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QuickBooks® 2013 ALL-IN-ONE FOR DUMMIES®

8 BOOKS IN 1

- An Accounting Primer
- Getting Ready to Use QuickBooks
- Bookkeeping Chores
- Accounting Chores
- Financial Management
- Business Plans
- Care and Maintenance
- Additional Business Resources

Stephen L. Nelson, MBA, CPA
Author of Quicken For Dummies

QuickBooks® 2013 ALL-IN-ONE FOR DUMMIES®

by Stephen L. Nelson, MBA, CPA

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About the Author

Stephen L. Nelson is a CPA in Redmond, Washington. He provides accounting, business advisory, and tax planning and preparation services to small businesses such as manufacturers, retailers, professional service firms, and startup technology companies. He also teaches CPAs how to help their clients use QuickBooks more effectively.

Curiously enough, Nelson is also the most prolific computer book writer of all time, according to a recent feature in *The Wall Street Journal.* He's also the bestselling author of books about how to use computers to manage personal and business finances. In fact, Nelson's 100-plus books have sold more than 5,000,000 copies in English and have been translated into more than a dozen other languages.

Steve holds a BS in accounting, an MBA in finance, and a Master of Science in Taxation. He's been a CPA for 30 years. He used to work as a senior consultant with Arthur Andersen & Co. and was an Adjunct Professor of Tax at Golden Gate University, where he taught S corporation and LLC tax law. He also has been the controller and treasurer of a 50-person manufacturing firm and has run his own manufacturing firm. Steve is also the bestselling author of *Quicken 2013 For Dummies* and *QuickBooks 2013 For Dummies*.

Dedication

To the entrepreneurs and small-business people of the world. You folks create most of the new jobs.

Author's Acknowledgments

Okay, I'm not going to make this an Academy Awards–style speech, but let me thank just a few people. First, I want to thank my business school and tax professors at Central Washington University, the University of Washington, and Golden Gate University. Next, thanks to the business clients who've given me the honor of working with them and teaching me about their businesses and industries. Finally, I want to thank all my friends and colleagues at John Wiley & Sons, who gave me the distinct honor of writing not only this book but also *Quicken For Dummies* (15 editions) and *QuickBooks For Dummies* (10 editions). I also want to say a specific thanks to Bob Woerner, my acquisitions editor; Brian Walls, my project editor; Kathy Simpson, my copy editor; and David Ringstrom, who performed the technical edit.

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We're proud of this book; please send us your comments at http://dummies.custhelp.com. For other comments, please contact our Customer Care Department within the U.S. at 877-762-2974, outside the U.S. at 317-572-3993, or fax 317-572-4002.

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Introduction

Few people read introductions to reference books, so I'll make this very brief. I just want to tell you which versions of QuickBooks this book works for, what's in the reference, what it assumes about your existing skills, and what conventions I use.

About This Book

QuickBooks comes in several different flavors, including QuickBooks Simple Start, QuickBooks Pro, QuickBooks Premier, and QuickBooks Enterprise Solutions. This reference talks about QuickBooks 2013 Premier, which is nearly identical to QuickBooks Enterprise Solutions and is a superset of QuickBooks Pro. If you're using QuickBooks Simple Start — which is the simplest, most bare-bones version of QuickBooks — you shouldn't use this book. Sorry. Fortunately, I have a solution of sorts for you. You might want to get another book I've written, *QuickBooks Simple Start For Dummies*. That book covers the Simple Start version of QuickBooks in friendly detail.

On the other hand, even though this book is written for QuickBooks Enterprise Solutions and QuickBooks Premier, if you're using QuickBooks Pro, don't worry. You're just fine with this book. And don't freak out if you're using some version of QuickBooks that's very similar to QuickBooks 2013, such as QuickBooks 2012 or QuickBooks 2014. Although this reference is about QuickBooks 2013, it also works just fine for the 2011, 2012, and probably 2014 versions of QuickBooks because QuickBooks is a very mature product at this point. The changes from one year to the next are modest. This means that if you're using QuickBooks 2011, stuff may look a little different if you closely compare the images in this book to what you see on your screen, but the information in this reference will still apply to your situation.

Note, too, that specialty versions of QuickBooks, such as QuickBooks Accountants Edition and QuickBooks Contractors, also work almost identically to QuickBooks Premier.

TIP

If you use QuickBooks Pro and see some whistle or bell that you really want to use but that isn't available in your version of QuickBooks, you'll know that you should upgrade to the Premier version of QuickBooks.

The bottom line? Yes, QuickBooks comes in several flavors. Yes, Intuit publishes new editions of its QuickBooks products every year. But you can use this book for any recent version of QuickBooks Pro, Premier, or Enterprise Solutions.

How to Use This Book

This reference combines eight short books, including a book about accounting, one about setting up the QuickBooks system, one for bookkeepers using QuickBooks, one for accountants and managers using QuickBooks, a book about small-business financial management, a book about business planning, a book about taking care of a QuickBooks accounting system, and a book of appendixes of further useful information.

I'm not going to go into more detail here about what's available in the book. If you have a specific question about what's covered or where some topic is covered, refer to the Table of Contents in the front of this reference. Remember also that the book provides an index for jumping to the page or pages with the information you need.

While I'm on the subject of what's in this book and how to find information, let me make four tangential points:

- You would never read this book from cover to cover unless you're someone with an obsessive-compulsive personality (like me) and many hours to devote to your reading. But that's okay. This reference isn't meant to be read from cover to cover like some Stieg Larsson page-turner. Instead, chapters within the eight minibooks are organized into largely self-contained descriptions of how you do the things that you need to do. You just read the paragraph, page, or chapter that provides the information you want.
- I haven't discussed in any detail how to use the QuickBooks Premier and QuickBooks Enterprise Solutions features for business planning. The wizard-based approach that QuickBooks Premier and QuickBooks Enterprise Solutions provide for business planning is not, in my humble opinion, the right way to do this. Instead, I discuss in detail alternative, superior approaches to business planning and budgeting (using spreadsheets) in Book VI. (Just so you know: The approach I describe and recommend here is the same one that any business school teaches its students.)
- At a few points in the book, you'll find me saying things like "Well, I really don't think you should use this part of the product." I just want to explain here, up front, where I'm coming from on this. First, know that I think QuickBooks is an outstanding product. But not every feature and every command is good. I've already mentioned that the new business planning tools aren't ones that I can recommend. And payroll, very frankly, is another pain-in-the-butt feature that most businesses should

avoid. (I do briefly discuss payroll in Book III, Chapter 5.) So if I think that a particular feature is one that you shouldn't use, I don't take up page space (or much page space) describing the feature. I would rather use that page space to describe other stuff that I believe is going to be valuable to you and other readers.

✦ I should also mention one final thing: 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 skim through Book I and then read Book II to find out what you need to do first.

REMEMBER

Hey. There's something else I should tell you. I've fiddled a bit with the Windows display property settings. For example, I've noodled around with the font settings and most of the colors. The benefit is that the pictures in this book are easy to read. And that's good. But the cost of all this is that my pictures look a little bit different from what you see on your screen. In a few places, command buttons get cut off on the right side of the image, for example. That's not perfect, of course. But in the end, the publisher has found that people are really happier with increased readability. Anyway, I just thought I should mention this here, up front, in case you had any questions about it.

Foolish Assumptions

I'm making only three assumptions about your QuickBooks and accounting skills:

✦ You have a PC with Windows XP SP2 or later, Windows Vista, or Windows 7 or Windows 8. (I took pictures of the QuickBooks windows and dialog boxes using Windows 7, 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 Pro, QuickBooks Premier, or QuickBooks Enterprise Solutions for each computer on which you want to run the program.

In other words, I don't assume that you're a computer genius or an MBA or super-experienced in the arcane rules of accounting. I assume that QuickBooks and accounting are new subjects to you. But I also assume that you want to learn the subjects because you need to for your job or your business.

REMEMBER

Personally, I use QuickBooks Enterprise Solutions, so this book includes some features unique to the Enterprise Solutions and Premier versions of QuickBooks.

How This Book Is Organized

This book is organized into eight individual minibooks. Some of these books give you the skinny on how to powerfully and effectively perform routine tasks with QuickBooks; others focus on general accounting, business planning, or other aspects of managing your operation. All of them, however, deliver the kind of information that savvy business owners need.

Book I: An Accounting Primer

In case you're a nonaccountant, Book I covers the basics of general accounting. If you don't know a debit from a credit, this is the place to start.

Book II: Getting Ready to Use QuickBooks

Book II lays the groundwork for using QuickBooks effectively: setting up the program, loading files, and customizing QuickBooks for your purposes.

Book III: Bookkeeping Chores

Book III shows you how to take on those workaday tasks in QuickBooks: invoicing customers, paying vendors, and tracking inventory, just to name a few.

Book IV: Accounting Chores

If you really want to get in touch with your inner accountant, this is the part for you. In Book IV, I take on activity-based costing, preparing a budget, and job costing.

Book V: Financial Management

In Book V, I dig into advanced financial management strategies: ratio analysis, EVA, and capital budgeting.

Book VI: Business Plans

Ever wonder what Walmart does so right while Kmart continues to flounder? Turn to Book VI to find out how to write a business plan that can help you find your niche.

Book VII: Care and Maintenance

Book VII shows you how to do the things that will keep you working happily and productively in QuickBooks for years to come: setting up a network, protecting your data, and troubleshooting.

Book VIII: Additional Business Resources

QuickBooks is a great program, but it can't do it all. You may find that a spreadsheet program is just the tool you need to supplement QuickBooks. For that reason, in Book VIII, I provide a quick primer on Excel. I also offer an appendix detailing several great online government resources, as well as a glossary of (nearly) every business or accounting term you would ever want to know.

Stuff at my website

Oh, here's something I should probably mention. This book has a little bit of companion website content that can be found at `www.stephenlnelson.com`. In a handful of places, I provide URLs that you can use to download Excel workbooks discussed in several chapters of this book.

Occasionally, Wiley updates their technology books. If this book has technical updates, they will be posted at

`www.dummies.com/go/quickbooks2013aiofdupdates`.

Conventions Used in This Book

To make the best use of your time and energy, you should know about the conventions I use in this book.

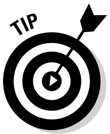
When I want you to type something such as **Jennifer**, it's in bold letters.

By the way, except for passwords, you don't have to worry about the case of the stuff you type in QuickBooks. If I tell you to type **Jennifer**, you can type **JENNIFER**. Or you can 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 and commands and select dialog-box elements with the mouse. Just click the thing that you want to select.

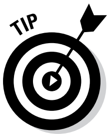
While I'm on the subject of conventions, let me also mention something about QuickBooks conventions, because it turns out there's not really any good place to point this out. QuickBooks doesn't use document windows the same way that other Windows programs do. Instead, it locks the active window into place and then displays a list of windows in its Navigator pane, which is like another little window. To move to a listed window, you click it.



You can tell QuickBooks to use windows like every other program does, however, by choosing View➪Multiple Windows. You can even remove the Navigator pane by choosing View➪Open Window List. (You can also move the other locked pane that lists windows and is called the Shortcuts List by choosing View➪Shortcuts List.)

Special Icons

Like many computer books, this book uses icons, or little pictures, to flag things that don't quite fit into the flow of things:



Whee, here's a shortcut or pointer to make your life easier!

This icon is just a friendly reminder to do something.

And this icon is a friendly reminder not to do something . . . or else.

This icon points out nerdy technical material that you may want to skip (or read, if you're feeling particularly bright).

Book I

An Accounting Primer

The 5th Wave By Rich Tennant

"It's really quite an entertaining piece of software. There's roller coaster action, suspense and drama, where skill and strategy are matched against winning and losing. And I thought managing our budget would be dull."

Contents at a Glance

Chapter 1: Principles of Accounting

In This Chapter

- **Figuring out the purpose of accounting**
- **Reviewing the common financial statements**
- **Understanding the philosophy of accounting**
- **Discovering income tax accounting and reporting**

Any discussion of how to use QuickBooks to better manage your business begins with a discussion of the basics of accounting. For this reason, in this chapter and the next two, I attempt to provide the same information that you would receive in an introductory college accounting course. Of course, I tailor the entire discussion to QuickBooks and the small-business environment. What you'll read about here and in the next chapters of this book pretty much describes how accounting works in a small-business setting using QuickBooks.

If you've had some experience with accounting, if you know how to read an income statement and balance sheet, or if you know how to construct a journal entry, you don't need to read this chapter or the next. However, if you're new to accounting and business bookkeeping, take the time to carefully read this chapter. The chapter starts by giving a high-level overview of the purpose of accounting. Then I review the common financial statements that any accounting system worth its salt produces. I also discuss some of the important principles of accounting and the philosophy of accounting. Finally, I talk a little bit about income tax law and tax accounting.

The Purpose of Accounting

In the movie *Creator,* Peter O'Toole plays an eccentric professor. At one point, O'Toole's character attempts to talk a young student into working as an unpaid research assistant. When the student protests, noting that he needs 15 credit hours, O'Toole creates a special 15-credit independent study named "Introduction to the Big Picture." In the next section, I describe the "big picture" of accounting. At its very core, accounting makes perfect, logical sense.

The big picture

The most important thing to understand about accounting is that it provides financial information to stakeholders. *Stakeholders* are the people who do business with or interact with a firm; they include managers, employees, investors, banks, vendors, government authorities, and agencies that may tax a firm. Stakeholders and their information requirements deserve a bit more discussion. Why? Because the information needs of these stakeholders determine what an accounting system must do.

Managers, investors, and entrepreneurs

The first category of stakeholders includes the firm's managers, investors, and entrepreneurs. This group needs financial information to determine whether a business is making money. This group also wants any information that gives insight into whether a business is growing or contracting and how healthy or sick it is. To fulfill its obligations and duties, this group often needs detailed information. For example, a manager or entrepreneur may want to know which customers are particularly profitable — or unprofitable. An active investor may want to know which product lines are growing or contracting.

A related set of information requirements concerns asset and liability record keeping. An *asset* is something that the firm owns, such as cash, inventory, or equipment. A *liability* is some debt or obligation that the firm owes, such as bank loans and accounts payable.

Obviously, someone at a firm — perhaps a manager, bookkeeper, or accountant — needs to have very detailed records of the amount of cash that the firm has in its bank accounts, the inventory that the firm has in its warehouse or on its shelves, and the equipment that the firm owns and uses in its operations.

If you look over the preceding two paragraphs, nothing I've said is particularly surprising. It makes sense, right? Someone who works in a business, manages a business, or actively invests in a business needs good general information about the financial affairs of the firm and, in many cases, very detailed information about important assets (such as cash) and liabilities (such as bank loans).

External creditors

A second category of stakeholders includes outside firms that loan money to a business and credit reporting agencies that supply information to these lenders. For example, banks want to know about the financial affairs and financial condition of a firm before lending money. The accounting system needs to produce the financial information that a bank requires in order to consider a loan request.