GELMAN, ROSENBERG & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS

Fundamentals of QuickBooks

Center for Nonprofit Advancement

Ian Shuman, CPA
Partner, Client Services

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Ian Shuman, CPA

Partner, Gelman, Rosenberg & Freedman CPAs

- Director of Client Services
- **20 years** of experience in auditing, consulting and accounting
- Specializes in nonprofit outsourced accounting services
  - Flexible CFO & controllership engagements, guide clients through external audit, help with board reporting, training of client accounting personnel and set up of accounting systems
- **Nonprofit Involvement:**
  - Board Member of Constellation Theater
  - Treasurer of the Bach Sinfonia

Agenda

1. Reference material
2. Orientation and basic navigation
3. Recording expenses
4. Recording income
5. Hodge-podge: credit cards, journal entries and bank reconciliations
6. Basic reporting
7. Eighteen common QuickBooks errors

1. Reference Material

QuickBooks File Extensions

- QBW - Normal "Working" file
- QBB - Full backup file
- QBM - A "Portable File" meant for emailing (missing some preferences, log and indexing)
- QBX - Accountant's copy you create and send to an external accountant (to work concurrently)
- QBA - The accountant's copy that the external accountant is working in
- QBY - File that the external account sends back to you to import their changes (small file)
- QBMB - Backup for Macintosh
- QBO- Web Connect file of downloaded bank transactions

QuickBooks Features by Year

- Be aware of Intuit's three-year "Sunset" policy for tech support
- 2006: **Always-on audit trail, Centers**
- 2007: Minor improvements
- 2008: Big improvements to accountant's copy
- 2009: Some multi-currency, **prompt to close**, sorting in bank reconciliations
- 2010: Bolds un-cleared items on bank reconciliations screen, **added "Save" to most forms**
- 2011: **Added a history pane on forms**, limited B/S by class, batch invoicing
- 2012: Inventory center, document attachment, calendar view, **simpler creation of credit memos (A/R)**

QuickBooks Features By Year (cont.)

- 2013: **Collapse report line items**, visual layout changes throughout (bigger font, wider rows, icon bar left or top, changes to layout of centers), **improved transaction toolbar**, maximize transactions, Journal entry import (from Acct version only but no need for Acct's Copy)
- 2014: Added the Income Tracker dashboard, bounced customer checks, more reports in transaction toolbar, can resize or sort the time/cost window, can "fit report to # pages high" (instead of just width)
- 2015: Lots of small changes, added ability to imbed comments on reports, added grid lines and shading to on-screen reports
- 2016: More small changes, added a Bill Tracker, faster backend database, support for Windows 10, added "YTD through last month" as a date range option in reports

QuickBooks Versions

- Pro - Most common
- Premier - **Saves reconciliations as PDF**, **subtotals journal entry debits/credits**, about 2x price
- Nonprofit version is same as Premier with very little added
- Enterprise - Much stronger database
- Online - Different interface (one window at a time); limitations on manual imports but fantastic at automatic imports/synchs; new layout is much better but I still prefer using the desktop version
- **Sideways compatible** (except online edition) but not between years

Technical Specs/Resources

- 2.4 GHz processor
- 2.5 GB disk space
- 2015 software: 2 GB RAM; 2016 software: 8 GB RAM (4 GB minimum)
- Windows Vista, 7, 8 or 10 (Windows 8 only for QuickBooks 2013 or newer)
- http://http-download.intuit.com/http.intuit/CMO/quickbooks/2015/docs/QuickBooks_2015_The_Missing_Manual.pdf (by Bonnie Biafore)
- http://examples.oreilly.com/0636920032700/AppC_QB15MM.pdf (keyboard shortcuts)

Windows 10

- Intuit does not officially list Windows 10 as being supported but they do say that "based on initial testing" v2015 and v2016 run fine. Intuit does not address v2012 through v2014 but unofficial tests by 3rd parties report that they run fine with limited issues.

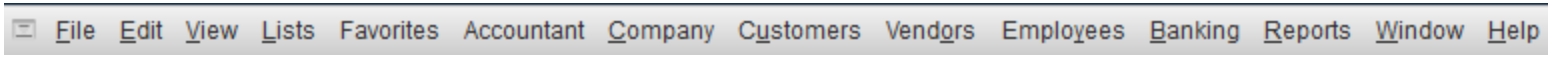
- **QuickBooks 2015 and later:** Based on initial testing we have not found any major issues with QuickBooks 2015. Please see our system requirements for details of what are supported operating systems. If you have deployed QuickBooks 2015 on Windows 10, make sure you have .NET Framework 3.5 enabled (it is usually disabled by default from Microsoft) to ensure the best possible experience using QuickBooks on a non-supported operating system.
  - **Ensure .NET 3.5 is enabled for QuickBooks 2015**

    1. Open the **Start** menu and type **Turn Windows features On or Off**.
    2. Click on **Turn Windows features On or Off**.
    3. At the top, you will see an option for **.NET Framework 3.5**, ensure it is **enabled**.
       1. If it is not enabled, click in the white check box to enable it and click **Ok**. **Reboot** your computer after it is enabled.
       2. If it is already enabled, then click **Cancel** and no further action is required in this step.

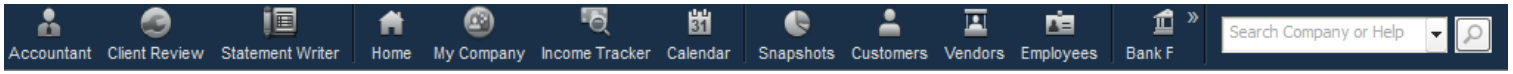
2. Orientation and Basic Navigation

Visual Tour

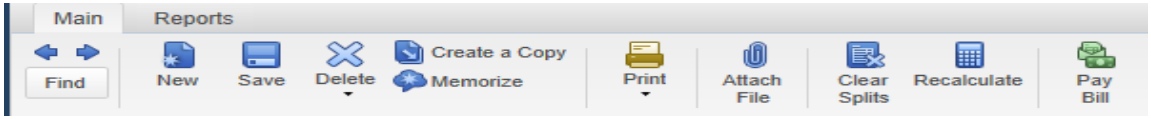
- Home page
- Menu bar:



- General Icon bar:

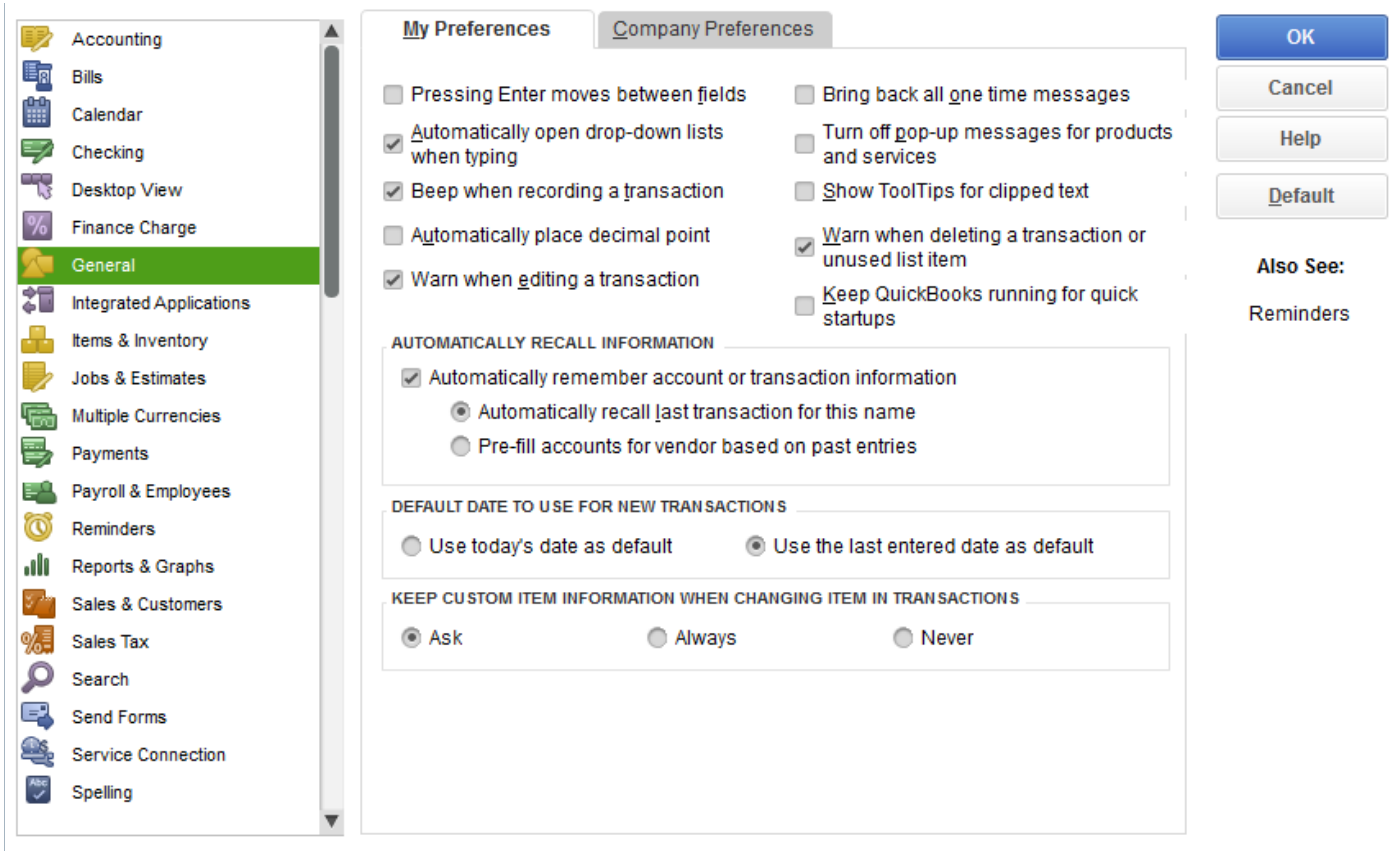


- Transaction specific Icon bar (general and transaction specific)- note the pop-up tips!



- Centers
- Getting around

Preferences



Preferences and Display Options

- Tip: Spend the time to walk through the preferences
- My favorite preferences: Enter moves between fields, beep when recording, closing date,
- Look at automatic recall and default date options
- Click on View in the menu bar to see display options
- Windows (one or multiple), Open window list (on or off), Icon Bar (top or left)

The Tao of QuickBooks

- Tip: It thinks like a database- not like an accounting ledger
- Since a modern database can calculate everything on the fly, there's no need to have a hard close or to group into "periods". It all just calculates every time you run a report.
- How can account numbers be optional?
- It's table driven instead of chart of accounts driven

Connecting Pieces- no separate modules

- Three parts that work together:
  - Lists- populate fields in the database
  - Forms- use lists to create transactions
  - Items- connect forms to the chart of accounts
- Registers- and a caution about them
- Reports

A Few Other Tools

- Company Snapshot
- Income Tracker
- Calendar
- App Center
- Learning Center Tutorials

- Tips:
  - Navigate via the P&L or Balance Sheet reports
  - Remember the Help Menu!

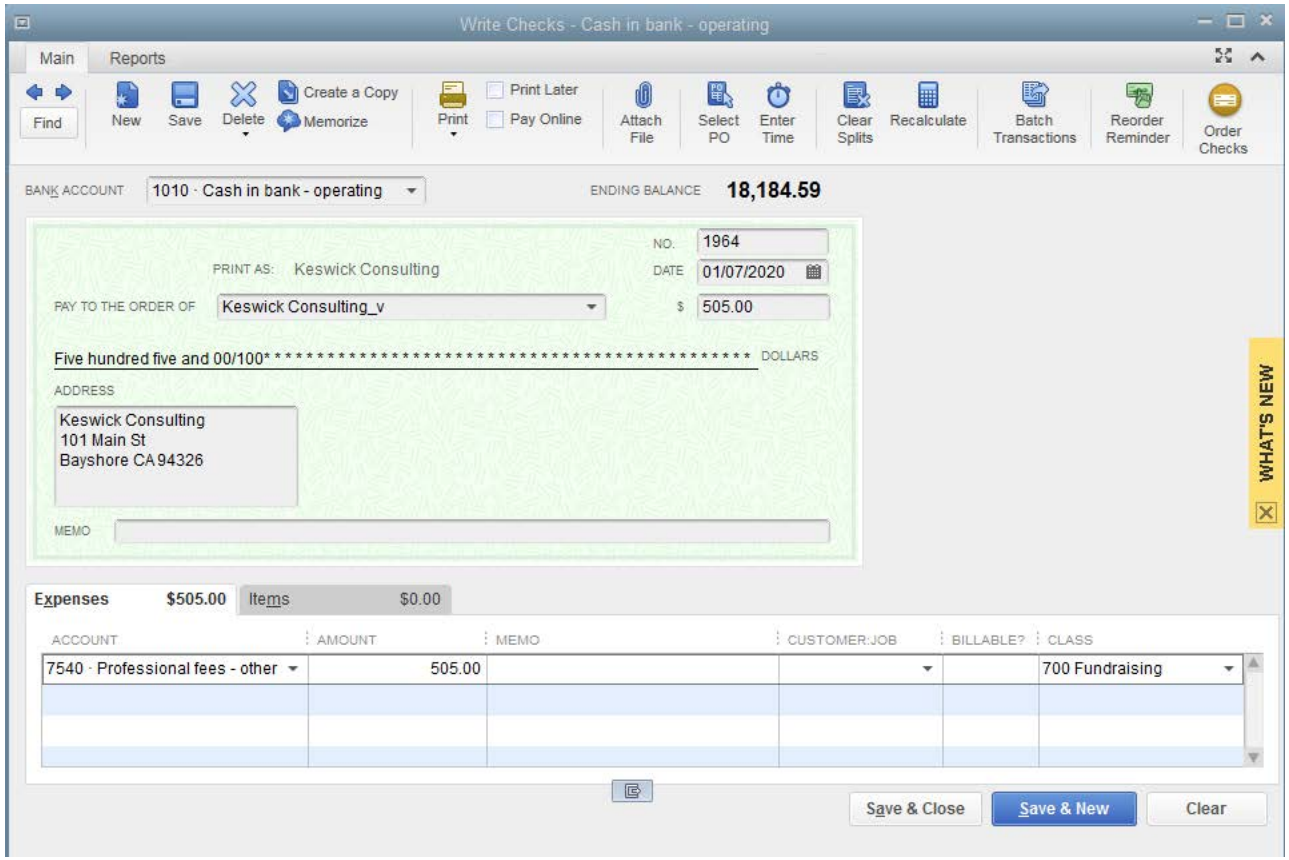
3. Recording Expenses

Two Options for Recording Cash-Out

- "Write Check"- Expense and payment happen at same date (cash basis)
- "Enter Bill" followed by "Pay Bill"- Expense and payment happen on different dates (accrual basis)
- Tip: Don't do "Enter Bill" and then "Write Check."

Recording Cash-Out: Write Checks

- Note that there is only one date field
- Print them individually or click "print later" and then "Print Forms" from the File menu



BANK ACCOUNT 1010 · Cash in bank - operating
ENDING BALANCE 18,184.59

NO. 1964
DATE 01/07/2020
PRINT AS: Keswick Consulting
PAY TO THE ORDER OF Keswick Consulting_v
$ 505.00
Five hundred five and 00/100*** DOLLARS

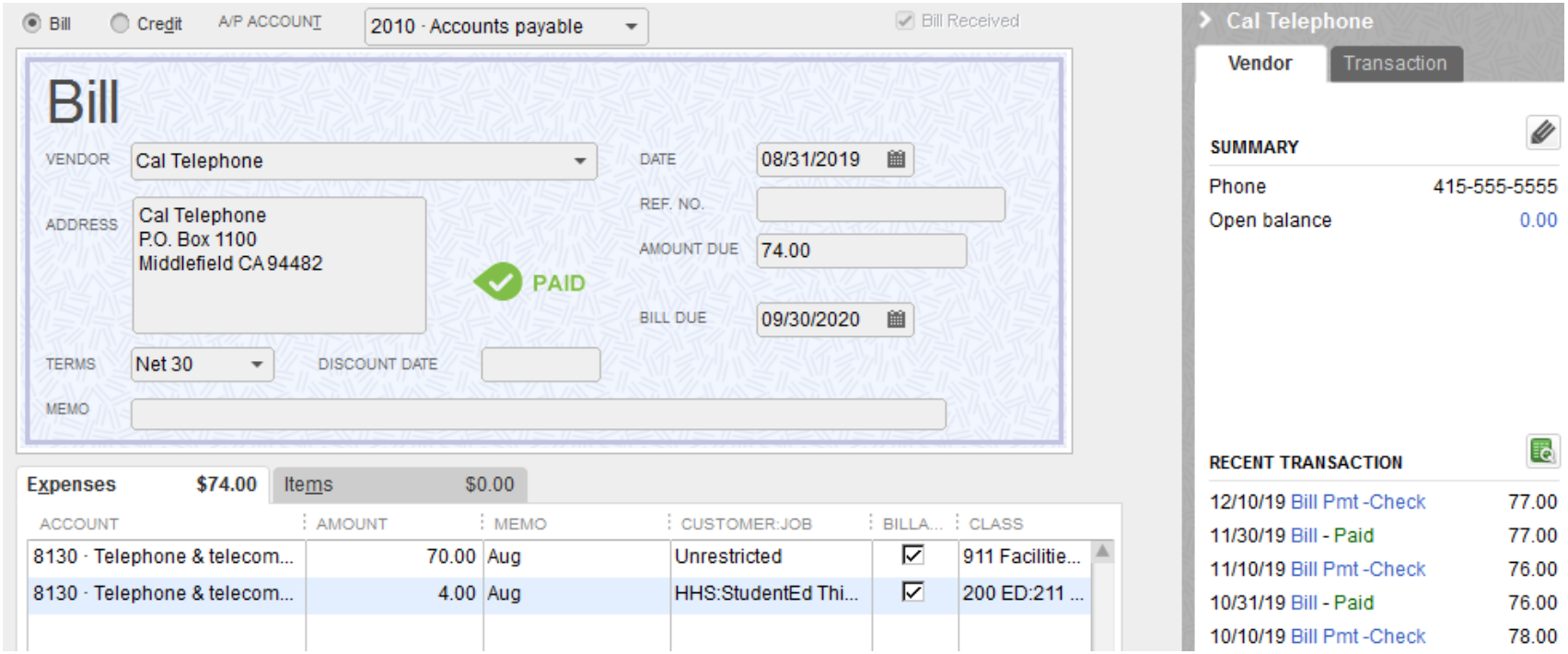
ADDRESS
Keswick Consulting
101 Main St
Bayshore CA 94326

MEMO

Expenses $505.00 Items $0.00

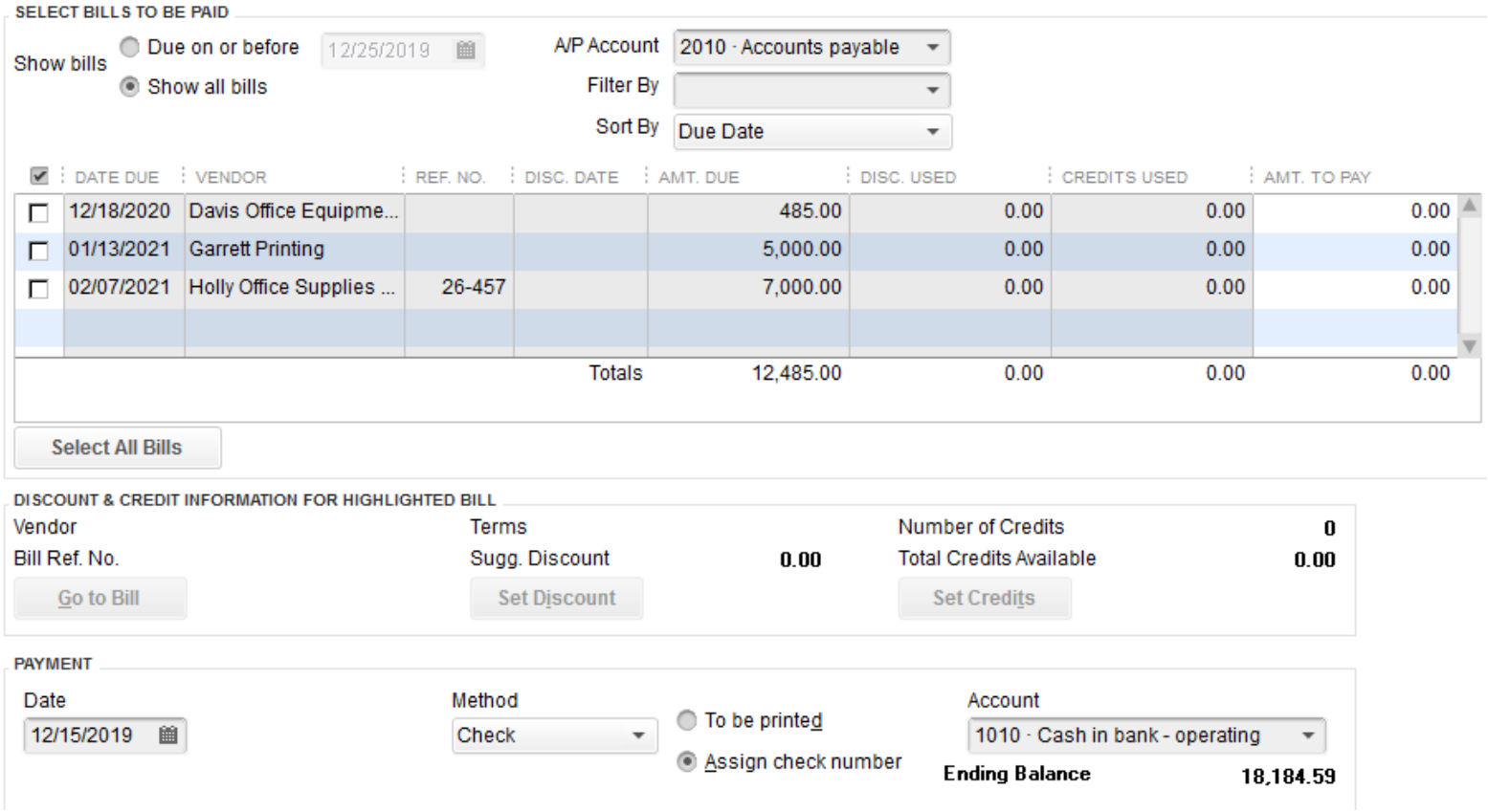
ACCOUNT	AMOUNT	MEMO	CUSTOMER:JOB	BILLABLE?	CLASS
7540 · Professional fees - other	505.00				700 Fundraising

Recording Cash-Out: Entering Bills



- If you are tracking accounts payable it's a two-step process. First you select Vendors and then "enter bill"

Recording Cash-Out: Paying Bills



- Then you go to Vendors, Pay Bills and select the bills to pay

Online Banking- Direct Connection

- Many banks will allow a direct connection with QuickBooks allowing you to automatically update the transactions every time you open Bank Feeds without downloading and importing a file.

- This also let's you initiate payments from within QuickBooks (but be aware that this brings internal control issues)

- Great for importing credit card activity!

Online Banking- Web Connect

- Using "Web Connect" you can download transactions from your bank's website that you can then import into QuickBooks. Once downloaded you select "Banking, Bank Feeds, Import Web Connect File". You can also initiate the download from the Bank Feeds Center.

- This download is limited to cleared transactions only. Great if you pay bills electronically anyway.

- Tip: Keep in mind that you still have to code all the transactions (if they don't match an existing transaction)

Online Banking- then you match/code them

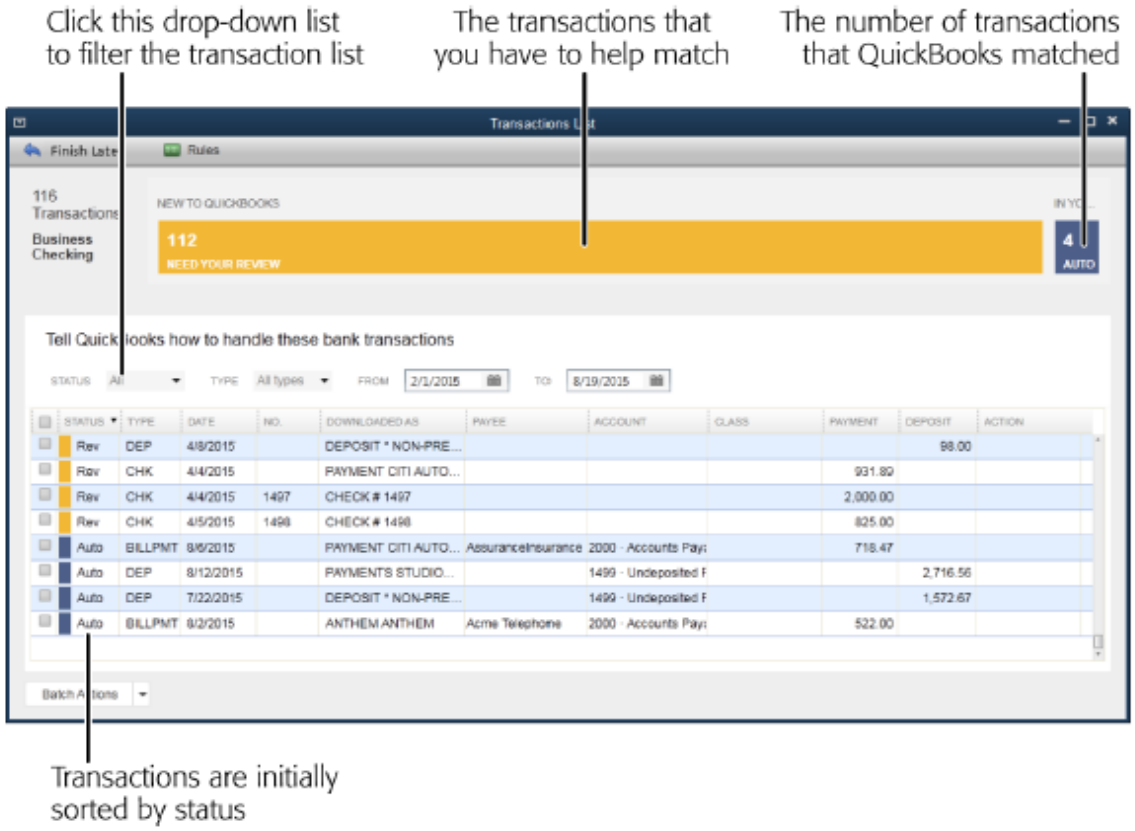
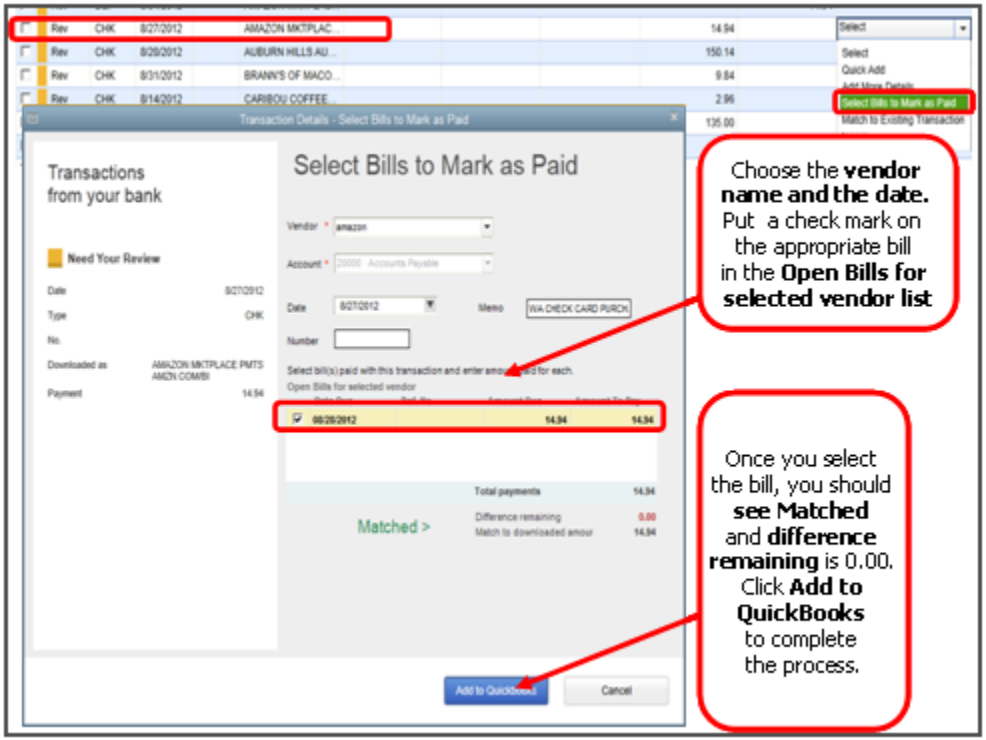


FIGURE 24-4

The status bars at the top of the Transactions List window show how many transactions QuickBooks already matched and how many you have to help with. To focus on the transactions that aren't matched, click the Status box, and then choose Need Your Review. In the table, transactions that the program matched have a status of Auto, and unmatched transactions have a status of Rev (short for "Need your review").

Online Banking- paying accounts payable



- For bills with open accounts payable you can use the drop down list and “select bills to mark as paid”.
- http://support.quickbooks.intuit.com/Support/Articles/INF27637

Voiding Checks

- Will go back and change the original entry on the original date. This is a bad thing
- Works much better if from a period that is "Closed" via the closing date
- Suggestion: Always use a journal entry (debit cash, credit something) and then clear both in the next bank reconciliation.

Other Cash-Out Issues

- EFT transactions and wires can be entered by journal entry, “Write Check” or “Pay Bill”
- What about payroll?
- To enter a credit memo from a vendor:

  Go to Enter Bill and select “Credit” in the toggle buttons on top left and then complete the form. When you go to the “pay bills” screen, you can select the open bill and then click on “set credits”

Break Time?

Postseason Baseball Update

- Chicago Cubs beat the St. Louis Cardinals in 4 games.

  First ever post-season series clinched at home in Cubs history (since 1903)!

- Texas Rangers at Toronto Blue Jays for game 5 today at 4:00

- Houston Astros at Kansas City Royals for game 5 today at 8:00

- NY Mets at LA Dodgers for game 5 tomorrow at 8:00 (Grienke – De Grom)

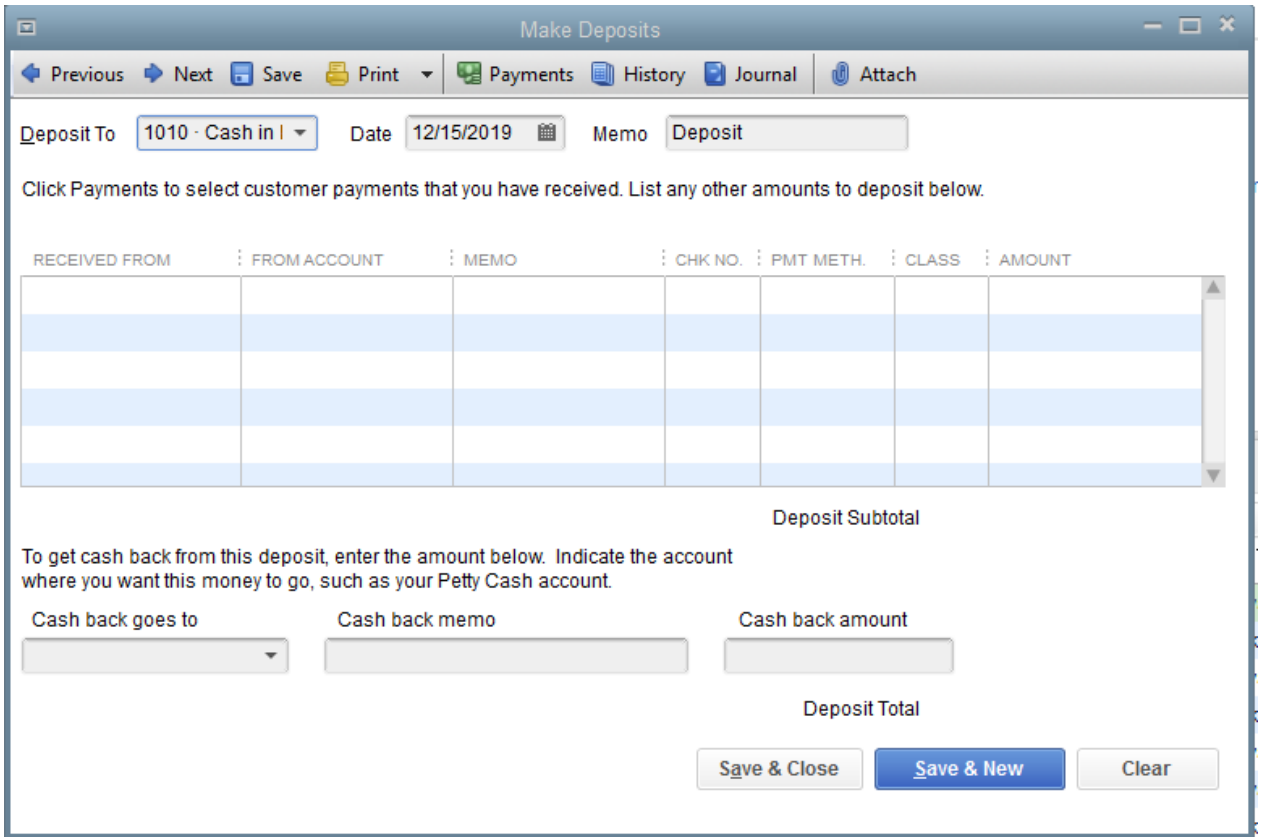
4. Recording Income

Three Options for Recording Cash-In

	Cash or accrual?	# of Steps	Multiple customers per form?	Uses items?	Tracks donor history in Customer Center?
Make Deposit	cash	1	yes	no	no
Enter Sales Receipt	cash	1	no	yes	yes
Create Invoice/ Receive Payment	accrual	2 or 3	no	yes	yes

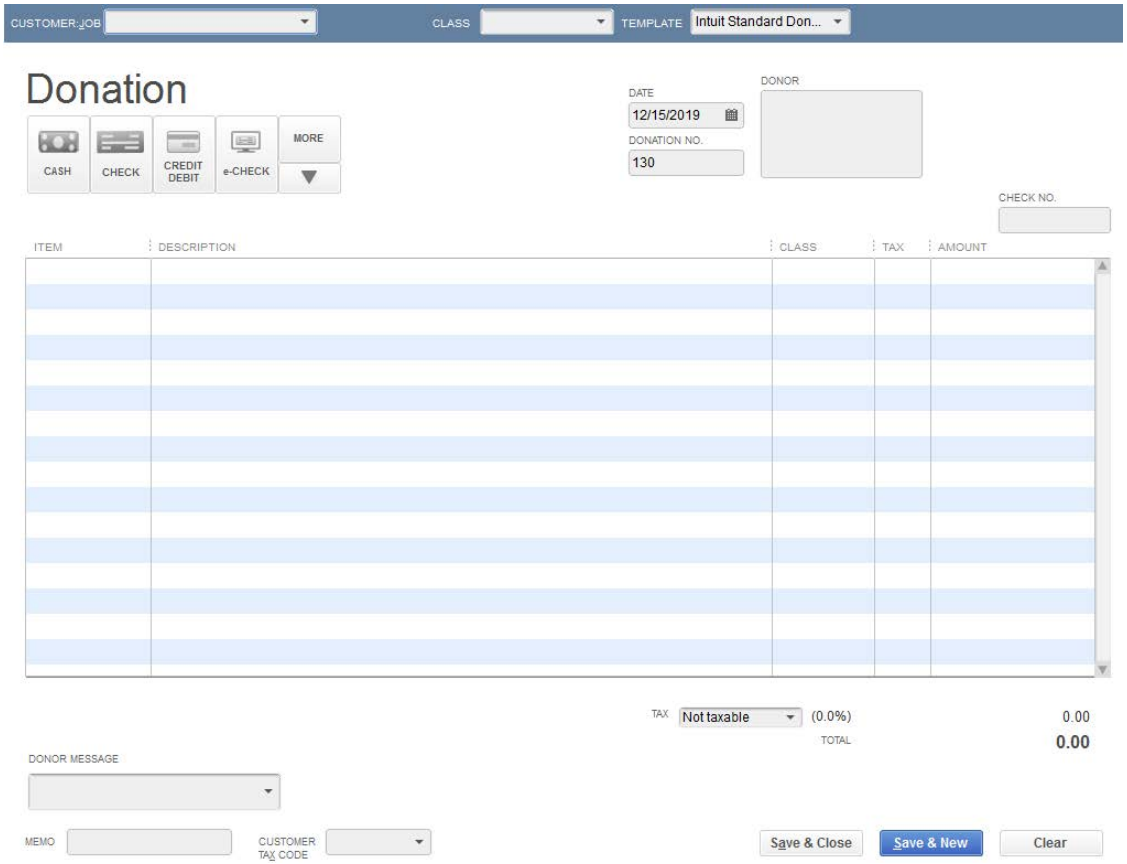
Tip: If you have created an invoice then do not record revenue when the payment is received.

Cash-In: Make Deposits



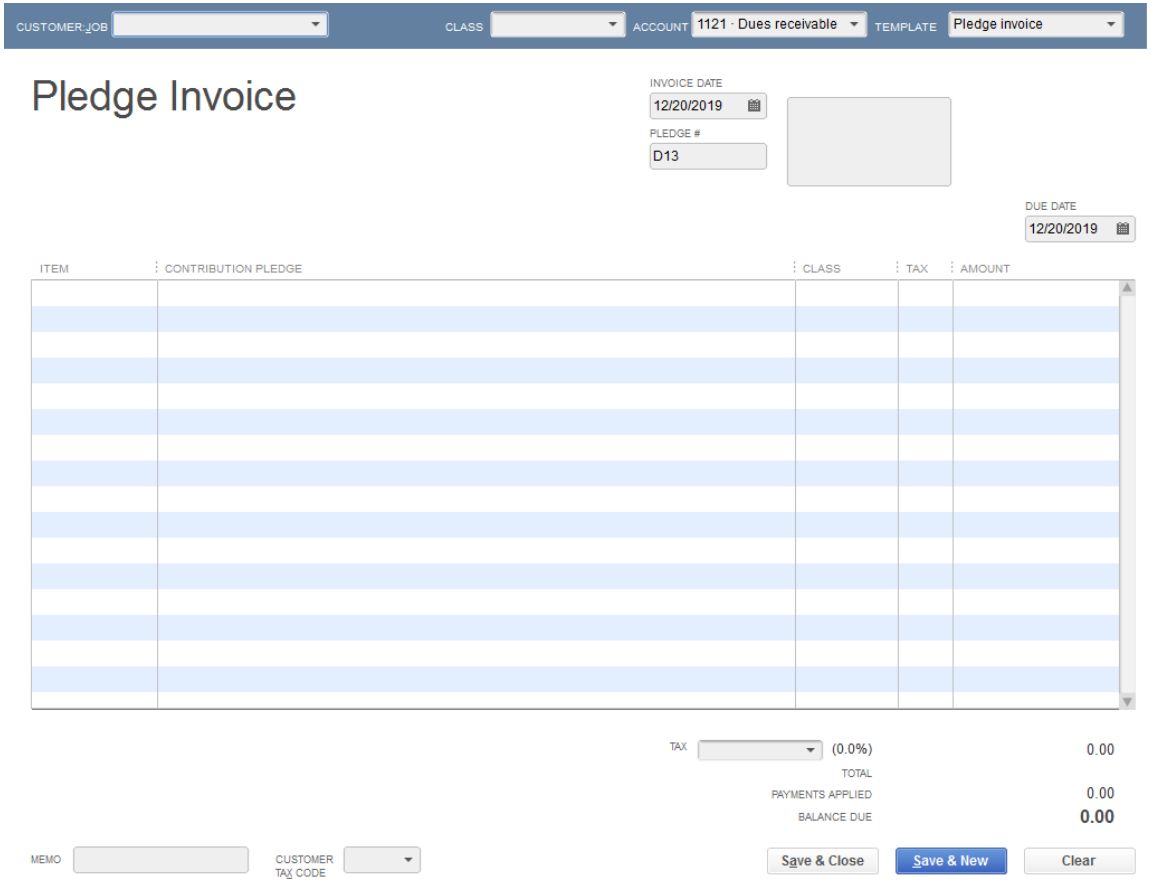
- Just select the bank account, list the checks and select an income account for each.
- "Received from" is the customer but it doesn't really populate their history.

Cash-In: Enter Sales Receipt



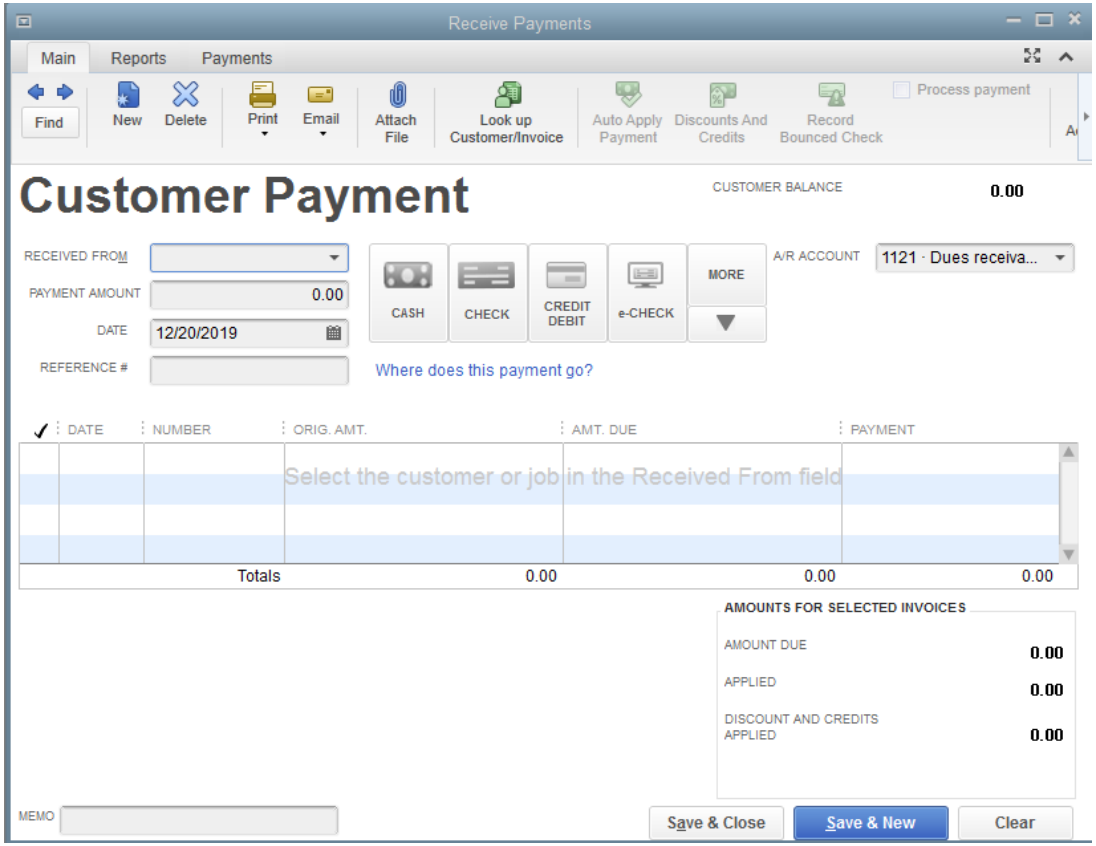
- Accounting is just like “make deposits” but it does populate their history.
- Must use items to connect to income accounts.
- Annoying to enter each collection individually!

Cash-In: Create Invoice



- It looks just like the sales receipt form.
- But goes to accounts receivable instead of cash.
- Must use items to connect to income accounts.

Cash-In: Receive Payment



- Select the customer and the open invoice.
- Reduces accounts receivable and increases cash…
- …or it can increase "undeposited funds" which groups multiple receipts into a single deposit.

Undeposited Funds

- An optional account that can be used to group "Receive Payment" transactions into a single deposit.
- This makes the bank reconciliation much easier but not needed if volume is low- in that case just set deposit to go right to cash account.
- Also, not necessary if you are using "Make Deposit" to record revenue
- In this case a "make deposit" entry would simply move cash from "Undeposited Funds" to the bank account. In theory, the account should go to zero every time there is a deposit
- See preferences/payments/company to set this as default

Credit Memos and Refunds

- To create a credit memo just go to Customer/Create Credit memo or just open the invoice and click on “refund/credit” (be careful with fiscal year)
- When you close the credit memo QuickBooks will prompt you to apply, refund or retain the credit memo.
- There are buttons for these options on the credit memo form (in the transaction icon bar).
- This is much cleaner than credit memos on the vendor side.

5. Hodge-Podge: credit cards, journal entries and bank reconciliations

Three Options for Recording Credit Card Changes

- Often just entered in total as a bill through accounts payable when the credit card statement arrives

- Advantages of entering each charge individually as a credit card charge:

  - The activity can be tracked by vendor (not just name of credit card)
  - Better tracking of the exact date when expense was incurred
  - Much better if not paying entire amount due
  - Can be reconciled the same way a bank account is
  - … But it's more work

- Can also automatically import the activity through Bank Feeds

Journal Entries

- Found under the Company menu
- Generally these are used for any transaction not represented by a form
- That often means cash is not involved
- You need the Premier version of QuickBooks if you want to see the subtotals of debits and credits
- Can set up memorized and/or recurring journal entries

  Tip: be careful when trying to edit the memorized entry

Bank Reconciliations

- Very easy
- Everything that affects cash automatically shows up in the bank reconciliation screen
- "Hide Transactions After Statement Date" is your best friend
- "Beginning Balance" is calculated from the register
- Then simply click on everything that appears on the bank statement and "Difference" should be zero
- If not, the "Reconcile Now" button will give you the option to "Enter Adjustment" which automatically posts a journal entry to an expense account called "Reconciliation Adjustments" for the difference.

  Tip: Don't do it!
- Select "reconcile now" to generate a report and update the register

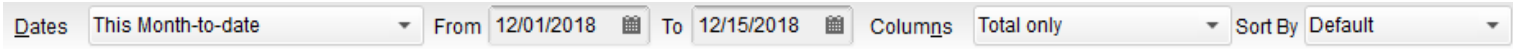
6. Basic Reporting

Overview

- Can be accessed under “Reports” on menu bar or from the report center
- Reports menu is grouped by area
- Drilldown: Double click on any number to go from report to ledger detail to actual form

Visual Tour

- Dates, Columns, Total by and Sort by



- Refresh anywhere!
- Expand vs Collapse, Excel

- Collapse by row

Customize Report (easy but limited)

- Display - Defining the report
- Filters - Literally like placing a filter so you only see a subset
- Jobs or Classes can be columns- these are user-defined lists that are an easy way to segregate P&L activity.
- Limitations
  - Rows are always defined by chart of accounts (almost always)
  - Report is generally a single time period (but can be any time period)
  - Ability to pick and choose columns is limited
  - Custom reports are available but of limited value

Memorized Reports

- Make changes and then hit “Memorize” - will prompt you to name the report
- You can create your own report groups
- Have to memorize again to change what is memorized - will prompt for “Replace” or “New”

Note: The dates in memorized reports will only change if date field is relative.

7. Eighteen Common QuickBooks Errors

1. Everyone uses the same log in (and it's the admin user's login)
2. Adding, deleting or changing transactions in prior years (tip: use the "closing date" feature)
3. Having WAY too many windows open and then wondering why the software is so slow
4. Dangling payable transactions
    A. Entering a bill followed by write check
    B. Deleting a paid bill but not the bill payment
5. Dangling receivable transactions
    A. Entering a receivable and then recording revenue through "Make Deposits"
    B. Using "Receive Payments" when there is no A/R recorded

6. Using the register to clear bank transactions
7. Having the same customer or vendor name multiple times using slightly different spellings
8. Entering payroll at net instead of gross
9. Not entering electronic payments, payroll or wires received at all
10. Changing or voiding cash activity after the transaction has been cleared in a bank reconciliation
11. In a bank reconciliation, clearing a transaction dated after the bank statement date
12. Posting memorized transactions by accident
13. Using the “Reconcile Now/Enter Adjustment” button

14. Posting similar transactions inconsistently
15. Not doing bank reconciliations at all
16. Not using classes for a P&L transaction (if your file uses them)
17. Putting all credit card payments to an expense account called “Credit Card Payments”
18. Working in the wrong file

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CERTIFIED PUBLIC ACCOUNTANTS

4550 Montgomery Avenue, Suite 650N • Bethesda, MD 20814

Questions?

Ian Shuman, CPA

Partner, Client Services

ishuman@grfcpa.com

Phone: (301) 951 – 9090

Website: www.grfcpa.com