid sales tax until you remit it to your state agencies (see Figure 2-59).

Figure 2-59 Sales Tax Liability categories in the Chart of Accounts

Setting up Sales Tax Defaults

After setting up your sales tax agencies, the next step is to assign a default **sales tax status** to each product or service item, as well as to each customer. The Sales Tax defaults indicate whether a specific product or service, and this particular customer, are taxable or non-taxable.

For example, if you sell products to a reseller, they are typically exempt from paying sales tax, since their customers will pay the sales tax when they purchase the items.

<div style="border:2px solid green; padding:1em;">

IMPORTANT!

If you have products and services that are sometimes taxable and other times non-taxable, create two products, one with each tax status. While checking or unchecking the taxable status on a sales form will change whether you collect tax or not, the Sales Liability Report calculates based on the product sold, regardless of whether or not you actually collected the tax.

</div>

We will set up these defaults in your Imagine Photography exercises when we create new Products in Chapter 2 and Customers in Chapter 3.

Applying Sales Tax on Forms

After you properly set up your QuickBooks Online **Sales Tax Agencies**, **Products and Services**, and **Customers**, QuickBooks Online automatically calculates and tracks sales tax on each invoice or sales receipt (see Figure 2-60).

Each line on a sale is taxed according to the combination of how the item and customer are set up. Only taxable customers will be charged sales tax, and only on taxable products. If the customer is taxable, then the **sum of the taxable items is multiplied by the sales tax rate**.

- Either the *Billing Address* or the *Shipping From* fields will be used to identify the appropriate tax agency, based whether your state calculates sales tax based on your company's location or the client's billing and shipping address. Sometimes the *Shipping From* field may be labeled *Location of Sale*.
- The *Tax* column shows if each line item is taxable.
- *Select Tax Rate* at the bottom allows you to change the tax agency.

In the example below, the customer is taxable. All three products on the invoice are taxable, so the total on each line ($335.25) is multiplied by the rate for California (8%) for a resulting sales tax of $26.82, which is then added to the balance due.

The tiny blue *See the Math* link allows you to see how the tax was calculated, and override the amount if necessary.

Figure 2-60 Invoice with taxable items

CUSTOMIZING SALES FORMS

QuickBooks Online provides *Custom Form Styles* so that you can personalize your sales forms and payment receipts. Customizing your invoices, sales receipts, estimates, and payment receipts with your logo and branding projects a professional image.

You can modify the standard form that QuickBooks Online provides, and you can create your own variations so that you can control the way your forms appear on both the screen and the printed page.

The *Custom Sales Forms list* can be found under the *Gear*, at the bottom of most forms in the black bar, or under *Account and Settings* on the *Sales tab*.

HANDS-ON PRACTICE

Craig would like his invoices and sales receipts to display his logo and company colors. He would like a layout that looks stylish, and is easy for customers to read.

Step 1.   Click the *Gear*, and then choose **Custom Form Styles** in the first column. This list shows the standard template that comes with QuickBooks Online, as well as any forms the user may have created. In this sample company, the list may appear empty.

Step 2.   Click the **New Style button**, then choose **Invoice** (see Figure 2-61).

Step 3.   Change the *Name* at the top to **Service Invoice**. Give your templates unique, descriptive names so that you will easily recognize them when selecting them on forms.

Step 4.   Note that there are three tabs up at the top. We will start with the **Design** options (see Figure 2-61).
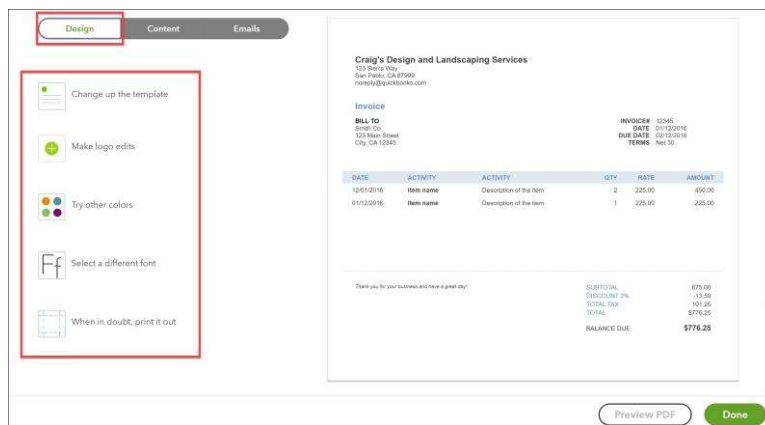
Figure 2-61 The Custom Form Styles window

> **TIP**
> If you are using *Locations* in QuickBooks Online, you can create separate form styles with the contact information for office or store.

Step 5.   In the *Change Up the Template* section, choose **Fresh**.

Step 6.   Click on **Make Logo Edits**, then click the **Add a Logo** box. A window will open (see Figure 2-62). Adding a business logo to your invoice helps customers identify your invoice, and familiarize themselves with your brand.

> **NOTE**
> This step may not work in the Craig's Landscaping sample company unless you are in an Incognito window (see page 6). You can also add the logo in the Company tab in *Account and Settings*.

Step 7.   Click the blue **+ box**. Navigate on your computer to find the **CraigsLogo.jpg** in your student files, or substitute a logo of your choice. Click **Save**.

Figure 2-62 Upload the company logo

Step 8.   Next to the logo are three circles for the logo *Size*. Choose **L** for Large.

Step 9.   The next three circles align the logo on the left, center, or right of the header. Try all three to see the layouts, then select **right.**

Step 10.   If you add the logo through this window, QuickBooks Online will look at your logo and find a coordinating color. If you don't like the color chosen, or you have company-branded colors, click **Try Other Colors.**

Step 11.   Craig wants the accent color to be green instead of brown. Click the **bright green** in the top row. The boxes and border lines on the invoice change to the selected color.

If the business had its own *Hex code* for the company colors, you could enter that in the box.

Step 12.   Click on **Select a Different Font**, then choose **Arial Unicode MS**, and **12pt.**

Step 13.   If you see **When In Doubt, Print It Out**, you can adjust page margins, align the form with envelope windows, and print on letterhead.
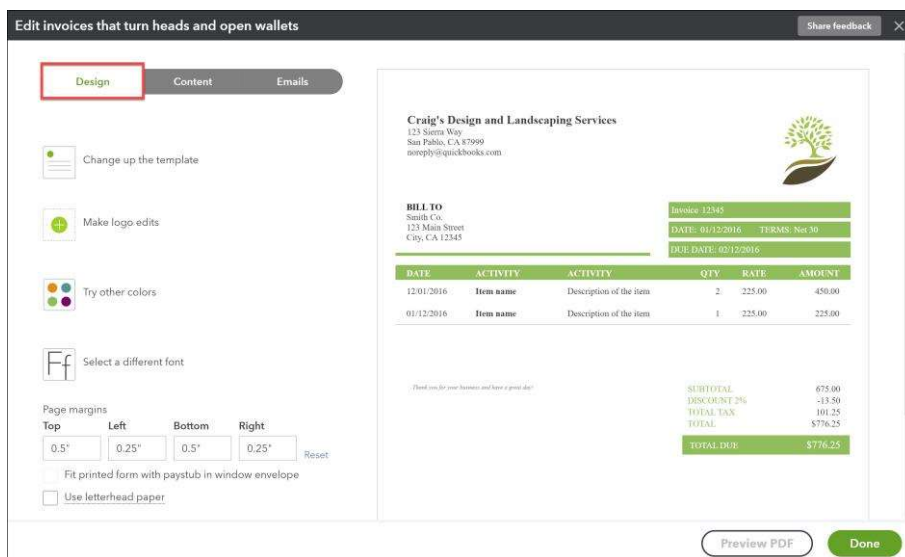
Figure 2-63 Design options

Step 14.   Click the **Content tab** at the top, then click on the **top section** in the preview on the right.

Step 15.   Click on **+Address** and **+Website** to update your contact information, as shown in Figure 2-64.

TIP
Each of the fields you see in the *Preview* are demonstration placeholders. If you don't use a field in your transaction, the box will be empty when you print or email the form.

Figure 2-64 Add your contact information, form numbers, and additional header fields to match this image

Step 16.   Click the **middle section** of the *Preview* to modify how the columns display on the invoice (see Figure 2-65).

Step 17.   In *Account Summary*, place a checkmark in front of **Show on Invoice**. This adds an **Account Summary** with *Balance Forward* and *Total Amount Due* for customers on account.

Step 18.   Notice the **Date** column. While every transaction will always have a date in the header, this option also adds an extra date field to every row. This is useful for businesses that want to show the specific date each line item was performed. We will leave this option **On**.

Step 19.   If you want to change the width of the columns to make them wider or narrower, click the blue **Edit Labels and Widths** link. We will leave these on the defaults.

Step 20.   At the bottom, view the **Show More Activity Options** by clicking the blue link. Turn these options on or off to add additional rows to each sales form for progress invoicing, displaying all markup, and showing billable time. We will leave all of these on the defaults.

Step 21.   Compare your screen to Figure 2-65 and make sure it matches.

Figure 2-65 Customize the appearance of the line items on the Content tab

Step 22.   Click the **bottom section** of the *Preview* to modify the messages on the invoice (see Figure 2-66).

Step 23.   Display the **Discount** and **Estimate Summary**. These add a dedicated Discount field and a Progress Invoicing summary below the invoice total.

Step 24.   The *middle box* that says "Thank you for your business…" is typically used for terms and conditions, or a thank you message. We will leave the default. Change the font size to **12pt**.

Step 25.   *Add Footer Text* is commonly used for mottos, slogans, and licensing numbers (such as a contractor's CCB number). Enter **Mowing your lawn so that you don't have to, since 1991.** Change the font size to **12pt Centered**.

Figure 2-66 Add a message and footer text

Step 26.   Click the **Emails** tab at the top to set the defaults for your *Email messages* (see Figure 2-67).

Step 27.   In the *How Your Invoice Appears in Emails* section, **Full Details** will include all your form's line items right in the email message. **Summarized Details** only include the due date and balance. The customer can click **Print or Save** to view the sales form online. If you have *QuickBooks Payments merchant services* turned on, the button becomes **Preview and Pay**, and the customer can pay the invoice immediately with a credit card or ACH payment.

If you leave **PDF Attached** on, the email message will include a PDF of the form for easy download. If you turn it off, the customer can still click the **Print** button and download it that way. Intuit's research demonstrates that if you prefer customers to pay electronically, turn **off** the *PDF Attached* option, or they might not notice the streamlined payment option.

Step 28.   In the *Standard Email* section, create default email messages for invoices, sales receipts, and estimates. Edit the **Subject**, **Greeting**, and **Message to Customer** to reflect your company's terminology and communication style.

We will not change the default email messages at this time.

Step 29.   Click **Preview PDF** at the bottom right to view a sample of your finished form in a separate tab. Close the window when done.

Step 30.   If you have changes to make, go back and edit any of the segments. When you are satisfied with the appearance, click the green **Done** button.

Figure 2-67 Edit the default email messages so they reflect your communication style

The **Standard** form is the default form used on all transactions. If you have more than one custom form style, you'll be able to choose which one is the default.

In every invoice or sales receipt, you'll be able to click **Customize** in the *black bar* at the bottom of the window to choose which form to use. Click **Print or Preview** to see what the customer's copy will look like, and to print out your own copy if necessary.
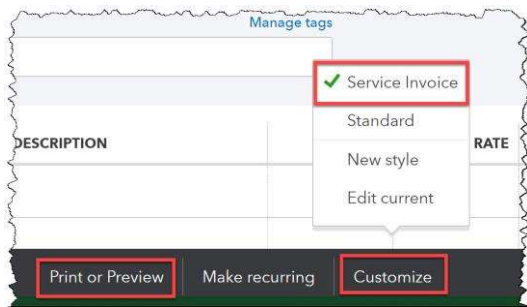
Figure 2-68 Switch form styles, and preview before sending

Adding Users and Passwords

QuickBooks Online is multi-user by nature. The number of user accounts available depends on your subscription:

- *Simple Start* gets only **1** user login.
- *Essentials* subscriptions include **3** users.
- *Plus* subscriptions can have **5** users, and unlimited **Reports Only** users.
- *Advanced* files can have up to **25** users, and include granular role-based permissions.

Every account has one *Primary Admin* who is the owner of the file with full access. This Primary Admin can add additional users and set privileges for each.

Optional modules like Payroll and QuickBooks Payments also allow for unlimited **Time Tracking** and **Payments Only** users so that employees can use these features without having any access to QBO itself.

Setting Up Users in the Company File

Each user should have a separate **username** and **password** to log into the file. That way you can see who made what changes when you look at the *Audit Log* (see page 182). The privileges granted to each user by the administrator determine what functions of QuickBooks Online they can access. For example, a user might have access to Accounts Receivable or Accounts Payable, but not payroll.

QuickBooks Online Advanced has additional granular control for user permissions.

> **NOTE**
> To protect and secure your QuickBooks Online data file, always use a complex password. Complex passwords use at least eight characters, including a capital and lowercase letter, a number, and a special character. It is a good practice to use passwords that cannot be easily guessed.

HANDS-ON PRACTICE

Craig's Landscaping needs a user account for employee John Johnson to be able to make sales receipts when he is out on a job. By logging in to the mobile app, John can create sales forms when he is onsite, instead of waiting until he's back in the office. He will also be able to swipe credit cards to take payments in the field. Craig does not want John to be able to create expense transactions, or view payroll.

Step 1.   On the *Gear* in the upper right corner, select **Manage Users** (see Figure 2-69).
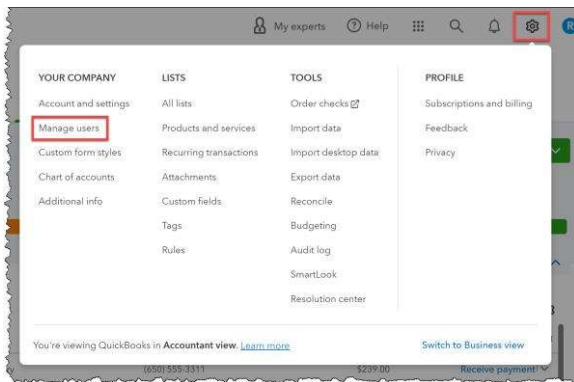
Figure 2-69 Select Manage Users from the Gear

NOTE

Because Craig's Landscaping is a sample company, it will have no users and we will not be able to send invitations.

Do not perform these steps now. They are for demonstration only.

Note that there are two tabs, one for *Users* and a second for *Accountants*, as shown in Figure 2-70.
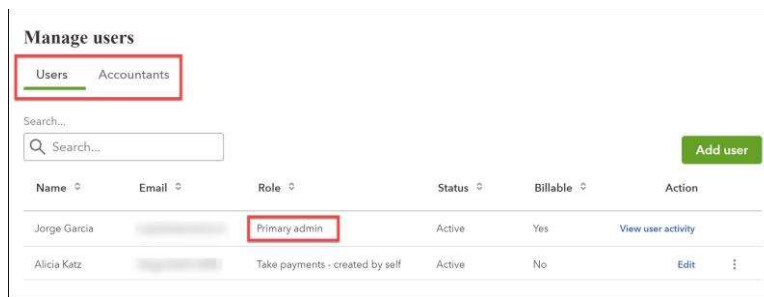
Figure 2-70 The Manage Users list for a company file

Step 2. To create an additional user, click **Add User**.

Step 3. Enter the **First Name**, **Last Name**, and **Email** address of the new user.

In the *Roles* section, QuickBooks Online offers a selection of user types (see Figure 2-71). After you choose the desired role, scroll below to view the associated permissions. If you are using QBO Advanced, you can create custom Roles with user-specific access.

- A *Company Admin* has full access.

- *Standard All Access* can do everything except manage the subscription or users.

- *Standard Limited Customers and Vendors* can work with A/R and A/P transactions, but not perform banking, bookkeeping, or payroll tasks.

- *Standard Limited Customers Only* can work with A/R transactions, but not perform A/P, banking, bookkeeping, or payroll tasks.

- *Standard Limited Vendors Only* can work with A/P transactions, but not perform A/R, banking, bookkeeping, or payroll tasks.

- *Standard No Access* users can submit timesheets and administer the subscriptions and users, but can't work with any data.

- *Take Payments - All* users allow can log in through the GoPayment mobile app to swipe credit card payments and manage transactions. These permissions do not count against your user limits.

- *Take Payments – Created by Self* users allow can log in through the GoPayment mobile app to swipe credit card payments, but they can only edit transactions they created. These permissions do not count against your user limits.

- *Track Time Only* users are vendors and employees who can only submit timesheets to populate payroll and job costing reports in the Projects Center. These permissions do not count against your user limits.

- *View Company Reports* users appear in QuickBooks Online Plus and Advanced. Users with this permission level can view all reports but not make any changes to the data. These permissions do not count against your user limits.
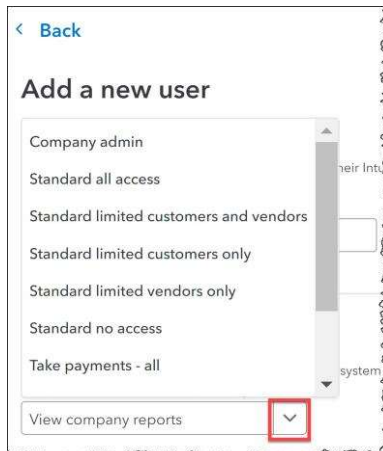
Figure 2-71 The Add a New User window

Step 4.   For John, who needs to create invoices and take payments using his phone while onsite, choose **Take Payments - All**, then click **Send Invitation**.

> **IMPORTANT!**
> If the QuickBooks Online file has an active payroll subscription, you will also see options to prevent users from viewing confidential payroll data.

Accountant Users

QuickBooks Online also provides two *Accounting Firms* users (QBO Advanced has three). These logins are to be used by ProAdvisors, bookkeepers, and tax preparers.

Accountant logins allow financial professionals instant access all their clients' company files. Not only can the accountant log in any time, but they also have additional tools not available to company users, including the ability to undo reconciliations, reclassify transactions, write off bad debts, and make books-to-tax adjustments.

To invite an accountant, simply enter their **email address**, and click **Invite**, as shown in Figure 2-72.
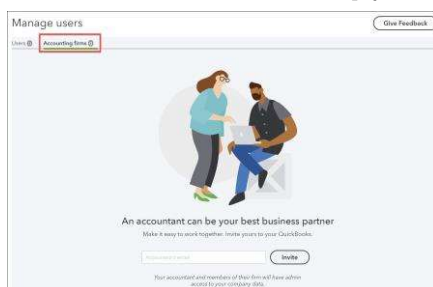
Figure 2-72 Invite your accountant or bookkeeper

REVIEW QUESTIONS

Comprehension Questions

1. Why is it important to go through Account and Settings when you first set up a new company file in QuickBooks Online?

2. What is the purpose of the Chart of Accounts?

3. Describe the purpose of the Products and Services List.

4. Describe how Classes are used in QuickBooks Online. Give an example of how a business could use classes.

5. How does QuickBooks Online calculate Sales Tax?

6. What are some of the reasons you might use Custom Fields?

Multiple Choice

Select the best answer(s) for each of the following:

1. You can create Custom Fields for:
   a) Customers.
   b) Templates.
   c) Vendors.
   d) Both a and c.

2. You can customize your QBO company settings under:
   a) Gear > Account and Settings.
   b) Left Navigation Bar > Transactions.
   c) Left Navigation Bar > Account and Settings.
   d) Gear > Preferences.

3. The Chart of Accounts contains categories for:
   a) Products and Services.
   b) Customer names.
   c) Assets, Liabilities, Equity, Income, and Expenses.
   d) Payment methods.

4. Which of the following is not available as a Custom Sales Form?
   a) Invoice.
   b) Estimate.
   c) Check.
   d) Sales Receipt.

5. Which of the following is displayed vertically on the far left side of the screen?
   a) The Dashboards.
   b) The Left Navigation Bar.
   c) The Gear.
   d) None of the above.

6. The types of Products and Services include:

   a) Invoices, Sales Receipts, and Estimates.
   b) Customers, Vendors, and Employees.
   c) Inventory Asset, Cost of Goods, and Income.
   d) Inventory, Non-inventory, Service, and Bundle.

7. To add a new Sales Tax to the list:

   a) See if QBO suggests any based on your company information.
   b) Specify the states where you do business.
   c) Add a new service item for each sales tax rate.
   d) Either a or b.

8. Where can you find Custom Form Styles to manually design the layout of an Invoice?

   a) The Gear.
   b) Account and Settings > Sales.
   c) Click Customize at the bottom of sales forms.
   d) All of the above.

9. Which list creates the payment due dates for sales and expense forms?

   a) Terms.
   b) Payment Methods.
   c) Classes.
   d) Tags.

10. You would like your customers to pay you within 15 days. What List would you open to start creating this option?

    a) Customers.
    b) Products and Services
    c) Payment Methods   .
    d) Terms.

11. What is the benefit to using Bundles on a sales form?

    a) Save time in data entry.
    b) Calculate quantities on several items at once.
    c) Combine several Products and Services into one.
    d) All of the above.

12. Where should you go to pay your Sales Taxes?

    a) Write a check or enter a credit card expense.
    b) The Sales Tax Center.
    c) Pay a bill.
    d) The Bank Transactions Feed.

13. You can rearrange the width of columns on a sales form using:

    a) Columns.
    b) Design.
    c) Edit Labels And Widths.
    d) Emails.

14. The Payment Methods list:

    a) Contains the forms of payment you accept from customers.
    b) Contains the forms of payments you use for vendors.
    c) Should be customized to reflect your business's needs.
    d) All of the above.

15. The setting to change the time limit for your browser before you get logged out is found:

    a) You can't change this limit.

    b) Account and Settings > Company.

    c) Gear > Sign Out.

    d) Account and Settings > Advanced.

Completion Statements

1. Use _____ ___ _____ to enter your company's contact information for use across all of QuickBooks Online.

2. The ____ ____ _____ list defines the items you buy from vendors and sell to customers.

3. Use _____ _____ to create extra fields specific to your reporting needs.

4. _____ _____ terms calculate based on the day of the month that an invoice or bill is due.

5. Products and Services that you both buy and sell are called _____ _____.

CUSTOMIZING QUICKBOOKS ONLINE – APPLY YOUR KNOWLEDGE

It's time to set up Imagine Photography with the Account and Settings, Chart of Accounts, Products and Services, and Lists you will need throughout this course.

IMPORTANT!
As you enter set up information, proofread and review carefully to make sure you don't have any typos or spelling errors. Remember this information will be used for all transactions and reports going forward, so accuracy is important. As you work through the setup, confirm that the information on the screen matches the book. If a setting is not mentioned in the instructions, you don't need to make any changes.

1. Sign in to **Imagine Photography**, your student company.

2. Set up the following **Account and Settings > Company** settings as shown in Table 2-1. Some options are already set up and will not need to be changed.

COMPANY SETTINGS	
Logo	ImagineLogo.png
Company Name	[Your Name]'s Imagine Photography
Legal Name	Imagine Photography, Inc.
EIN	12-1234567
Tax Form	Small Business Corporation, Two or More Owners (Form 1120S)
Industry	All Other Miscellaneous Store Retailers
Company Email	[Your email address]
Customer-Facing E-Mail	info@imaginephoto.biz
Company Phone	+1 925-555-1111
Website	http://www.imaginephoto.biz
Address	123 Main St. Pleasanton, CA 94566 (note: be sure QBO autofills the company address. After you type "St", start typing "Pleasanton" until the address shows up on the list, then click on it)

Table 2-1 Company Settings

3. Update and confirm the following **Account and Settings > Advanced** settings as shown in Table 2-2. Click **Save** between sections.

ADVANCED SETTINGS	
First month of the fiscal year	January
First month of income tax year	Same as fiscal year
Accounting Method	Accrual
Close the Books	Off
Enable Account Numbers	Off
Track Classes	On
Warn Me When a Transaction Isn't Assigned a Class	Yes (check this box)
Track Locations	Off
Pre-fill Forms With Previously Entered Content	On
Automatically Apply Credits	Off
Automatically Invoice Unbilled Activity	Off
Automatically Apply Bill Payments	Off
Organize All Job-Related Activity In One Place (Projects)	On
Sign Me Out if Inactive For	3 Hours

Table 2-2 Advanced Settings

4. Update and confirm the following **Account and Settings > Time** settings as shown in Table 2-3. Click **Save** between sections.

TIME SETTINGS	
First Day of Work Week	Monday
Show Service Field	On
Allow time to be billable	On

Table 2-3 Time Settings

5. Go to **Account and Settings > Sales** and turn on **Track Inventory Quantity on Hand** under the *Products and Services* section. Accept all dialog boxes. Click **Save**.

6. Click **Done** to save the settings and leave the *Account and Settings* center.

7. Go to **Taxes** in the *Left Navigation Bar* and turn on **Use Automatic Sales Tax**. You only collect tax for **California** customers. File sales taxes **Monthly**.

8. Set up your **Chart of Accounts.** Add the account categories shown in Table 2-4. You do not need to enter *Descriptions*.

	ACCOUNTS TO ADD TO THE CHART OF ACCOUNTS				
Action	Account Name	Account Type	Detail Type	Make this a subaccount?	Parent Account
Add	Business Checking (1025)	Bank	Checking	No	
Add	Money Market (7809)	Bank	Money Market	No	
Add	Business Visa (5678)	Credit Card	Credit Card	No	
Add	Photography Income	Income	Service/Fee Income	No	
Add	Computer Expenses	Expenses	Office/General Administrative Expenses	Yes	Office Expenses
Add	Marketing	Expenses	Advertising/Promotional	Yes	Advertising & Marketing

Table 2-4 Add these accounts

9. Continue to modify your **Chart of Accounts** using Table 2-5. Merge, edit, or inactivate these accounts:

CHANGES TO MAKE TO THE CHART OF ACCOUNTS		
Action	**Account Name**	**Edits to make:**
Merge	Sales	*Account Name*: **Sales of Product Income**
Edit	Website ads	Account Name: **Website**
Make inactive	Land	Not needed
Make inactive	Supplies and Supplies:Supplies & materials	Inactivate both the Expense and its Subcategory. Supplies & materials will be tracked under Cost of Goods Sold (COGS) only.

Table 2-5 Edit or inactivate these accounts

10. Click the **Run Report** button. Compare your Chart of Accounts to the *Imagine Photography Account List PDF* in your student QuickBooks Online Classroom Files folder.

11. Set up your **Classes List**. Imagine Photography uses classes to track income and expenses for each of its two stores **- San Jose** and **Walnut Creek**. Set up these two classes, along with a third class for **Overhead**.

12. Set up your **Products and Services List** by importing the **ImaginePhotographyProductList.xls** spreadsheet in your classroom files folder.

    a. Use the *Upload them using batch import* link at the bottom of the *Products and Services* window. The fields are already mapped, so you can just click **Next** to accept the defaults.

    b. In the confirmation window, update any fields the tool doesn't recognize. If the *Quantity As-Of Date* does not import, click in each field and type the shortcut **Y** to enter the first day of this year (or you can just type **1/1**).

    c. When your screen matches Figure 2-73, click on the **Save** button in the lower right corner of the screen. If you don't see the button, adjust your browser settings.

    d. After the import, close the window. This will import eight products and services, for a total of 10 including QBO's default items.
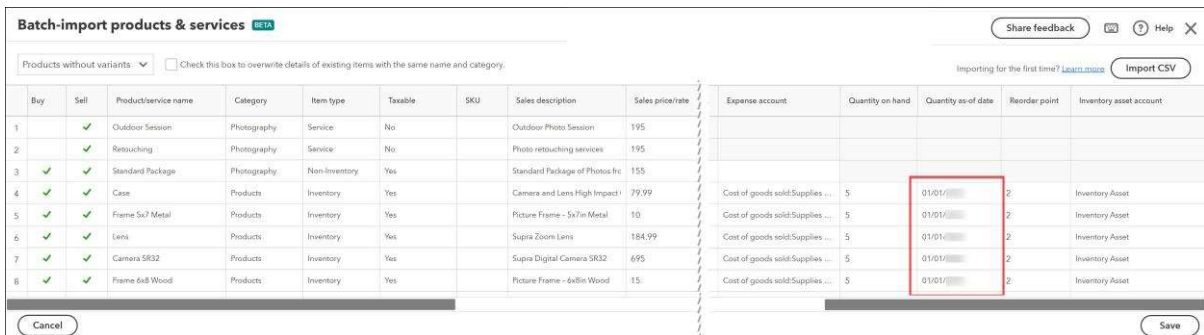

Figure 2-73 Fix any import errors

13. Create the rest of your **Products and Services List** by adding the three items shown in Table 2-6. Leave any other fields blank or accept the defaults if not shown in the table.

	SERVICE	**SERVICE**	**NON-INVENTORY**
Name	Indoor Session	Videographer	Photo Paper
Category	Photography	Photography	Products
Class	San Jose	San Jose	Walnut Creek
Description	Indoor Studio Session	Videographer	Standard Photo Paper, Glossy, 8.5"x11", Pack of 100
Sales Price/Rate	225	125	25
Income Account	Photography Income	Photography Income	Sales of Product Income
Sales Tax	Nontaxable	Nontaxable	Taxable – based on location only
Check "I purchase this product/ service from a vendor"		Subcontracted Videographer	Standard Photo Paper, Glossy, 8.5"x11", Pack of 100
Cost		75	15
Expense Account		Cost of Goods Sold:Cost of labor - COS	Cost of Goods Sold:Supplies & Materials

Table 2-6 Products and Services List

14. Create two **Bundles** as shown in Table 2-7 below. Check **Display Bundle Components When Printing or Sending Transactions**. The *Qty* is **1** for each line. When finished, compare your *Products and Services* list to the Answer Key on page 325.

NAME	**SALES DESCRIPTION**	**PRODUCT/SERVICE**
Deluxe Shoot	Deluxe Photo Shoot	Indoor Session
		Outdoor Session
		Retouching
		Standard Package
Supra Package	Supra Camera Package	Camera SR32
		Lens
		Case

Table 2-7 Create two Bundles

15. Set up your **Terms List** according to Table 2-8.

Term Name	Options	
1st of the Month	Select Due by certain day of the month 1 day of month	Due the next month if issued within **5** days of due date
Due on Receipt	No change	
Net 30	No change	
Net 15	Make inactive	
Net 60	Make inactive	

Table 2-8 Terms List

16. Add two *Custom Fields* for **Sales Rep** and **PO Number**. Add both to **All Sales Forms** and set them to **Print on Forms**.

17. Edit the **Standard Custom Form Style**. Accept all defaults if not shown in the table. Click **Preview PDF**. Compare it to the *Answer Key* at the end of the book.

ELEMENT	OPTION
DESIGN TAB:	
Change up the template	Airy New
Make logo edits	Size = **Medium**, Placement = **Right**
Try other colors	**Aqua**, top row, second from right (#0e909a)
Select a different font	Arial Unicode MS, 10pt
CONTENT TAB:	
Phone	Check box to turn on, reformat to **(925) 555-1111**
Address	Uncheck to turn **off** (note: we could make separate forms with each store location address if we were using QBO's Locations feature)
Display	Check to turn on **Shipping**
Account Summary	Click in the middle Account Summary section. Check **Show on invoice**
Message to Customer	Click in the bottom *Footer* section. Type Satisfaction guaranteed! Come back within 30 days for a store credit. Size = 12pt
Footer text	Give It Your Best Shot! Size = 12pt, Centered
EMAILS TAB:	
Email Greeting	Change *[Fullname]* to **[First]**

Table 2-9 Use this data to edit the Standard form style.

18. Add a *Tag Group* named **Type.** Change the color to **Light Blue** (2nd row, 1st circle). Add *Tag Names* for **Weddings, Portraits, Real Estate**, **Corporate**, and **Retail.**