

LEARNING MADE EASY



QuickBooks® 2018

for
dummies®

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Organize your business
finances in one place

Create invoices, record sales
receipts, and pay the bills

Track inventory and
monitor business

Stephen L. Nelson,
MBA, CPA, MS in Taxation

Author of *QuickBooks 2018*
All-In-One For Dummies

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QuickBooks® 2018 For Dummies®

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Contents at a Glance

Introduction	1
Part 1: Quickly into QuickBooks	5
CHAPTER 1: QuickBooks: The Heart of Your Business	7
CHAPTER 2: The Big Setup	17
CHAPTER 3: Populating QuickBooks Lists	35
Part 2: Daily Entry Tasks	81
CHAPTER 4: Creating Invoices and Credit Memos	83
CHAPTER 5: Reeling in the Dough	107
CHAPTER 6: Paying the Bills	131
CHAPTER 7: Inventory Magic	155
CHAPTER 8: Keeping Your Checkbook	175
CHAPTER 9: Paying with Plastic	193
Part 3: Stuff You Do from Time to Time	203
CHAPTER 10: Printing Checks	205
CHAPTER 11: Payroll	217
CHAPTER 12: Building the Perfect Budget	229
CHAPTER 13: Online with QuickBooks	237
Part 4: Housekeeping Chores	247
CHAPTER 14: The Balancing Act	249
CHAPTER 15: Reporting on the State of Affairs	259
CHAPTER 16: Job Estimating, Billing, and Tracking	273
CHAPTER 17: File Management Tips	283
CHAPTER 18: Fixed Assets and Vehicle Lists	295
Part 5: The Part of Tens	307
CHAPTER 19: Tips for Handling (Almost) Ten Tricky Situations	309
CHAPTER 20: (Almost) Ten Secret Business Formulas	317
Part 6: Appendixes	333
APPENDIX A: Installing QuickBooks in 10 Easy Steps	335
APPENDIX B: If Numbers Are Your Friends	339
APPENDIX C: Sharing QuickBooks Files	357
Index	367

Table of Contents

INTRODUCTION	1
About This Book	1
Foolish Assumptions	2
Icons Used in This Book	3
Beyond the Book	3
Where to Go from Here	3
PART 1: QUICKLY INTO QUICKBOOKS	5
CHAPTER 1: QuickBooks: The Heart of Your Business	7
Why QuickBooks?	7
Why you need an accounting system	8
What QuickBooks does	9
Why not QuickBooks online?	10
What Explains QuickBooks' Popularity?	11
What's Next, Dude?	12
How to Succeed with QuickBooks	13
Budget wisely, Grasshopper	13
Don't focus on features	14
Outsource payroll	15
Get professional help	16
Use both the profit and loss statement and the balance sheet	16
CHAPTER 2: The Big Setup	17
Getting Ready for QuickBooks Setup	17
The big decision	18
The trial balance of the century	19
The mother of all scavenger hunts	22
Stepping through QuickBooks Setup	23
Starting QuickBooks	23
Using the Express Setup	25
The Rest of the Story	32
Should You Get Your Accountant's Help?	33
CHAPTER 3: Populating QuickBooks Lists	35
The Magic and Mystery of Items	35
Adding items you might include on invoices	37
Creating other wacky items for invoices	45
Editing items	48
Adding Employees to Your Employee List	49

Customers Are Your Business	51
It's Just a Job	55
Adding Vendors to Your Vendor List	58
The Other Lists.	62
The Fixed Asset Item list	63
The Price Level list	64
The Billing Rate Levels list	64
The Sales Tax Code list	64
The Class list	64
The Other Names list	65
The Sales Rep list	65
Customer, Vendor, and Job Types list	66
The Terms list	66
The Customer Message list	66
The Payment Method list	67
The Ship Via list	67
The Vehicle list	67
The Memorized Transaction list	67
The Reminders list	68
Organizing Lists	68
Printing Lists.	68
Exporting List Items to Your Word Processor	69
Dealing with the Chart of Accounts List	69
Describing customer balances	70
Describing vendor balances.	70
Camouflaging some accounting goofiness	70
Supplying the missing numbers	77
Checking your work one more time	79

PART 2: DAILY ENTRY TASKS 81

CHAPTER 4: Creating Invoices and Credit Memos.	83
Making Sure That You're Ready to Invoice Customers	84
Preparing an Invoice	84
Fixing Invoice Mistakes	91
If the invoice is still displayed onscreen	91
If the invoice isn't displayed onscreen	91
If you need to delete an invoice	92
Preparing a Credit Memo	92
Fixing Credit Memo Mistakes	96
Taking Lessons from History	96
Printing Invoices and Credit Memos.	97
Loading the forms into the printer	97
Setting up the invoice printer	97
Printing invoices and credit memos as you create them	100

	Printing invoices in a batch	101
	Printing credit memos in a batch	103
	Sending Invoices and Credit Memos via Email	104
	Customizing Your Invoices and Credit Memos	105
CHAPTER 5:	Reeling in the Dough	107
	Recording a Sales Receipt	108
	Printing a Sales Receipt	112
	Special Tips for Retailers	114
	Correcting Sales Receipt Mistakes	115
	Recording Customer Payments	116
	Correcting Mistakes in Customer Payments Entries	120
	Making Bank Deposits	121
	Improving Your Cash Inflow	124
	Tracking what your customers owe	124
	Assessing finance charges	125
	Dealing with deposits	129
CHAPTER 6:	Paying the Bills	131
	Pay Now or Pay Later?	131
	Recording Your Bills by Writing Checks	132
	The slow way to write checks	132
	The fast way to write checks	138
	Recording Your Bills the Accounts Payable Way	140
	Recording your bills	141
	Entering your bills the fast way	144
	Deleting a bill	146
	Remind me to pay that bill, will you?	147
	Paying Your Bills	148
	Tracking Vehicle Mileage	152
	Paying Sales Tax	153
CHAPTER 7:	Inventory Magic	155
	Setting Up Inventory Items	156
	When You Buy Stuff	157
	Recording items that you pay for up front	157
	Recording items that don't come with a bill	157
	Paying for items when you get the bill	159
	Recording items and paying the bill all at once	161
	When You Sell Stuff	161
	How Purchase Orders Work	162
	Customizing a purchase order form	163
	Filling out a purchase order	163
	Checking up on purchase orders	166
	Receiving purchase order items	166

Assembling a Product	167
Identifying the components	167
Building the assembly	167
Time for a Reality Check	169
Dealing with Multiple Inventory Locations	171
Manually keep separate inventory-by-location counts	171
Use different item numbers for different locations	171
Upgrade to QuickBooks Enterprise Solutions	172
The Lazy Person's Approach to Inventory	172
How periodic inventory systems work in QuickBooks	173
The good and bad of a periodic inventory	173
CHAPTER 8: Keeping Your Checkbook	175
Writing Checks	175
Writing checks from the Write Checks window	176
Writing checks from the register	177
Changing a check that you've written	179
Packing more checks into the register	180
Depositing Money in a Checking Account	181
Recording simple deposits	181
Depositing income from customers	182
Transferring Money between Accounts	184
Setting up a second bank account	185
Recording deposits into the new account	185
About the other half of the transfer	186
Changing a transfer that you've already entered	187
Working with Multiple Currencies	187
To Delete or to Void?	188
Handling NSF Checks from Customers	189
The Big Register Phenomenon	190
Moving through a big register	190
Finding that darn transaction	191
CHAPTER 9: Paying with Plastic	193
Tracking Business Credit Cards	193
Setting up a credit card account	194
Selecting a credit card account so that you can use it	195
Entering Credit Card Transactions	196
Recording a credit card charge	197
Changing charges that you've already entered	199
Reconciling Your Credit Card Statement and Paying the Bill	200
So What about Debit and ATM Cards?	201
So What about Customer Credit Cards?	201

PART 3: STUFF YOU DO FROM TIME TO TIME	203
CHAPTER 10: Printing Checks	205
Getting the Printer Ready	205
Printing a Check	209
A few words about printing checks	209
Printing a check as you write it	209
Printing checks by the bushel	211
What if I make a mistake?	213
Oh where, oh where do unprinted checks go?	214
Printing a Checking Register	214
CHAPTER 11: Payroll	217
Getting Ready to Do Payroll without Help from QuickBooks	217
Doing Taxes the Right Way	218
Getting an employer ID number	218
Signing up for EFTPS	219
Having employees and employers do their part	219
Getting Ready to Do Payroll with QuickBooks	219
Paying Your Employees	221
Paying Payroll Liabilities	224
Paying tax liabilities if you use a full-meal-deal payroll service	224
Paying tax liabilities if you don't use a full-meal-deal payroll service	224
Paying other nontax liabilities	225
Preparing Quarterly Payroll Tax Returns	225
Using the Basic Payroll service	226
Using a full-meal-deal payroll service	226
Using the QuickBooks Enhanced Payroll service	226
Filing Annual Returns and Wage Statements	227
The State Wants Some Money, Too	228
CHAPTER 12: Building the Perfect Budget	229
Is This a Game You Want to Play?	229
All Joking Aside: Some Basic Budgeting Tips	230
A Budgeting Secret You Won't Learn in College	231
Setting Up a Secret Plan	232
Adjusting a Secret Plan	235
Forecasting Profits and Losses	235
Projecting Cash Flows	235
Using the Business Planner Tools	236

CHAPTER 13: Online with QuickBooks	237
Doing the Electronic Banking Thing	237
So what's the commotion about?	237
A handful of reasons to be cautious about banking online	238
Making sense of online banking	241
Signing up for the service	241
Making an online payment	241
Transferring money electronically	243
Changing instructions	244
Transmitting instructions	244
Message in a bottle	245
A Quick Review of the Other Online Opportunities	246
PART 4: HOUSEKEEPING CHORES	247
CHAPTER 14: The Balancing Act	249
Balancing a Bank Account	249
Giving QuickBooks information from the bank statement	250
Marking cleared checks and deposits	252
Eleven Things to Do If Your Non-Online Account Doesn't Balance	256
CHAPTER 15: Reporting on the State of Affairs	259
What Kinds of Reports Are There, Anyway?	260
Creating and Printing a Report	262
Visiting the report dog-and-pony show	264
Editing and rearranging reports	265
Reports Made to Order	268
Processing Multiple Reports	270
Your Other Reporting Options	271
Last but Not Least: The QuickReport	272
CHAPTER 16: Job Estimating, Billing, and Tracking	273
Turning On Job Costing	273
Setting Up a Job	274
Creating a Job Estimate	275
Revising an Estimate	278
Turning an Estimate into an Invoice	278
Comparing Estimated Item Amounts with Actual Item Amounts	279
Charging for Actual Time and Costs	280
Tracking Job Costs	282
CHAPTER 17: File Management Tips	283
Backing Up Is (Not That) Hard to Do	283
Backing up the quick-and-dirty way	285
Getting back the QuickBooks data you backed up	289

Making an Accountant’s Copy	292
Working with Portable Files	292
Using an Audit Trail	293
Using a Closing Password	293
CHAPTER 18: Fixed Assets and Vehicle Lists	295
What Is Fixed-Assets Accounting?	295
Fixed-Assets Accounting in QuickBooks	297
Setting Up a Fixed Asset List	297
Adding items to the Fixed Asset list	298
Adding fixed-asset items on the fly.	300
Editing items in the Fixed Asset list.	300
Tracking Vehicle Mileage	302
Identifying your vehicles.	302
Recording vehicle miles	303
Using the vehicle reports	304
Updating vehicle mileage rates	305
 PART 5: THE PART OF TENS	 307
CHAPTER 19: Tips for Handling (Almost) Ten Tricky Situations	309
Tracking Depreciation	309
Selling an Asset	310
Selling a Depreciable Asset	311
Owner’s Equity in a Sole Proprietorship.	312
Owner’s Equity in a Partnership	312
Owner’s Equity in a Corporation	313
Multiple-State Accounting	314
Getting a Loan	314
Repaying a Loan	315
 CHAPTER 20: (Almost) Ten Secret Business Formulas	 317
The First “Most Expensive Money You Can Borrow” Formula.	318
The Second “Most Expensive Money You Can Borrow” Formula	320
The “How Do I Break Even?” Formula	320
The “You Can Grow Too Fast” Formula	323
How net worth relates to growth	323
How to calculate sustainable growth	324
The First “What Happens If . . . ?” Formula	325
The Second “What Happens If . . . ?” Formula	327
The Economic Order Quantity (Isaac Newton) Formula	329
The Rule of 72	330

PART 6: APPENDIXES	333
APPENDIX A: Installing QuickBooks in 10 Easy Steps	335
APPENDIX B: If Numbers Are Your Friends	339
Keying In on Profit	339
Let me introduce you to the new you	339
The first day in business	340
Look at your cash flow first	340
Depreciation is an accounting gimmick	341
Accrual-basis accounting is cool	342
Now you know how to measure profits	343
Some financial brain food	343
In the Old Days, Things Were Different	344
What Does an Italian Monk Have to Do with Anything?	347
And now for the blow-by-blow	349
Blow-by-blow, Part 2	352
How does QuickBooks help?	354
Two Dark Shadows in the World of Accounting	354
The first dark shadow	354
The second dark shadow	355
The Danger of Shell Games	356
APPENDIX C: Sharing QuickBooks Files	357
Sharing a QuickBooks File on a Network	357
User permissions	357
Record locking	359
Installing QuickBooks for Network Use	359
Setting User Permissions	361
User permissions in Enterprise Solutions	361
User permissions in QuickBooks Pro and Premier	362
Specifying Multiuser Mode	364
Working in Multiuser Mode	364
INDEX	367

Introduction

Running a small business is one of the coolest things a person can do. Really. I mean it. Sure, sometimes the environment is dangerous — kind of like the Old West — but it's an environment in which you have the opportunity to make tons of money. And it's also an environment in which you can build a company or a job that fits you perfectly.

By comparison, many brothers and sisters working in big-company corporate America are furiously trying to fit their round pegs into painfully square holes. Yuck.

You're wondering, of course, what any of this has to do with this book or with QuickBooks. Quite a lot, actually. The whole purpose of this book is to make it easier for you to run (or work in) a small business by using QuickBooks.

About This Book

As you start your reading, though, I want to tell you a couple of things about this book.

First off, know that I fiddled a bit with the Windows and QuickBooks display settings. I noodled around with the font settings and some of the colors, for example. The benefit is that the pictures of the QuickBooks windows and dialog boxes in this book are easier to read. And that's good. But the cost of all of this is that my pictures look a little bit different from what you see on your screen. And that's not good. In the end, however, what the publisher found is that people are happier with increased readability.

Next point: To make the best use of your time and energy, you should know about the conventions that I use in this book. Those conventions are as follows:

- » When I want you to type something, such as **With a stupid grin, Martin watched the tall blonde strut into the bar and order grappa**, it's in bold type. When I want you to type something that's short and uncomplicated, such as **Jennifer**, it still appears in boldface type.

- » Except for passwords, you don't have to worry about the case of the letters you type in QuickBooks. If I tell you to type **Jennifer**, you can type **JENNIFER** or follow poet e. e. cummings's lead and type **jennifer**.
- » Whenever I tell you to choose a command from a menu, I say something like "Choose Lists ⇨ Items," which simply means to first choose the Lists menu and then choose Items. The ⇨ separates one part of the command from the next part.
- » You can choose menus, commands, and dialog-box elements with the mouse. Just click the thing you want.
- » When I provide step-by-step descriptions of tasks — something I do regularly within the pages of this tome — I describe the tasks by using bold text and then, below the boldfacing, give a more detailed explanation. You can skip the text that accompanies the step-by-step boldface directions if you already understand the process.

Foolish Assumptions

I make three assumptions about you:

- » You have a PC running Microsoft Windows. (I took pictures of the QuickBooks windows and dialog boxes while using Windows 10, in case you're interested.)
- » You know a little bit about how to work with your computer.
- » You have or will buy a copy of QuickBooks for each computer on which you want to run the program.



TIP

This book works for QuickBooks 2018 (and with the equivalent version of QuickBooks Enterprise Solutions, which is named Enterprise Solutions 18), although in a pinch, you can probably use it for QuickBooks 2017 or 2019 too. (I have to say, however, that if you have QuickBooks 2016, you may want to return this book and trade it in for *QuickBooks 2016 For Dummies* by yours truly. Furthermore, even though I'm no fortune-teller, I'm willing to predict that you'll be able to buy a *QuickBooks 2019 For Dummies* book when QuickBooks 2019 comes out.)

Icons Used in This Book



TIP

The Tip icon marks tips (duh!) and shortcuts that you can use to make QuickBooks easier.



REMEMBER

Remember icons mark the information that's especially important to know. To siphon off the most important information in each chapter, just skim these icons.



TECHNICAL
STUFF

The Technical Stuff icon marks information of a highly technical nature that you can normally skip.



WARNING

The Warning icon tells you to watch out! It marks important information that may save you headaches when working with QuickBooks.

Beyond the Book

This book is packed with information about using and benefiting from QuickBooks. But you'll be glad to know, I'm sure, that you can find additional relevant content at the www.dummies.com website. Type **QuickBooks 2018** in the Search field on the site to see a list of relevant articles.

There's also an online Cheat Sheet, which is a handy reference that you'll use over and over, and you can refer to it when you don't have the book handy. Just type **QuickBooks 2018 For Dummies Cheat Sheet** in the Search field at www.dummies.com.

Where to Go from Here

This book isn't meant to be read from cover to cover like some James Patterson page-turner. Instead, it's organized into tiny, no-sweat descriptions of how you do the things you need to do. If you're the sort of person who just doesn't feel right not reading a book from cover to cover, you can (of course) go ahead and read this thing from front to back. You can start reading Chapter 1 and continue all the way to the end (which means through Chapter 20 and the appendixes).



TIP

I don't think this from-start-to-finish approach is bad, because I tell you a bunch of stuff (tips and tricks, for example) along the way. I tried to write the book in such a way that the experience isn't as rough as you might think, and I really do think you get good value from your reading.

But you also can use this book the way you'd use an encyclopedia. If you want to know about a subject, you can look it up in the table of contents or the index; then you can flip to the correct chapter or page and read as much as you need or enjoy. No muss, no fuss.

I should mention one thing, however: Accounting software programs require you to do a certain amount of preparation before you can use them to get real work done. If you haven't started to use QuickBooks yet, I recommend that you read the first few chapters of this book to find out what you need to do first.

Finally, if you haven't already installed QuickBooks and need help, jump to Appendix A, which tells you how to install QuickBooks in 10 easy steps. And if you're just starting with Microsoft Windows, peruse Chapter 1 of the *Windows User's Guide* or one of these books on your flavor of Windows: *Windows 7 For Dummies*, *Windows 8.1 For Dummies*, or *Windows 10 For Dummies*, all by Andy Rathbone (and all from John Wiley & Sons, Inc.).

1

Quickly into QuickBooks

IN THIS PART . . .

Understand the big-picture stuff about why, how, and when you install the QuickBooks accounting software.

Get practical stratagems and commonsense tactics for quickly getting your accounting system up and running.

Load the QuickBooks master files with startup information so you're productive and efficient from day one.

IN THIS CHAPTER

- » Benefiting from a tool like QuickBooks
- » Discovering what QuickBooks actually does
- » Understanding why QuickBooks is a popular choice
- » Getting started (in general) with QuickBooks
- » Succeeding in setup and use of QuickBooks

Chapter **1**

QuickBooks: The Heart of Your Business

I want to start this conversation by quickly covering some basic questions concerning QuickBooks, such as these: Why even use QuickBooks? Where and how does a guy or gal start? And — most important — what should I *not* do?

This little orientation shouldn't take more than a few minutes. Really. And the orientation lets you understand the *really* big picture concerning QuickBooks.

Why QuickBooks?

Okay, I know you know that you need an accounting system. Somebody (maybe your accountant or spouse) has convinced you of this. And you, being the team player that you are, have just accepted this conventional viewpoint as the truth.

But just between you and me, why do you *really* need QuickBooks? And what does QuickBooks do that you really, truly need done? Heck, just to be truly cynical, also ask the question “Why QuickBooks?” Why not use some other accounting software program?

Why you need an accounting system

Start with the most basic question: Why do you even need an accounting system like QuickBooks? It’s a fair question, so let me supply the two-part answer.

The first reason is that federal law requires your business to maintain an accounting system. Specifically, Section 446 (General Rule for Methods of Accounting) of Title 26 (Internal Revenue Code) of the United States Code requires that you have the capability to compute taxable income by using some sort of common-sense accounting system that clearly reflects income.

If you decide to blow off this requirement — after all, you got into business so that you could throw off the shackles of bureaucracy — you might get away with your omission. But if the Internal Revenue Service (IRS) examines your return, and you ignored Section 446, the IRS gets to do your accounting the way *it* wants. And the IRS way means that you pay more in taxes and that you also pay taxes earlier than you would have otherwise.

Here’s the second reason for maintaining an accounting system. I’m sort of going out on an editorial limb here, but I’m going to do it anyway. My strong belief — backed by more than three decades of business experience and close observation of several hundred business clients — is that you can’t successfully manage your business without a decent accounting system. Success requires accurately measuring profits or losses and reasonably estimating your financial condition.

This second reason makes sense, right? If your friend Kenneth doesn’t know when he’s making money, which products or services are profitable, and which customers are worth keeping (and which aren’t), does he really have a chance?

I don’t think he does.

To summarize, your business must have a decent accounting system, no matter how you feel about accounting and regardless of how time-consuming and expensive such a system is (or becomes). The law requires you to have such an accounting system. And successful business management depends on such an accounting system.

What QuickBooks does

Go on to the next question that you and I need to discuss: What does QuickBooks do to help you maintain an accounting system that measures profits and losses and other stuff like that?

QuickBooks truly makes business accounting easy by providing windows that you use to record common business transactions. QuickBooks has a window (you know, a Windows window that appears on your monitor's screen) that looks like a check, for example. To record a check you write, you fill in the blanks of the window with bits of information, such as the date, amount, and person or business you're paying.

QuickBooks also has a handful of other windows that you use in a similar fashion. It supplies an invoice window, for example, that looks like an invoice you might use to bill a customer or client. You fill in the invoice window's blanks by recording invoice information, such as the name of the client or customer, invoice amount, and date by which you want to be paid.

Here's the neat thing about these check and invoice windows: When you record business transactions by filling in the blanks shown onscreen, you collect the information that QuickBooks needs to prepare the reports that summarize your profits or losses and your financial situation.

If you record two invoices (for \$10,000 each) to show amounts that you billed your customers, and then you record three checks (for \$4,000 each) to record your advertising, rent, and supplies expenses, QuickBooks can (with two or three mouse clicks by you) prepare a report that shows your profit, as shown in Table 1-1.

TABLE 1-1

A Profit and Loss Report

	Amount
<i>Revenue</i>	\$20,000
Advertising	(\$4,000)
Rent	(\$4,000)
Supplies	(\$4,000)
<i>Total Expenses</i>	(\$12,000)
Profit	\$8,000



REMEMBER

The parentheses, by the way, indicate negative amounts. That's an accounting thing, but back to the real point of my little narrative.

Your accounting with QuickBooks can be just as simple as I describe in the previous paragraphs. In other words, if you record just a handful of business transactions by using the correct QuickBooks windows, you can begin to prepare reports like the one shown in Table 1-1. Such reports can be used to calculate profits or (ugh) losses for last week, last month, or last year. Such reports can also be used to calculate profits and losses for particular customers and products.

I know I'm kind of harsh in the first part of this chapter — bringing up that stuff about the IRS and business failure — but this accounting stuff is neat! (For the record, that's the only exclamation point I use in this chapter.) Good accounting gives you a way to manage your business for profitability. And obviously, all sorts of good and wonderful things stem from operating your business profitably: a materially comfortable life for you and your employees; financial cushioning to get you through the tough patches; and profits that can be reinvested in your business, in other businesses, and in community charities.

Let me mention a couple other darn handy things that QuickBooks (and other accounting systems, too) do for you, the overworked business owner or bookkeeper:

- » **Forms:** QuickBooks produces, or prints, forms such as checks and invoices by using the information you enter in those check windows and invoice windows that I mention earlier. So that's neat, and a true time saver. (See Chapter 4.)
- » **Electronic banking and billing:** QuickBooks transmits and retrieves some financial transaction information electronically. It can email your invoices to customers and clients, for example. (That can save you both time and money.) And QuickBooks can share bank accounting information with most major banks, making it easy to make payments and transfer funds electronically. (See Chapter 13.)

Why not QuickBooks online?

Now for an awkward question: Should you be using the desktop version of QuickBooks, or do you need to get with the program and use the online version of QuickBooks? Good question.

My suggestion is that you work with the desktop version of QuickBooks — the subject of this book. I base this suggestion on two factors:

- » The desktop version probably becomes significantly more economical over the years you use QuickBooks. I've blogged about this topic (not in a bitter, grumpy-old-man way, I hope) at our CPA firm's website, www.evergreensmallbusiness.com. The problem with these subscription-type pricing models is that you pay — over time — way, way more for an item. And I believe that this is true with QuickBooks.
- » At least currently, the desktop version of QuickBooks provides more functionality and a richer feature set. I'm not going to list what's included in the desktop version and what's missing in the online version, but I see holes. (I'm happy to stipulate that at some point, Intuit will surely plug these holes. But in the meantime, why pay more for less?)

Can I point out one scenario in which the online version *does* make sense in spite of its greater cost and lesser functionality? If you need to have people in different locations (across town, across the country, around the globe, and so on) share QuickBooks, the online version of QuickBooks rocks. It *really* rocks.

Note: If your CPA can support your use of QuickBooks simply because you're using the online version, that may justify the extra cost and lighter feature set.

What Explains QuickBooks' Popularity?

No question about it — you need a good accounting system if you're in business. But you know what? That fact doesn't explain why QuickBooks is so popular or why you should use QuickBooks. (I ignore for one moment the fact that you've probably already purchased QuickBooks.) Therefore, let me suggest to you three reasons why QuickBooks is an excellent choice to use as the foundation of your accounting system:

- » **Ease of use:** QuickBooks historically has been the easiest (or one of the easiest) accounting software programs to use. Why? The whole just-enter-transaction-information-into-windows-that-resemble-forms thing (which I talk about earlier) makes data entry a breeze. Most businesspeople already know how to fill in the blanks in these forms. That means that most people — probably including you — know almost everything they need to know to collect the information that they need to do their books with QuickBooks. Over time, other software programs have tended to become more QuickBooks-like in their ease of use. The folks at Intuit have truly figured out how to make and keep accounting easy.



WARNING

I should tell you, because I'm an accountant, that the ease-of-use quality of QuickBooks isn't all good. Part of the reason why QuickBooks is easy to use is that it doesn't possess all the built-in internal control mechanisms that some more traditional accounting systems have. Those internal control mechanisms make your financial data more secure, of course, but they also make the accounting software more complicated to use.

- » **Expense:** QuickBooks, especially compared with the hard-core accounting packages that accountants love, is pretty darn inexpensive. Different versions have different prices, but for a ballpark figure, you can get an excellent accounting software solution for a few hundred bucks. Not to go all grandfatherly on you or anything, but when I was a young CPA, inexpensive accounting software packages often cost several thousand dollars, and it was almost easy to spend tens of thousands of dollars.
- » **Ubiquity:** The ubiquity issue relates to the ease of use of QuickBooks and the cheap price that Intuit charges for QuickBooks. Oddly enough, the ubiquity of QuickBooks becomes its own benefit, too. You'll find it very easy to find a bookkeeper who knows QuickBooks, for example. And if you can't, you can hire someone who doesn't know QuickBooks and then send that individual to a QuickBooks class at the local community college (because that class will be easy to find). You'll also find it very easy to find a CPA who knows QuickBooks.

Now, you might choose to use some other, very good piece of accounting software. Almost assuredly, however, what you'll discover is that it's tougher to find people who know the software, tougher to find classes for the software, tougher to find CPAs who know the software, and even tougher to find books about the software.

What's Next, Dude?

At this point, presumably, you know why you need accounting software and why QuickBooks is probably a reasonable and maybe even an excellent choice. In other words, you swallowed my line about QuickBooks hook, line, and sinker. That decision on your part leaves the question of what you should do next. Let me say this. In a nutshell, before you can begin working with QuickBooks, you need to do the following:

1. **Install the QuickBooks software, as I describe in Appendix A.**
2. **Run through the QuickBooks Setup process, which I describe in Chapter 2.**
3. **Load the master files, as I describe in Chapter 3.**

If you're thinking "Whoa, cowboy, that seems like a bit more work than what's involved in installing spreadsheet software or a new word processor," you're right. You might as well hear from me the ugly truth about accounting software: Accounting software, all of it, requires quite a bit of setup work to get things running smoothly. You need to build a list of expense categories (accounts) to use for tracking expenses, for example. You also need to set up a list of the customers you invoice.

Rest assured, however, that none of the setup work is overly complex; it's just time-consuming. Also know from the very start that QuickBooks provides a tremendous amount of hand-holding to help you step through the setup process. Remember, too, that you have your new friend — that's me — to help you whenever the setup process gets a little gnarly.

How to Succeed with QuickBooks

Before I wrap up the little why, what, and how discussion of this chapter, I ought to provide a handful of ideas about how to make your experience with QuickBooks a successful one.

Budget wisely, Grasshopper

Here's my first suggestion: Please plan on spending at least a few hours to get the QuickBooks software installed, set up, and running. I know you don't really want to do that. You have a business to run, a family to take care of, a dog to walk, and so on.

But here's the reality sandwich you probably need to take a big bite of: It takes half an hour just to get the software installed on your computer. (This installation isn't complicated, of course. You'll mostly just sit there, sipping coffee or whatever.)

But after the QuickBooks software is installed, unfortunately, you still have to run through the QuickBooks Setup process. Again, this work isn't difficult, but it does take time. Setting up QuickBooks for a very simple service business probably takes at least an hour. If your business owns inventory, or if you're a contractor with some serious job-costing requirements, the process can take several hours.

Therefore, do yourself a favor: Give yourself adequate time for the job at hand.

Don't focus on features

Now let me share another little tip about getting going with QuickBooks. At the point that you install the QuickBooks software and start the program, you'll be in shock about the number of commands, whistles, bells, and buttons that the QuickBooks window provides. But you know what? You can't focus on the QuickBooks features.

Your job is simply to figure out how to record a handful — probably a small handful — of transactions with QuickBooks. Therefore, what you want to do is focus on the transactions that need to be recorded for you to keep your books.

Suppose that you're a one-person consulting business. In that case, you may need to figure out how to record only the following three transactions:

- » Invoices
- » Payments from customers (because you invoiced them)
- » Payments to vendors (because they sent you bills)

So all you need to do is discover how to record invoices (see Chapter 4), record customer payments (see Chapter 5), and record checks (see Chapter 6). You don't need to worry about much else except maybe how to print reports, but that's easy. (See Chapter 15 for the click-by-click.)

"Oh, Steve," you're saying, "you just intentionally picked an easy business. I'm a retailer with a much more complicated situation."

Okay, well, you're right that I picked an easy business for my first example, but I stand by the same advice for retailers. If you're a retailer, you probably need to figure out how to record only four transactions:

- » Sales receipts
- » Bills from your suppliers
- » Payments to your vendors
- » Employee payroll checks

In this example, then, all you need to do is find out how to record sales receipts — probably a separate sales receipt for each bank deposit you make (see Chapter 5) — how to record bills from vendors, how to record checks to pay your bills (see Chapter 6), and how to handle employee payroll (see Chapter 11).