



Bookeeping Guide

QuickBooks Training and Recommendations



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Recommendations

Recommendation #1: Separate personal and business finances. I recommend clients get a big round orange sticker to put on their business credit card so it's not mistaken for their personal card, then plan to write yourself 1-2 checks per month, this is your owner's draw. You can use your business reports, like the "Profit and Loss" Statement to determine what amount you can pay yourself each month.

Note: The IRS likes to look for the following expenses to flag for an audit, be especially careful with these: food, travel, lodging, vehicle expenses, entertainment, and home office. Make sure you keep diligent receipts.

Recommendation #2: Attach all receipts in QuickBooks. In fact, attach as much as you can in QuickBooks! Write detailed descriptions, attach invoices, bank statements, etc. The QuickBooks phone app makes it easy to snap a picture of all receipts which will keep you IRS compliant too! I still recommend you keep paper copies of receipts just in case...but you probably won't need those!

Recommendation #3: Include as much detail as possible when adding transactions. Months and years down the line it can be really hard to remember transaction specifics, adding details also makes it easy to search for transactions later. Include details like vendor names and detailed descriptions in the memo lines. Avoid using accounts with words like "Uncategorized" and "Other."



Training

Chart of Accounts

Here is a brief overview of your chart of accounts. It's good to get to know this a bit for when you are adding transactions from the bank. To see what activity has occurred in any of these accounts, click on ACCOUNTING> CHART OF ACCOUNTS> RUN REPORT, set the dates you want to look at and you can see everything associated with that account.

Assets: AKA What you own. The assets section, usually numbered in the 1000's is what you own. It's your bank account, your inventory, and supplies you've purchased for your business. **Current Assets:** Are what you'll use most, and that's the supplies that will be used up within a year. **Long Term Assets:** Are for big purchases that need to be depreciated. **Undeposited Funds:** This account is for when you've received money, but it hasn't actually been deposited into the account yet, QuickBooks automatically puts money here sometimes, so check it out periodically. **Uncategorized:** Try to avoid using this one as much as possible!

Liabilities: AKA What you owe. Debts, loans, credit card debts, they all go here. **Unearned Revenue:** This one is confusing for a lot of people. If someone pays you ahead of time for services, it goes here in the liabilities. That's because you haven't earned it yet and technically you still owe them something. Once services are rendered, you'll move this money into revenue.

Owner's Equity: This is your money that's in the business, whenever you put personal money in or take money out for personal use, you don't want that to look like money the business earned or a business expense, so make sure to classify it as Owner's Equity or Owner's Drawing.

Revenue: This is the money coming into your business. You can break this down into as many categories as you want, which can be useful in tracking and analyzing your income later.

Expenses: This is the money that goes out of your business. The better you track this the better you'll do at tax time! Some expenses, like business-related meals, may be 50% deductible, inventory has a specific formula for calculating cost of goods sold. When business owners don't keep good track of their expenses and the nature of those expenses, they wind up paying more at tax time. While we don't want so many accounts under expenses that it becomes unwieldy...when in doubt, create an account. Better to be too detailed than not detailed enough.

Invoicing and Receiving Payments

You can create invoices in a couple of different places, including from the customer's view on the left panel, all of the following can also be created from the + in the top right corner

INVOICE: Use an INVOICE when you want to send a customer an itemized bill to pay. Think of it as the sale took place, but no money exchanged hands. An invoice will increase your ACCOUNTS RECEIVABLE (A/R) account until paid. You can also make these recurring to automatically send.

SALES RECEIPT: Use SALES RECEIPT if you have already received the money and you want to record it.

CREDIT MEMO: This is a refund and can be applied towards a customer's invoice to reduce the amount owed.

RECEIVE PAYMENT: Use RECEIVE PAYMENT when a client pays their invoice (this is especially important if using invoices to avoid double entries) this can be done from the + or on the invoice itself, this will take money out of A/R and put it into Undeposited Funds until it is matched with a transaction from the bank.

**Bank Deposit, you can break down the deposit to you account into different categories or even by individual customers. When the transaction comes through in your bank account, you can "match" it.

Adding Expenses Also available from the + menu in the top right corner.

BILL: This is the equivalent to an invoice your business received, it is for an expense that has been incurred but not yet paid. When you receive a bill, enter the information here and attach an image. Quickbooks separates bills and expenses so that you can use your REPORTS tab and see how much outstanding money you owe.

EXPENSE: Use this for money you have paid (i.e. if you go somewhere, receive a bill and pay it immediately.) Expenses can also be added from the bank feed, I recommend setting up rules which will automatically add recurring transactions, and make your bookkeeping work minimal.

CHECK: This is only necessary to use if you want to use QuickBooks to actually print checks. You can fill in the info here and then click "print" or "print later" and print checks from your home office printer.

PAY BILLS: When you pay a bill, use this feature to make sure it is matched with the bill (available from the + or on the bill itself). It is important to pay bills you previously entered into QuickBooks this way so that you don't accidentally double record bills and expenses.

Complicated Transactions Matching Sometimes a bank deposit will have multiple transactions. If you don't have a BANK DEPOSIT that exactly matches deposits from the bank feed, you can match them from the banking screen when adding transactions. Select "find match" this will take you to a screen with a list of deposits you have entered. This is important because a lot of times 3rd party payment systems will take a fee, and so deposits won't match exactly. This is a really good way to match deposits instead of just making the deposit for the discounted amount post-fee, because those fees are treated as an "expense" and can be tracked so that you see how much you're actually paying your payment processor.

For example, if you deposited money for product sales, taxes, and services totaling \$1450, but a \$50 fee is taken out, your bank only receives \$1400: In the banking screen click the transaction>Select "Find Match">Select the deposit for \$1450>Select "reconcile difference">In the line below select the appropriate account like "Bank fees" and enter -\$50



Reconciling This is an important step to complete each month. This is when you break out your bank statements and a highlighter and click the gear icon on the top right corner of the screen, select RECONCILE. From the bank statement you'll enter the beginning and ending balances, and then check off transactions in QuickBooks to make sure they match what actually happened in your bank. This is the point at which you catch mistakes, like accidentally entering an invoice and a sales receipt and over reporting your income. Bookkeepers usually do this in the first 10 days of each month. I can't stress how important it is to perform this final check.

Financial Reports The left-hand side of the screen is the REPORTS tab. This is my favorite area! This is when all the work you've done learning how to use the chart of accounts, properly entering invoices and bills, recording business expenses vs owner's draws, and reconciling the bank really pays off. From here QuickBooks works its magic and shows you things about your business you didn't know.

The 3 reports I always provide my clients are the "Balance Sheet," "Statement of Cash Flows," and "Profit and Loss." The balance sheet gives a quick snapshot of what your accounts look like right now. The statement of cash flows answers the question "Where did all my money go?" and the P&L can give you an idea of how much money you really made.

Other helpful reports include the Accounts Receivable & Accounts Payable Aging Summaries, which can show you who currently owes you money (or who you owe) and when it is due.

QuickBooks Tips and Tricks Quickbooks has lots of great features and tricks that can make your bookkeeping easier!

Audit Log Under the gear icon select "Audit Log". This tool allows you to go back and look at practically every change made in your QuickBooks account. It's useful if you can't remember where something went.

Clock Icon In the top left corner of most transactions including expenses, bank deposits, etc, click this to bring up recent transactions of the same type.

Clicking on the search feature from the top QuickBooks bar will also bring up the last few transactions.



Resources

Free classes and webinars from QuickBooks

<https://quickbooks.intuit.com/tutorials/webinars/>

Guide to paying estimated Taxes

<https://quickbooks.intuit.com/r/professional/strategies-for-calculating-and-paying-estimated-taxes>