

Computer Accounting

with

QuickBooks® 2021

Twentieth Edition

Donna Kay, MBA, PhD, CPA, CITP

QuickBooks Pro 2021

QuickBooks Premier 2021

QuickBooks Accountant 2021











COMPUTER ACCOUNTING WITH QUICKBOOKS® 2021, TWENTIETH EDITION

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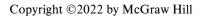




Computer Accounting with QuickBooks

20th Edition by Donna Kay









Welcome to Learning QuickBooks!

Give yourself a competitive advantage – learn the leading financial software for entrepreneurs using *Computer Accounting with QuickBooks*. Designed using the most effective way to learn QuickBooks, this text streamlines learning QuickBooks because it focuses on you—the learner.

Proven instructional techniques are incorporated throughout the text to make your mastery of QuickBooks as effortless as possible. Using a hands-on approach, this text integrates understanding accounting with mastery of QuickBooks. Designed for maximum flexibility to meet your needs, *Computer Accounting with QuickBooks* can be used either in a QuickBooks course or independently at your own pace.

A Quick Review Guide in Chapter 17 provides a handy resource to seek out additional information as needed. In addition, Chapter 17 streamlines review for the QuickBooks User Certification Exam.

Good luck with QuickBooks and best wishes for your continued success,

Donna Kay

Meet the Author

Donna Kay is a former professor of Accounting and Accounting Systems and Forensics, teaching both undergraduate and graduate accounting. Dr. Kay earned B.S. and MBA degrees from Southern Illinois University at Edwardsville before receiving a Ph.D. from Saint Louis University, where she conducted action research on the perceived effectiveness of instructional techniques for learning technology. Dr. Kay designs her textbooks to incorporate the most effective instructional techniques based on research findings, making your learning journey as productive as possible. Named to Who's Who Among American Women, Dr. Kay holds certifications as both a Certified Public Accountant (CPA) and Certified Informational Technology Professional (CITP) and is an active member of the American Institute of Certified Public Accountants (AICPA).

Donna Kay is also the author of *Computer Accounting with QuickBooks Online*. Visit Dr. Kay's websites www.my-quickbooks.com and www.my-quickbooksonline.com to learn more about her books and available resources.





XPM Mapping

What is the most effective way to learn QuickBooks?

Use a highly effective three-step approach to streamline learning: **eXplore**, **Practice**, **Master** (**XPM**).

- **1. eXplore.** Providing numerous screen shots and detailed instructions, chapters in *Computer Accounting with QuickBooks* are designed as tutorials for you to explore and learn QuickBooks features.
- **2. Practice.** Designed with fewer instructions, the end-of-chapter exercises provide opportunities for you to practice and test your understanding.
- **3. Master.** Virtual company projects and case studies provide mastery opportunities for you to apply and integrate your QuickBooks skills.

1. e X plore	>	2. Practice	>	3. M aster
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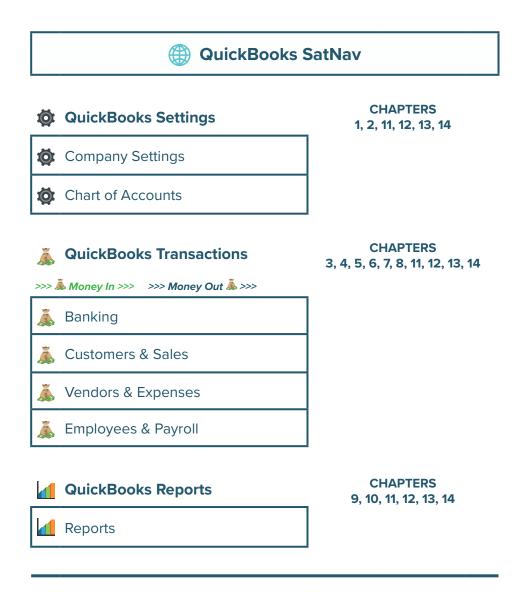
Chapter 1	Exercises 1	Project 1.1
Chapter 2	Exercises 2	Project 2.1
Chapter 3	Exercises 3	Project 3.1
Chapter 4	Exercises 4	Project 4.1
Chapter 5	Exercises 5	Project 5.1
Chapter 6	Exercises 6	Project 6.1
Chapter 7	Exercises 7	Project 7.1
Chapter 8	Exercises 8	Project 8.1
Chapter 9	Exercises 9	Project 9.1
Chapter 10	Exercises 10	Project 10.1
Chapter 11	Exercises 11	Project 11.1 Project 11.2 Chapter 12
Chapter 13	Exercises 13	Project 13.1 Project 13.2 Chapter 14
Chapter 15	Exercises 15	Project 15.1 Project 15.2
Chapter 16	Exercises 16	Chapter 17 Chapter 18



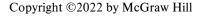
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QuickBooks SatNav

QuickBooks SatNav is a feature in the text which functions like a satellite navigation for QuickBooks. It is intended to provide an easy way to learn the software by helping you zoom out to see the big picture of the entire financial system and zoom in to view the details. If at any time you are feeling lost while using QuickBooks, go to QuickBooks SatNav to help guide you.



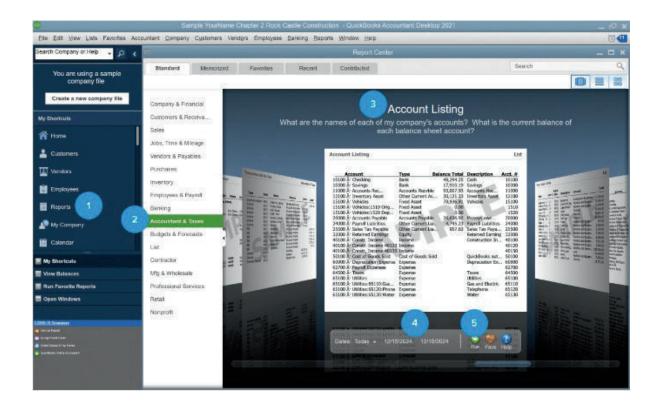






Hot Dots

Intuitive callouts with matching step-by-step instructions, Hot Dots on screen captures make learning QuickBooks even faster and easier.







Becoming a QuickBooks Certified User

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QuickBooks User Certification is certification that is obtained by passing the QuickBooks User Certification Examination. See **Chapter 17** for more detailed information about developing your action plan to review for QuickBooks User Certification.

What is the QuickBooks User Certification examination?

The QuickBooks User Certification examination is an online exam that is proctored at authorized testing centers. The QuickBooks User Certification is a certification focused on QuickBooks users. The QuickBooks ProAdvisor certification is a different certification that is focused more on accountants who provide advisory services to QuickBooks clients.

Why consider the QuickBooks User Certification?

Passing the QuickBooks User Certification examination adds another credential to your resume. Employers often value credentials that indicate skill and a knowledge level as a baseline for employment.

How do I obtain more information about the QuickBooks User Certification exam?

For more information about the QuickBooks User Certification examination, see:

- www.certiport.com
- www.My-QuickBooks.com, QB Certified User
- Computer Accounting with QuickBooks Chapter 17

In preparing this publication, McGraw Hill Education, its author(s), employees and representatives (collectively, the "Publisher") have taken every effort to ensure that the Computer Accounting with QuickBooks 2021 materials and related websites ("Materials") are as -comprehensive as possible and designed to assist you in preparation of the QuickBooks User Certification examination. Your level of success in passing or achieving a particular score on any examination, however, is dependent upon a number of factors including your knowledge, -ability, dedication and time spent preparing for such an examination. Because such factors differ among individuals, and changes may occur with respect to examinations after the publication of the Materials, the Publisher cannot and does not guarantee your success on any -examination including, - without limitation, the QuickBooks User Certification examination.

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Virtual Activity Mapping

What is the most effective way to learn QuickBooks?

Virtual company cases provide you with a realistic context and business environment to enhance your understanding of QuickBooks. Related learning activities mapping follows.

Company	Chapter	Exercises	Project	Type of Company
Rock Castle Construction	1*, 2*, 3*, 4*, 5*, 6*, 7*, 8*, 9*, 10*	1, 2, 3, 4, 5, 6, 7, 8, 9, 10		Service
Larry's Landscaping			1.1*, 2.1, 3.1, 4.1, 5.1, 6.1, 7.1, 8.1, 9.1, 10.1	Service
Paint Palette	11, 15*	11, 15		Service
Paint Palette Store	13	13		Merchandising
Mookie The Beagle™ Spa	12			Service
Mookie The Beagle™ Spa Supplies	14			Merchandising
Martin Consulting			11.1, 15.1	Service
★ Herman LLC			11.2	Service
Ella's Knittery			13.1	Merchandising
Johann Enterprises			13.2	Merchandising
Your Name Botanicals			15.2	Merchandising

^{*}QuickBooks Starter files are provided for these learning activities.





ROCK CASTLE CONSTRUCTION

Rock Castle Construction is a business that provides construction services and products to customers. For Rock Castle Construction learning activities, you will restore a Starter file at the beginning of each chapter that will be used to complete the chapter and exercises. Each chapter and corresponding exercises focus on exploration and practice in becoming proficient in a specific area of QuickBooks, such as Banking, Customers and Sales, Vendors and Expenses.

- Chapter 1* and Exercises 1
- Chapter 2* and Exercises 2
- Chapter 3* and Exercises 3
- Chapter 4* and Exercises 4
- Chapter 5* and Exercises 5
- Chapter 6* and Exercises 6
- Chapter 7* and Exercises 7
- Chapter 8* and Exercises 8
- Chapter 9* and Exercises 9
- Chapter 10* and Exercises 10

*LARRY'S LANDSCAPING

Larry's Landscaping is a merchandising, service company providing both landscaping services and landscaping products. For Larry's Landscaping projects, you will restore a Project 1.1 Starter file and then use your own QuickBooks files after that to complete the remaining projects. Since you will be using your own file, you will want to check and cross check your work to eliminate errors. If you find you have an issue with your QuickBooks file that you are unable to resolve, contact your instructor.

*QuickBooks Starter files are provided for these learning activities.

- Project 1.1*
- Project 2.1
- Project 3.1
- Project 4.1
- Project 5.1
- Project 6.1
- Project 7.1
- Project 8.1
- Project 9.1
- Project 10.1







Paint Palette is a painting service business. With no starter file required, Chapter 11 covers new company setup for a sole-proprietor service business, customer and vendor transactions, adjustments, and reports. Chapter 15, a continuation of Chapter 11, has a Starter file and covers advanced QuickBooks features including estimates, budgeting, progress billing, uncollectible accounts, and the audit trail.

- Chapter 11 and Exercises 11
- Chapter 15* and Exercises 15

PAINT PALETTE STORE

Paint Palette Store is a paint boutique specializing in custom tint paints. This chapter, requiring no starter file, covers new company setup for a S Corporation merchandising business with beginning balances, opening adjustments, customer, vendor, inventory transactions, adjustments, and reports.

Chapter 13 and Exercises 13

MOOKIE THE BEAGLE™ SPA

Mookie The Beagle™ Spa, a service company, is a mobile pet spa business. A starter file is not required. This comprehensive QuickBooks case covers setting up a new sole proprietor service company, customer and vendor transactions, adjustments, and reports.

Chapter 12

MOOKIE THE BEAGLE™ SPA SUPPLIES

Beagle™ Mookie The Spa Supplies, merchandising company, sells branded pet spa products. With no starter file required, comprehensive merchandising case covers new company setup for an S Corporation with beginning balances, opening adjustments, customer, vendor, and inventory transactions, adjustments, and reports.

Chapter 14







MARTIN CONSULTING

Martin Consulting delivers social media marketing services. A comprehensive project that requires no starter file, Project 11.1 covers new service company setup for a sole proprietorship, customer and vendor transactions, adjustments, and reports. Project 15.1 is a continuation of Project 11.1 and uses QuickBooks budget features for Martin Consulting.

- Project 11.1
- Project 15.1



🔭 HERMANN I I C

Hermann LLC is a cleaning and sanitizing service. With no starter file required, this project covers new company setup for a sole proprietor service- based business, customer and vendor transactions, adjustments, and reports.

Project 11.2



ELLA'S KNITTERY

Ella's Knittery is an online and yarn boutique. A comprehensive project that requires no starter file, Project 13.1 covers new company setup for a S Corporation merchandising business with beginning balances, opening adjustments, customer, vendor and inventory transactions, adjustments, and reports.

Project 13.1



JOHANN ENTERPRISES

Johann Enterprises sells smartphone accessories, including smartphone cases and bluetooth earbuds. Requiring no starter file, Project 13.2 covers new company setup for a merchandising S corporation with beginning balances, opening adjustments, customer, vendor, and inventory transactions, adjustments, and reports.

Project 13.2







YOUR NAME BOTANICALS

Botanicals is a merchandising and service company specializing in unique orchid arrangements. With no starter file required, this new comprehensive QuickBooks project covers new company setup for a merchandising and service S Corporation, customer, vendor, and inventory transactions, adjustments, reports, budgets, estimates, and progress billing.

• Project 15.2





What's New in QuickBooks 2021

Computer Accounting with QuickBooks 2021 continues to offer the features that have made the text a best seller. In addition, this edition also offers:

New! Expanded QuickBooks Troubleshooting (QT) Assistance. Chapter 1 covers new QuickBooks Tool Hub, a feature that offers a launchpad of troubleshooting tools. In addition, new Appendix D: QuickBooks Troubleshooting covers instructions for accessing QuickBooks Help, QuickBooks Tool Hub, and QuickBooks Troubleshooting (QT) Best Practices.

Expanded QuickBooks Troubleshooting (QT) Activities. Chapter 5 offers a new QuickBooks troubleshooting activity to track down an incorrect sales price in QuickBooks and correct it. Chapter 9 Accounting Essentials covers how to make correcting entries for an error in QuickBooks. Exercise activities in Chapter 9 provide an opportunity to practice troubleshooting skills in accounting for one of Rock Castle's oversights. Chapter 15 covers how to use the QuickBooks Audit Log to search for discrepancies and review changed transactions.

New! Expanded Coverage of Aligning the Chart of Accounts with a Tax Return. For most businesses, one of the primary objectives of using QuickBooks is in order to streamline tax preparation. Additional chapter coverage, exercises, and project activities are offered in the new 20th edition focused on aligning the Chart of Accounts with the company's tax return.

New! Expanded Coverage of Bank Feeds. QuickBooks 2021 offers an improved Bank Feeds feature and an advanced Bank Feeds mode. Chapter 4 covers the new improved Bank Feed and how to use both the Advanced Bank Feeds mode and how to create Bank rules for bank feeds. New exercises on Bank Feeds provide an opportunity for students to practice using this increasingly important feature for QuickBooks users.

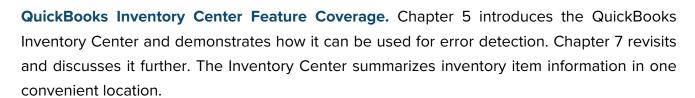
Expanded Receive Payments Coverage. Chapter 5 offers more extensive coverage of QuickBooks Receive Payments feature and accompany journal entries.

New! QuickBooks Receipt Management Feature. QuickBooks Desktop 2021 rolls out a new Receipt Management feature for capturing and organizing receipt data. Chapter 6 previews this new feature.



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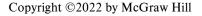




QuickBooks Data Analytics and Graphing. In the new 20th edition, Chapter 10 now includes activities and exercises on data analysis and graphing.

Updated and New Projects. Throughout the text there are updated and new projects, including new comprehensive Project 15.2 featuring QuickBooks estimates, progress invoicing, inventory, and budgets.







Online Learning Resources

Computer Accounting with QuickBooks 2021 is accompanied by both the Additional Student Resources and Instructor Resources that make online learning and teaching QuickBooks easier. They include student starter files, templates, updates, help and support links, video links, assistance with QuickBooks troubleshooting, Instructor supplements and more. Both the Additional Student Resources and the Instructor Resources are available through Connect. Below you will find directions for locating these materials within Connect for your uses.

Additional Student Resources (ASR):

Access ASR through the eBook. On the Connect course homepage, select the eBook option from the two eBooks shown. Open the Table of Contents by selecting the three-lined button in the upper left-hand corner of the screen. Navigate to the bottom of the Table of Contents and select "Additional Student Resources".

Access ASR through the SmartBook. On the Connect course homepage, select the SmartBook option from the two eBooks shown. Once the Table of Contents has loaded, navigate down to the "Read only Content" section and select "Additional Student Resources". Additional Student Resources consist of...

- Student Starter Files: Use the QuickBooks Starter files (.QBB files) to start QuickBooks assignments.

 Note: There are no Starter QBB Files for Chapters 11, 12,13, 14, and 16
- Excel Report Templates: Download the Excel Report Templates to easily export your QuickBooks Reports to Excel for your QuickBooks assignments
- QuickBooks 2021 Software License Instructions: Details for requesting, downloading, installing, and registering the QuickBooks 2021 Software/License
- PowerPoint Presentation Slides: Chapter presentations
- Computer Accounting with QuickBooks Updates: Any updates that may be required when there are software update that affects the text
- QuickBooks Issue Resolution: A guided approach to troubleshooting QuickBooks

Instructor Resources:

Instructor Resources and Supplements: The instructor resources are found within Connect by selecting the library tab at the top of your course home page and then choosing "Instructor Resources" from the Menu. The instructor resources consist of...

- Instructor Resources Guide
- · PowerPoint Presentation
- Excel Solutions
- · QBB Solution Files

- QB Educator Access Codes
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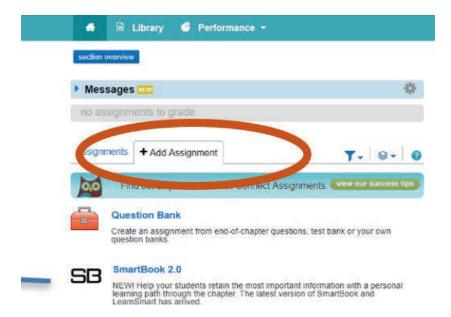




Connect

What Kind of student study tools does Connect offer?

SmartBook 2.0. A personalized and adaptive learning tool used to maximize the learning experience by helping students study more efficiently and effectively. SmartBook 2.0 highlights where in the chapter to focus, asks review questions on the materials covered and tracks the most challenging content for later review or recharge. SmartBook 2.0 is available both online and offline.



Assignment Materials. After completing assignments, students can enter key elements of their solution into Connect for grading. Based on instructor settings, they can receive instant feedback either while working on the assignment or after the assignment is submitted for grade. Assignable materials include: in chapter activities, exercises, projects, practice quizzes, and test bank materials.

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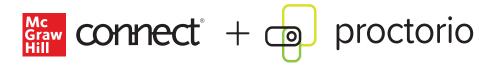


Connect

What Kind of instructor tools does Connect offer?

Proctorio.

New remote proctoring and browser-locking capabilities, hosted by Proctorio within Connect, provide control of the assessment environment by enabling security options and verifying the identity of the students. These service provide instant and detailed reporting to instructors in an at-a-glance view of potential academic integrity concerns, thereby avoiding personal bias and supporting evidence-based claims.



Test Builder.

Available within Connect, Test Builder is a cloud-based tool that enables instructors to format tests that can be printed or administered within a LMS. Test Builder offers a modern, streamlined interface for easy content configuration that matches course needs, without requiring a download.

Test Builder allows you to:

- Access all test bank content from a particular title.
- Easily pinpoint the most relevant content through robust filtering options.
- Manipulate the order of questions or scramble questions and/or answers.
- Pin questions to a specific location within a test.
- Determine your preferred treatment of algorithmic questions.
- Choose the layout and spacing.
- Add instructions and configure default settings.

Test Builder provides a secure interface for better protection of content and allows for just-intime updates to flow directly into assessments.

Reporting and Insights.

At-a-glance performance dashboards that use robust visual data displays that are each framed by intuitive question, to provide actionable recommendations and guide students towards behaviors that could increase class performance and enables instructors to give targeted tuition precisely when and where it is needed.









Instructors: Student Success Starts with You

Tools to enhance your unique voice

Want to build your own course? No problem. Prefer to use our turnkey, prebuilt course? Easy. Want to make changes throughout the semester? Sure. And you'll save time with Connect's auto-grading too.

65% Less Time Grading



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Solutions for your challenges



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"I really liked this app—it made it easy to study when you don't have your textbook in front of you."

- Jordan Cunningham, Eastern Washington University



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 - Theresa Grover, Northeast Wisconsin Technical College Green Bay
 - Zach Houk, Des Moines Area Community College Ankeny





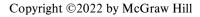
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20th Edition by Donna Kay

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Expanded Table of Contents

Designed as hands-on tutorials for learning QuickBooks, Computer Accounting with QuickBooks chapters provide screen captures with step-by-step, detailed instructions. To improve long-term retention of your QuickBooks skills, end-of-chapter learning activities are designed with fewer instructions to test your understanding and, when needed, to develop your skills to quickly seek out additional information to complete the task. The ability to find information as needed is an increasingly important skill in a rapidly changing business environment. The design of Computer Accounting with QuickBooks seamlessly facilitates your development of this crucial skill.

Chapters 1 through 10 focus on learning the basics of entering transactions and generating reports using the sample company, Rock Castle Construction.

Chapters 11 through 15 build upon the first ten chapters, covering the entire accounting cycle, including new company setup as well as QuickBooks advanced features for accountants. Chapter 11 and 12 cover sole proprietor service businesses, and Chapter 13, 14, and 15 cover a merchandise corporation. Using a progressive approach, the text gradually introduces advanced features while maintaining continuity and interest.

Chapters 16 provides insights into the differences between QuickBooks Desktop covered in this text and QuickBooks Online, including user and accountant versions of each.

Chapter 17 provides assistance in reviewing for the QuickBooks User Certification. In addition, Chapter 17 serves as a Quick Review Guide, providing step-by-step instructions for frequently used customer, vendor, and employee tasks in a convenient, user-friendly resource.

Chapter 18 offers a framework of seven milestones for conducting a QuickBooks Desktop consulting project.







Chapter 1 QuickBooks Quick Tour: Navigation and Settings

Chapter 1 provides a guided tour of QuickBooks Desktop software using QuickBooks Navigation tools, introducing the QuickBooks sample company, Rock Castle Construction. Other topics include how to restore QuickBooks starter files and back up files. A key new topic in this chapter is QuickBooks Troubleshooting, including coverage of QuickBooks Tool Hub, a new QuickBooks 2021 feature that offers a launchpad of troubleshooting tools.

Chapter 2 QuickBooks Chart of Accounts

This chapter introduces how to customize QuickBooks Chart of Accounts to meet specific business needs. For most businesses, one of the primary objectives of using QuickBooks is to streamline tax preparation. Accordingly, additional Chapter 2 coverage, exercises, and project activities are offered in the new 20th edition focused on aligning the Chart of Accounts with the company's tax return.

Chapter 3 QuickBooks Transactions

Chapter 3 provides an introduction to the various types of transactions entered in QuickBooks, including banking, customer, vendor, and employee transactions. A key topic in this chapter is coverage of two ways to enter information into QuickBooks: the onscreen journal and onscreen forms.

Chapter 4 Banking

Focusing on the Checking account and check register for a small business, Chapter 4 topics include making deposits, writing checks, matching bank transactions, and reconciling bank statements. Chapter 4 adds coverage of the new improved QuickBooks 2021 Bank Feed, including using the Advanced Bank Feeds mode and creating Bank rules for bank feeds. New exercises provide an opportunity for additional student practice the new banking features.

Chapter 5 Customers and Sales

Chapter 5 demonstrates how to record customer transactions. Topics include how to create a customer list, create invoices, record customer payments, and make deposits. Customer reports, including the aging of accounts receivable, are covered. Chapter 5 offers a new QuickBooks troubleshooting activity on how to discover an incorrect sales price and correct it.



Chapter 6 Vendors and Expenses

Chapter 6 focuses on recording vendor transactions, such as recording expenses for services received from vendors. Topics include writing checks, entering bills, and paying bills. Vendor reports, including the aging of accounts payable, are covered. QuickBooks 2021 new Receipt Management feature is previewed in Chapter 6.

Chapter 7 Inventory

Chapter 7 focuses on recording transactions related to inventory, including creating purchase orders, receiving inventory items, entering bills for inventory and paying bills. The QuickBooks Inventory Center and inventory reports are also covered in this chapter.

Chapter 8 Employees and Payroll

Chapter 8 covers tracking time using weekly timesheets and processing payroll using QuickBooks payroll service for withholdings. Also covered in this chapter is how to use tracked time to record billable time on customer invoices.

Chapter 9 QuickBooks Adjustments

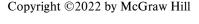
Chapter 9 covers how to create a trial balance and enter adjusting entries to bring accounts up to date at the end of an accounting period. Four types of adjusting entries covered in the chapter are: prepaid items, unearned items, accrued expenses, and accrued revenues.

Chapter 10 QuickBooks Reports

Chapter 10 completes the accounting cycle, covering the adjusted trial balance and a variety of QuickBooks reports, including memorized reports. The main types of reports covered include financial statements, management reports, and tax reports. In addition, Chapter 10 contains new data analytics and graphing exercises.

Chapter 11 QuickBooks Service Company

Chapter 11 covers how to set up a new company in QuickBooks, create customers, vendors, and items lists, and enter transactions for a service company. The focus of Chapter 11 is on sole proprietorships.







Chapter 12 QuickBooks Service Company Case

Chapter 12 is a QuickBooks company case study that provides an opportunity to integrate QuickBooks skills and knowledge covered thus far in a comprehensive fashion for a sole proprietor service company.

Chapter 13 QuickBooks Merchandise Company

Chapter 13 covers how to set up a new merchandise corporation with inventory in QuickBooks, create customers, vendors, and items lists, and enter transactions for a merchandise company. A key topic covered in this chapter is how to set up a new QuickBooks company for businesses that have opening balances. Topics include how to make opening adjusting entries to properly account for the opening balances. End of period adjusting entries and financial reports are also included.

Chapter 14 QuickBooks Merchandise Company Case

Chapter 14 is a QuickBooks company case study that provides an opportunity to integrate QuickBooks skills and knowledge in a comprehensive fashion for a S Corporation that sells products. Opening balances and opening adjusting entries are included in addition to end of period adjusting entries and reports.

Chapter 15 Advanced QuickBooks Features forAccountants

This chapter covers advanced features of QuickBooks software including budgets, estimates, progress billing, credit card sales, accounting for uncollectible debts, the audit trail, accountant's copy, and the Ask My Accountant account.

Chapter 16 QuickBooks Desktop Versus QuickBooksOnline

Chapter 16 compares and contrasts the QuickBooks Desktop application and QuickBooks Online (QBO). QuickBooks user options and QuickBooks accountant options for QuickBooks Desktop and QBO are presented. Videos to accompany the chapter with discussion questions can be found at www.my-quickbooks.com, QB2021 Videos link.





Chapter 17 Quick Review Guide

Chapter 17 provides step-by-step instructions for frequently used customer, vendor, and employee tasks in a convenient, user-friendly resource that can also be used in preparing for QuickBooks Certification. Twenty-five multiple choice questions accompany the chapter that can be assigned to test understanding. In addition, working through Chapter 17 with the accompanying Starter File provides a simulation experience for better preparation.

Chapter 18 QuickBooks Consulting Project

This chapter outlines the project management milestones for development of a QuickBooks accounting system. Providing you with an opportunity to apply QuickBooks software to a live consulting project gives you hands-on professional experience for your resume.

Appendix A Install and Activate QuickBooks Software

Intuit provides QuickBooks Desktop 2021 software free to qualifying students. Appendix A contains step-by-step instructions for obtaining, installing, and activating QuickBooks Desktop 2021 software to accompany your text.

Appendix B Backup and Restore QuickBooks Files

Appendix B provides step-by-step instructions on how to restore the QuickBooks Starter files to accompany Chapters 1 through 10 of the text. In addition, Appendix B covers the steps to make backup copies of your QuickBooks files.

Appendix C www.My-QuickBooks.com

Appendix C summarizes features to accompany your text that you will find at www.My-QuickBooks.com, including QuickBooks videos, Excel Report templates, and Updates to your text and QuickBooks.





xxviii Expanded Table of Contents

Appendix D QuickBooks Troubleshooting

Appendix D summarizes QuickBooks Troubleshooting resources, including QuickBooks Help, the new QuickBooks Tool Hub, and QuickBooks Troubleshooting (QT) Best Practices. Located as the last appendix in your text, it's convenient when you need assistance with QuickBooks troubleshooting.

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QuickBooks Quick Tour: Navigation and Settings





BACKSTORY

Rock Castle, owner of Rock Castle Construction, called to hire you as his accountant. His former accountant unexpectedly accepted a job offer in Hawaii, and Rock Castle Construction needs a replacement immediately. Mr. Castle indicates they use QuickBooks to maintain the company's accounting records. When you tell him that you're not familiar with QuickBooks, Mr. Castle reassures you, "No problem! QuickBooks is easy to learn. Stop by my office this afternoon."

When you arrive at Rock Castle Construction, Mr. Castle leads you to a desk as he rapidly explains Rock Castle's accounting.

"Rock Castle needs to keep records of transactions with customers, vendors, and employees. We must keep a record of our customers and the sales and services we provide to those customers. Also, it's crucial for the company to be able to bill customers promptly and keep a record of cash collected from them. If we don't know who owes Rock Castle money, we can't collect it.



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2 Chapter 1

"Rock Castle also needs to keep track of the supplies, materials, and inventory we purchase from vendors. We need to track all purchase orders, the items received, the bills received from vendors, and the payments made to vendors. If we don't track bills, we can't pay our vendors on time. And if Rock Castle doesn't pay its bills on time, the vendors don't like to sell to us.

"Also, we like to keep our employees happy. One way to do that is to pay them the right amount at the right time. So Rock Castle must keep track of the time worked by its employees, the amounts owed to the employees, and the wages and salaries paid to them.



"QuickBooks permits Rock Castle Construction to keep a record of all of these transactions. Also, we need records so we can prepare tax returns, financial reports for bank loans, and reports to evaluate the company's performance and make business decisions.

"Your first assignment is to learn more about QuickBooks."

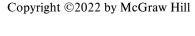
Mr. Castle tosses you a QuickBooks training manual as he rushes off to answer a phone call.

Slightly overwhelmed by Mr. Castle's rapid-fire delivery, you sink into a chair. As you look around your cubicle, you notice for the first time the leaning tower of papers stacked beside the computer, waiting to be processed. No wonder Mr. Castle wanted you to start right way.

Mr. Castle bursts back into your cubicle quickly tossing something onto your cluttered desk. "And here's your new company smartphone—that way I can reach you anytime I need you!"

Noticing your startled expression, Mr. Castle pauses and then reassuringly says, "Don't worry—IT has already set up security for your new phone so that all financial communications will be secure."

Opening the QuickBooks learning guide, you see the following.





Chapter 1

Learning Objectives

Chapter 1 introduces QuickBooks Desktop. In this chapter, you will learn about the following topics:

- · What is an Easy Way to Learn QuickBooks?
- Install QuickBooks
- Start QuickBooks
- · Restore a QuickBooks File
 - Restore Starter Files
 - · Change Company Name
- QuickBooks SatNav
 - QuickBooks Settings
 - QuickBooks Transactions
 - QuickBooks Reports
- QuickBooks Navigation
- QuickBooks Home Page
 - Customers
 - Vendors
 - Employees
 - Banking
 - Company
- QuickBooks Navigation Bar
- QuickBooks Menus
- QuickBooks Reports
 - Create Reports
 - Export Reports to Excel
- QuickBooks Help and Troubleshooting
- Back Up QuickBooks Files
- Restore QuickBooks File Options
 - QBW Workflow
 - QBB Restore
- Close and Exit QuickBooks
- Accounting Essentials: Accounting Systems





WHAT IS AN EASY WAY TO LEARN QUICKBOOKS?

Learning QuickBooks requires integrating knowledge of accounting, financial systems, and financial technology. Don't become discouraged if you find that you need to go over the same material more than once. That is normal. Learning how accounting and financial technology is interrelated often requires repetition.

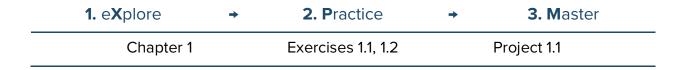
To make learning QuickBooks easier, we will use an effective three-step XPM approach to streamline learning QuickBooks:

eXplore → Practice → Master

- 1. eXplore QuickBooks Desktop using the chapter with step-by-step walk through screen captures. Don't worry about making mistakes or "breaking" Quickbooks. Instead, focus on learning how to navigate and use QuickBooks.
- Practice entering information and transactions into QuickBooks end-of-chapter exercises.
- **3. Master** QuickBooks with virtual company projects. The projects cover QuickBooks tasks from setting up a new QuickBooks company and entering transactions to generating QuickBooks reports.

First, we will eXplore using the Chapter illustrations, then we will Practice using Exercises at the end of the chapter, and finally we will Master QuickBooks by completing Projects. The eXplore Chapter activities use a Starter file. So you do not have to be stressed about errors that might carry forward to subsequent Chapters. The Projects, however, provide an opportunity for you to demonstrate mastery of QuickBooks and your QuickBooks data does carry forward to subsequent Projects.

XPM mapping for this chapter, listing eXplore activities with corresponding Practice and Master activities, follows.



• Accounting Essentials appear at the end of the chapter. Tip: Preview Accounting Essentials <u>before</u> starting the chapter and then review Accounting Essentials after completing the chapter.





Section 1.1

Install QuickBooks

QuickBooks® Desktop (QBDT) is a software-based financial system for entrepreneurs. QuickBooks Desktop Accountant software accompanies your Computer Accounting with Quickbooks 2021 text.

REQUEST QUICKBOOKS SOFTWARE

To obtain QuickBooks Desktop 2021 software to accompany this text:

- Go to https://intuit.me/mh-desktop. Note: if you have any issue with this url, go to www.mhhe.com/kay2021 for additional information and updates.
- Follow the onscreen instructions to complete the Intuit request form for your QuickBooks Desktop 2021 student software. Be sure to select the version for this text: QuickBooks Desktop 2021.
- After you receive email confirmation from Intuit Verification, follow the instructions provided to download your free QuickBooks Desktop Accountant 2021. Make a note of your License and Product numbers included in the email. If you don't receive the confirmation email, check your Spam folder.

Note: If the new QuickBooks Desktop Manager appears as an option to download your QuickBooks software, do not use it. It is not designed for use with the Intuit QuickBooks Educational version. Use the QuickBooks standard installation instead.

Before installing QuickBooks Desktop software verify that your Windows operating system is compatible with the QuickBooks Desktop software. Note that QuickBooks Desktop 2021 is not compatible with Windows 7 or earlier.



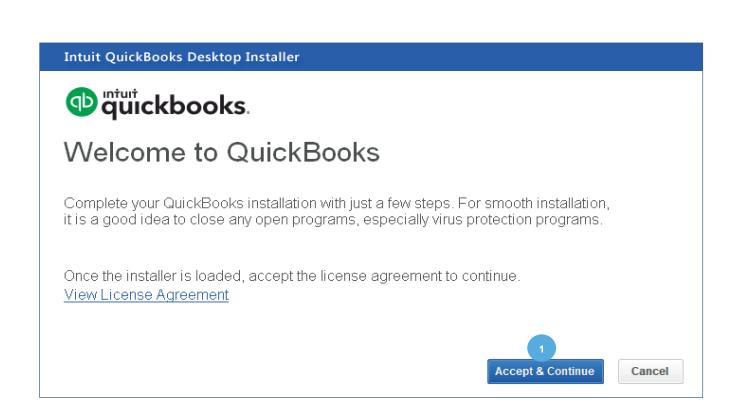


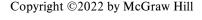
6 Chapter 1

DOWNLOAD AND INSTALL QUICKBOOKS SOFTWARE

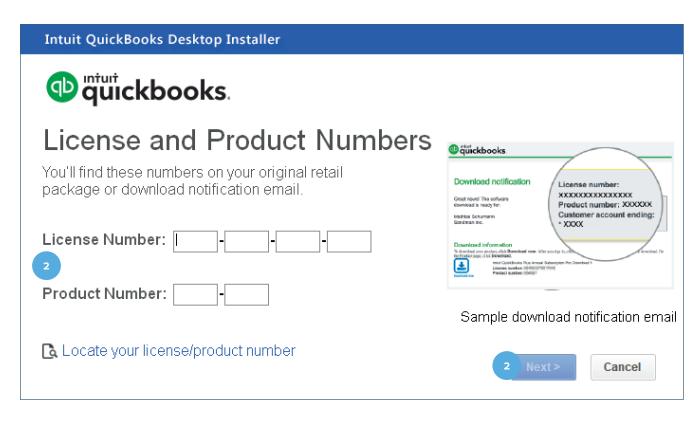
After downloading your QuickBooks Desktop 2021 software installer and verifying that your Windows operating system is compatible, install the QBDT 2021 software as follows:

- If the installer does not open automatically, double-click on the QuickBooks Desktop 2021 installer to start installation. Follow the onscreen instructions. After the installer is loaded, to accept the license agreement and proceed with installation, select **Accept & Continue**.
- When prompted to enter your License Number and Product Number, copy and paste the License number and Product Number from the Intuit email. Then select Next.
- When the Choose your installation type window appears, select **Express > Next**.
- Follow the onscreen instructions and select **Install** to install the QuickBooks software.
- Various screens will appear while the QuickBooks software is installing. When the Installation Complete window appears, select **Open QuickBooks**.
- After QuickBooks starts, if the Activate Quickbooks Desktop Now window appears, select **Begin Activation**. Follow the onscreen instructions to activate QuickBooks.

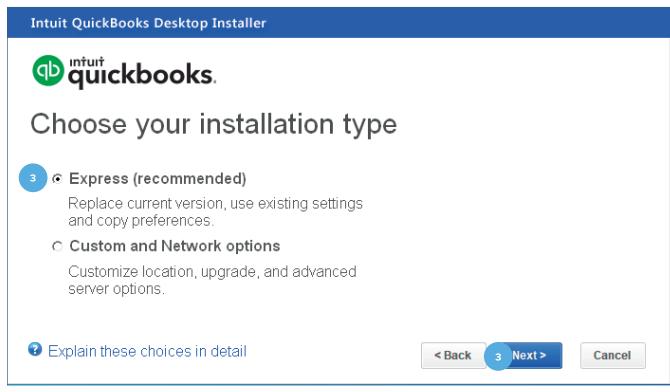








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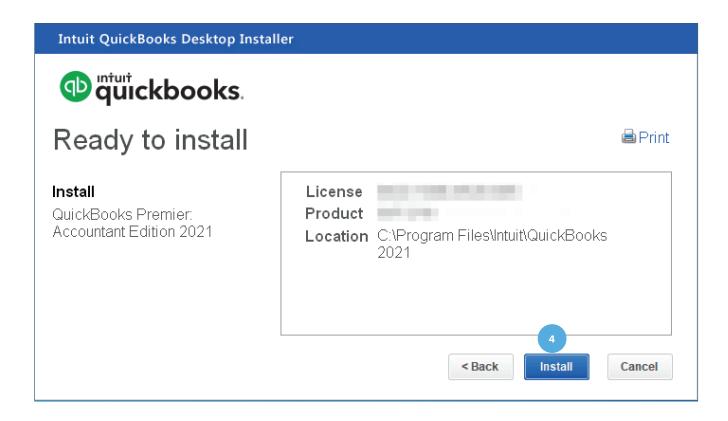


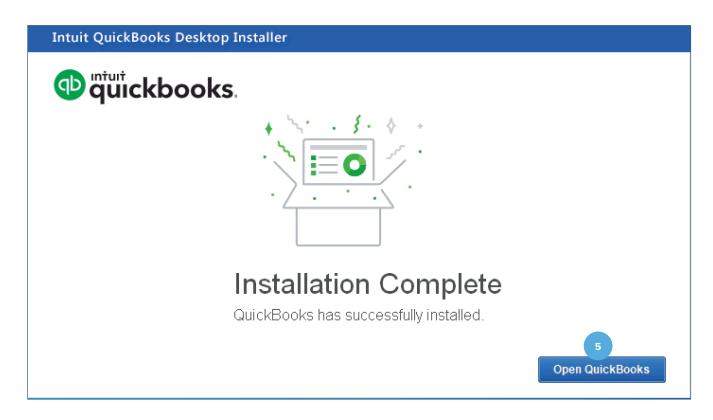
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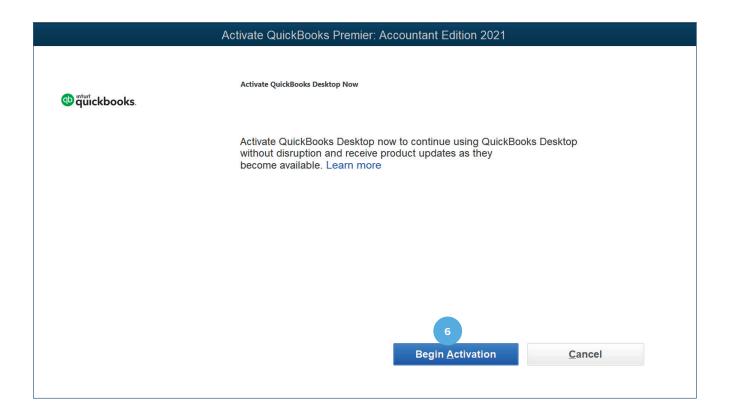


8 Chapter 1









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ACTIVATE QUICKBOOKS SOFTWARE

Three ways to activate/register your QuickBooks software are:

- 1. Activate the software when you install it as shown in the previous section
- 2. Select Help menu > Activate QuickBooks Desktop
- 3. Activate your QuickBooks software by phone at 800-316-1068 and select the appropriate menu option

Activate your QuickBooks software! Failure to activate your QuickBooks trial version software may result in the software no longer functioning.

If you are locked out from using your QuickBooks software, select Help menu > Activate QuickBooks Desktop. If that is unsuccessful, try uninstalling and reinstalling the QuickBooks software.





QUICKBOOKS SOFTWARE INSTALL UPDATES

Occasionally the information for obtaining the software from Intuit changes. If you experience issues downloading and installing your QuickBooks Desktop 2021 software, for additional updates:

- Go to www.My-QuickBooks.com
- 2 Select QB2021 link
- Scroll down to **Download and Install QuickBooks Software**
- Follow the instructions to download and install the QuickBooks software
- Register / Activate the QuickBooks software following the instructions provided

Another site to check for possible updates to download the QuickBooks software is www.mhhe.com/kay2021, select QuickBooks Software Download, and then follow instructions provided.

QuickBooks Support. QuickBooks Desktop Installation Support: 888-222-7276. QuickBooks Desktop Registration Support 800-316-1068.

Activate QuickBooks software with Intuit after installing or you will be locked out of the software. If registered, you will be able to use the QuickBooks software for up to 1 year. If you fail to register the software, you will be locked out of the software and unable to use it.

QuickBooks Accountant software that comes with your text is Windows-based software. If you have a Mac, see your instructor. Also, go to www.My-QuickBooks.com. Select QB & My Mac for options to consider.





Start QuickBooks

To start QuickBooks software, click the QuickBooks icon on your desktop. If a QuickBooks icon does not appear on your desktop, from Microsoft® Windows® click Start button > **QuickBooks > QuickBooks Premier Accountant Edition.**

QuickBooks Accountant includes all the features of QuickBooks Pro plus features for client services. If you use QuickBooks Pro, your screens may appear slightly different than those appearing in this



Restore a QuickBooks File

QuickBooks uses several different types of files. Two types of QuickBooks files that you will be using throughout this text are:

- 1. **QBW file.** The QuickBooks working file in which you can enter accounting data and transactions.
- 2. QBB file. The QuickBooks backup file used to move a QuickBooks file to another computer or if the working file (QBW) fails. The starter files provided for you with this text are QBB files. Because QBB files are compressed, the QBB file must be restored (unzipped) using QuickBooks software. Unlike Excel files, for example, QBB files cannot be opened by clicking on the file.

The QBW file is the only QuickBooks file in which you can enter data and transactions. When you enter transactions into a QBW file, the information is automatically saved. The typical workflow for a business is to use the QBW file to record transactions and periodically back up to a QBB (backup) file.

RESTORE STARTER FILE

For purposes of this text, we will use QuickBooks Starter files that are QBB files containing the company data needed to complete the assignments in this text. The QBB Starter files are compressed files that must be unzipped, or restored, into QBW files before the files can be used.

For your convenience, QuickBooks (QBB) Starter files accompany Computer Accounting with QuickBooks 2021.

Go to www.mhhe.com/kay2021 to download the Starter files from the Online Learning Center.

To stay organized, consider adding a folder to your Desktop: QBB STARTER FILES. Then copy the QBB STARTER files to that folder.

For Connect users, the Starter Files are accessible through your Connect Chapter Assignments.







Desktop (QBDT) QBB Files are compressed backup files that can be restored and used. To use QBB Starter files, the compressed file must be restored following the instructions here. Since it is a compressed file, you cannot open and use the QuickBooks Starter files by simply clicking on the file. Instead you must follow the instructions here to unzip and restore the data file before using it.

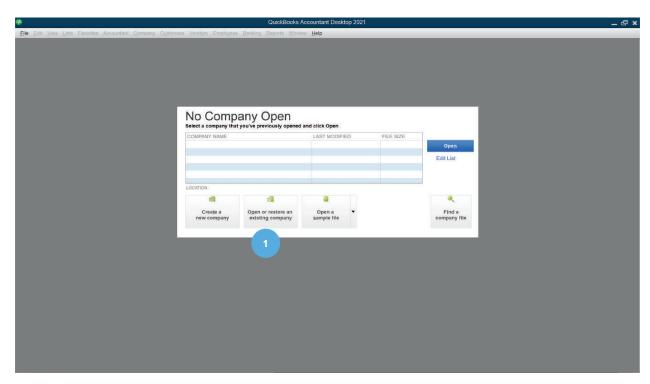
To restore the Starter File for Chapter 1 from a QBB file to a QBW file:

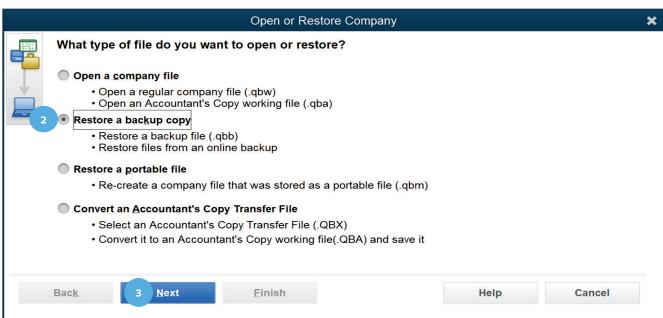
- From the No Company Open window, select Open or restore an existing company. (If the Let's get your business set up quickly! window appears first, select Other Options > Open **Existing File.**)
- Select Restore a backup copy
- Click Next
- When the Open or Restore Company window appears, select Local backup
- Click Next
- Identify the location of the CHAPTER 1 STARTER.QBB file. If you copied the CHAPTER 1 STARTER file to your desktop, select the Look in field to find the location of the .QBB file on your desktop.
- Select the file: CHAPTER 1 STARTER.QBB
- The Files of type field should automatically display: QBW Backup (*.QBB)
- Click Open
- When the Open or Restore window appears, click **Next**
- Identify the file name and location of the QBW company file. To save the QBW (working file) on your desktop, select the location to save in: Desktop. (Another option is to save your QBW files to Users > Public > Public Documents > Intuit > QuickBooks > Company Files. Be sure you have permissions to save to a folder.)
- Enter QBW File name: YourName Chapter 1. (Insert your name in the QBW file name so you can identify your files.)
- The Save as type field should automatically appear as QuickBooks Files (*.QBW)



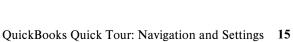


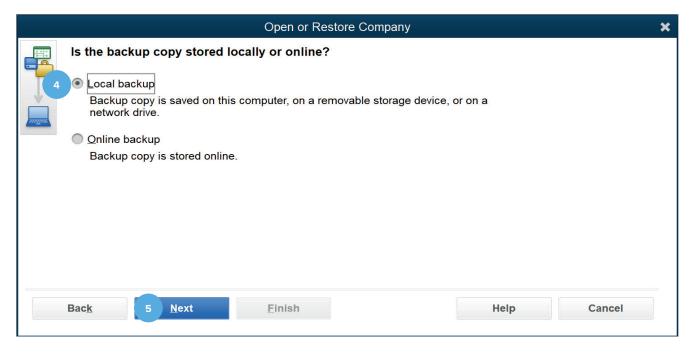
- 14 Click Save
- Click **OK** when the QuickBooks Desktop Information window appears notifying you that **You're opening a QuickBooks sample file**. (If a message appears indicating your file needs to be updated, select Yes. Then follow the onscreen instructions.)



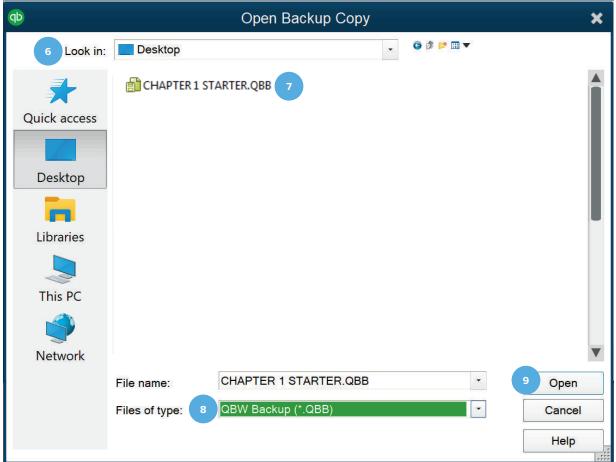






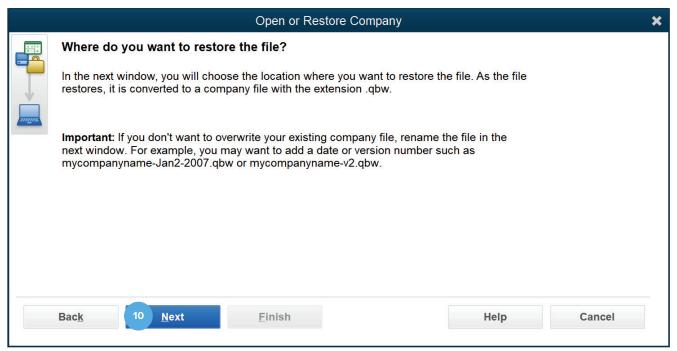


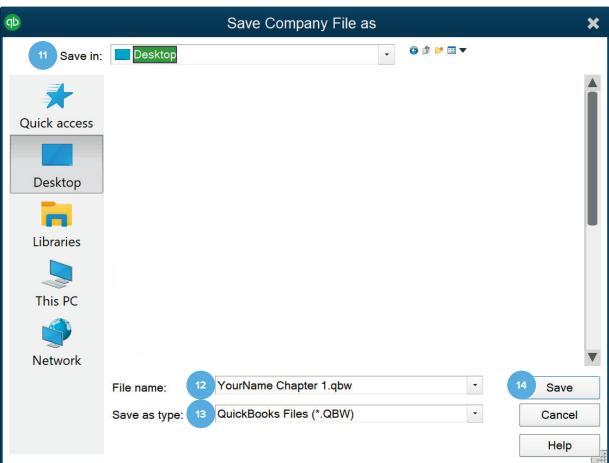
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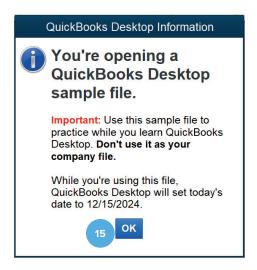












Now that we have restored the QBB file (CHAPTER 1 STARTER.QBB) to a QBW file (Chapter 1.QBW), we can use the QBW file to update settings, enter transactions, and create reports.

CHANGE COMPANY NAME

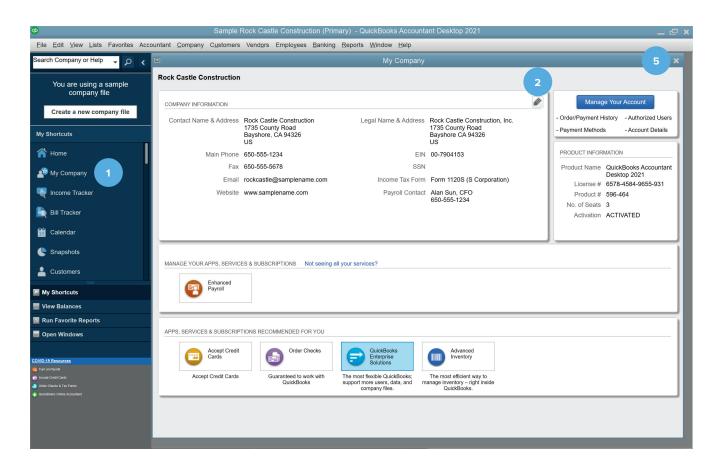
So that your name automatically appears on reports and checks, update the Company Name setting to add your name to the company name.

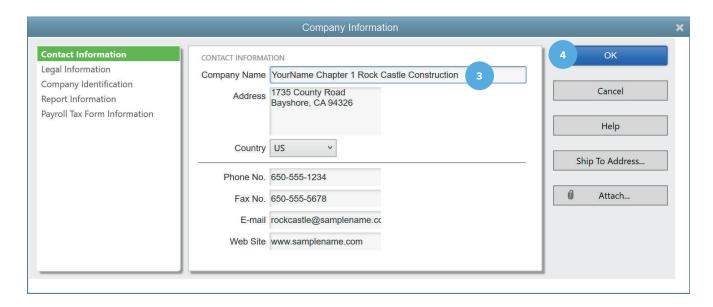
To change a company name in QuickBooks, complete the following:

- From My Shortcuts on the Navigation Bar, select My Company
- When the My Company window appears, select Edit
- When the Company Information window appears, update the Company Name field to: **YourName Chapter 1 Rock Castle Construction**
- Select **OK** to close the Company Information window
- Close the My Company window















QuickBooks SatNav

QuickBooks SatNav is your satellite navigation for QuickBooks, assisting you in navigating QuickBooks

Learning QuickBooks will be easier if you have an overview of the entire QuickBooks system. Just like you use your smartphone with satellite mapping to zoom in for detail and zoom out for the big picture, when learning Quickbooks, you may need to adjust your thinking to zoom out to see the big picture of the entire financial system or at other times zoom in to view details.

QuickBooks SatNav is designed to assist you in zooming out and zooming in to successfully navigate QuickBooks. QuickBooks SatNav divides QuickBooks into three main processes:

1. QuickBooks Settings include Company Settings and the Chart of Accounts.

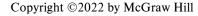
Company Settings involve setting up a new company and selecting company preferences, such as displaying account numbers. QuickBooks uses an EasyStep Interview that asks us questions about our business. QuickBooks then automatically creates a company file for our business. In Chapters 1 through 10 of this text, we will use Rock Castle Construction, a sample company data file, that has already been created for us. In Chapters 11, 12, 13 and 14, we will set up a new QuickBooks company. To learn how to set up a company file, see Chapter 11.

The Chart of Accounts, a list of all the accounts for a company, is another aspect of QuickBooks Settings. Accounts are used to sort and track accounting information. For example, a business needs one account for cash, another account to track amounts customers owe (Accounts Receivable), and yet another account to track inventory. QuickBooks automatically creates a Chart of Accounts in the EasyStep Interview when setting up a new company. QuickBooks then permits us to modify the Chart of Accounts to customize it for specific company needs.

QuickBooks Settings are covered in Chapters 1, 2, 11, 12, 13, and 14.

2. QuickBooks Transactions involve recording transactions as input into the financial system. Transaction types can be categorized as Banking, Customers and Sales,





Vendors and Expenses, and Employees and Payroll. In basic terms, recording transactions involves recording money in and money out of the company.

Transactions are exchanges between the QuickBooks company and other parties, such as customers, vendors, and employees. QuickBooks Home Page is an overview of the most frequently used transactions in a flowchart form.

Typically in a transaction, the company gives something and receives something in exchange. QuickBooks is used to keep a record of what is given and what is received in a transaction. We can enter transaction information into QuickBooks using the onscreen Journal or onscreen forms, such as onscreen invoices and onscreen checks.

QuickBooks Transactions are covered in Chapters 3 through 8, 11, 12, 13, 14, and 15.

- 3. QuickBooks Reports are the output of the system. Reports typically provide information to decision makers. For example, accounting information is used to prepare:
 - **Financial statements** for external users, such as creditors and investors. Internal users, such as managers, also may use financial statements. Financial statements are standardized financial reports that summarize information about past transactions. The primary financial statements for a business are:
 - Balance Sheet: summarizes what a company owns and owes on a particular date.
 - Profit & Loss Statement (or Income Statement): summarizes what a company
 has earned and the expenses incurred to earn the income.
 - Statement of Cash Flows: summarizes cash inflows and cash outflows for operating, investing, and financing activities of a business.
 - Tax returns for federal and state tax agencies.
 - Management reports for company managers and owners to use when making business decisions. Such decisions include: Will we have enough cash to pay our bills on time? Are we collecting customer payments when due? An example of a management report is a cash budget that projects amounts of cash that will be collected and spent in the future.

Quickbooks Reports are covered in several chapters with a focus on reports in Chapters 9, 10, 11, 12, 13, 14, and 15.





This QuickBooks SatNav will be used in the first 15 chapters to illustrate which aspects of QuickBooks the chapter will focus on. If you start to feel lost in QuickBooks, return to the QuickBooks SatNav to assist you in navigating QuickBooks.

In later QuickBooks SatNavs, the portion of the QuickBooks SatNav that is the focus of the chapter will be highlighted on the QuickBooks SatNav.

Learning QuickBooks requires integrating knowledge of accounting, financial systems, and financial technology. Don't become discouraged if you find that you need to go over the same material more than once. That is normal. Learning how accounting and financial tech is interrelated takes repetition.





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QuickBooks Settings

CHAPTERS 1, 2, 11, 12, 13, 14

- Company Settings
- Chart of Accounts

QuickBooks Transactions

CHAPTERS 3, 4, 5, 6, 7, 8, 11, 12, 13, 14, 15

>>> **Money In >>> Money Out >>>**

Banking

Customers & Sales

Vendors & Expenses

Employees & Payroll

QuickBooks Reports

Reports

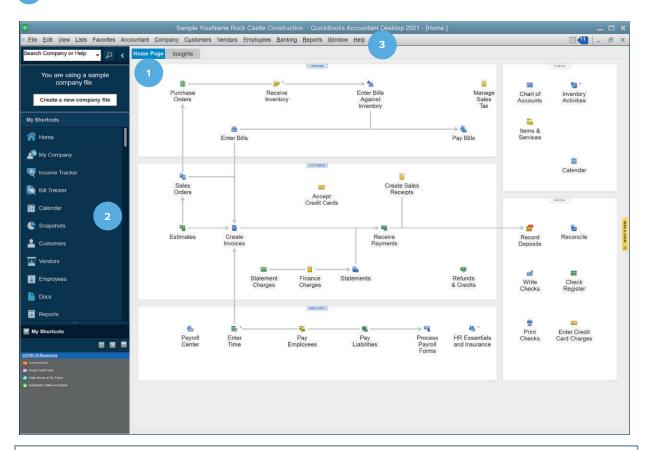
CHAPTERS 9, 10, 11, 12, 13, 14, 15



QuickBooks Navigation

Taking a few minutes to explore QuickBooks navigation will make learning QuickBooks easier. QuickBooks offers three different ways to navigate QuickBooks software:

- Home Page. Click the Home icon on the Navigation Bar (Icon Bar) to reveal flowcharts of frequently used tasks.
- Navigation Bar. Click on the Navigation Bar (Icon Bar) to display customer, vendor, and employee centers and frequently used windows, such as customer invoices.
- Menu Bar. Click on the Menu Bar to reveal a drop-down menu for each area.



What's New may appear on the right side of your Home Page. Open What's New to view the new features in the 2021 version of QuickBooks Desktop. Click the X beside What's New if you wish to remove it from your Home Page.

Next, we explore navigation in greater detail.

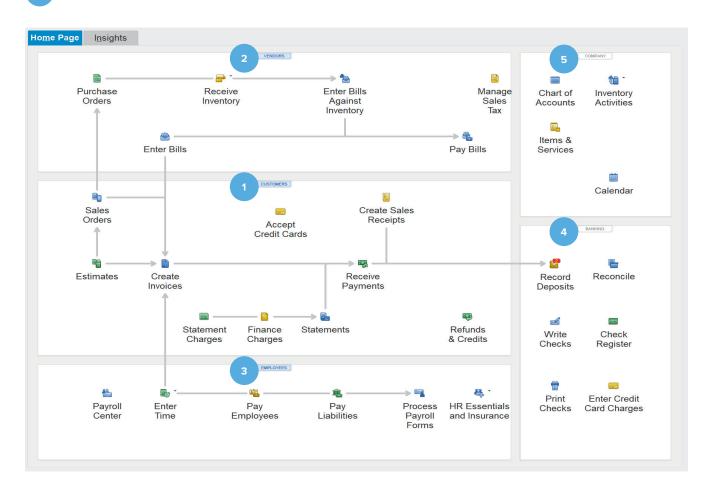


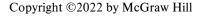
QuickBooks Home Page

To view the QuickBooks Home Page, click the **Home** icon in the Navigation Bar. The Home Page contains the following main categories of transactions and tasks:

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- 1 Customers and sales transactions
- Vendors and expenses transactions
- 3 Employees and payroll transactions
- 4 Banking and credit card transactions
- 5 Company tasks







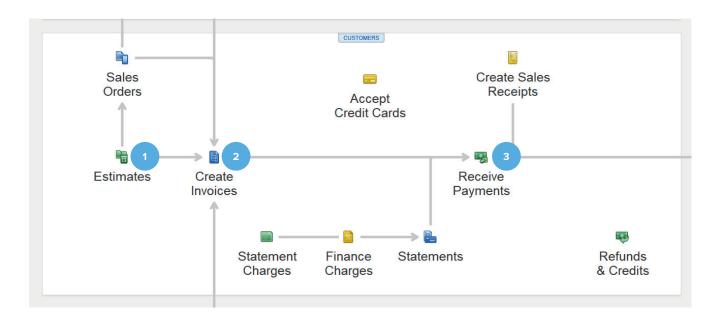




CUSTOMERS

The Customers section is a flowchart of the main activities associated with sales and customers. For example, we can:

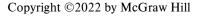
- Create estimates
- Create invoices to bill customers
- Record payments received from customers (cash, check, and credit card payments)



VENDORS

From the Vendors flowchart, we can record:

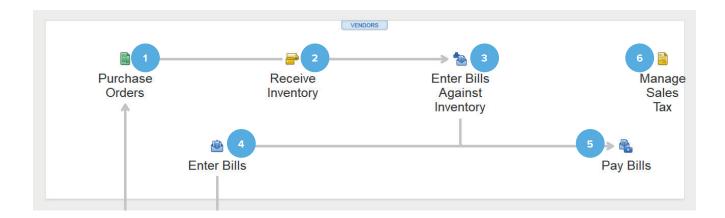
- Purchase orders (orders placed to purchase items)
- Inventory received
- Bills received for inventory
- Bills received for services







- 26 Chapter 1
- Bills paid
- 6 Sales tax paid



EMPLOYEES

From the Employees flowchart, we can:

- Enter time worked
- Pay employees
- Pay payroll tax liabilities
- 4 Process payroll forms







BANKING

From the Banking section, we can:

- Record deposits
- Write checks
- Print checks
- Reconcile a bank statement
- View the check register
- Enter credit card charges

