EXTENSION
THE UNIVERSITY OF TENNESSEE INSTITUTE OF AGRICULTURE

USING COMPUTERS TO MANAGE THE MODERN BUSINESS

QUICKBOOKS PRO 2005

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E12-1015

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The use of the QuickBooks Pro® program is solely for the purpose of conveying specific information. Such use does not imply any preference over or discrimination against other products or similar software.

Internet resource information, including software patches and program updates, can be found at http://www.intuit.com

INTRODUCTION

The University of Tennessee Extension Service has identified management and marketing as top priorities for educational emphasis in the 21st century. Record-keeping is one of the primary components of management and marketing. ***USING COMPUTERS TO MANAGE THE MODERN BUSINESS*** is the name given to a series of workshops where producers participate in "hands-on learning" about keeping and analyzing financial records for small businesses. These workshops are made possible in counties across the state through the coordination of state Extension specialists in agricultural economics and resource development, area specialists focusing on farm management and resource development, and county Extension Service agents.

This guide has been developed for two primary purposes:

- ❑ To serve as an outline and teaching manual during the actual workshop and
- ❑ To provide the workshop participant with a resource to use on the farm once the workshop is concluded.

THE EXAMPLE COMPANY

The fictional company that we will use as an example is called **Tennessee Computers**. This firm has two main functions: the sale of new computers, accessories, software and components; and the service and repair of computers. The company is organized as a sole proprietorship and has five employees. These employees are a manager, a secretary, two salespersons and a service technician. The manager earns a yearly salary, while all other employees earn a regular hourly wage for all hours worked up to 40 hours per week. These hourly-wage employees also earn an overtime wage equal to 1 ½ times the regular hourly wage for all hours worked in excess of 40 hours per week. One employee has a garnishment imposed on his wages and also has two loans from the company that are paid back on a weekly basis. Finally, three employees are participating in the company's 401(k) retirement plan in which the company will match up to 4 percent of the employee's gross wages as a contribution to the plan.

Tennessee Computers has two outstanding bank loans. The first is a revolving line of credit that is used mainly to purchase inventory for resale, while the second loan was used to purchase service and repair equipment. Other liabilities incurred by the firm include the payroll liabilities and state sales tax collected on the sale of products. Sales tax and payroll liabilities are paid on a monthly basis.

CREATING THE COMPANY

To use **QuickBooks Pro** for your firm, you must first create the financial structure of the company in the computer software. While this structure can be changed later, it is best to plan the company setup carefully at the beginning of a conversion to a computerized record-keeping system.

Obviously, careful planning at the beginning of the conversion should significantly reduce or eliminate the need for radical changes to the company set-up in the software. But even more importantly, careful planning should reveal whether or not a particular record-keeping program is right for your business. There are many different types of programs available, and the one you choose should complement the way that your business operates. In other words, you should not have to change the way that you do business just so you can use a particular program.

When you first start **QuickBooks Pro**, you should see the **No Company Opened** screen as shown in *Figure 1*.

Figure 1

Using your mouse, click the **Create a new company** button. This takes you to **QuickBooks Pro's Easy Step Interview** screen as shown in *Figure 2*. This "interview" takes you on a step-by-step process through the company setup procedures. However, since we are going to do a great deal of customizing for our example, we will skip this interview process.

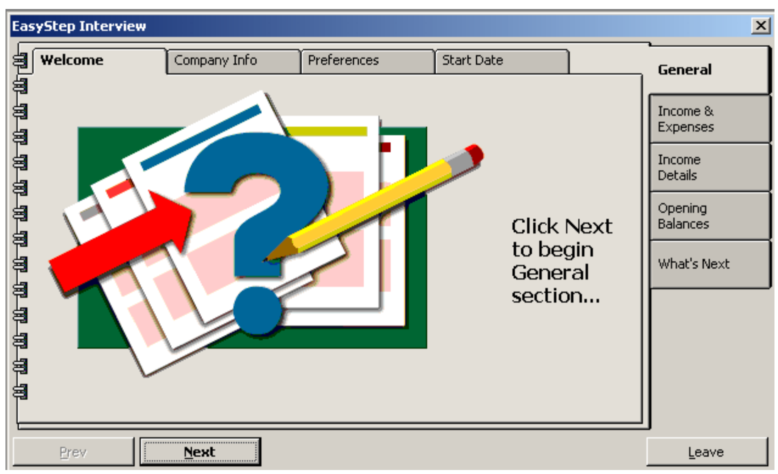


Figure 2

To leave the setup interview, click the **Next** button at the bottom of the **Easy Step Interview** window. This takes you to the **Do you need assistance in setting up QuickBooks?** window as shown in *Figure 3.* After clicking the **Next** button again, you will be asked if you are converting your data from Quicken to QuickBooks. Click **Next** and you should be at the **Setting up a new QuickBooks company** window like the one shown in *Figure 4*.

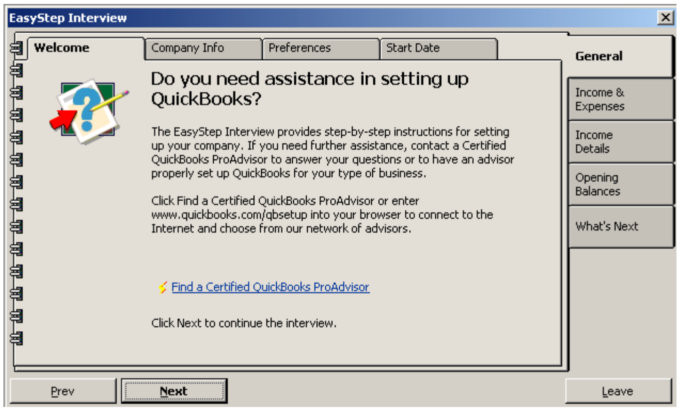


Figure 3

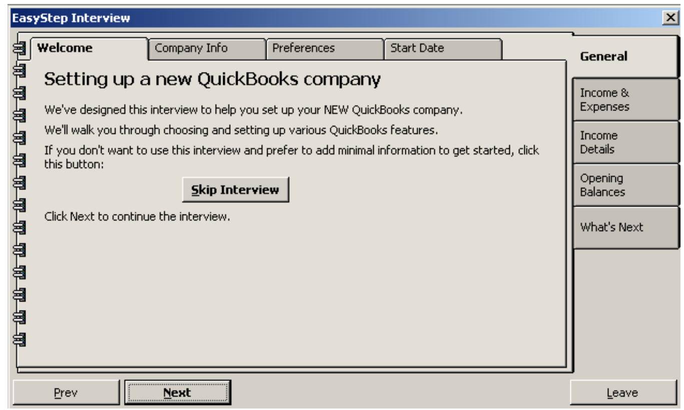


Figure 4

Click the **Skip Interview** button. You will now see the **Creating New Company** information box. Using your mouse, click in the field beside **Company Name** and type your company's name (in this case, ***Tennessee Computers***). Using the **TAB** key, move to the **Legal Name** field. (The **TAB** key is used to move between fields, while the **ENTER** key and the arrow keys, to some extent, are used to move within a field). By default, **QuickBooks Pro** uses the company name as the legal name. If this is not the case for your company, simply type in the correct legal name.

Now **TAB** to the **Address** field and type the company's address (***1347 Oaks Road, Metropolis, TN 47382***). You can now move through the rest of the fields. For this example, assume that the **Country** is ***U.S.***, the **Phone #** is ***(423) 668-7643***, the **FAX #** is ***(423) 668-1476***, the **E-mail** address is ***help@ tennesseecomputers.com***, the **Web Site** is ***www.tennesseecomputers.com***, the **First month in your fiscal year** is ***January***, and the **First month in your income tax year** is also ***January***.

This brings you to the **Income Tax Form Used** field. Clicking the drop-down arrow at the right of the box produces a list of the income tax forms used by different business organizations. For this example choose ***Form 1040 (Sole Proprietor)***.

The **Creating New Company** screen should now look like the one shown in *Figure 5*. If so, click the **Next** button.

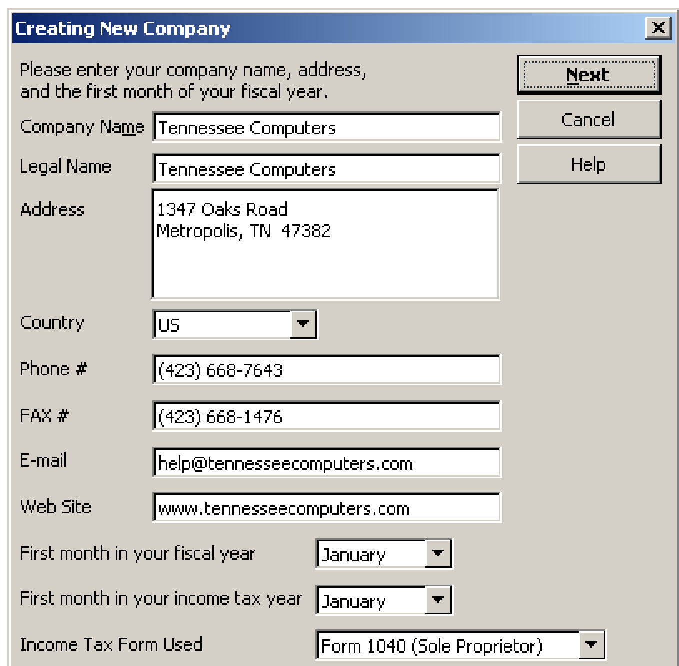


Figure 5

This takes you to a list of business types for which **QuickBooks Pro** has created account lists. Since we want to set up a customized Chart of Account, choose **[No Type]**(*Figure 6*). (We will set up the account list later.) Then click the **Next** button.

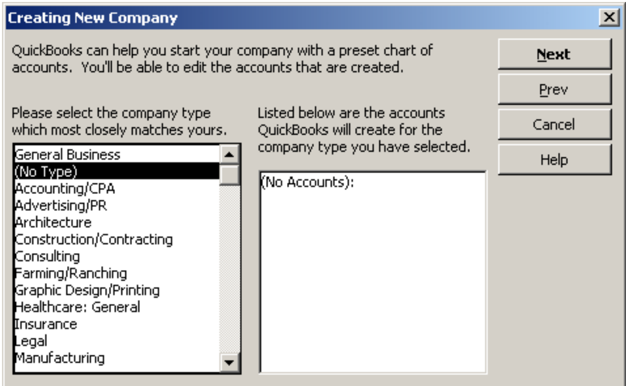


Figure 6

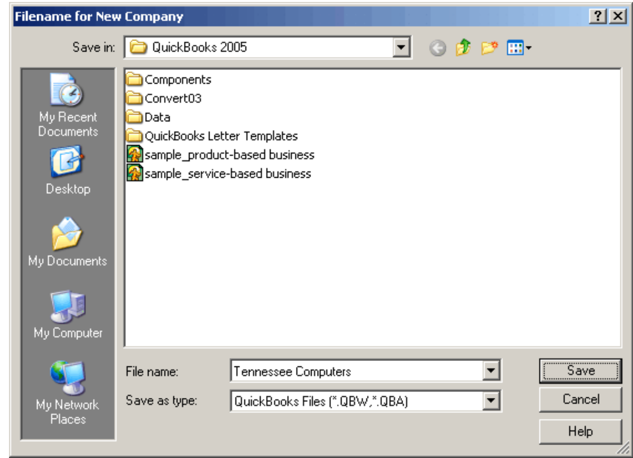


Figure 7

QuickBooks Pro now offers you a choice of the directory (*Figure 7*) in which to store your company file. For the sake of simplicity, store the file in the ***c:\Program Files\Intuit\QuickBooks 2005*** directory and let the filename remain ***Tennessee Computers***. Click **Save**.

You will now see the **QuickBooks Learning Center** screen (*Figure 8*). This screen has several links that can be of assistance as you start a new company. For the time being, however, close this window.

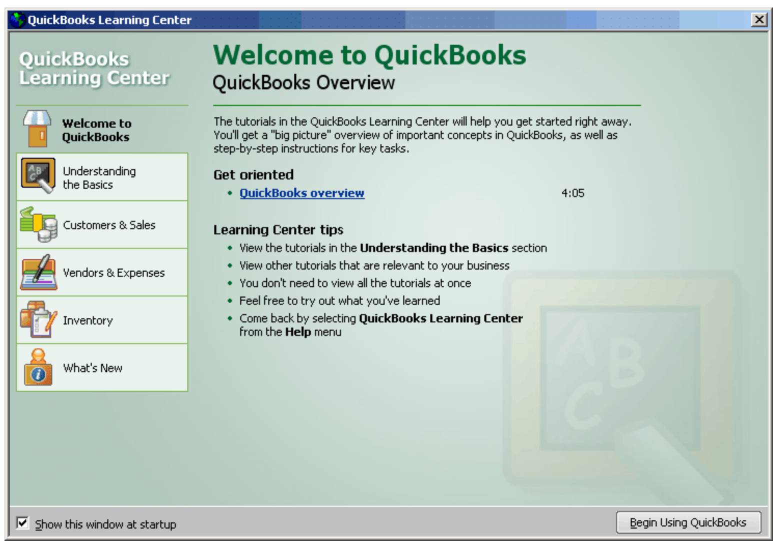


Figure 8

As of this point, you have actually started the **QuickBooks Pro** program. Congratulations! You have now created the basic setup for your company. However, we still have a long way to go. There are several other components that must be set up so **QuickBooks Pro** can keep your records in a meaningful way.

ACCOUNTS

The account is the most basic division of financial records in the **QuickBooks Pro** record-keeping software. There are five basic types of accounts.

Assets	What your business owns.
Liabilities	What your business owes.
Equity	The difference between assets and liabilities. This type of account tells you what your business is worth.
Income	Tracks the sources of funds that enter your business.
Expense	Tracks the uses of funds that leave your business.

Click on **Company** in the top menu bar and then choose **Company Information...** to see a window that contains the same information as *Figure 5*. The screen contains one additional field that you need to complete before proceeding with the example. **TAB** to the **Federal Employer Identification Number (FEIN is required for payroll)** field and enter the Federal Employer Identification Number for Tennessee Computers (***62-6001636***). This screen should now look like the one shown in *Figure 9*. If so, click **OK**.

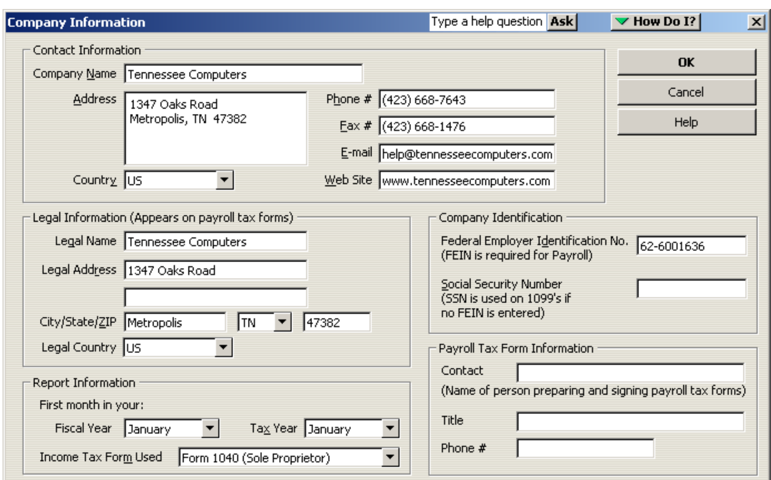


Figure 9

Figure 10

You should now see the **Navigation Bar** on the left side of the screen(*Figure 10*). Click **Company** to reveal the **Company Navigator** (*Figure 11*).

Now click the **Chart of Accounts** icon located inside the **Company Navigator** at the bottom of the window. The **Chart of Accounts** window (*Figure 12*) is the screen from which you will set up your basic company account structure, according to the five types of accounts listed above. (You should notice that **QuickBooks Pro** has created five accounts for you. Payroll Liabilities and Payroll Expenses deal with the payroll feature and will be used if you are planning to use **QuickBooks Pro** to calculate your payroll. Retained Earnings deals with the profit or loss of the business due to net income. Owner's Capital and Opening Balance Equity will be discussed more in a later chapter.) To create a new account, click the **Account** button at the bottom of the **Chart of Accounts** window and then click **New**. This brings up the **New Account** screen as shown in *Figure 13*.

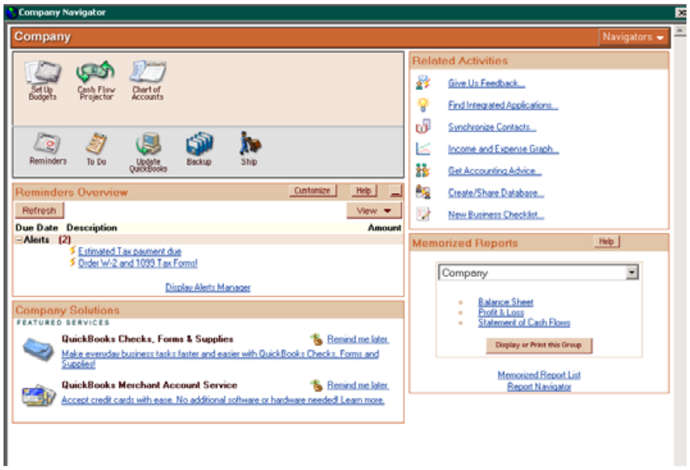


Figure 11

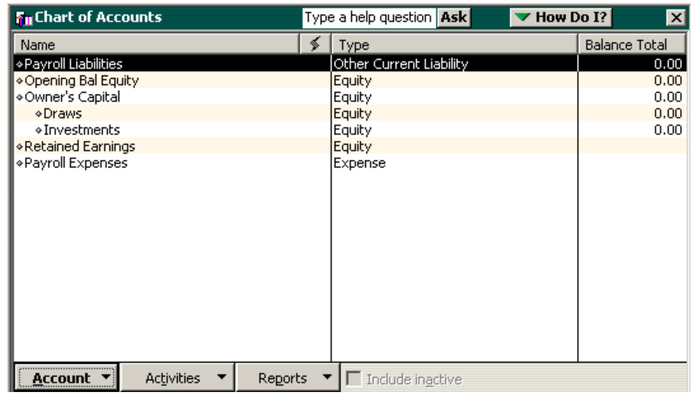


Figure 12

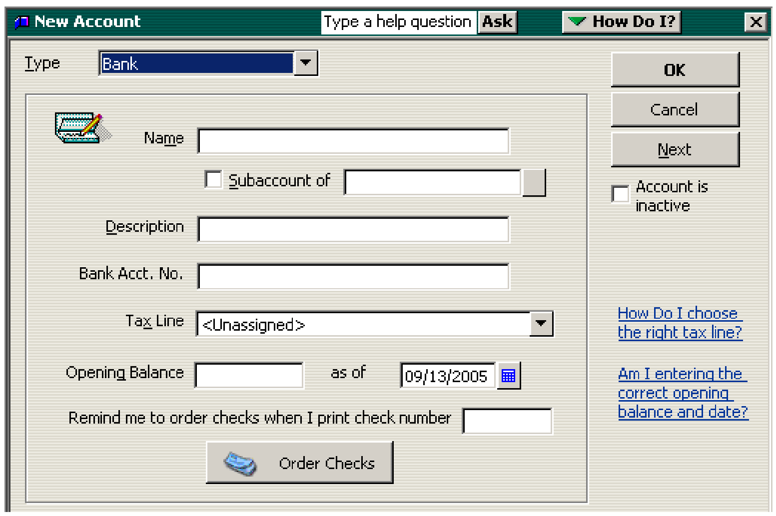


Figure 13

The first account that we need to create is a checking account for the company. To do this, click the drop-down arrow beside **Type** and choose the type of account that you would like to create. For a checking account, choose ***Bank***. Then **TAB** to the **Name** field and give the account a descriptive name that is easily recognizable (in this example, use ***Checking***). Since the **Checking** account will not be a subaccount of any other account, **TAB** through this field to the **Description** field. Enter a description of the account, such as ***City Bank Checking***. Now **TAB** to the **Bank Acct. No.** field and enter the account number (***47413-02***).

Now **TAB** to the **Tax Line** field. This field is an extremely powerful feature of **QuickBooks Pro**. One of the reasons that a firm needs to maintain up-to-date financial records is to ease the burden of preparing income tax returns. To accomplish this, **QuickBooks Pro** allows accounts to be assigned to IRS tax form lines. The lines that are available depend on the income tax form that was chosen in the **Creating New Company** screen (*Figure 5*). For a firm that is organized as a sole proprietorship, the balances in asset, liability, and equity accounts (commonly known as **balance sheet accounts**) are not reflected on the income tax return. Therefore, click the drop-down arrow beside the **Tax Line** field and choose ***<Not tax related>*** for our checking account. This is the option to be chosen for all balance-sheet accounts. However, the information contained in income and expense accounts (commonly known as **income statement accounts** or **profit and loss accounts**) are shown on the end-of-the-year income tax return. Therefore, when you create this type of account, choose a tax line appropriate to the name of the account you are creating.

Now **TAB** to the **Opening Balance** field and enter ***13,000.00*** as the opening balance of the checking account on the day that the company adopted QuickBooks Pro as its financial record-keeping package. Now **TAB** to the **as of** field. Set the date for the opening balance of the account (in our example, set the **as of** date to ***December 31*** of the previous year). When you finish, this screen should look like *Figure 14*. If so, click **Next** to create another account.

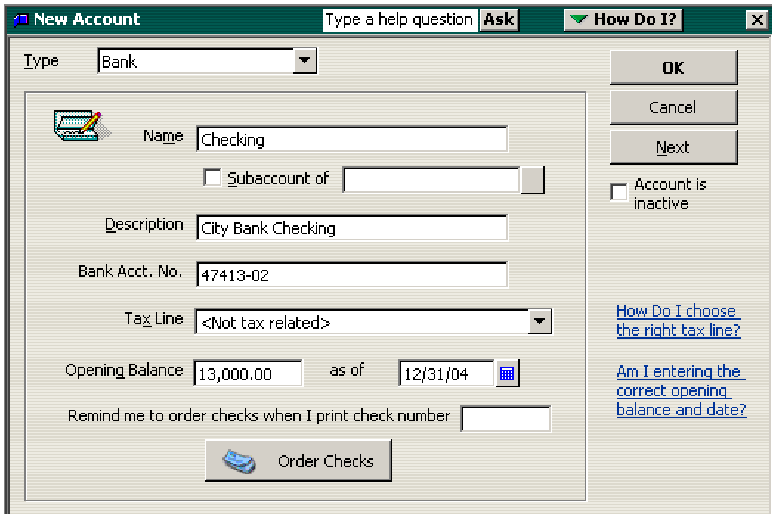


Figure 14

Now create the following accounts for our company. Use ***December 31*** of the previous year as the starting date for all balance-sheet accounts and set the tax line for these accounts as ***<Not tax related>***. Indented accounts are subaccounts of the immediately preceding unindented account. For example, **Acc Depreciation** is a subaccount of **Mach & Equipment**. This suggests that (in this case) all new capital machinery costs are to be entered in the **Mach & Equipment** account and all depreciation associated with capital machinery is to be entered in the **Acc Depreciation** subaccount. These accounts, when added together, reflect the book value of the equipment. To set **Acc Depreciation** as a subaccount of **Mach & Equipment**, choose ***Fixed Asset*** as the **Type** (subaccounts must be the same type as "main" accounts), check the **Subaccount of** box, and choose ***Mach & Equipment*** in the **Subaccount of** field.

Enter other relevant information as is shown in the following table.

TYPE	**NAME**	**BALANCE OR TAX LINE**
Bank	Money Market	25,000.00
Accounts Receivable	Accounts Receivable	
Fixed Asset	Machinery & Equipment	90,000.00
Fixed Asset	Acc Depreciation	-15,000.00
Accounts Payable	Accounts Payable	
Other Current Liability	Line of Credit	10,000.00
Long Term Liability	Note - Machinery & Equipment	35,000.00

TYPE	NAME	BALANCE OR TAX LINE
Income	Sales Income	Sch C: Gross receipts or sales
Expense	Bank Charges	Sch C: Commissions and fees
Expense	Contract Labor	Sch C: Labor, cost of goods
Expense	Service & Repair Labor	Sch C: Labor, cost of goods
Expense	Installation Labor	Sch C: Labor, cost of goods
Expense	Depreciation Expense	<Unassigned>
Expense	Dues & Professional Services	Sch C: Legal and professional fees
Expense	Employee Benefits	Sch C: Employee benefit programs
Expense	Freight Expense	Sch C: Other costs, COGS
Expense	Fuel & Oil Expense	Sch C: Car and truck expenses
Expense	Insurance Expense	Sch C: Insurance, other than health
Expense	Interest - Non Mortgage	Sch C: Interest expense, other
Expense	Inventory Purchases Expense	Sch C: Purchases, cost of goods
Expense	Marketing Expense	Sch C: Advertising
Expense	Rent Expense	Sch C: Rent/lease other bus. prop.
Expense	Repairs Expense	Sch C: Repairs and maintenance
Expense	Building	Sch C: Repairs and maintenance
Expense	Machinery & Equipment	Sch C: Repairs and maintenance
Expense	Office Supplies	Sch C: Office expenses
Expense	Repair & Service Supplies	Sch C: Supplies (not from COGS)
Expense	Taxes & Licenses	Sch C: Taxes and licenses
Expense	Utilities Expense	Sch C: Utilities
Expense	Electricity Expense	Sch C: Utilities
Expense	Phone Expense	Sch C: Utilities
Expense	Water Expense	Sch C: Utilities
Other Expense	Capital Gains/Losses	<unassigned>
Other Income	Freight Income	Sch C: Other business income

This is a good time to discuss the different types of computerized financial record-keeping systems available. These systems generally fall into two categories: single-entry and double-entry. Single-entry bookkeeping usually consists of listing the income and expenses of a business and perhaps denoting what business enterprise they are associated with. One example of a single-entry financial record-keeping system is your checkbook register. It is a listing of your income (deposits) and expenses (checks written) with a description of each transaction shown in the memo space. Other examples of single-entry accounting include software packages such as Intuit's **Quicken®** and Microsoft's **Money®**.

A single-entry system is the simplest record-keeping system available. This type of system is usually relatively easy to implement, and its output (reports) can be formatted to fit a wide variety of needs, from business management to tax management. However, this type of system does have some drawbacks.

A major drawback to a single-entry record-keeping system is its inability to easily track accounts receivable or accounts payable. In the case of accounts receivable, a business usually has a large number of customers who are buying "on account." It is very important for the owner or manager to identify overdue accounts easily.

Another drawback to this type of record-keeping system is its inability to track inventory easily. Keeping track of inventory in a business is not an easy thing to do. However, it is very important for the owner or manager to be able to keep a fairly close account of the business's inventory. Inventory should be tracked to prevent losing market share from the promise of goods to customers that are not in inventory or to help identify excessive loss through theft or waste.

A double-entry financial record-keeping system can remedy these problems. To do this, the double-entry system uses a set of accounts that are simply records describing the effects of various transactions on the business. The basic account has three parts: (1) the name of the account (such as Checking); (2) a method for recording increases in the monetary value of the account; and (3) a method for recording decreases in the monetary value of the account.

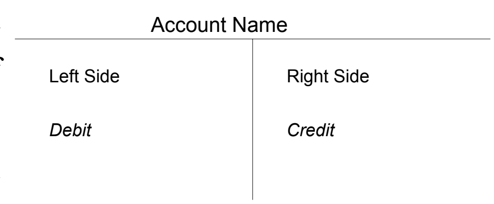


Figure 15

A graphical description of an account is shown in *Figure 15*. This type of description is known as a ***T*** account because of its similarity to the letter ***T***. The left side of the ***T*** is known as the **debit** side and the right side of the ***T*** is known as the **credit** side. While we will not see this type of graphical depiction in **QuickBooks Pro**, we will use the terms debit and credit to denote increases and decreases in the value of a particular company account (the account balance).

Unfortunately, we cannot say that all account balances are increased or decreased with an entry to the same side of the ***T***. An asset account is said to normally have a debit balance. This means than an entry to the left-hand side of the ***T*** increases the account balance (increases the value of the asset), while an entry to the right-hand side of the ***T*** decreases the account balance (decreases the value of the asset). Using the same type of logic, a liability account has a normal credit balance, an equity account has a normal credit balance, an income account has a normal credit balance and an expense account has a normal debit balance (see *Figure 16*). These different "normal balances" are the means by which a record-keeping system keeps your books "in balance."

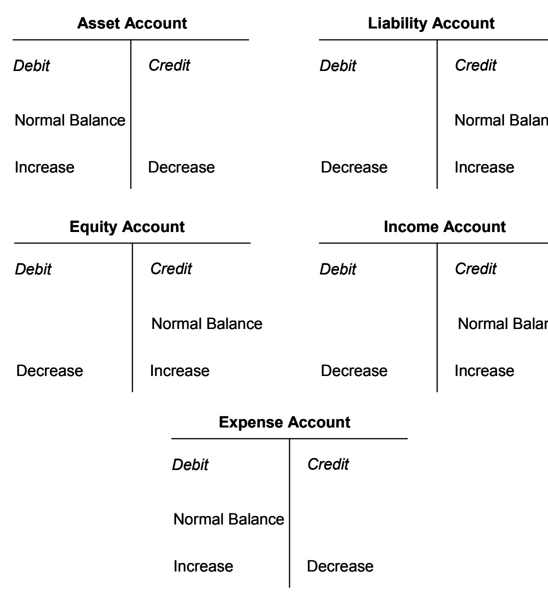
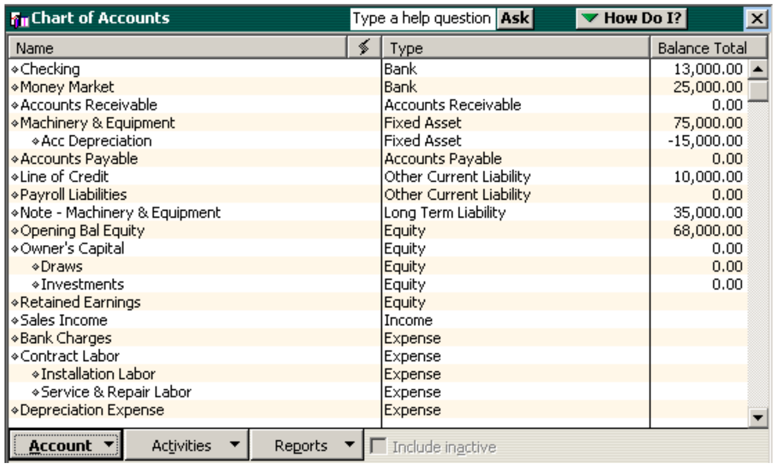


Figure 16

For example, suppose you write a check for $100 to cover electricity usage for a particular month. In a double-entry system such as **QuickBooks Pro**, two entries will be made. First of all, writing the check will decrease the value of the checking account, so a credit entry of $100 will be made to the **Checking** account. The second entry involves the electricity expense account. Since you have used more electricity, the amount of money that you spend on electricity has increased. Therefore, a debit entry of $100 will be made to the **Electricity Expense** account. This causes the total value of debit entries ($100) to equal the total value of credit entries ($100) and your books are in balance.

Now that we have created these additional accounts, let's look at the **Chart of Accounts** screen again (*Figure 17*). Note that **QuickBooks Pro** has created one additional equity account: **Opening Bal Equity**. This account shows how much your business is worth at the implementation of the record-keeping software.



Name	Type	Balance Total
Checking	Bank	13,000.00
Money Market	Bank	25,000.00
Accounts Receivable	Accounts Receivable	0.00
Machinery & Equipment	Fixed Asset	75,000.00
Acc Depreciation	Fixed Asset	-15,000.00
Accounts Payable	Accounts Payable	0.00
Line of Credit	Other Current Liability	10,000.00
Payroll Liabilities	Other Current Liability	0.00
Note - Machinery & Equipment	Long Term Liability	35,000.00
Opening Bal Equity	Equity	68,000.00
Owner's Capital	Equity	0.00
Draws	Equity	0.00
Investments	Equity	0.00
Retained Earnings	Equity	
Sales Income	Income	
Bank Charges	Expense	
Contract Labor	Expense	
Installation Labor	Expense	
Service & Repair Labor	Expense	
Depreciation Expense	Expense	

Figure 17

Now let's examine the **Chart of Accounts** more closely. First of all, think about the **Accounts Payable** and **Accounts Receivable** accounts. Remember that we did not specify opening balances for these accounts as we did for the other balance-sheet accounts. This is because outstanding balances in these accounts are tied to individual vendors or customers. For example, if you owe the water company (an individual vendor) $132.27 for one month's water usage, that amount is tied to that particular vendor through **Accounts Payable**. The same type of logic applies to **Accounts Receivable**.

Second, there are several accounts that we did not set up that most businesses will use in their day-to-day operations. These include (but are not limited to) payroll expense, liability accounts, inventory asset accounts, and cost-of-goods-sold accounts. **QuickBooks Pro** has specific ideas on how these accounts should be set up and the software will create the accounts for you.

Finally, there are other accounts (such as **Bad Debt Expense**) that we will need in the future. We will set these accounts up on an "as needed" basis as we work our way through the example. Now close the **Chart of Accounts** window.

TERMS

QuickBooks Pro uses "Terms" to show not only the date by which you expect payment from your customers and the benefits you will give them if they pay within a shorter time than required, but also the date by which vendors (creditors) expect payment from you and the benefits they will give you if you pay within a shorter time than required. However, it could be difficult for you to set up terms for each vendor since each particular vendor could have (and probably will have) a unique payment structure. For this reason, we will only concern ourselves with the terms that we give to customers to guide them in making their payments. For example, one common term not only gives a customer 30 days to pay an invoice, but also gives that customer a 2 percent discount if the invoice is paid within 10 days.

We will demonstrate two terms in this example. The first term describes an invoice that is due in 30 days, but gives a discount of 2 percent to the customer if it is paid within 10 days. The second term describes invoices that are due on a particular day of the month.

To create the first term, choose **Lists**, **Customer & Vendor Profile Lists**, and then **Terms List**. This brings up the **Terms List** window. Click the **Terms** button and then **New** to see the **New Terms** screen. Type the name of the term in the **Terms** field; in this case, it is ***2%10, Net 30***. Since this is a standard term (it is not driven by a particular date), all our entries will be made in the top half of the window. Make sure that the circle beside **Standard** is checked and fill the remaining fields in as follows.

Net due in *30* days
Discount percentage is *2.0%*
Discount if paid within *10* days

When you finish, this screen should look like the one shown in *Figure 18*. If so, click **Next** to create the other term.

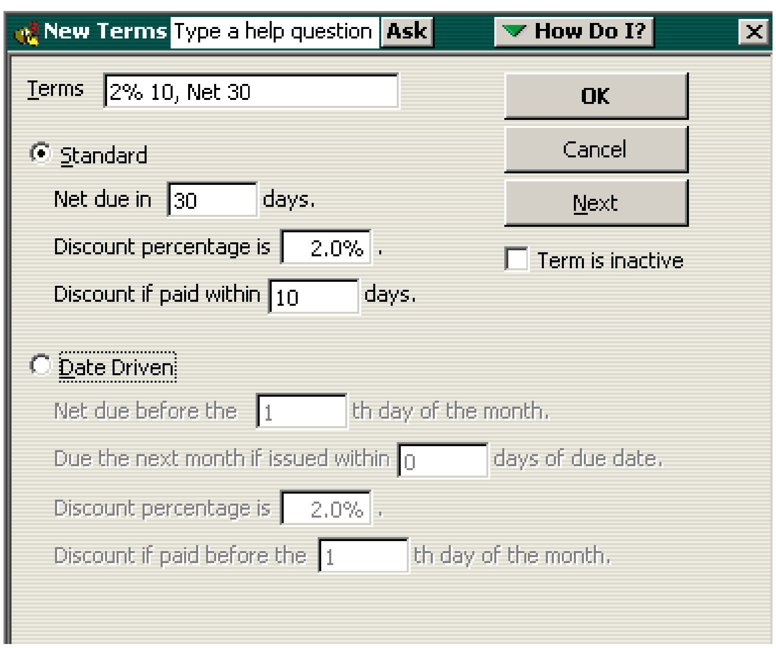


Figure 18

The second term is a date-driven term that stipulates that invoice is due on the 15th day of the month, due the next month if the invoice if issued within five days of the due date, and the discount percentage is 2 percent if the invoice is paid before the seventh day of the month in which the invoice is due. Give the term a name of ***Net due 15th, 2% if before 10th*** and click the circle beside **Date Driven**. Now enter the following information to describe the term:

> **Net due before the *15*th day of the month**
> **Due the next month if issued within *5* days of the due date**
> **Discount percentage is *2.0%***
> **Discount if paid before the *10*th day of the month**

When you finish, the **New Terms** screen should look like the one shown in *Figure 19*. Choose **OK** to close the **New Terms** window and then close the **Terms List** screen.

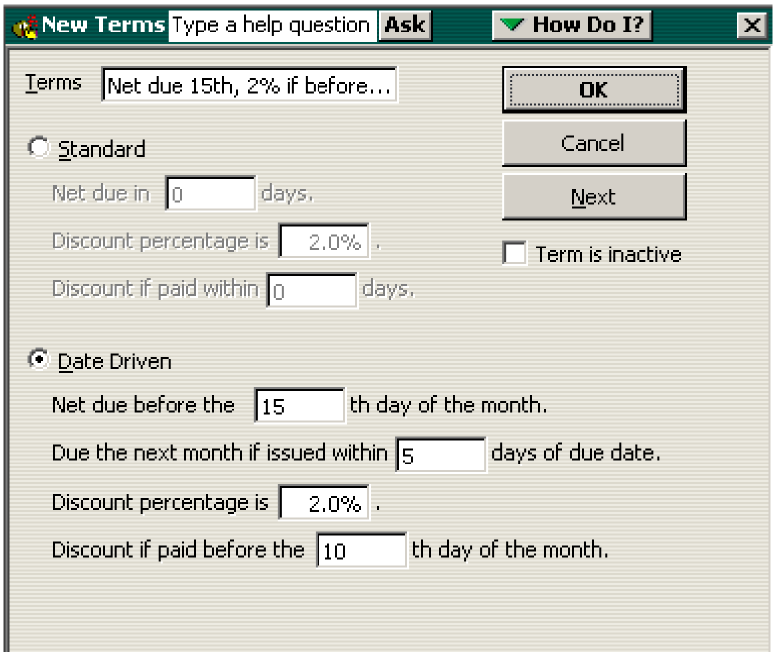


Figure 19

VENDORS

A vendor is a person or company from whom you buy goods or services. Types of vendors include utility companies, software companies, component supply companies, parts houses, etc. This list also includes 1099 contractors (to be discussed later).

To enter the vendors, choose **Vendors** from the **Navigation Bar** to reveal the **Vendors Navigator**. Now click on the **Vendors** icon. This reveals the **Vendor List** window. To add a vendor, click the **Vendor** button and then ***New*** to bring up the **New Vendor** screen.

The first vendor to enter is City Bank (the vendor to whom you will make payroll tax liability and loan payments). Information that we need to complete the **New Vendor** screen is as follows:

City Bank
P.O. Box 1702
Metropolis, TN 47382
Contact: Jim Beasley
Phone: (423) 668-4326
Fax: (423) 668-7316

To enter this particular vendor, type the vendor's name (***City Bank***) in the **Vendor Name** field and press **TAB**. In the **Opening Balance** field enter ***0.00*** (since there is no opening balance for this vendor) and set the **as of** date field to ***December 31***. Press **TAB** and retype the vendor's name (***City Bank***) in the **Company Name** field. Type the name in this field the way you would want it to appear on a check. **TAB** through the personal name fields until you get to the **Address** field. You will see that **QuickBooks Pro** has already entered the company name for you. Enter the remaining portion of the company address and press **TAB**.

You are now at the **Contact** field. The contact at City Bank for Tennessee Computers is ***Jim Beasley***. Type his name in this field, and, in the same manner, enter the bank's phone number and fax number in the appropriate fields. When you finish, this screen should look like *Figure 20*. If so, click **Next** to enter another vendor.

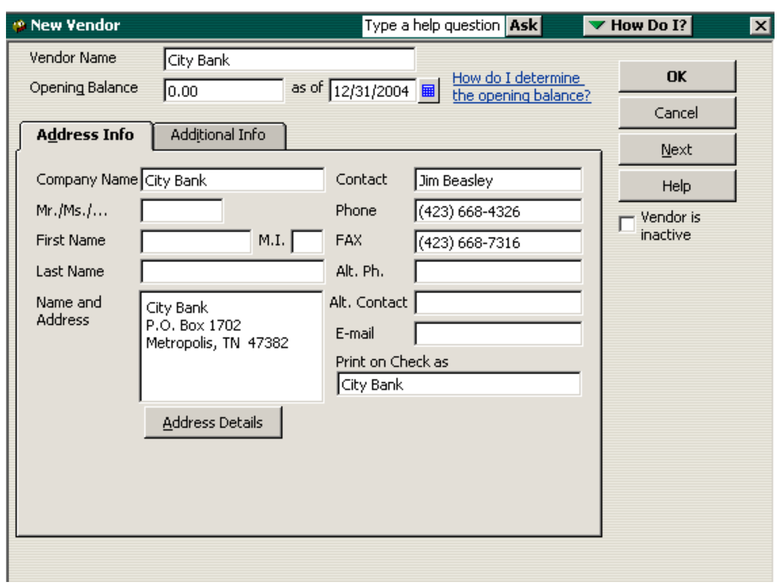


Figure 20

It is prudent to take a moment to talk about the opening balance fields. These fields (when we are concerned with vendors) deal with Accounts Payable. Earlier we discussed **Accounts Payable** and **Accounts Receivable** and talked about how those balances are tied to specific vendors and customers. These fields are where you would enter the outstanding balance and beginning date information for the particular vendor - in this case, City Bank. In our example, we are assuming that we are current in liabilities in this organization, so we will leave the **Opening Balance** field set as ***0.00***.

It is important, however, to realize what numbers should be included in the **Opening Balance** field concerning **Accounts Payable** and **Accounts Receivable**. These numbers should reflect short-term obligations only and should not show any long-term obligations such as machinery and equipment loans or mortgages. For example, our first vendor is City Bank. We make two types of payments to this vendor: payroll tax liability payments, and machinery and equipment loan payments. Since payroll tax liabilities are short-term obligations, we would enter the balance of payroll tax obligations due from the paychecks created in December of the previous year (assuming that the payroll liabilities are paid monthly) in the **Opening Balance**. However, we would not enter the $35,000 Machinery & Equipment loan nor the Line of Credit that we owe City Bank into this field. If we did enter the balance of the machinery and equipment loan into **Accounts Payable**, **QuickBooks Pro** would assume that this balance is a scheduled payment and is due now in its entirety.

Now enter the following vendors and their relevant information in the same manner as you entered City Bank. Assume an Opening Balance of $0.00 if none is supplied in the following table. When you finish, close the **Vendor List** window.

TN Dept of Revenue P.O. Box 17048 Nashville, TN 37201 Contact: Joe Richards Phone: (615) 832-1411 FAX: (615) 832-1746	Metropolis Mutual Insurance 2112 Simpson Road Metropolis, TN 47382 Phone: (423) 668-3438
Friend of the Court 1405 Belvedere Street Metropolis, TN 47382 Phone: (423) 668-8476	Microsoft P.O. Box 37601 Fredericksburg, CA 47901 Contact: Jana Middleton Phone: (813) 794-4444 Fax: (813) 794-8326
IBM P.O. Box 78432 New York, NY 47321 Contact: Ab Smith Phone: (212) 473-4361 FAX: (212) 473-8444 Opening Balance: $8,500.00 as of December 31	Seagate Old Mill Road Winchester, IA 84432 Contact: Jim Smith Phone: (511) 368-4326
Office Super Store 7679 Oaks Highway Metropolis, TN 47382 Phone: (423) 668-8925	Computer Wholesale Supply P.O. Box 17432 Los Angeles, CA 47901 Phone: (813) 334-8413
Metropolis Utilities South Main Street Metropolis, TN 47382 Phone: (423) 668-1376	TN Dept of Labor & Workforce Development P.O. Box 15645 Nashville, TN 37201 Phone: (615) 852-7143 Contact: Phil Sheridan

After entering all vendors, choose **OK** to close the **New Vendor** screen and then close the **Vendor List** window.

1099 CONTRACTORS

QuickBooks Pro considers 1099 Contractors to be vendors, not employees (in compliance with federal labor laws). These contractors are entered into **QuickBooks Pro** in much the same way as our previous vendors, with two additional entries.

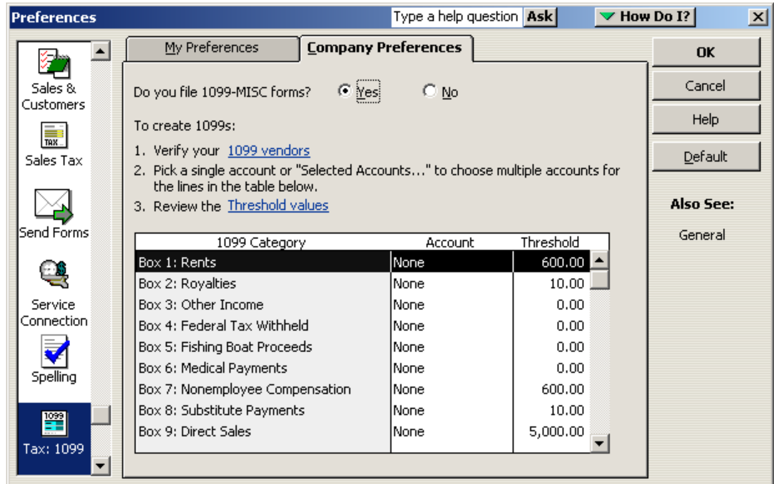


Figure 21

First of all, you must use the **1099-Misc Setup** screen to assign accounts to the 1099 categories that are applicable to your company. To configure this screen, click the **Edit** menu and choose **Preferences . . .** to reveal the **Preferences** window. Then choose the **Tax: 1099** icon and click on the **Company Preferences** tab. This screen should look like the one shown in *Figure 21*. Now click in the **Account** column beside **Box1: Rents** and use the drop-down arrow to choose ***Rent Expense*** as the expense account to be associated with this 1099 form category. Now click in the **Account** column beside **Box 7: Nonemployee Compensation** and use the drop-down arrow to choose ***Selected accounts***. This brings up a separate **Select Accounts** screen with all expense accounts showing. Click on the ***Contract Labor***, ***Installation Labor*** and ***Service & Repair Labor*** accounts (*Figure 22*). Then click **OK**. The **Company Preferences** screen should now look like the one shown in *Figure 23*. If so, click **OK**.

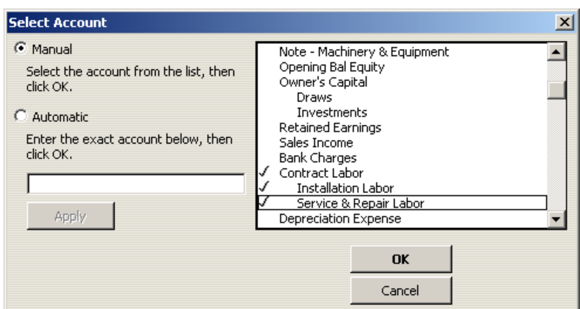


Figure 22

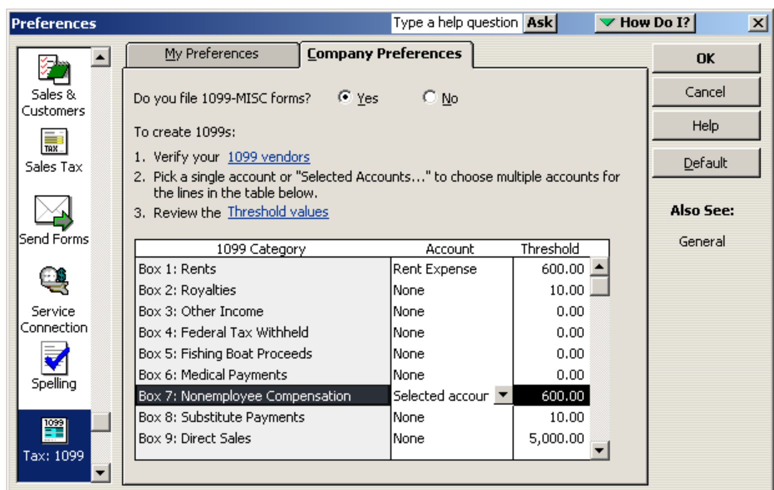


Figure 23

You are now ready to enter the 1099 contractors for Tennessee Computers into **QuickBooks Pro**. As before, click on the **Vendors** icon located within the **Vendors Navigator**. When the **Vendor List** window appears, click the **Vendor** button and then **New** to add new vendors. You are now at the **New Vendor** window. [If you are entering private individuals as vendors (or as customers), it may be easier to sort these names by the last name rather than the first name. To have **QuickBooks Pro** sort names in this manner, enter the last name first and the first name last in the **Vendor** field. In our example, you would enter ***Allen, Fred*** in the **Vendor Name** field to sort Fred Allen by his last name.] Now enter the following information for the first 1099 contractor:

Fred Allen
500 Oaks Road
Metropolis, TN 47382
Phone: (423) 668-4316
SS# (Tax ID#): 400-97-6236

For **QuickBooks Pro** to recognize this vendor as a 1099 contractor, certain fields *must* be completed. You must have an address with the two-character postal abbreviation for the state in which the 1099 contractor resides (for Tennessee, this abbreviation is *TN*) and you must include the ZIP Code in the address. Second, you must have a Social Security number for the 1099 contractor entered in the **Tax ID** field. Finally, you must check the **Vendor Eligible for 1099** box. The **Tax ID** field and the **Vendor Eligible for 1099** box are located in the **Additional Info** screen of the **New Vendor** window. When you finish, the **Address Info** and **Additional Info** screens should look like those shown in *Figure 24* and *Figure 25*. If so, click **Next** to enter the remaining 1099 contractors. Their information is located in the following table

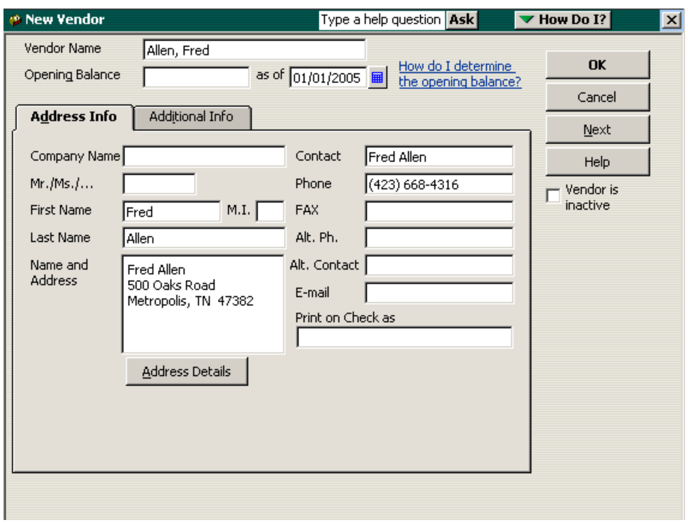


Figure 24

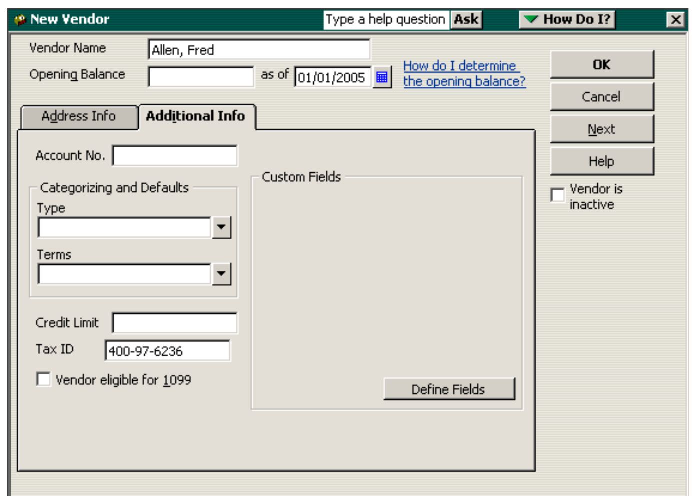


Figure 25

Sam Jones 1743 Homewood Lane Metropolis, TN 47382 Social Security #: 561-78-4236	Eduardo Gutierrez 473 Sparta Hwy Metropolis, TN 47382 Social Security #: 107-68-4136

When you finish, the **Vendor List** should look like *Figure 26*. If so, close the **Vendor List**.

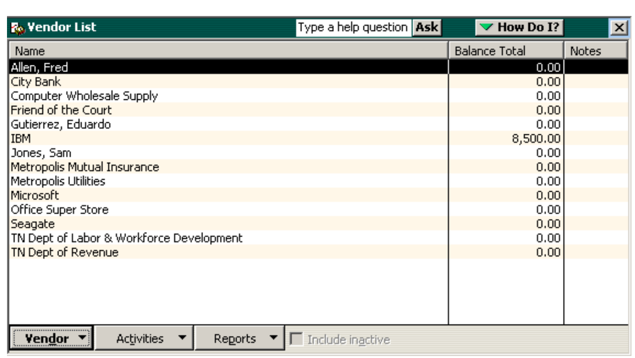


Figure 26

CLASSES

QuickBooks Pro can use "classes" to track the various profit or cost centers of the business. General Motors, for example, could define its classes or profit centers as Chevrolet, Oldsmobile, Pontiac, Buick, Cadillac and Light Trucks. The classes we will use in the example are **Product Sales**, **Service & Repair** and **Overhead**.

You should first enable class tracking in **QuickBooks Pro**. To do this, choose **Edit** and then choose **Preferences . . .**. Now choose the **Accounting** icon in the **Preferences** window and click on the **Company Preferences** tab. Using your mouse, check the box beside **Use class tracking**. We will not use numbered accounts in this example, so leave the **Use account numbers** box unchecked. Leave **Automatically assign general journal entry number and Warn when posting a transaction to Retained Earnings** checked. Finally, make sure that the **Require accounts** box is checked, since the account is the basic division of information that will provide us the means to manage our business more effectively. This window should now look like the one shown in *Figure 27*. If so, click **OK**.

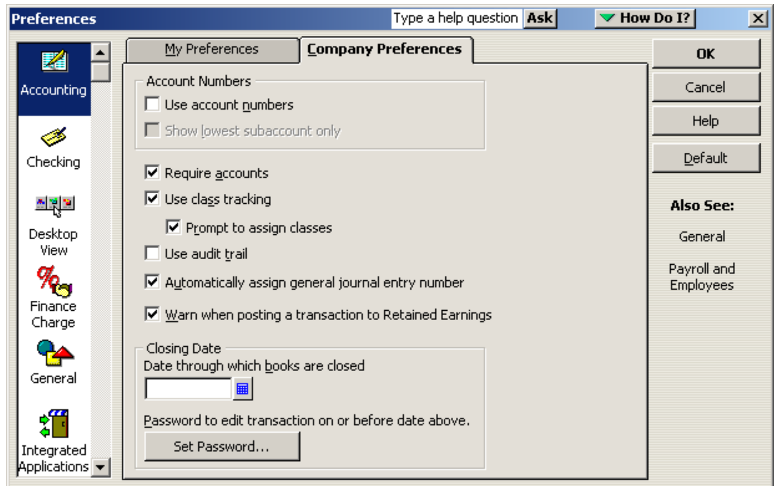


Figure 27

Now let's create the classes that will be used in this example. To do this, click the **Lists** menu and then choose **Class List**. This brings up the **Class List** window. To create a new class, click the **Class** button and then **New**. Enter the first class (***Product Sales***) as shown in *Figure 28*. Then click the **Next** button to enter the remaining classes mentioned above. When you have entered all classes, click the **OK** button to return to the **Class List** window. Now, close the **Class List** screen.

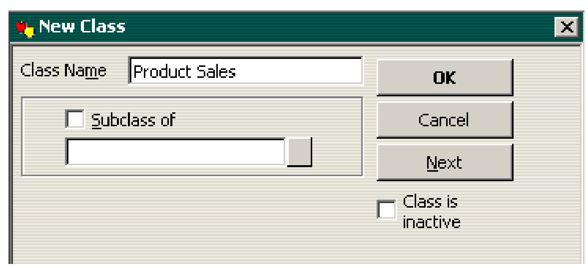


Figure 28

ITEMS

The items list is a list of the individual products and/or services that you can buy from a vendor, sell to a customer, or buy from a vendor and resell to a customer. The types of items most commonly used in **QuickBooks Pro** are:

Service — Services you charge a customer for or services you purchase from a vendor.
Examples: Professional fees, repair labor

Inventory Part — Items you purchase (or manufacture), track in inventory and then resell.
Examples: Computer systems, software packages

Non-Inventory Parts — Items you purchase but do not resell, items you sell but do not purchase, items you purchase and resell but do not track in inventory.
Examples: Mouse pads, wire, diodes

Other Charges — Other charges on a sale or purchase.
Examples: Freight charges, finance charges

Subtotal — The subtotal on several items before calculating a discount, finance charge or special sales tax.

Discount — The amount to be subtracted from a subtotal.

Sales Tax Item — A single sales tax calculated from a product's price.

Payment — Payment received at the time of invoicing so that the amount owed on the invoice through Accounts Receivable is reduced.

While we will use a number of these item types in this example, we will not use all of them. One of the most important items we will use is the item that calculates the sales tax that we must collect from our customers and then pay to the Tennessee Department of Revenue. To create this item, choose the **Edit** in the top menu and then choose **Preferences . . ..** Choose the **Sales Tax** icon located in the left of the **Preferences** window. Choose the **Company Preferences** tab. Click **Yes** under the question **Do You Charge Sales Tax?** In the **Owe Sales Tax** area, choose **As of invoice date (Accrual Basis)** if you are on an accrual system, or, **Upon receipt of payment** if you pay sales tax on a cash accounting basis. Choose **Monthly** in the **Pay Sales Tax** area and set the **Most common sales tax** as ***Sales Tax***. After pressing **TAB**, you will see an **Item Not Found** screen (*Figure 29*). C lick **Yes** to enter the new item.

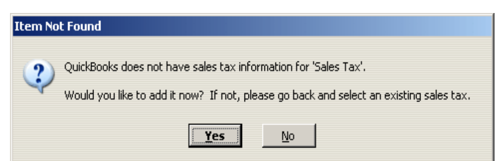


Figure 29

Using the drop-down arrow beside **Type**, choose **Sales Tax Item**. Give the item a **Tax Name** of ***Sales Tax*** and a **Description** of ***Sales Tax***. Enter ***9.25*** as the **Tax Rate (%)** and designate the ***TN Dept of Revenue*** as the **Tax Agency**. When you finish, this screen should look like the one shown in *Figure 30*. If so, click **OK** to exit the **New Item** screen. The **Preferences** screen should now look like the one shown in *Figure 31*. If so, click **OK**.

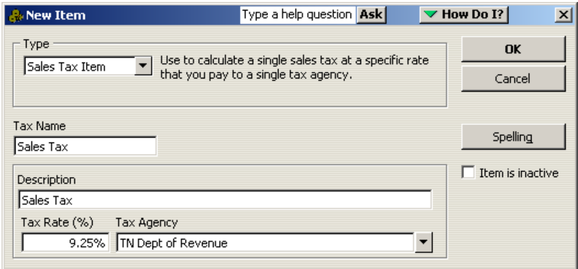


Figure 30

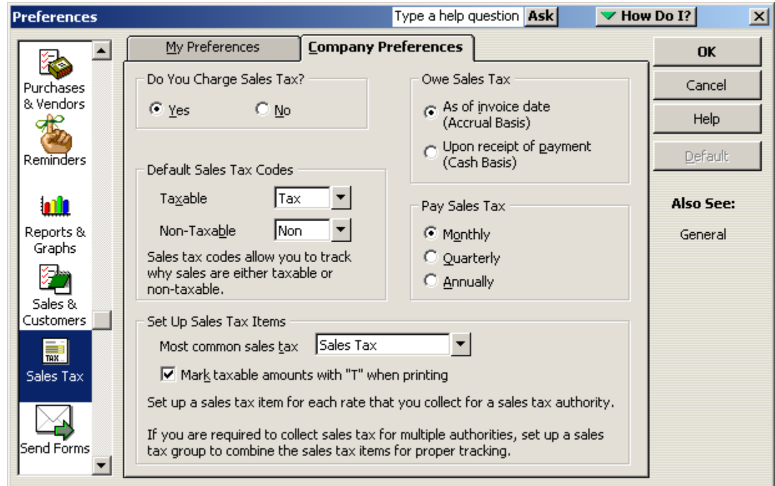


Figure 31

QuickBooks Pro now reveals the **Updating Sales Tax** information window (*Figure 32*)**.** Notice that **QuickBooks Pro** has defaulted to check the two options available in this window. The first option, **Make all existing customers taxable.**, means that all previously created customers and all new customers are assumed to be taxable until you change this option. The second option, **Make all existing non-inventory and inventory parts taxable.**, means that all existing and future parts are assumed to be taxable. The safest route for your company to take is to leave these options checked. After all, it is easier to refund sales tax charged in error than it is to try to get a customer to pay sales tax after the sale has been made. And it is very easy to disable the sales tax for a particular customer or a particular part either from the customer or part set-up screen or from the entry form of a particular sale. Leaving these options checked, as we are going to do for this example, is an easy way to keep yourself and your company out of trouble with your state's department of revenue. To close this screen, click **OK**. You will now see a **Warning** screen like the one shown in *Figure 33* that tells you that **QuickBooks** must close all windows to change this preference. Click **OK**.

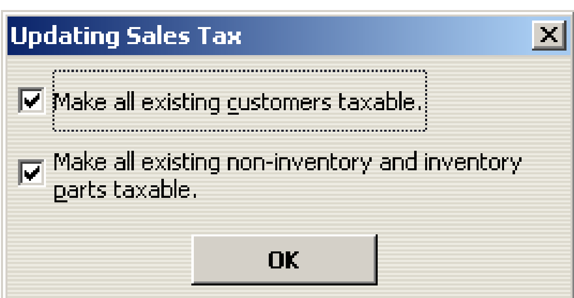


Figure 32

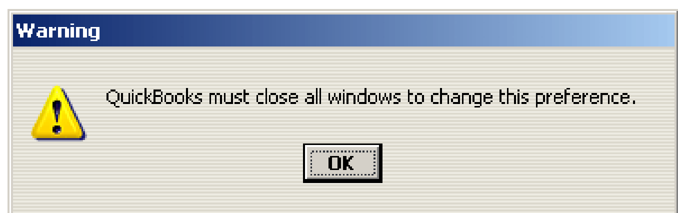


Figure 33

Since we will want to track the inventory status of many of the items we will sell, we need to enable the inventory tracking feature of **QuickBooks Pro**. To do this, again click the **Edit** menu and choose **Preferences . . .**. Now choose the **Purchases & Vendors** icon. Click on the **Company Preferences** tab and check the box beside **Inventory and purchase orders are active**. This window should now look like the one shown in *Figure 34*. If so, click **OK**.

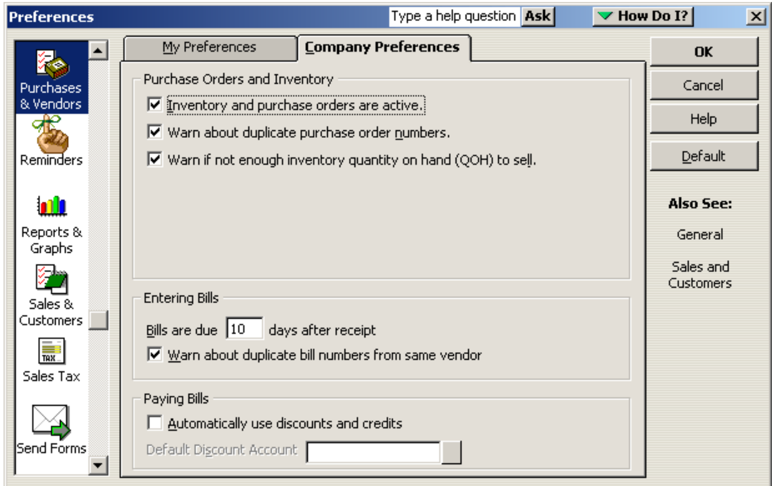


Figure 34

Now we can create the individual items that will be for sale in our store. To do this, click **Customers** on the **Navigation Bar** and then choose the **Items & Services** icon. This brings up the **Item List** screen. As before, click the **Item** button and then **New** to reveal the **New Item** window.

Since there will be many items for sale in a computer store (or, for that matter, any type of business), you may wish to use an item-subitem setup to make it easier to find a particular item for sales and invoicing purposes. The first item that we will create is called **COMPUTER**. Sub-items under **COMPUTER** will consist of the various complete computer systems that we will purchase, track in inventory and then resell. Since we will track the inventory status of these computer systems, use the drop-down arrow beside the **Type** field to choose **Inventory Part**. Then **TAB** to the **Item Name/Number** field and enter ***COMPUTER*** as the item name. Now **TAB** to the **Description on Purchase Transactions** and enter a description of ***Computer Systems*** and press **TAB**. Leave the **Cost** as ***0.00***, the **COGS Account** as ***Cost of Goods Sold*** (this is an account that **QuickBooks Pro** will create for you), and leave the **Preferred Vendor** field blank. Notice that **QuickBooks Pro** has copied ***Computer Systems*** from the **Description on Purchase Transactions** to the **Description on Sales Transactions** field. Leave this field as is, leave the **Sales Price** as ***0.00***, leave the **Tax Code** field set as ***Tax***, and use the drop-down arrow beside the **Income Account** field to choose ***Sales Income*** as the account to which the sales of this item will be charged. Finally, leave the **Asset Account** set as ***Inventory Asset***, the **Reorder Point** field blank, the **Qty on Hand** as ***0.00***, and leave the **Total Value** field set as ***0.00***. Change the **As of** date to ***December 31*** of the previous year. This screen should now look like the one shown in *Figure 35*. If so, click **Next** to create another item.

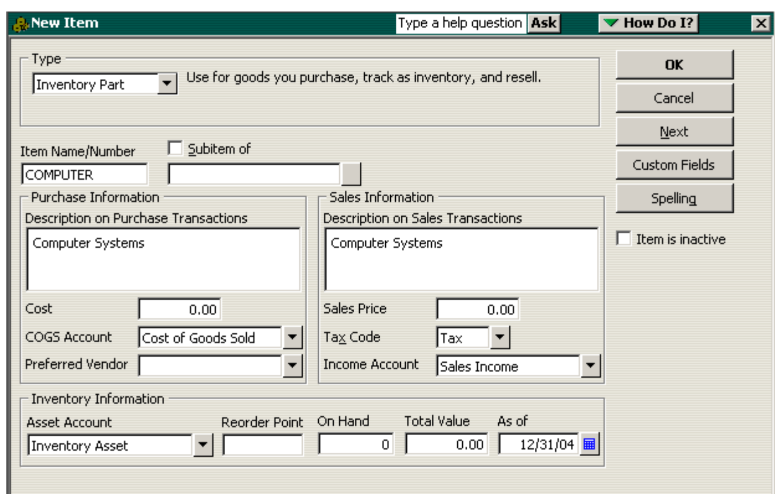


Figure 35

Now enter the following inventory items.

Type: Inventory Part **Item Name/Number:** Pent III 600 **Subitem of:** COMPUTER **Description on Purchase Transactions:** Pentium III 600 Mhz processor, 40 Gigabyte Hard Drive, 17" Monitor, 128 Meg RAM, 40X CD ROM, 3.5" HD Floppy, Windows XP **Cost:** $1,200.00 **COGS Account:** Cost of Goods Sold **Preferred Vendor:** IBM **Description on Sales Transactions:** Pentium III 600 Mhz processor, 40 Gigabyte Hard Drive, 17" Monitor, 128 Meg RAM, 40X CD ROM, 3.5" HD Floppy, Windows XP **Sales Price:** $1,500.00 **Tax Code:** Tax **Income Account:** Sales Income **Asset Account:** Inventory Asset **Reorder Point:** 5 **Qty on Hand:** 8 **As of:** December 31 of the previous year	**Type:** Inventory Part **Item Name/Number:** Pent III 700 **Subitem of:** COMPUTER **Description on Purchase Transactions:** Pentium III 700 Mhz processor, 40 Gigabyte Hard Drive, 17" Monitor, 128 Meg RAM, 40X CD ROM, 3.5" HD Floppy, Windows XP **Cost:** $1,300.00 **COGS Account:** Cost of Goods Sold **Preferred Vendor:** IBM **Description on Sales Transactions:** Pentium III 700 Mhz processor, 40 Gigabyte Hard Drive, 15" Monitor, 128 Meg RAM, 40X CD ROM, 3.5" HD Floppy, Windows XP **Sales Price:** $1,700.00 **Tax Code:** Tax **Income Account:** Sales Income **Asset Account:** Inventory Asset **Reorder Point:** 5 **Qty on Hand:** 8 **As of:** December 31 of the previous year
Type: Inventory Part **Item Name/Number:** COMPONENTS **Subitem of:** **Description on Purchase Transactions:** Computer Components **Cost:** $0.00 **COGS Account:** Cost of Goods Sold **Preferred Vendor:** **Description on Sales Transactions:** Computer Components **Sales Price:** $0.00 **Tax Code:** Tax **Income Account:** Sales Income **Asset Account:** Inventory Asset **Reorder Point:** **Qty on Hand:** 0.00 **As of:** December 31 of the previous year	**Type:** Inventory Part **Item Name/Number:** HD 40 Gig **Subitem of:** COMPONENTS **Description on Purchase Transactions:** Seagate 40 Gigabyte Hard Drive **Cost:** $300.00 **COGS Account:** Cost of Goods Sold **Preferred Vendor:** Seagate **Description on Sales Transactions:** Seagate 40 Gigabyte Hard Drive **Sales Price:** $450.00 **Tax Code:** Tax **Income Account:** Sales Income **Asset Account:** Inventory Asset **Reorder Point:** 15 **Qty on Hand:** 10 **As of:** December 31 of the previous year

Type: Inventory Part **Item Name/Number:** HD 20 Gig SCSI **Subitem of:** COMPONENTS **Description on Purchase Transactions:** SCSI 20 Gigabyte Hard Drive **Cost:** $450.00 **COGS Account:** Cost of Goods Sold **Preferred Vendor:** Computer Wholesale Supply **Description on Sales Transactions:** SCSI 20 Gigabyte Hard Drive **Sales Price:** $980.00 **Tax Code:** Tax **Income Account:** Sales Income **Asset Account:** Inventory Asset **Reorder Point:** 5 **Qty on Hand:** 10 **As of:** December 31 of the previous year	**Type:** Inventory Part **Item Name/Number:** Memory **Subitem of:** COMPONENTS **Description on Purchase Transactions:** Simms RAM Memory - 16 Meg Block **Cost:** $100.00 **COGS Account:** Cost of Goods Sold **Preferred Vendor:** Computer Wholesale Supply **Description on Sales Transactions:** Simms RAM Memory - 16 Meg Block **Sales Price:** $140.00 **Tax Code:** Tax **Income Account:** Sales Income **Asset Account:** Inventory Asset **Reorder Point:** 20 **Qty on Hand:** 30 **As of:** December 31 of the previous year

Using the same type of logic, set up the following non-inventory sales items.

Type: Non-Inventory Part **Item Name/Number:** ACCESSORIES **Subitem of:** **Description:** Computer Accessories **Price:** $0.00 **Tax Code:** Tax **Account:** Sales Income	**Type:** Non-Inventory Part **Item Name/Number:** Mouse **Subitem of:** ACCESSORIES **Description:** Microsoft PS/2 Mouse **Price:** $35.00 **Tax Code:** Tax **Account:** Sales Income
Type: Non-Inventory Part **Item Name/Number:** Mouse Pad **Subitem of:** ACCESSORIES **Description:** Mouse Pad **Price:** $5.00 **Tax Code:** Tax **Account:** Sales Income	**Type:** Non-Inventory Part **Item Name/Number:** Keyboard **Subitem of:** ACCESSORIES **Description:** Microsoft Ergonomic Keyboard **Price:** $75.00 **Tax Code:** Tax **Account:** Sales Income

We have so far taken care of the items that we purchase, track in inventory, and resell, as well as the items that we are selling, but we do not wish to track the purchases of these items. But what about the items that we want to track the purchase and sale of, but do not wish to track as inventory? This is the way that we want to handle our stock of **QuickBooks Pro** computer software (more on why in a moment). To do this, first create a main item called ***SOFTWARE*** in the same manner as the **ACCESSORIES** item. Then create another non-inventory part, give it an item name of ***QB Pro 2005*** and make it a subitem of ***SOFTWARE***. Then check the box beside **This item is purchased for and sold to a specific customer:job**. You should notice that the **New Item** screen changes to resemble the screen used for creating an inventory part with one exception: There is no area to track inventory. Enter ***QuickBooks Pro 2005*** in the **Description on Purchase Transactions** field, set the **Cost** as ***$160.00***, set the **Expense Account** as ***Inventory Purchases Expense*** and leave the **Preferred Vendor** field blank. Let the **Description on Sales Transactions** be ***QuickBooks Pro 2005***, set the **Sales Price** as ***$220.00***, leave the **Tax Code** as ***Tax*** and choose ***Sales Income*** as the **Income Account**. When you finish, the **New Item** screen should look like the one shown in *Figure 36*. If so, click **Next** to enter another item.

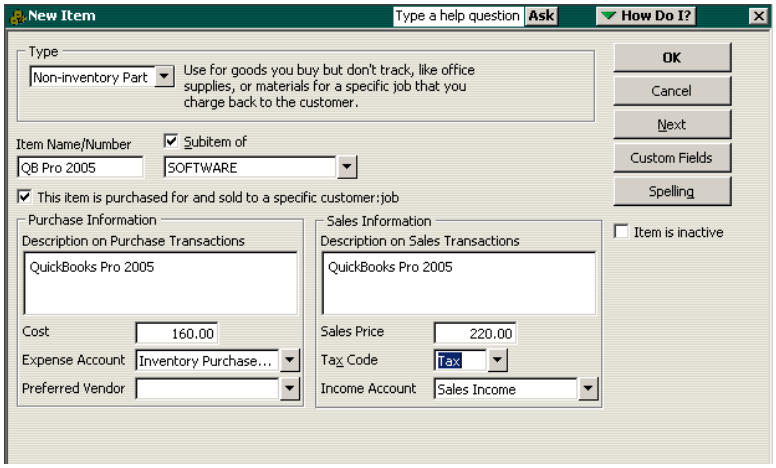


Figure 36

Before we move on, let's think about why we set this item up in this way. Obviously, we want to keep track of how many software packages we buy and how many we sell. But why would we not want to keep track of the inventory?

There are many answers to this question. First of all, keeping track of inventory can be a rather tedious chore because you must continuously count the number of items that you have in stock and then adjust the **QB Pro 2005** item figures accordingly. For some items (such as mouse pads, for example) the cost of the item is not great enough to warrant keeping up with inventory. Also, you may have special mouse pads created with your company logo on them and give more away for advertisement than you sell. This is basically the scenario that we are assuming with the **QB Pro 2005** item. Tennessee Computers gives a copy of the software to each customer who buys a computer system if the customer owns or operates a small business. Keeping up with an inventory of this product would be a daunting task because software given away is not reflected on a sales receipt or invoice. Therefore, we have chosen to use a non-inventory part item to determine how many copies of the software we bought and how many were sold. The difference is roughly the number of copies that were given away.

Now set up a service item to describe the labor charges involved in repairing and servicing computer systems. Set the **Type** as **Service**, the **Item Name/Number** as ***Labor***, the **Description** as ***Labor***, and the **Rate** as ***$25.00***. Since labor charges are taxable, leave the **Tax Code** as ***Tax*** and choose ***Sales Income*** as the **Account**. When you finish, this screen should look like *Figure 37*. If so, click **Next** to create another item.

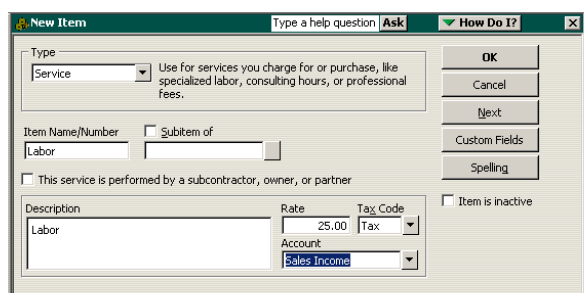


Figure 37

You now need to create an item to deal with customer delivery charges. Since we are not in the delivery or freight business, choose **Other Charge** as the **Type**. Enter ***Delivery*** as the **Item Name/Number** and ***Delivery Charges*** as the **Description**. Since the amount charged for each delivery will vary, leave the **Amount or %** field set as ***0.00***. The **Tax Code** should be ***Non*** and ***Freight Income*** is the **Account**. When you finish, the **New Item** screen should look like the one shown in *Figure 38*. If so, click **Next** to enter another item.

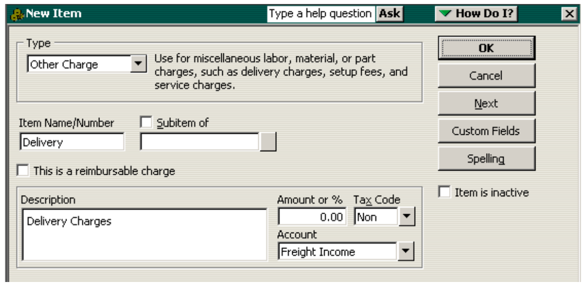


Figure 38

The next item to be created is an item that will be used when a customer purchases goods on account but gives the company a down-payment or earnest money. Choose **Payment** as the item **Type** and enter ***Payment*** in the **Item Name/Number** field. Enter ***Initial Payment For Order*** in the **Description** field and leave the **Group with other undeposited funds** circle marked. This screen should now look like the one shown in *Figure 39*. If so, click **Next** to enter one final item.

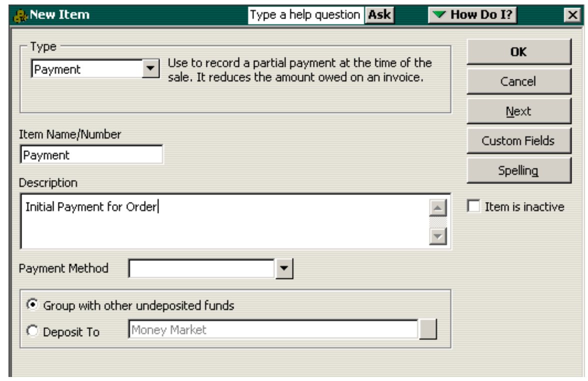


Figure 39

Until now, we have been concerned mainly with items that describe goods and services that we sell. But items can also describe the goods and services that a company purchases either for its own use or for resale (much like the case of the inventory parts or the **QB Pro 2005** item that we created). We are going to use such an item to describe some of the 1099 contractor services that we purchase.

Tennessee Computers will make house calls to fix a computer at a customer's office or home. However, since this company has only one service technician employed, it relies on 1099 contractors to make the house calls. Tennessee Computers then charges the customer an increased rate for the visit and in turn pays the 1099 contractor. To create this item, choose **Service** as the **Type** and enter ***Service Call*** in the **Item Name/Number** field. Now check the box beside **This service is performed by a subcontractor, owner or partner**. The **New Item** screen changes to look much like the one we used when we created the **QB Pro 2005** item. Enter ***Service Call Labor*** in the **Description on Purchase Transactions** field and set the **Cost** as ***$15.00*** (the amount per hour that we pay the subcontractor). Choose ***Contract Labor:Service & Repair Labor*** as the **Expense Account** and leave the **Preferred Vendor** field blank. In the **Sales Information** area, leave the **Description on Sales Transactions** as ***Service Call Labor***, set the **Sales Price** as ***$25.00*** (the amount we charge the customer per hour for service calls), and leave the **Tax Code** as ***Tax***. Choose ***Sales Income*** as the **Income Account**. When you finish, the **New Item** screen should look like the one shown in *Figure 40*. If so, click **OK** to close the **New Item** screen and then close the **Item List** window.

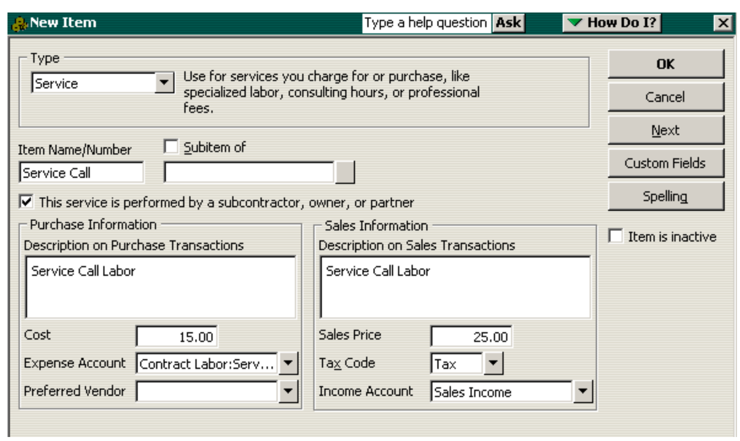


Figure 40

CUSTOMER TYPES, CUSTOMERS, JOBS AND CUSTOMER MESSAGES

Customers are people or firms who give money to your business for the purchase of goods or services. As with vendors, customers can be grouped into types so you can track the level of sales to a particular grouping of customers, such as garden centers, schools or retail establishments.

Assume that your customers will fall into one of five main types: **Retail**, **Businesses**, **Schools**, **Governments** or **Resellers**. The method for entering these types is very similar to the method used earlier to enter vendor types. Click **Lists**, **Customer & Vendor Profile Lists** and **Customer Type List**. This brings up the **Customer Type List** window. To enter new customer types, click the **Customer Type** button at the bottom of the window and then choose **New**. This brings up the **New Customer Type** window. Enter the first customer type (***Retail***) in the **Customer Type** field. This window should now resemble the one shown in *Figure 41*. If so, click **Next** and enter the other customer types mentioned above. When you finish, click **OK** to close the **New Customer Type** window and then close the **Customer Type List** screen.

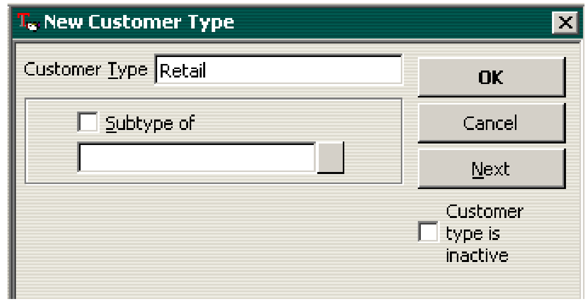


Figure 41

We can now set up the customers that our company does business with. To do this, click **Customers** on the **Navigation Bar** to reveal the **Customers Navigator** and then choose the **Customers** icon. Click on the **Customer:Job** button and then click **New**. This brings up the **New Customer** screen as shown in *Figure 42*.

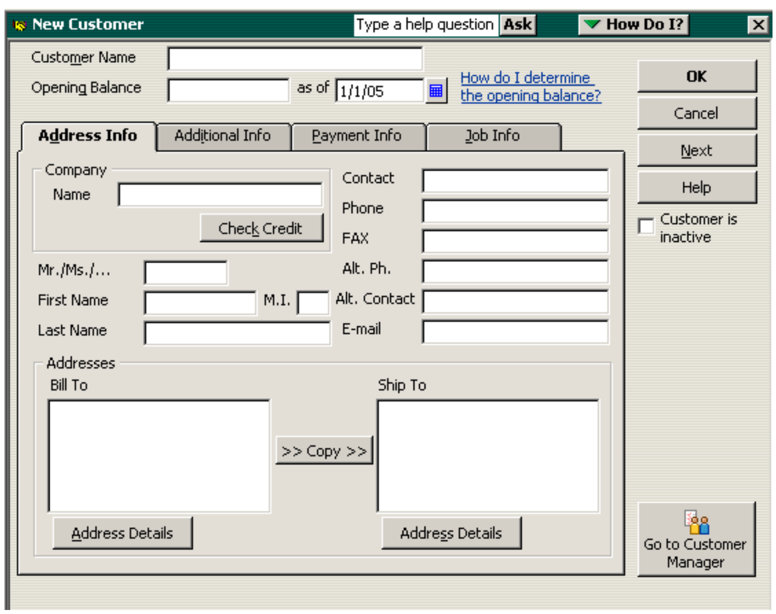


Figure 42

This is an excellent time to discuss one of the most powerful features of **QuickBooks Pro**. Click on the **Additional Info** tab of the **New Customer** screen and reveal an area designated as **Custom Fields**. Custom fields, as used in **QuickBooks Pro**, can be used to define many characteristics of your customers, vendors, employees and/or items. You could indicate whether your customers are local or from out-of-town, whether a particular vendor is easily dealt with or not, whether your employees are citizens or aliens, whether they are male or female or any other information that you wish to keep up with.

We will, in this example, use custom fields to answer one question that is important for any business: What type of return are we getting for our advertising dollar? Marketing takes many forms in a small business. It could be accomplished through an advertisement on the radio or in the newspaper, through word-of-mouth, by bid or proposal submission or in many other ways.

To create a custom field that will tell us what type of marketing effort is effective in our business, click the **Define Fields** button in the **Custom Fields** area. This brings up the **Define Fields** window. Enter ***ADVERTISING*** in the first **Label** field and check the box under **Customers:Jobs**. This screen should now look like the one shown in *Figure 43*. If so, click **OK**. You will now see an **Information** screen that tells you that you have activated custom fields for this list and that you can use these fields in transactions by turning them on in your custom templates (to be discussed later). Click **OK**.

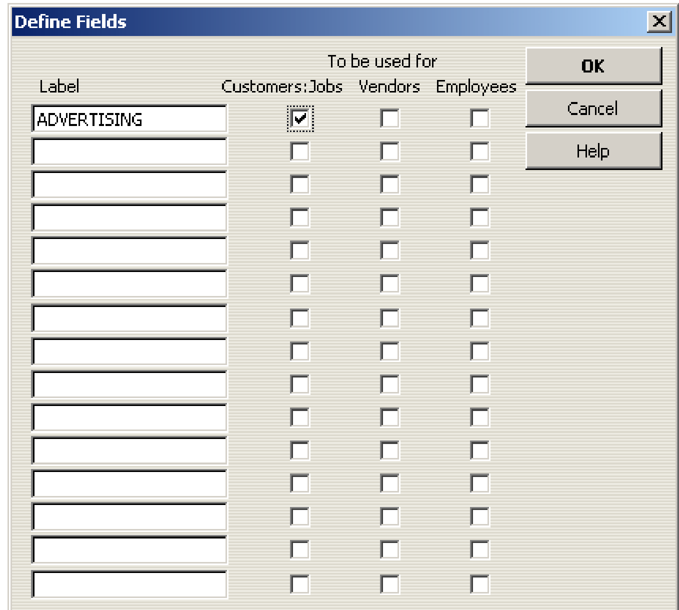


Figure 43

After we have modified the forms in **QuickBooks Pro** to better suit our business needs, this advertising field will appear on all invoices, sales receipts, and proposals. As we are taking each order, we will ask the customer from what source he or she obtained our company name. We will then enter this information on our electronic forms. If the customer changed the source of information from one transaction to the next, we simply enter the new information source on the new transaction form. At the end of a reporting period, or at any time in between, we can generate a report of what marketing methods are proving to be profitable and adjust our marketing dollars accordingly.

Using the same strategy that you used to enter vendors, enter the following customer information. If there is no entry listed for a particular field, leave that field blank.

Cash **Type:** Retail **Tax Code:** Tax **Tax Item:** Sales Tax	Tri City Pumping 4236 Bristol Hwy Metropolis, TN 47382 **Contact:** Joe Guthrie **Phone:** (423) 668-3741 **FAX:** (423) 668-4738 **Type:** Businesses **Terms:** Net due 15th, 2% if before 10th **Tax Code:** Tax **Tax Item:** Sales Tax

Super Mart P.O. Box 4378 Metropolis, TN 47382 **Contact:** Wally Jobes **Phone:** (423) 668-4236 **FAX:** (423) 668-3811 **Type:** Resellers **Terms:** Net due 15th, 2% if before 10th **Tax Code:** Non	City of Metropolis P.O. Box 1072 Metropolis, TN 47382 **Contact:** Bob Smith **Phone:** (423) 668-7816 **FAX:** (423) 668-1242 **Type:** Governments **Terms:** Net due 15th, 2% if before 10th **Tax Code:** Non
Jim Brown 4278 Manchester Road Metropolis, TN 47382 **Phone:** (423) 668-1112 **Fax:** **Type:** Retail **Terms:** 2%10, Net 30 **Tax Code:** Tax **Tax Item:** Sales Tax	Big Ed's Warehouse P.O. Box 4732 Metropolis, TN 47382 **Contact:** Judy Davies **Phone:** (423) 668-3811 **FAX:** (423) 668-3614 **Type:** Resellers **Terms:** Net due 15th, 2% if before 10th **Tax Code:** Non **Tax Item:**
Jenkins Construction P.O. Box 178 Metropolis, TN 47382 **Contact:** Joe Jenkins **Phone:** (423) 668-1188 **FAX:** **Type:** Businesses **Terms:** Net due 15th, 2% if before 10th **Tax Code:** Tax **Tax Item:** Sales Tax	Sparta Nursery McMinnville Hwy Sparta, TN 37412 **Contact:** Joy Burns **Phone:** (931) 384-4138 **FAX:** **Type:** Businesses **Terms:** Net due 15th, 2% if before 10th **Tax Code:** Tax **Tax Item:** Sales Tax

When you have finished entering this customer information, click **OK** to close the **New Customer** window and return to the **Customer:Job List** screen.

We have now taken care of our customers. But what about those customers who have multiple branches/job sites that are billed or tracked at only one address? One example of this might be the City of Metropolis. While all invoices are paid from one department (usually the Accounts Payable department), they have multiple offices to which we sell or service computers. These offices may or may not be in the same physical location as the Accounts Payable department, so we may have to deliver purchases to multiple addresses. In our example, let's assume that the City of Metropolis has two departments that we service. These are the City Clerk and the Police Department. To enter these "jobs," click on the ***City of Metropolis*** in the **Customer:Job List** to highlight this customer. Then click the **Customer:Job** button at the bottom of the screen and choose **Add Job**. This brings up the **New Job** information window. Enter ***City Clerk*** in the **Job Name** field and an **Opening Balance** of ***$3,700.00*** **as of** ***December 31*** of the previous year. This means that Tennessee Computers has Accounts Receivable of $3,700.00 from the City of Metropolis for the City Clerk's office. Now **TAB** to the **Ship To** field and click **Copy** to copy the **Bill To** address to the **Ship To** field. Change the second line of the shipping address information from ***P.O. Box 1072*** to ***Room 8, City Hall*** (the physical location of the City Clerk's office). This screen should now look like the one shown in *Figure 44*.

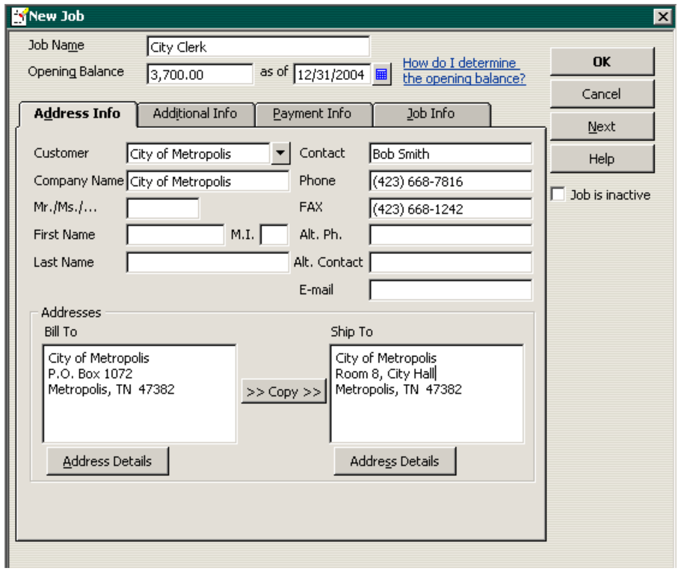


Figure 44

Now click on the **Job Info** tab. This screen contains information regarding the status of a particular job. While this information is particularly useful for jobs that have a definite beginning and end, it can also be used for ongoing projects such as servicing and repairing computers in this department. However, we will not use this feature for our example.

Click **Next** to enter another job for the City of Metropolis. Enter ***Police Department*** as the **Job Name** and the **Opening Balance** as ***$0.00* as of *December 31*** of the previous year. Change the **Ship To** address to ***5218 Main Street***. Then click **OK**. The **Customer:Job List** window should look like the one shown in *Figure 45* with the two jobs for the City of Metropolis slightly indented under the customer name. This signifies that they are jobs for that particular customer. If the screen on your computer resembles the figure shown below, close the **Customer:Job List** window.

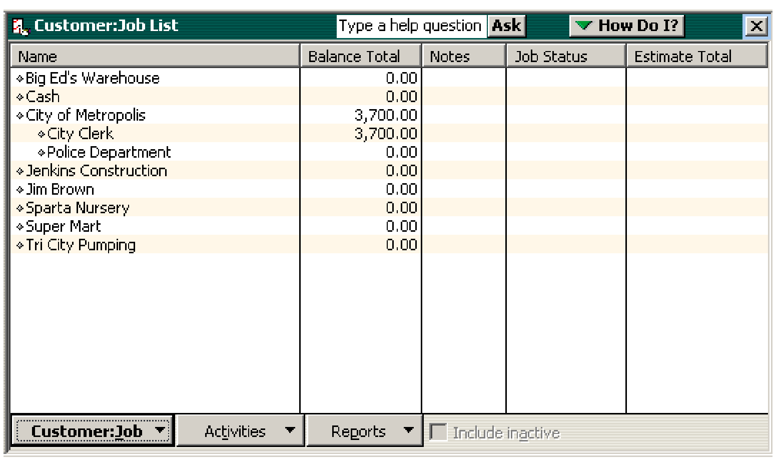


Figure 45

There is one other component of **QuickBooks Pro** in the customer area that we need to discuss before we move on. A customer message is the phrase at the bottom of an invoice, sales receipt or proposal where you thank customers for their business. In this example, we will use three messages:

We really appreciate your business!
Thanks for doing business with our firm!
You are the reason we are here! Thanks!

To enter these messages, choose **Lists**, **Customer & Vendor Profile Lists**, and then **Customer Message List**. This causes the **Customer Message List** to appear. Click the **Customer Message** button and choose **New** to bring up the **New Customer Message** window (*Figure 46*). Enter the first customer message in the **Message** field and then click **Next** to enter another message. After you have entered all customer messages, click **OK** to exit the screen and then close the **Customer Message List** window.

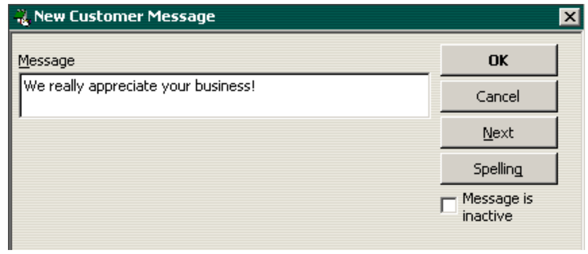


Figure 46

EMPLOYEE LOANS, PAYROLL ITEMS AND EMPLOYEES

In order for **QuickBooks Pro** to calculate payroll, you must enable payroll calculation through the **QuickBooks Pro** preferences. To do this, choose the **Edit** menu and then click on **Preferences . . ..** Now choose the **Payroll & Employees** icon located in the left frame of the window and choose the **Company Preferences** tab. In the **QuickBooks Payroll** area, check the circle beside **Full payroll**. Since it is usually easier to find an employee name in a list by last name rather than first, click the circle beside **Last Name** in the **Display Employee List By:** area. Uncheck the **Recall quantity field on paychecks.** box and check the box beside **Job Costing, Class and Item Tracking for Paycheck Expenses.** Finally, check the **Assign one class per Earnings item** box. When you finish, this screen should look like the one shown in *Figure 47*. Click **Printing Preferences,** and then uncheck the boxes beside **Vacation used and vacation available** and **Sick used and sick available** (*Figure 48*) since we will not be dealing with sick or vacation time in this example. Click **OK** twice. You will now see a **Warning** screen similar to the one shown in *Figure 33* that informs you that **QuickBooks must close all windows to change this preference.** Click **OK** to close this window.

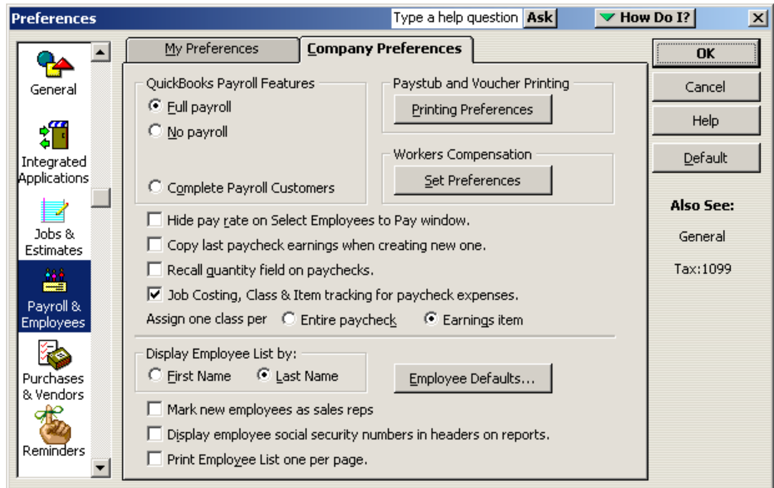


Figure 47

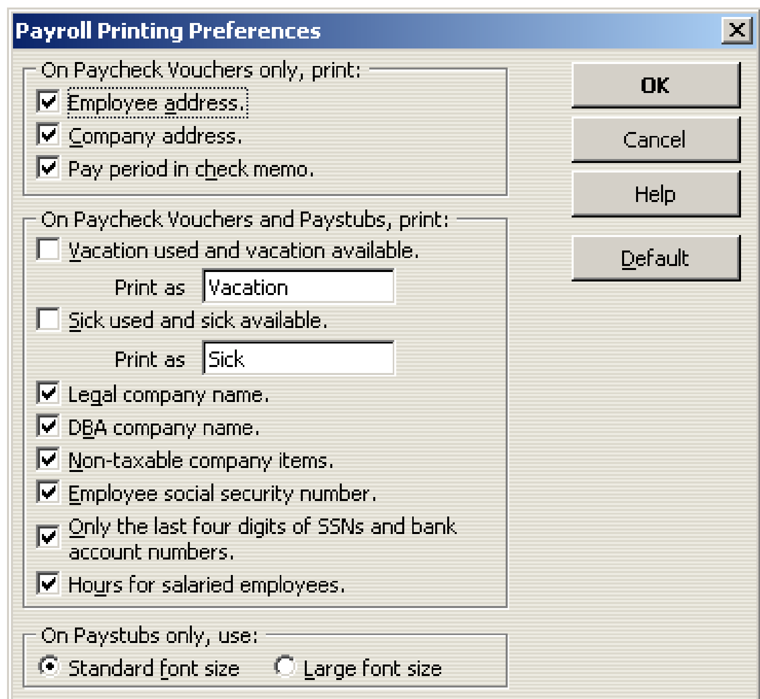


Figure 48

EMPLOYEE LOANS

One of our employees, Jim Frederickson, has two outstanding loans with our company. To track the balance of the loans, you will need to create asset accounts for each of these loans (a loan owed to the company is an asset to the company in the same way that accounts receivable are assets to the company). To develop a section of our balance sheet devoted exclusively to employee loans, click **Chart of Accounts** located in the **Company Navigator**. When the **Chart of Accounts** window appears, click the **Account** button and then choose **New** to create a new account. Set the account **Type** as **Other Asset**, give the account a **Name** of ***Employee Loans***, set the **Tax Line** as ***<Not tax related>***, set the **Opening Balance** as ***0.00* as of *December 31*** of the previous year. Then click **Next** to enter another account.

The next account to be entered will separate Jim Frederickson's loans from other employee loans. Make sure the account **Type** is set as **Other Asset** and give this account a **Name** of ***Jim Frederickson Loans***.

Make this account a **Subaccount of** ***Employee Loans***. Set the **Tax Line** as ***<Not tax related>*** and set the **Opening Balance** as ***0.00*** **as of** ***January 1***. When you finish, click **Next** to enter another account.

We can now create the accounts that actually track the amounts that Jim Frederickson has borrowed. Again, make sure that the account **Type** is set as **Other Asset**, give the account a **Name** of ***Car Loan***, and make it a **Subaccount of** ***Employee Loans:Jim Frederickson Loans***. In the **Tax Line** field, choose ***<Not tax related>***. Set the **Opening Balance** as ***$100.00*** and the **as of** date to ***December 31***. This screen should now look like the one shown in *Figure 49*. If so, click **Next** to enter the Jim Frederickson's other loan.

Set this account up in the same manner as you did the **Car Loan** account. Give the account a **Name** of ***Trailer Loan***, make it a **Subaccount of** ***Employee Loans:Jim Frederickson Loans***, choose ***<Not tax related>*** in the **Tax Line** field, and set the **Opening Balance** as ***$4,000.00*** **as of** ***December 31***. Then click **OK** to close the **New Account** window. The **Employee Loans** portion of the **Chart of Accounts** window should resemble *Figure 50*. If so, close this window.

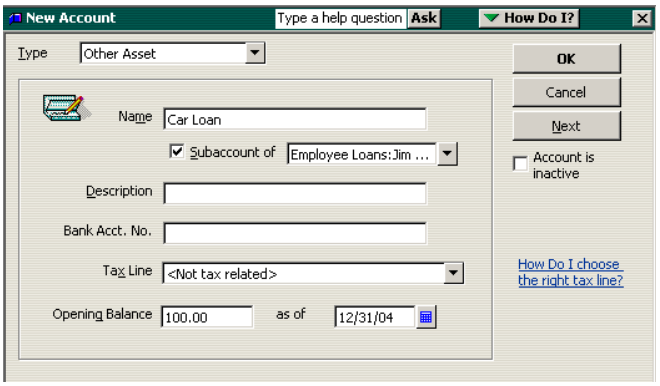


Figure 49

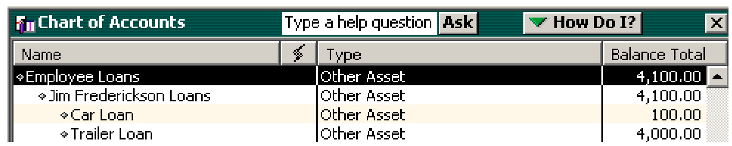


Figure 50

PAYROLL ITEMS

We can now set up the payroll items for our company. Payroll items are those items which affect the net amount on a paycheck or describe the company's expenses associated with payroll. **QuickBooks Pro** has already created a number of these items for you that deal with sick and vacation wages, salaries and withholding and payroll expense information. In addition to these preset items, we need to create other items dealing with hourly and overtime wages, state unemployment insurance, loan repayments, garnishment of wages, commissions and retirement plans.

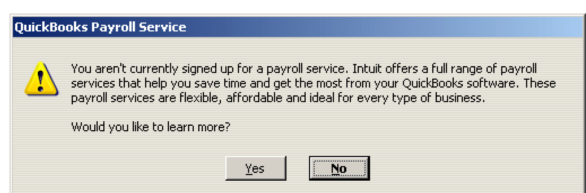
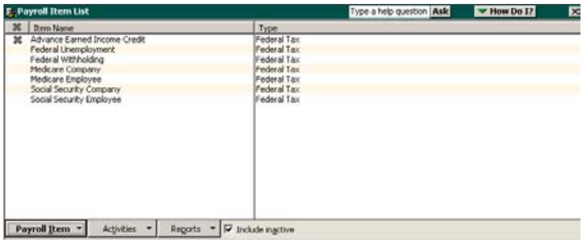


Figure 51

To create these payroll items, click **Employees** in the **Navigation Bar** and then choose the **Payroll Items** icon. **QuickBooks Pro** now asks **Would you like to learn more about QuickBooks Payroll Service?** (*Figure 51*). Click **No**. This brings up the **Payroll Item List** window. You will notice that **QuickBooks Pro** has created a number of payroll items for you. We will use all but one of these items (Advance Earned Income Credit). The first step will be to reduce or simplify the **Payroll Item List**.

You have the option of either deleting the items that you will not use in your payroll operations or hiding these items. To hide the unwanted items, highlight the item you are not going to use (in this case, click on **Advance Earned Income Credit**), click the **Payroll Item** button located in the **Payroll Item List** window, and then choose **Make Payroll Item Inactive**. This hides the item in the list but does not delete it. You can



display the hidden item by checking the **Include Inactive** box. You can reactivate this item by clicking on the ✘ beside the item (see *Figure 52*).

Figure 52

Now you can create the additional items needed to calculate your payroll. First, you need to create a payroll item to pay a salary to your store manager. Click the **Payroll Item** button and then choose **New**. You will now see the **Select setup method** screen as shown in *Figure 53*. For this example, always choose the **Custom Setup** option. Click **Next** to continue.

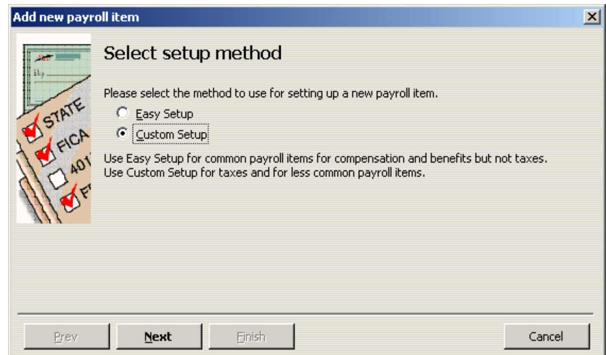


Figure 53

Now set the **Payroll item type** as **Wage (Hourly Wages, Annual Salary, Commission, Bonus)** as shown in *Figure 54* and then click **Next**.

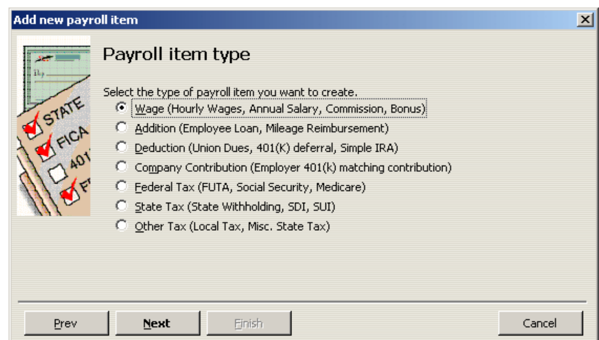


Figure 54

You should now see the **Wages** screen. To answer the question **Do you want to set up a payroll item to track hourly wages, annual salary, commissions, or bonuses?**, choose the **Annual Salary** option. Click **Next** to continue. For the question **Is this item for regular, overtime, sick or vacation pay?**, choose the **Regular Pay** option. This screen should now look like the one shown in *Figure 55*. If so, click **Next**.

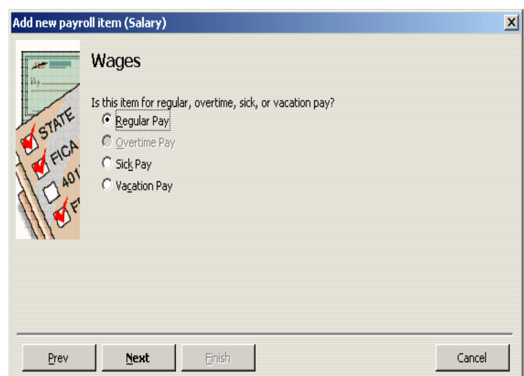


Figure 55

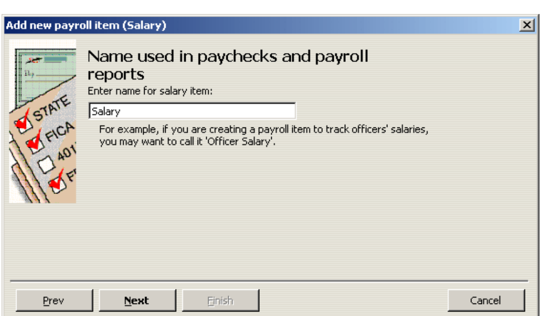


Figure 56

The **Name used in Paychecks and payroll reports** screen will now appear. Enter ***Salary*** in the **Enter name for salary item:** field. This screen should now look like *Figure 56*. If so, click **Next**.

You will now see the **Expense account** screen. The default value for the **Enter the account for tracking this expense.** field should be ***Payroll Expenses***. If this screen looks like *Figure 57*, click **Finish**.

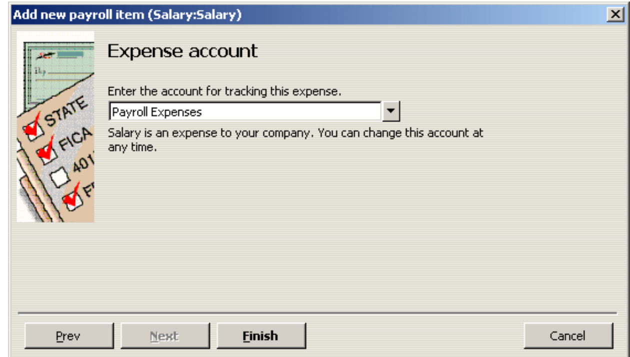


Figure 57

You will now need to create two additional payroll items for paying wages. These items are hourly wage items. One of them will be used for paying the employees' regular hourly wages and the other will be used to pay overtime wages. Set these payroll items up in much the same way as the salary item. Set the payroll item type as hourly wage and name them ***Hourly Wage*** and ***Overtime Wage*** (*Figure 58*). At the screen **Define Overtime** select **Time-and-a-half** (*Figure 59*). Make sure that ***Payroll Expenses*** is the account that will be used for tracking the expense.

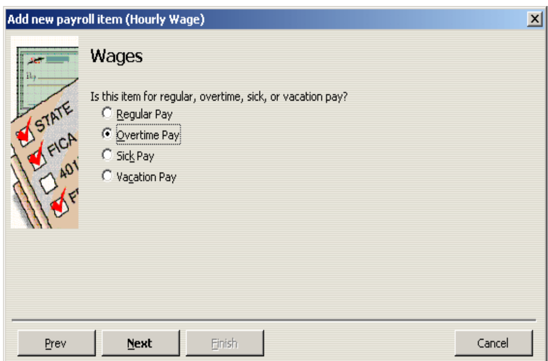


Figure 58

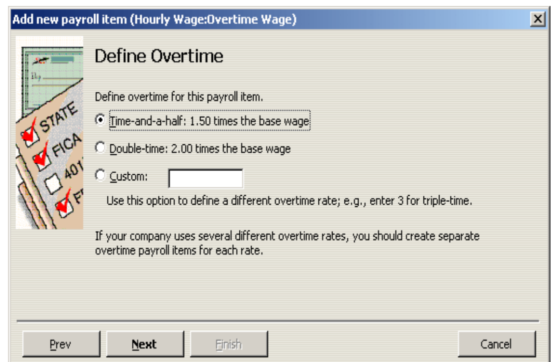


Figure 59

A payroll item needs to be set up to track the commission that you want to pay your salespeople. As before, click the **Payroll Item** button at the bottom of the **Payroll Item List** and then choose **New**. Choose **Custom Setup** as the setup method. You are now at the **Payroll item type** window. Choose **Wage (Hourly Wages, Annual Salary, Commission, Bonus)** and then click **Next**. On the Wages screen, choose **Commission** (*Figure 60*) and click **Next**.

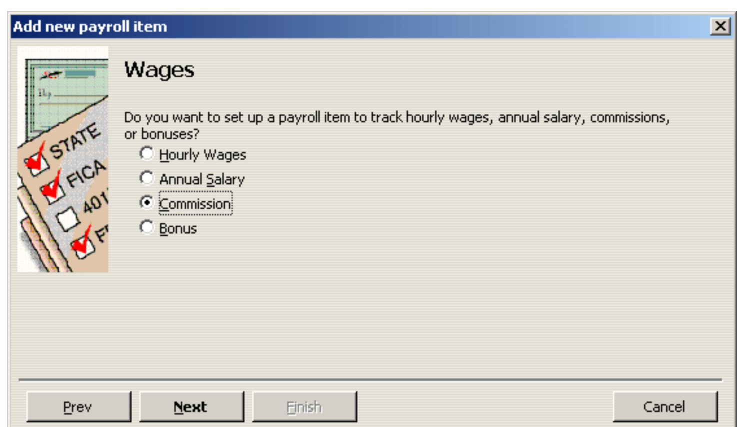


Figure 60

You should now see the **Name used in paychecks and payroll reports** window. Enter ***Commission*** in the **Enter name for commission field.** Click **Next**..

As with the wage items, leave the **Enter the account for tracking this expense.** field in the **Expense account** window set as ***Payroll Expenses*** (*Figure 61*). Click **Next**.

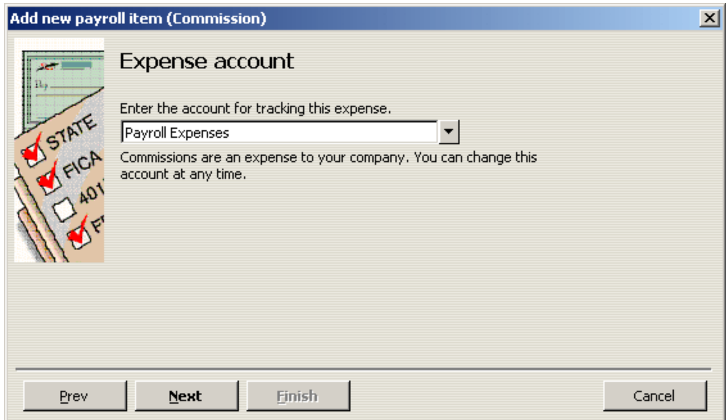


Figure 61

You should now be at the **Default rate** window. If the commission rate is the same for most of our employees who receive a commission, you can enter this rate now. You should realize that you can pay a dollar commission on the number of units sold or a percentage commission on the level of dollar sales. Since the commission rate that we pay is 2 percent on the level of sales that a particular salesperson makes, enter ***2%*** in the entry field. This screen should now look like *Figure 62*. If so, click **Finish**.

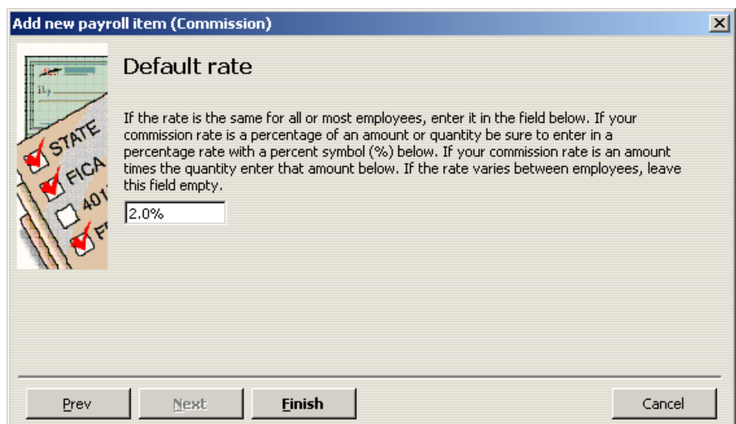


Figure 62

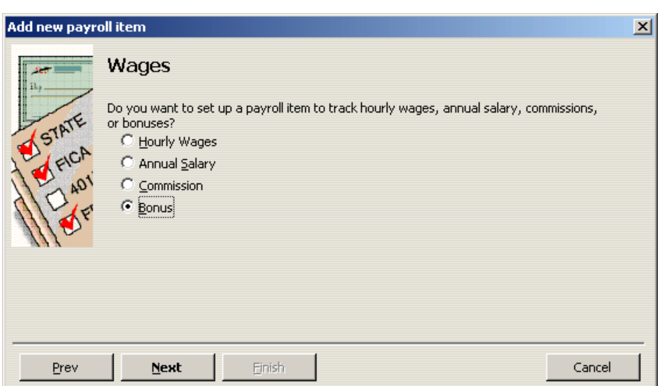


Figure 63

We now need to add a payroll item that will be used to give our employees a bonus. As before, click the **Payroll Item** button at the bottom of the **Payroll Item List** window and then choose **New**. Choose **Custom Setup** as the setup method and click **Next** to get to the **Payroll item type** screen. Set the **Payroll item type** as **Wage (Hourly Wages, Annual Salary, Commission, Bonus)** and then click **Next**. On the Wages screen, choose **Bonus** (*Figure 63*). Click **Next**.

You are now at the **Name used in paychecks and payroll reports** window. Enter ***Bonus*** in the **Enter name for bonus:** entry field. This screen should now resemble *Figure 64*. If so, click **Next**.

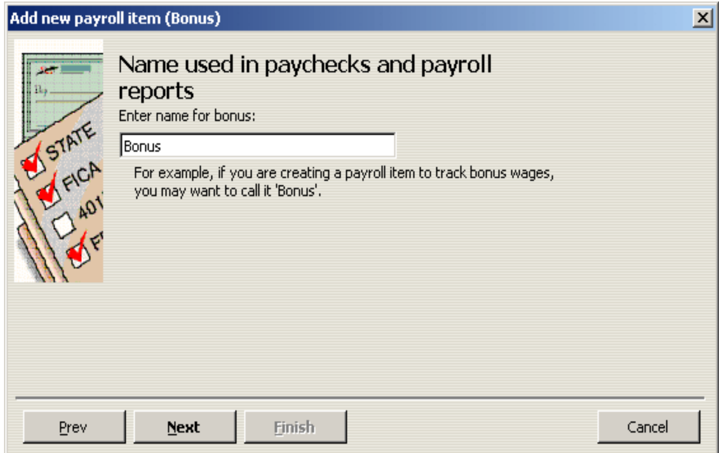


Figure 64

You are now at the **Expense account** window. Leave the account that will be used for tracking this expense set as ***Payroll Expenses*** and click **Finish**

Since we have a 401(k) plan for our employees, we need to set up two payroll items that deal with this plan. The first payroll item will deduct the employee's contribution to the 401(k) plan from the paycheck while the second item handles the company's match for the plan.

To create the first 401(k) related item, click the **Payroll Item** button at the bottom of the **Payroll Item List** and then click **New**. Choose **Custom Setup** as the setup method and then click **Next** to reveal the **Payroll item type** window.

Choose **Deduction (Union Dues, 401(k) deferral, Simple IRA)** as the payroll item type and click **Next** to reveal the **Name used in paychecks and payroll reports** window. Enter ***401(k) Employee*** in the **Enter name for deduction:** field (*Figure 65*) and click **Next**.

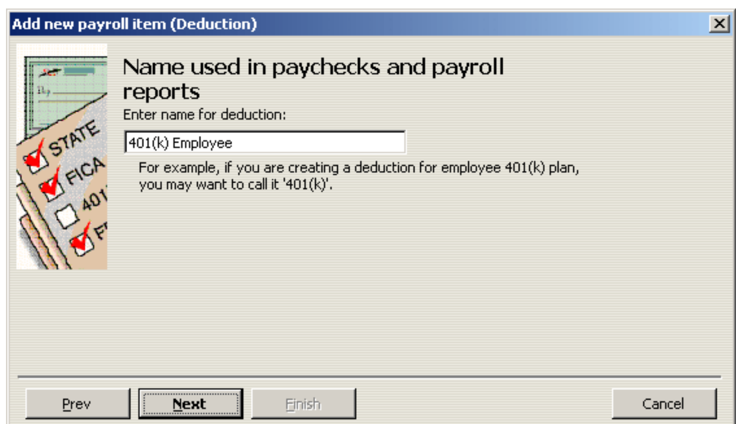


Figure 65

This takes you to the **Agency for employee-paid liability** window. Enter ***Metropolis Mutual Insurance*** in the **Enter name of agency to which liability is paid** field and leave the **Liability account (employee-paid):** field set as ***Payroll Liabilities***. (This should be the default entry for this field. If Payroll Liabilities does not show in the field, enter it now.) This screen should resemble the one shown in *Figure 66*. If so, click **Next**.

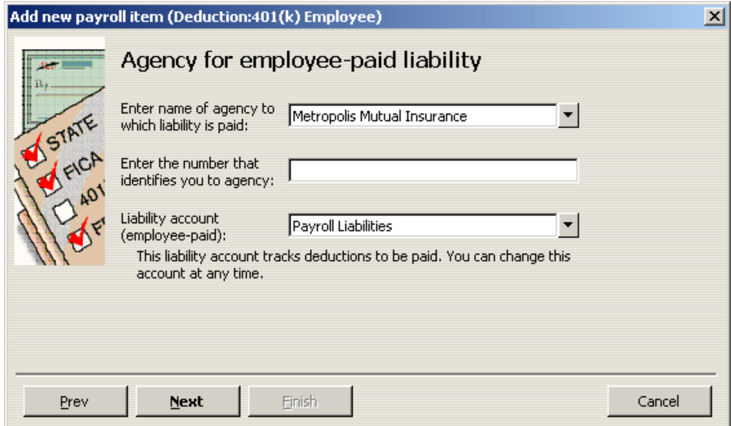


Figure 66

You should now see the **Tax tracking type** window. Since 401(k) employee contributions are reported on the W-2 form, click the drop-down arrow and choose **401(k)**. This screen should now look like *Figure 67*. If so, click **Next**.

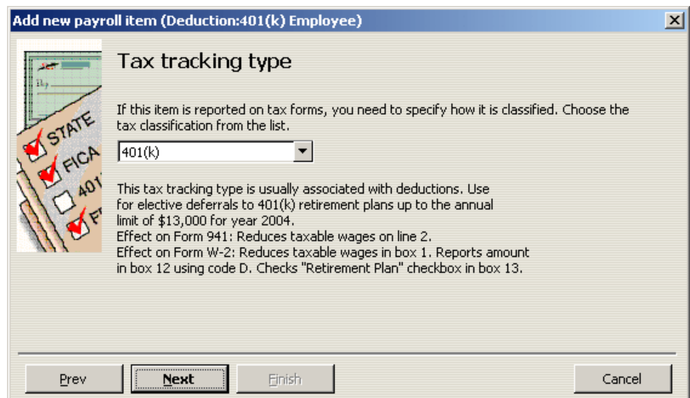


Figure 67

You are now at the **Taxes** window. A 401(k) plan contribution reduces the level of federal income tax for the employee, but does not reduce the level of Social Security or Medicare taxes paid by either the employee or the company or the level of unemployment tax incurred by the company. Therefore, make sure that the **Federal Withholding** payroll item is the only one checked (*Figure 68*). Click **Next**.

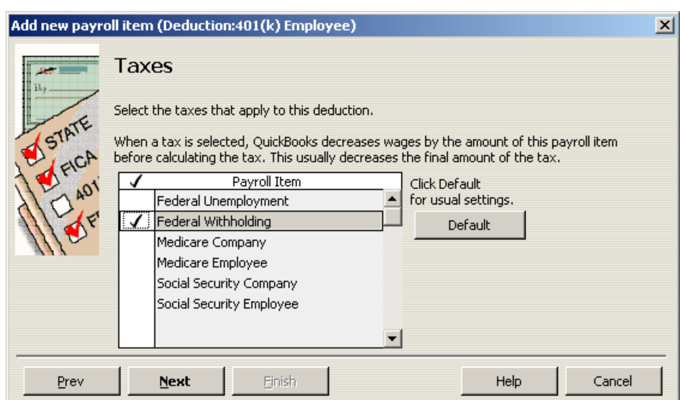


Figure 68

The **Calculate based on quantity** screen now appears. Since the employee's 401(k) contribution is not based on a physical quantity or hours, leave the **Neither** box checked and click **Next** to reveal the **Default rate and limit** screen.

Since the employee can choose any rate and each employee will probably choose a different rate, leave the default rate field blank. However, there is a $14,000 annual limit on the amount that an employee can contribute to this type of plan. Enter ***14000*** in the annual limit field. When you finish, this screen should look like *Figure 69*. If so, click **Finish**.

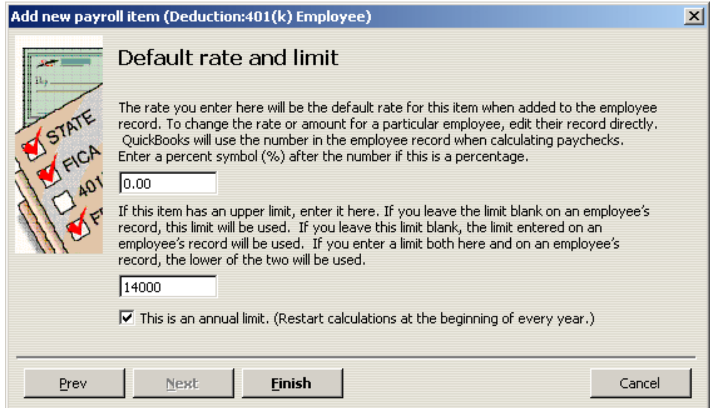


Figure 69

We now need to create a payroll item to incur the company liability for its match to the 401(k) plan. As before click the **Payroll Item** button and then **New** to create a new payroll item. Then choose **Custom Setup** as the setup method. Select **Company Contribution (Employer 401(k) matching contribution)** as the **Payroll item type** and enter ***401(k) Company*** as the name for the company contribution. Be sure to check the **Track Expenses By Job** box. When you finish, the **Name used in paychecks and payroll reports** screen should look like the one shown in *Figure 70*. If so, click **Next**.

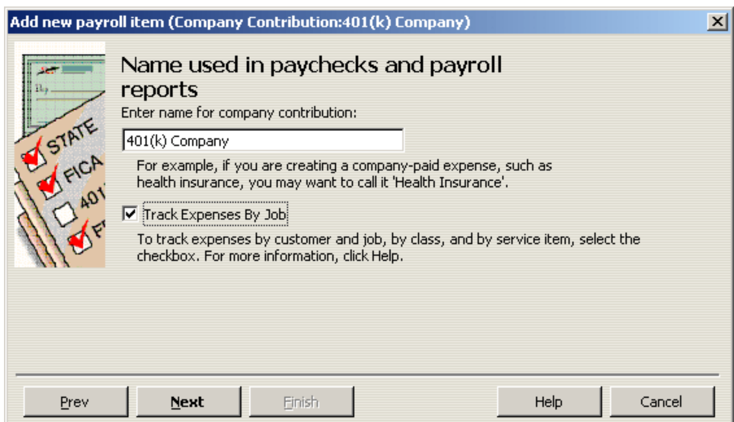


Figure 70

You should now see the **Agency for company-paid liability** screen. Enter ***Metropolis Mutual Insurance*** in the **Enter name of agency to which liability is paid:** field and make sure that ***Payroll Liabilities*** is chosen for the **Liability account (company-paid):** entry field. However, due to the format of the Schedule C (the tax form that Tennessee Computers uses to report its income and expenses to the IRS), change the **Expense account:** to ***Employee Benefits***. This screen should now look like *Figure 71*. If so, click **Next**.

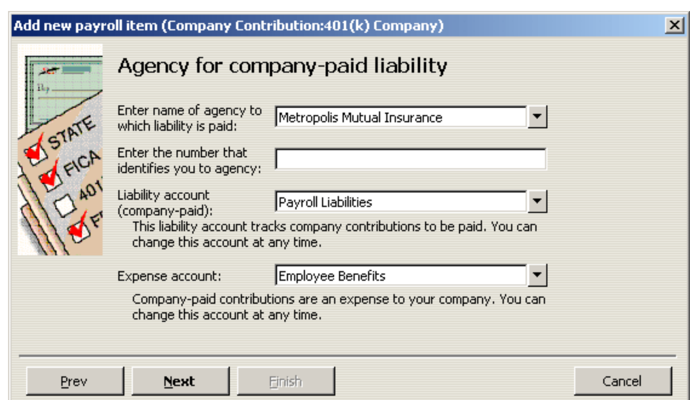


Figure 71

Since company contributions to an employee's 401(k) plan are not reported on the employee's W-2 form, leave the **Tax tracking type** set as **None**. Click **Next**. Also, the company contribution does not affect the payroll related taxes incurred by the employee, so do not check any of the payroll items displayed on the **Taxes** screen. Click **Next**. The company contribution is not based on a quantity or hours so leave **Neither** checked. At the next screen, we will not enter a default rate or limit for this example. When you have completed the setup for this item, click **Finish** to return to the **Payroll Item List**.

Now you need to create an item to calculate and track state unemployment tax contributions. Click the **Payroll Item** button and then choose **New**. Choose **Custom Setup** as the setup method. Now set the **Payroll item type** as **State Tax (State Withholding, SDI, SUI)** and click **Next**. In the **State tax** screen, choose ***TN*** from the **Enter the state.** drop-down arrow list and then choose **State Unemployment** in the **Select the type of tax you want to create.** area. This screen should look like *Figure 72*. If so, click **Next**.

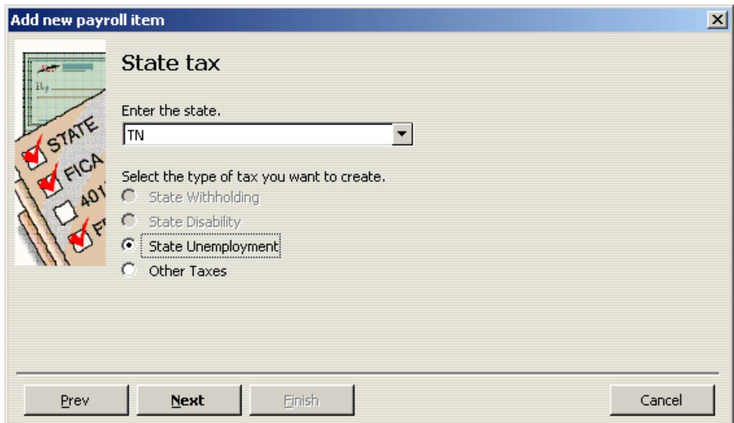


Figure 72

In the **Name used in paychecks and payroll reports** screen (*Figure 73*), **QuickBooks Pro** has entered a default name of ***TN - Unemployment Company***. Since this adequately describes what the payroll item calculates, let this default name remain and click **Next**.

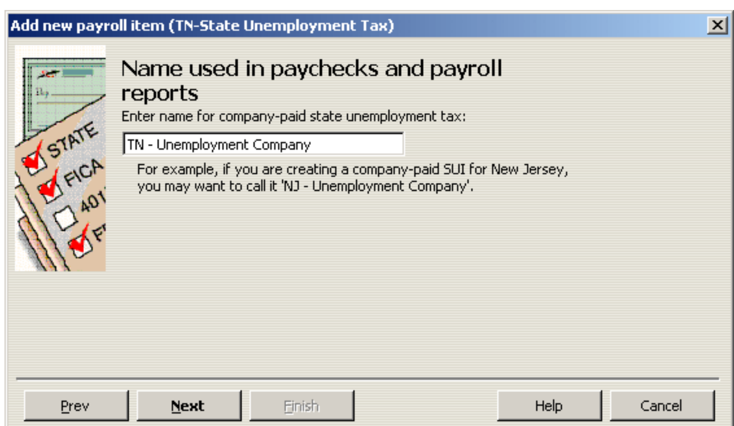


Figure 73

You should now see the **Agency for company-paid liability** window. Use the drop-down arrow list to choose ***TN Dept of Labor & Workforce Development*** for the **Enter name of agency to which liability is paid.** field. Leave the **Liability account (company paid):** set as ***Payroll Liabilities*** and the **Expense account:** field set as ***Payroll Expenses***. this screen should look like the one shown in *Figure 74*. If so, click **Next**.

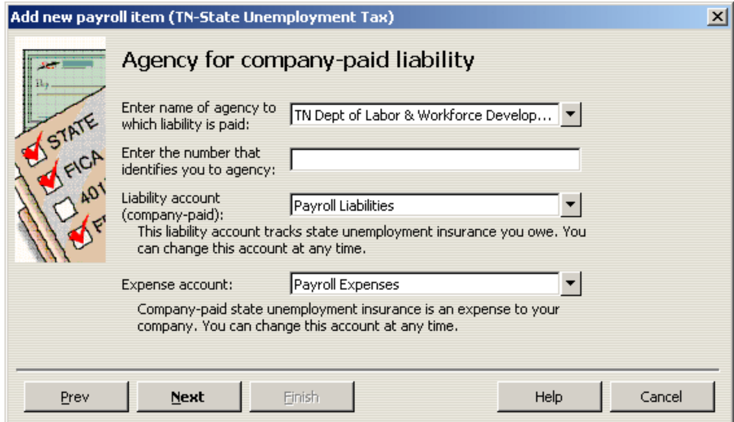


Figure 74

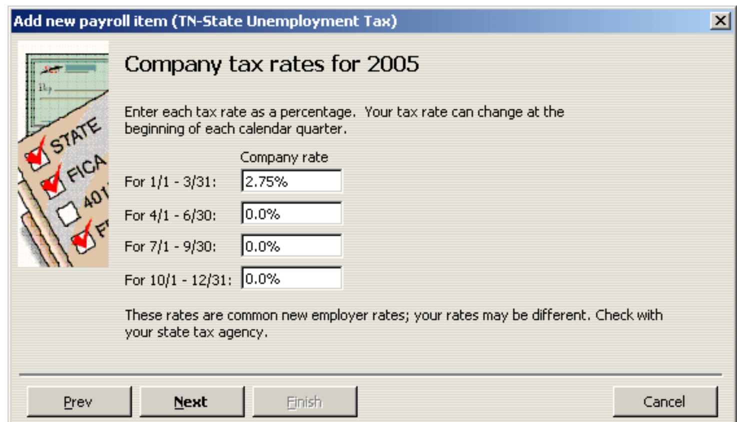


Figure 75

In the **Company tax rates for 2005** screen, enter the **For 1/1 - 3/31** rate as *2.75%*. As this rate changes throughout the year, you will be able to edit this item and enter the correct rate for succeeding quarters. This screen should now resemble *Figure 75*. If so, click **Next**.

You should now see the **Taxable compensation** screen. Tennessee Department of Labor & Workforce Development regulations state that an employer who must pay state unemployment insurance has to pay the insurance premiums on all wages up to $7,000 for each employee. Therefore, leave all payroll items checked in the **Select the items subject to this state unemployment insurance tax.** field except for the 401(k) Company item (company contributions do not affect state unemployment related taxes). This screen should look like *Figure 76*. If so, click **Next**. You will now see the **Pre-tax deductions** window. There are no payroll items that will reduce the amount of state unemployment insurance owed by the company. Therefore, uncheck any payroll items that are listed here. When you uncheck these items, click **Finish**.

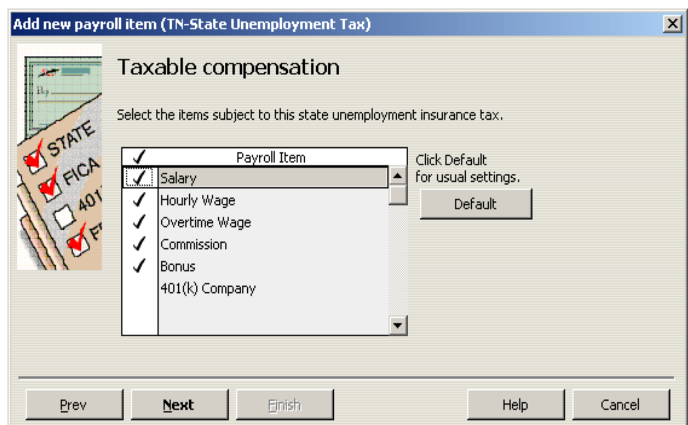


Figure 76

Tennessee has one other employer-paid payroll tax that is applicable to this firm. This is the **Job Skills Fee**. To create a payroll item for this tax, click the **Payroll Item** button on the **Payroll Item List** window, choose **New** and choose **Custom Setup** as the setup method. Choose **State Tax (State Withholding, SDI, SUI)** and then click **Next**.

You should now see the **State Tax** window. Using the drop-down arrow list, choose *TN* in the **Enter the state.** field and then choose **Other Taxes** in the **Select the type of tax you want to create.** area. This screen should now look like *Figure 77*. If so, click **Next**.

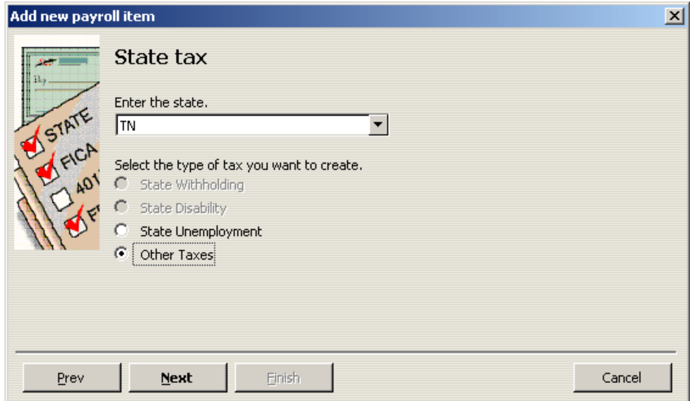


Figure 77

You are now at the **Other Tax** window. Using the drop-down arrow list in the **Other tax:...** area, choose **TN-Job Skills Fee** as the pre-defined tax. This window should look like *Figure 78*. If so, click **Next**.

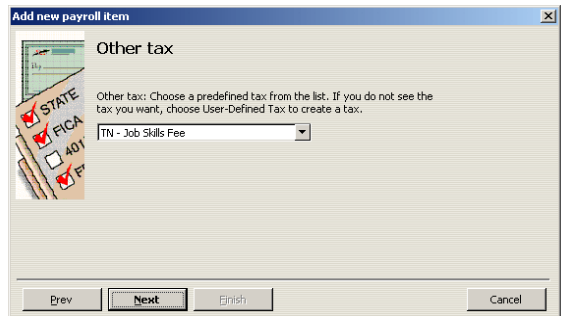


Figure 78

This takes you to the **Name used in paychecks and payroll reports** window. The default name for this tax is ***TN-Job Skills Fee*** (*Figure 79*). Since this default name accurate defines the tax, let it remain as the tax name and click **Next**.

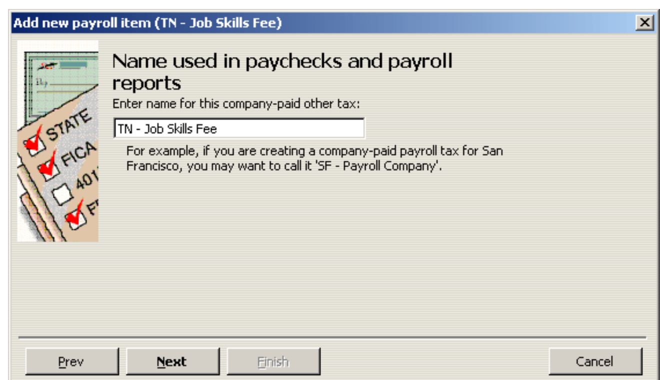


Figure 79

You should now see the **Agency for company-paid liability screen**. Use the drop-down arrow list to choose ***TN Dept of Labor & Workforce Development*** as the agency to which the liability is paid, leave the **Liability account:** as ***Payroll Liabilities***, and leave the **Expense account:** set as ***Payroll Expenses***. This screen should now look like *Figure 80*. If so, click **Next**. For the company tax rate, enter **.15%** and click **Next**.

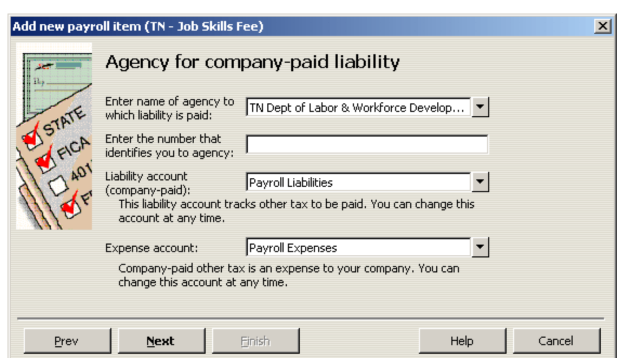


Figure 80

You are now at the **Taxable compensation** screen. Make sure that all payroll items are checked in the **Select the items that will increase wages for this tax** except for the 401(k) Company payroll item. This screen should look like *Figure 81*. If so, click **Next**.

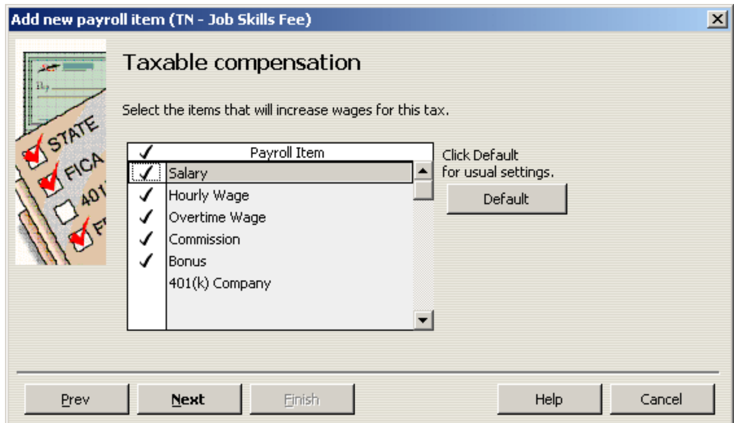


Figure 81

You should now see the **Pre-tax deductions** screen. As with the TN-Unemployment Company payroll item, there are no deductions that reduce the amount of tax owed. Therefore, you should uncheck any items that are checked. After you accomplish this, click **Finish**.

Now that we have created the TN - Job Skills Fee item, we need to decide how this item will be "assigned" to each employee (each employee's wages are subject to this fee). While the tax could be entered as each employee is created, it would be easier to add this payroll item to the Employee Template. To do this, choose the **Edit** menu and then choose **Preferences . . ..** Now choose the **Payroll & Employees** icon and click the **Company Preferences** tab. Then click the **Employee Defaults . . .** button to bring up the **Employee Defaults** window (*Figure 82*).

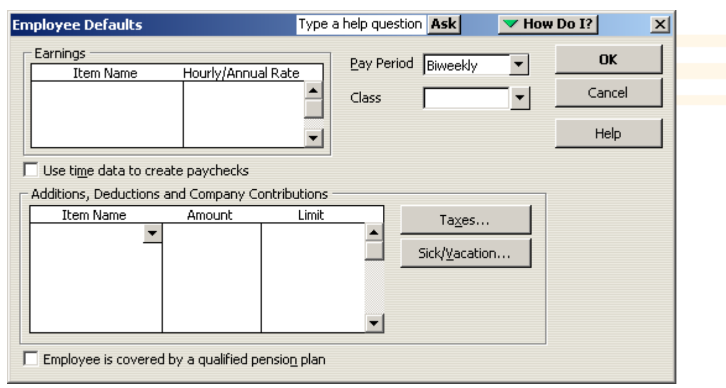


Figure 82

Now choose the **Taxes...** button and click the **Other** tab of the **Taxes Defaults** window. Using the drop-down arrow, choose ***TN - Job Skills Fee*** in the **Name** column. This screen should now look like *Figure 83*. If so, click **OK** to close the **Taxes Defaults** window, click **OK** to close the **Employee Defaults** window, and click **OK** to close the **Preferences** window.

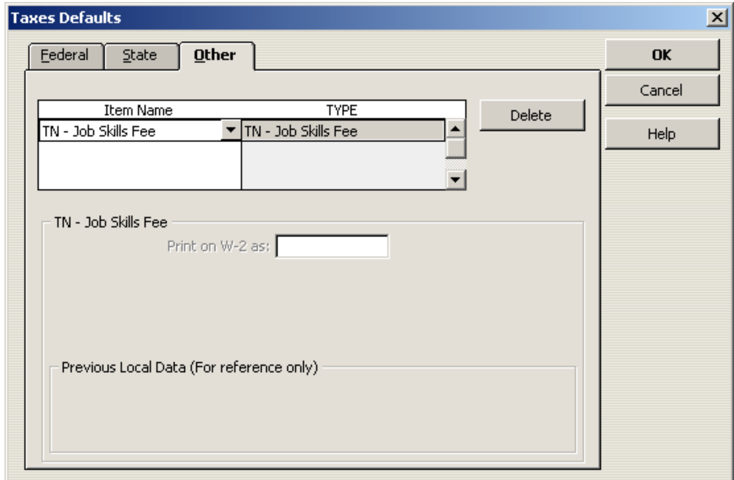


Figure 83

We now need to create the items that allow loan payments to be deducted from Jim Frederickson's paychecks. To do this, we will create two items called **Frederickson - Car Loan** and **Frederickson - Trailer Loan**. These items will be tied to the appropriate asset accounts that we set up earlier to track the individual loan balances. Click **Payroll Item** and then **New** to create another payroll item. In the **Payroll item type** window, Choose **Deduction (Union Dues, 401(k) deferral, Simple IRA)** as the type of payroll item to be created. Then click **Next**.

In the **Name used in paychecks and payroll reports** screen, enter ***Frederickson - Car Loan*** in the **Enter name for deduction:** field. This window should look like *Figure 84*. If so, click **Next**.

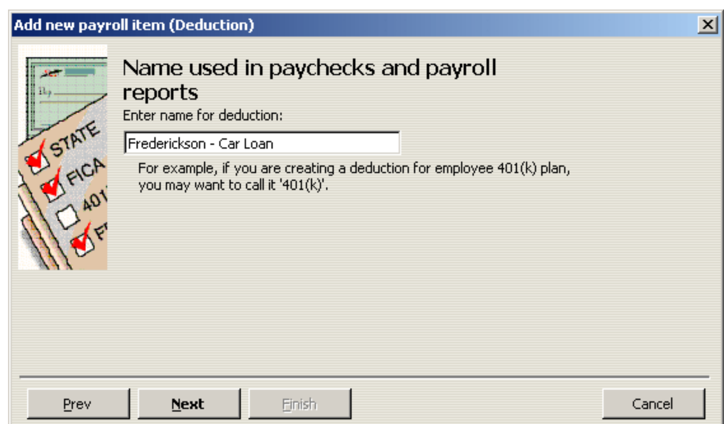


Figure 84

The **Agency for employee-paid liability** window will now appear. Leave the **Enter name of agency to which liability is paid:** field blank because there will be no payment (the deduction is simply withheld by the company to pay off the outstanding balance). However, choose ***Employee Loans:Jim Frederickson Loans: Car Loan*** to fill in the **Liability account (employee paid):** field.

Remember that we set up the loan accounts for Jim Frederickson as asset accounts. So why enter an asset account into a liability account field? To understand this, remember that this field usually designates that the withholding amount is to be paid to a particular vendor. However, Tennessee Computers would be the vendor in this case, since that is who holds the loan for Mr. Frederickson. We could enter **Payroll Liabilities** as the account, write a check to ourselves and then deposit that check and apply it to the appropriate loan accounts. However, since the account entered in this field will have a credit entry (due to the debit entry made to **Payroll Expenses**), we can simply enter the appropriate loan account and decrease the loan account balance as **QuickBooks Pro** calculates Jim Frederickson's paycheck. This screen should now look like *Figure 85*. If so, click **Next**.

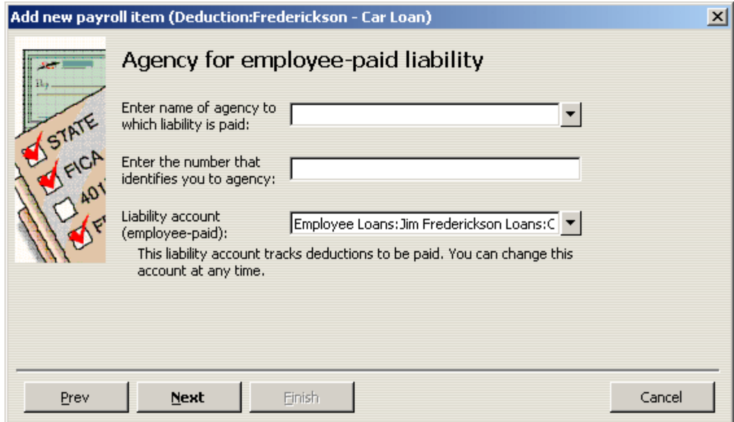


Figure 85

For the **Tax tracking type** screen, leave the **Choose the tax classification from the list.** field marked as ***None*** since this loan repayment will not appear on the employee's W-2 form. If this screen looks like *Figure 86*, click **Next**.

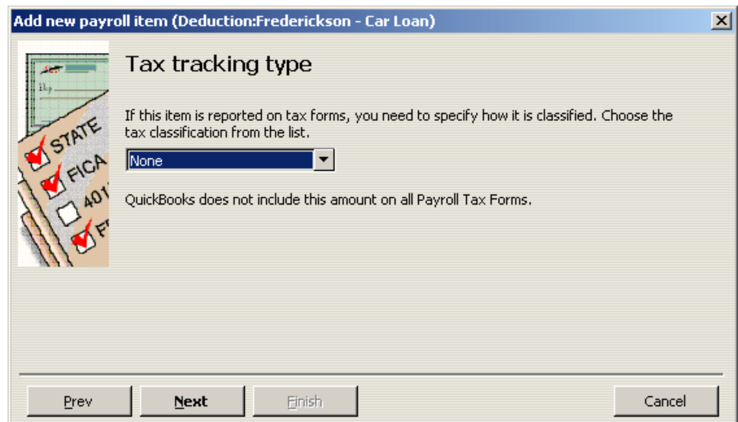


Figure 86

The **Taxes** screen concerns pre-tax deductions from paychecks. Since a loan repayment comes from post-tax dollars, do not check any withholding or company expense item in the **This item is deducted from wages before calculating the following selected taxes.** area. This window should look like *Figure 87*. If so, click **Next**.

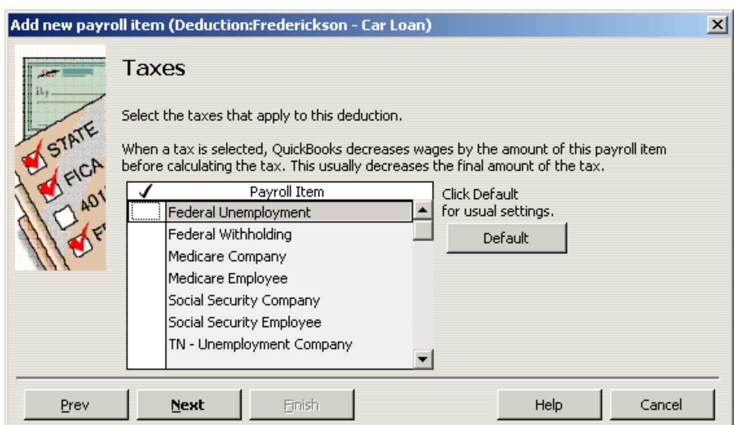


Figure 87

You would check the box beside **Based on Quantity** in the **Calculate based on quantity** screen (*Figure 88*) if the deduction from the paycheck were based on some type of quantity (such as total gross wages). Since this deduction is not based on any type of quantity, leave the **Neither** box checked and click **Next**.

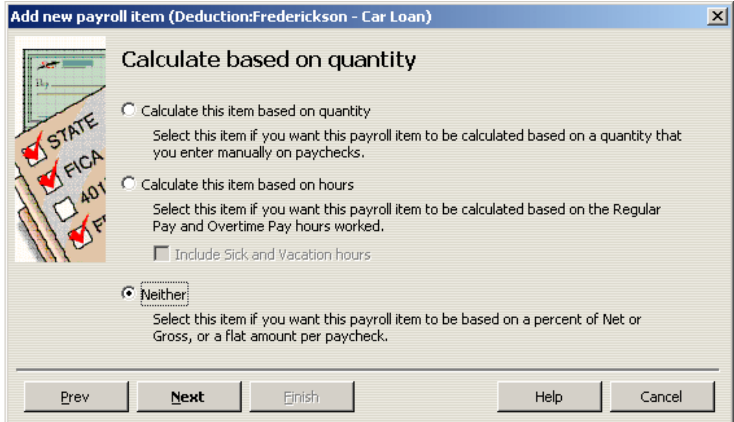


Figure 88

The **Gross vs. net** screen again deals with calculating a deduction based on quantities. If the deduction is calculated as a percentage of wages, then you could choose whether the deduction is calculated on gross pay or net pay. Since any loan repayment will be deducted from net pay, check the circle beside **net pay** in the **Select whether to calculate on** area. This screen should now look like *Figure 89*. If so, click **Next**.

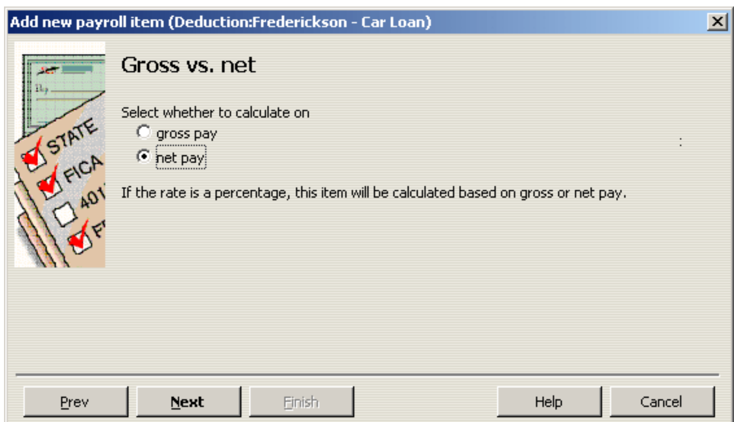


Figure 89

The **Default rate and limit** window allows you to set a default rate and limit for the deduction. Enter ***100.00*** in the default rate field since this is the amount that Jim Frederickson agreed to have withheld from his paycheck. This screen should now look like *Figure 90*. If so, click **Finish**.

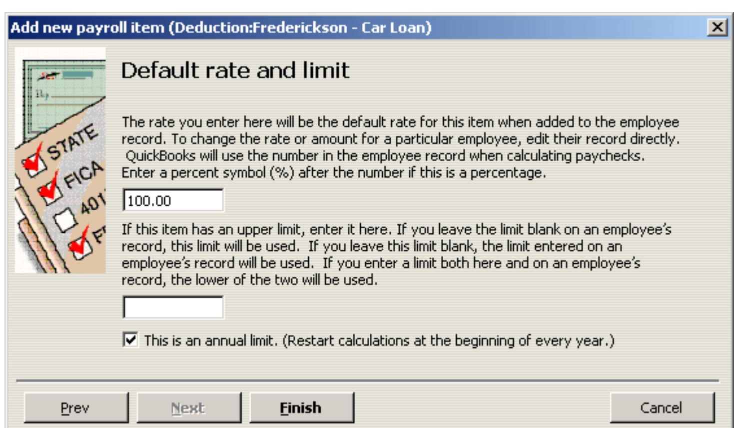


Figure 90

Use the same technique to create a payroll item that deducts $50.00 per paycheck from Jim Frederickson to pay off his trailer loan. Give the item a name of ***Frederickson - Trailer Loan*** and set the liability account as ***Employee Loans:Jim Frederickson Loans:Trailer Loan***.

You now need to create another payroll item that deals with wage garnishments. The technique to create this item is exactly the same as the one used to create the loan repayment items with the exception of a few name and account changes. An abbreviated description of how to set up this payroll item is:

Type: Deduction
Name: Garnishment
Agency to which liability is paid: Friend of the Court
Liability account (employee paid): Payroll Liabilities
Tax tracking: None
Deducted before calculating: No items are checked
Based on quantity: Neither
Gross vs. net: Net Pay
Default rate: Leave field blank
Default limit: Leave field blank

You now have all the payroll items necessary to calculate the payroll for Tennessee Computers. However, you need to edit some of these items. Items that we will edit need to be edited so that payroll liabilities can be paid to the proper party.

Highlight the **Federal Unemployment** payroll item and edit it. Click the **Next** button to reveal the **Agency for company paid liability** window. Choose ***City Bank*** in the **Enter name to which liability is paid:** field. This screen should now look like *Figure 91*. If so, click **Next** until the **Pre-tax deductions** window is revealed. Then click **Finish**. Modify the **Federal Withholding**, **Medicare Company**, **Medicare Employee**, **Social Security Company** and **Social Security Employee** payroll items in this same way.

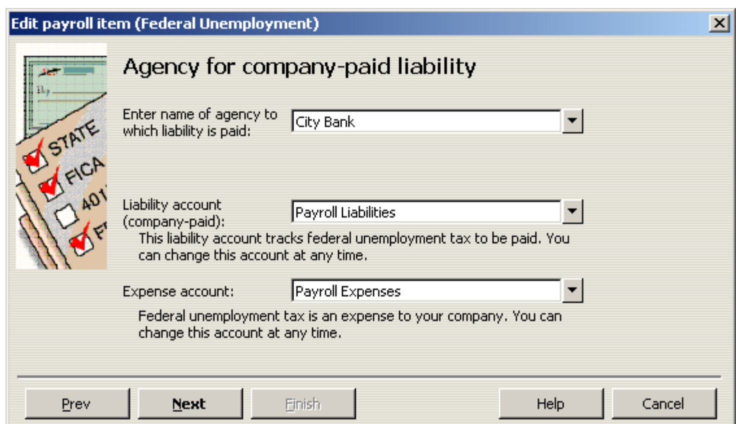


Figure 91

EMPLOYEES

You can now enter the employees. Employees are the people who work for you and **are not** 1099 contractors. To enter your employees, you must have the information contained on the individual W-4 forms, including a Social Security number and withholding information.

To enter these employees, choose **Employees** from the **Navigation Bar** and then click on the **Employees** icon at the bottom of the **Employees Navigator**. You will probably see a warning screen such as the one shown in *Figure 51* asking if you want QuickBooks to help you set up payroll. Again, choose **No**.This brings up the **Employee List** window. Click the **Employee** button and then **New** to see the **New Employee** screen. (You should notice that this screen looks remarkably like the **New Vendor** and **New Customer** screens.) The **Change Tabs** window should be on the **Personal Info** screen. Using the information given for Jim Frederickson below, complete his **Personal Tab** screen in the same manner you completed screens for customers and vendors. Click **Change Tabs** and choose **Employment Info** to add **Hired** date. When you finish, this screen should look like *Figure 92*.

Mr. Jim Frederickson
4382 Lydon Road
Metropolis, TN 47382
SS#: 573-48-5327
Type: Regular
Hired: 8/1/94
Gender: Male
DOB: 6/3/70

When you have entered the address information correctly, click on the drop-down arrow in the **Change tabs** window and select **Payroll and Compensation Info**. Use the drop-down arrow list beside the **Pay Period** field to show that Mr. Frederickson is paid ***Weekly***. Now **TAB** to the **Class** field. Since Mr. Frederickson is a salesperson for the company and performs minor repairs on computers, leave the **Class** field blank. Now press **TAB** to move to the **Earnings** area. On the first line in the **Name** column, choose ***Hourly Wage*** as the first payroll earnings item. Then **TAB** to the **Hour/Annual Rate** column and enter ***$6.00*** (the rate that Mr. Frederickson earns for all hours worked up to forty hours per week). Then **TAB** to the second line of the **Earnings** area and enter the payroll item ***Overtime Wage*** with a rate of ***$9.00***. Next, enter the payroll item ***Commission*** at a rate of 2%.

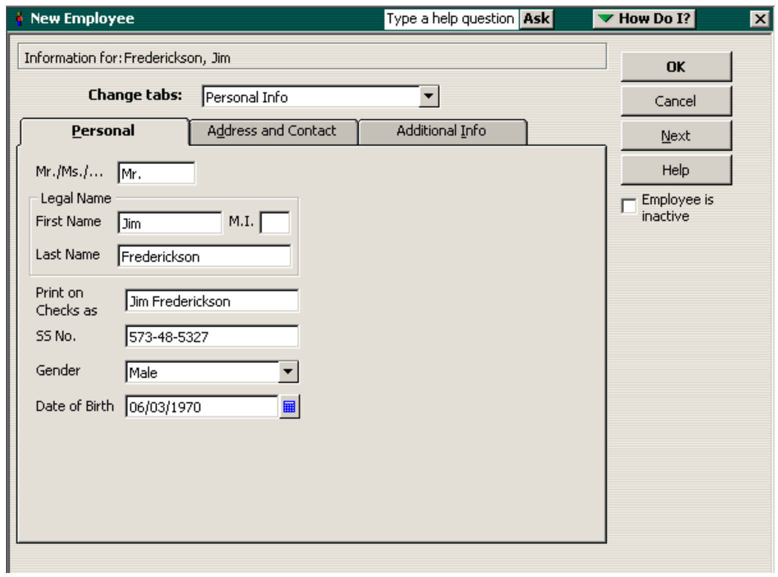


Figure 92

Now use your mouse to click on the first entry line in the **Additions, Deductions and Company Contributions** area. Just as you entered the wage items, enter the following payroll items with their appropriate amounts or rates. Since none of these items is subject to an annual limit, leave the **Limit** column blank for all items.

Frederickson - Car Loan	$100.00
Frederickson - Trailer Loan	$50.00
Garnishment	$50.00
401(k) Employee	3.0%
401(k) Company	3.0%

Notice that **QuickBooks Pro** has placed a negative sign in front of the amounts for **Frederickson - Car Loan**, **Frederickson - Trailer Loan**, **Garnishment**, and **401(k)**. This signifies that these amounts are deductions from Mr. Frederickson's paycheck. When you finish, the **Payroll Info** screen should look like the one shown in *Figure 93*.

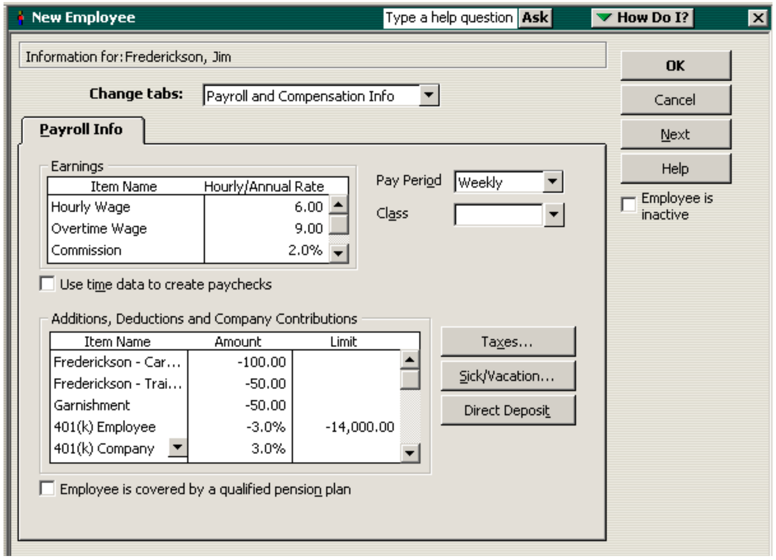


Figure 93

Now you must set up the withholding information for Mr. Frederickson's W-4 form. Click on the **Taxes . . .** button to bring up the **Taxes for Frederickson, Jim** screen. Since Mr. Frederickson is filing as married with one dependent, use the drop-down arrow beside the **Filing Status** field to choose ***Married*** and then **TAB** to the **Allowances** field and enter ***1***. Since Mr. Frederickson is not having any extra money withheld from his paycheck, leave the **Extra Withholding** field set as ***0.00***. Since Mr. Frederickson's wages are used to calculate **Social Security**, **Federal Unemployment**, and **Medicare**, leave these boxes checked in the **Subject to** area. Finally, Mr. Frederickson is not eligible for **Advanced Earned Income Credit**, so leave this box unchecked. This screen should now look like *Figure 94*.

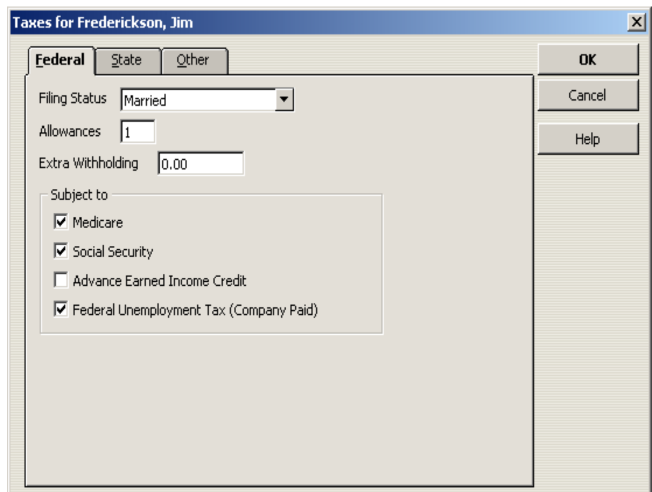


Figure 94

Now click the **State** tab. Use the drop-down arrow list in the **State Worked** area to choose ***TN*** and leave the **Subject to SUI** (State Unemployment Insurance) box checked. Then choose ***TN*** from the drop-down arrow list in the **State Subject to Withholding** area. This screen should now look like *Figure 95*.

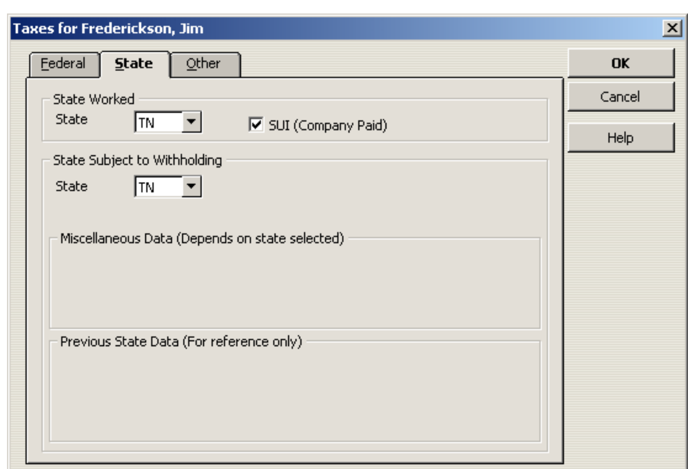


Figure 95

Now click the **Other** tab. Since we modified the **Employee Template** to reflect the fact that Tennessee Computers must pay the Job Skills Fee, this screen should contain ***TN-Job Skills Fee***. If this screen looks like *Figure 96*, click **OK** to close the **Taxes for Frederickson, Jim** screen. Then click **Next** to enter another employee's record.

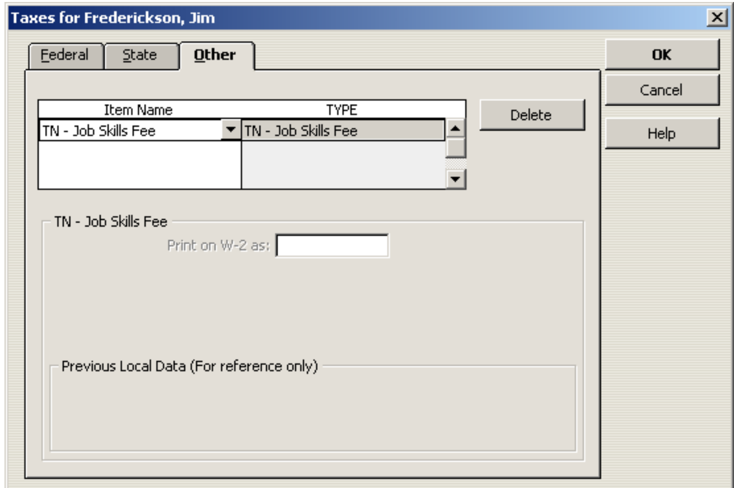


Figure 96

You will now see the **New Employee: Payroll Info (other)** screen (*Figure 97*), where **QuickBooks Pro** asks you if you want to set up **Payroll information for Sick/vacation hours** screen. Since we are not using the sick and vacation features of the program in our example, click the **Leave As Is** button.

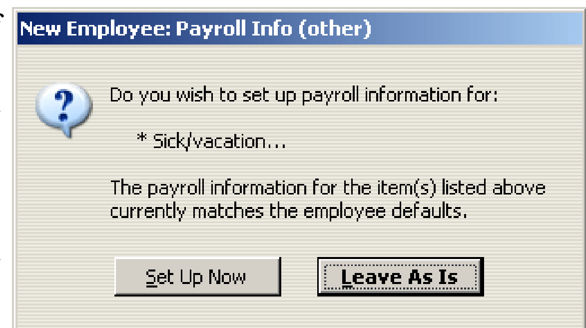


Figure 97

Enter the following employees in the same way that you entered Mr. Frederickson. Remember that the company will only match up to 4 percent of an employee's gross wages for a 401(k) plan contribution. This will affect the payroll for Connie Hill and Bruce Turner. When you finish, close the **Employee List** window.

Bruce Turner 430 Simpson Road Metropolis, TN 47382 403-72-4856 Type: Regular Hired 4/15/96 Weekly Pay Period Overhead Class $18,000 Annual Salary Married 3 Dependents 5% 401(k) Contribution Gender: Male DOB: 3/10/75	Pam Lawson 517 Oaks Road Metropolis, TN 47382 432-75-6878 Hired 6/1/95 Type: Regular Weekly Pay Period Overhead Class Hourly Wage: $5.50 Overtime Wage: $8.25 Single 0 Dependents Gender: Female DOB: 5/3/73

Connie Hill 4747 Homewood Avenue Metropolis, TN 47382 037-16-9842 Type: Regular Hired 1/1/97 Weekly Pay Period Product Sales Class Hourly Wage: $6.00 Overtime Wage: $9.00 Commission: 2.0% Married 2 Dependents $30 per week 401(k) Contribution Gender: Female DOB: 11/1/74	Paul Ferguson 547 Cindy Drive Metropolis, TN 47382 304-58-7672 Type: Regular Hired 4/15/94 Weekly Pay Period Service & Repair Class Hourly Wage: $10.00 Overtime Wage: $15.00 Use time data to create paychecks Married 4 Dependents Gender: Male DOB: 7/10/50

To finish setting up our account structure, let's transfer the balance of the **Opening Bal Equity** account to the **Retained Earnings** account. This is done because the balance of the **Opening Bal Equity** account is simply the earnings retained from the previous operations of the firm. To see this effect a little more clearly, choose **Reports** from the **Navigation Bar** to reveal the **Report Navigator**. Then choose the ***Balance Sheet & Net Worth Standard*** report, set date **As of** 12/31/04, and click **Refresh**. This report shows an **Opening Bal Equity** of **$102,600.00**. (The **-$4,800.00 Net Income** balance is due to the Accounts Receivable and Accounts Payable entries we made when setting up our customers and vendors. Since these are the only income and expense activities entered so far this year, **QuickBooks Pro** sums these opening balances to derive a net income figure that reflects the equity position of the firm.) Now close this report window and close the report.

To transfer this account balance, choose **Chart of Accounts** from the **Company Navigation Bar** and then click on the ***Opening Bal Equity*** account to highlight it. Select **Activities** and then **Use Register**. This will bring up the **Opening Bal Equity** register. On the first available entry line, set the date as ***December 31*** and then **TAB** to the **Decrease** column. Enter the current balance of this account (***$102,600.00***) and **TAB** to the **Account** field. Using the drop-down arrow list, choose ***Retained Earnings*** as the recipient account for these funds. When you finish, this screen should resemble the one shown in *Figure 98*. If so, click **Record** and close the **Opening Bal Equity** register (note that the **Opening Bal Equity** balance is **$0.00**). Now retrieve the ***Balance Sheet*** report that we previously examined with the date set **As of** 12/31/04 and click **Refresh**. Note that the **Retained Earnings** account has a balance of **$102,600.00** and the **Opening Bal Equity** account does not appear on this report (because it has a zero balance and therefore no impact on the balance sheet).

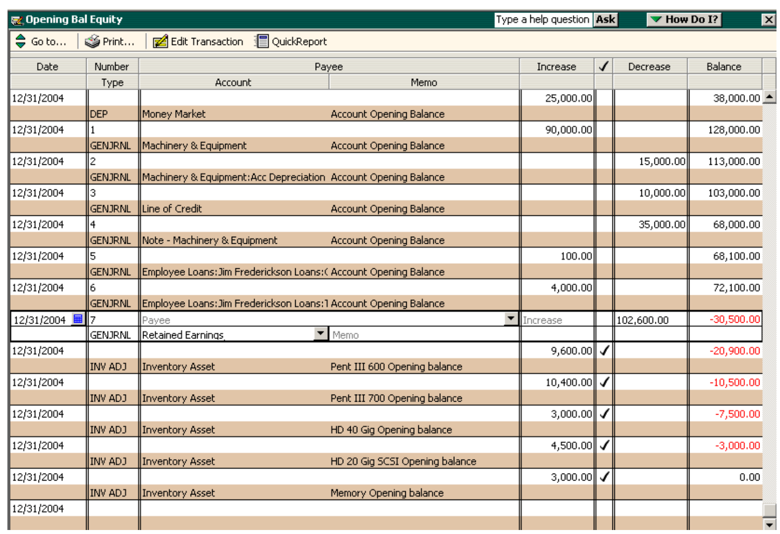


Figure 98

Forms

Cash Sales Receipt

The **Cash Sales Receipt** is the form used to record sales that are paid with cash, check or credit card at the time of transaction. Use of this form automatically affects one or more income accounts, perhaps an expense account (particularly if a discount is given), the **Sales Tax Liability** account (if sales tax is applicable) and the **Undeposited Funds** account. This form is shown in *Figure 99*.

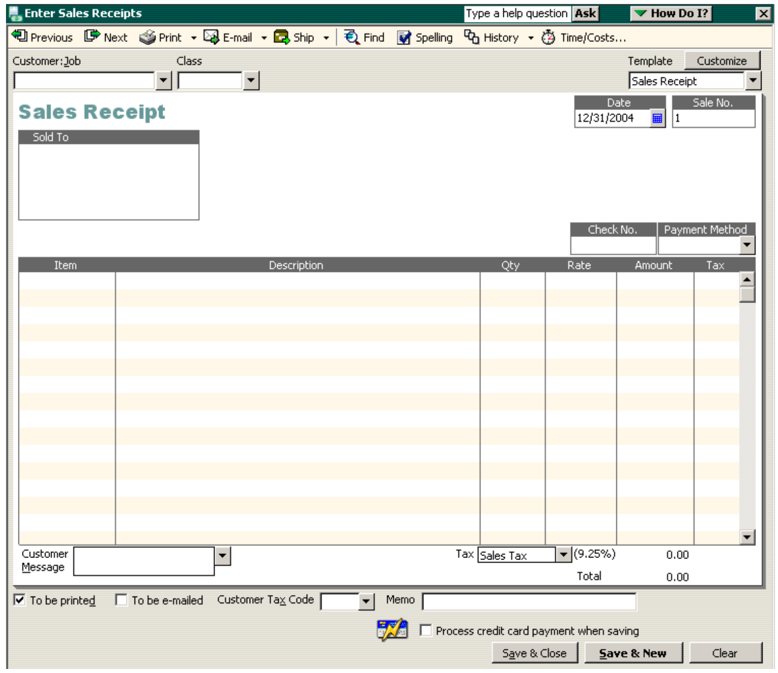


Figure 99

Invoice

Use an **Invoice** (*Figure 100*) if a sale is made "on account." This form will affect the same income, expense and liability accounts as does the **Cash Sales Receipt**. The difference is that the **Invoice** affects **Accounts Receivable** rather than **Undeposited Funds**.

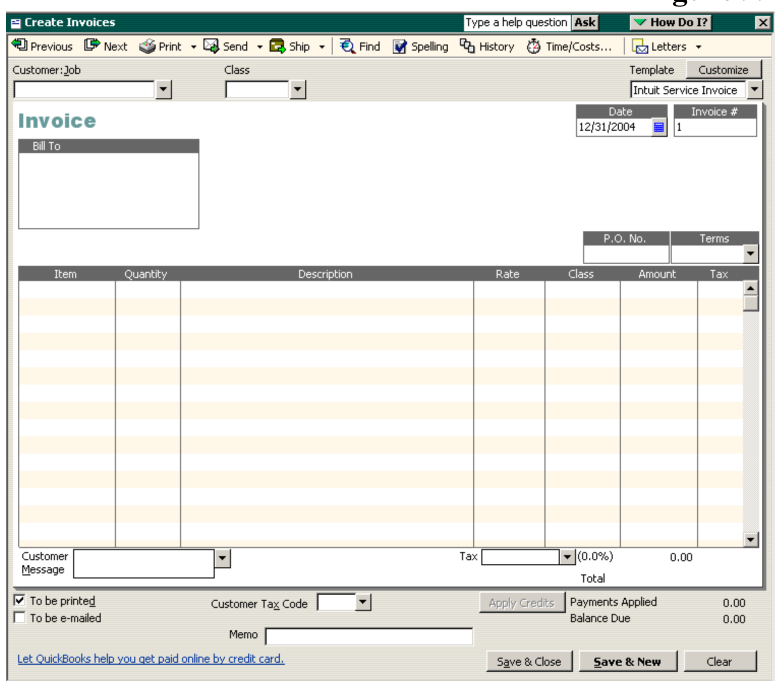


Figure 100

Check

A **Check** is the form used primarily to pay employees or vendors. A **Check** affects a bank account and one or more asset, liability or expense accounts. This form looks like *Figure 101*.

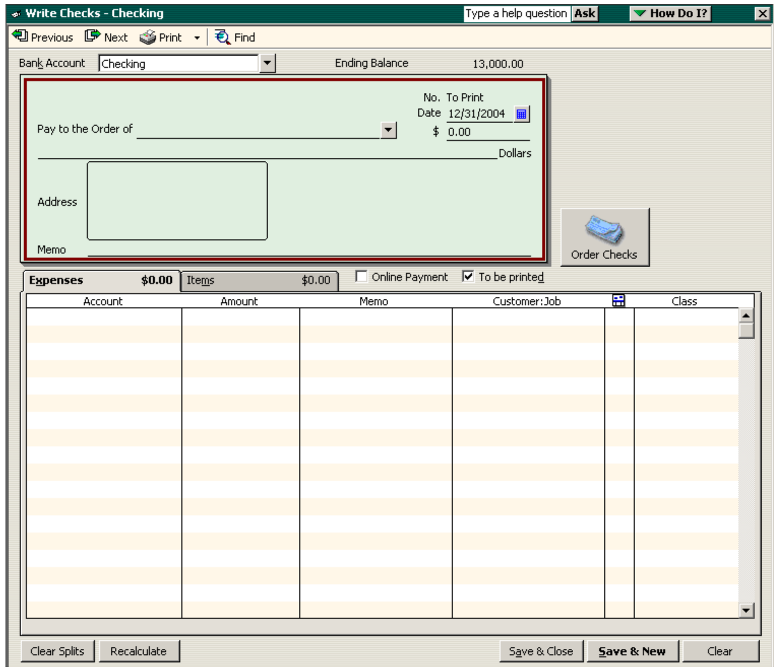


Figure 101

Bill

A **Bill** is used to record charges owed to a vendor. A bill affects the **Accounts Payable** liability account and one or more expense accounts. See *Figure 102*.

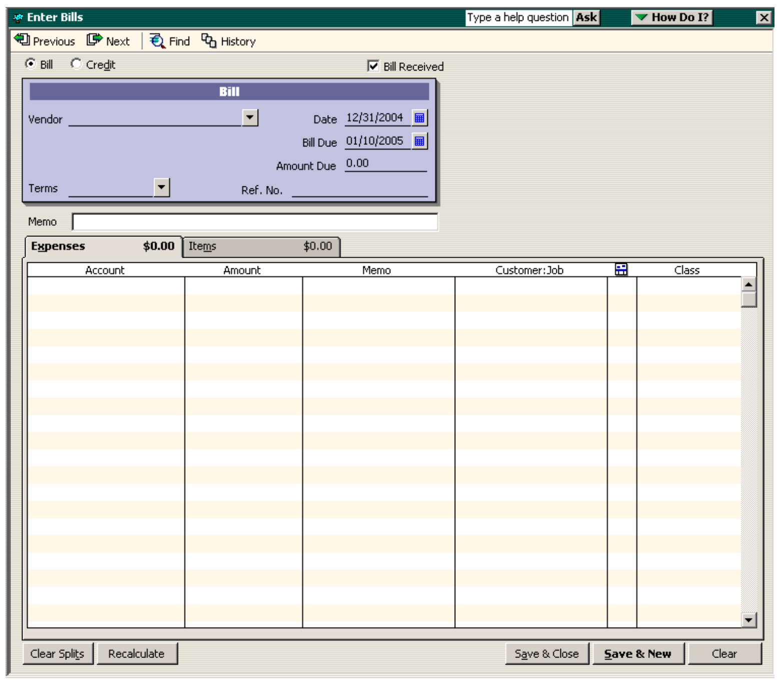


Figure 102

Estimate

Use the **Estimate** form (*Figure 103*) to prepare a "shopping list" for a prospective customer. It affects the same accounts as the **Invoice**, except that it does not post to inventory or account balances.

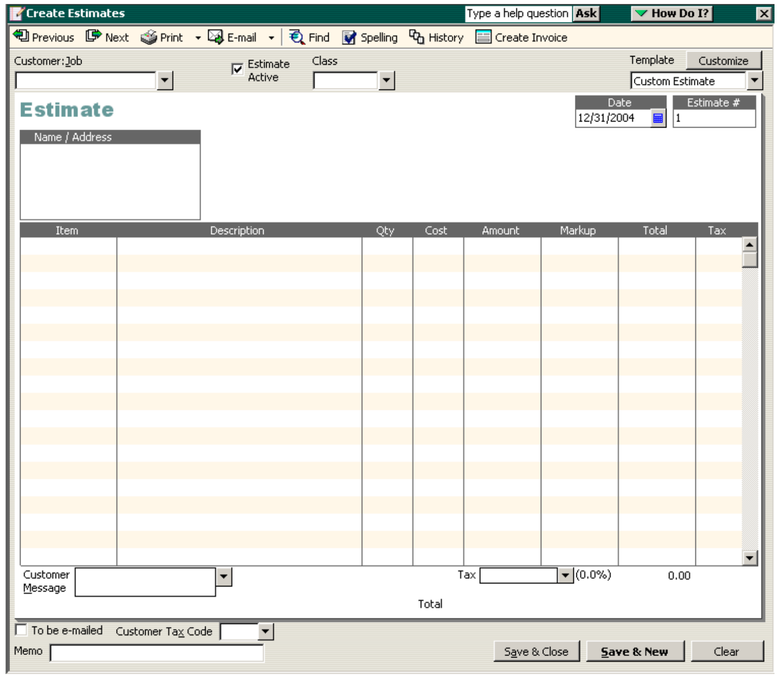


Figure 103

Credit Memo

Use the **Credit Memo** form (*Figure 104*) when a customer receives a refund for the return of an inventory or non-inventory item.

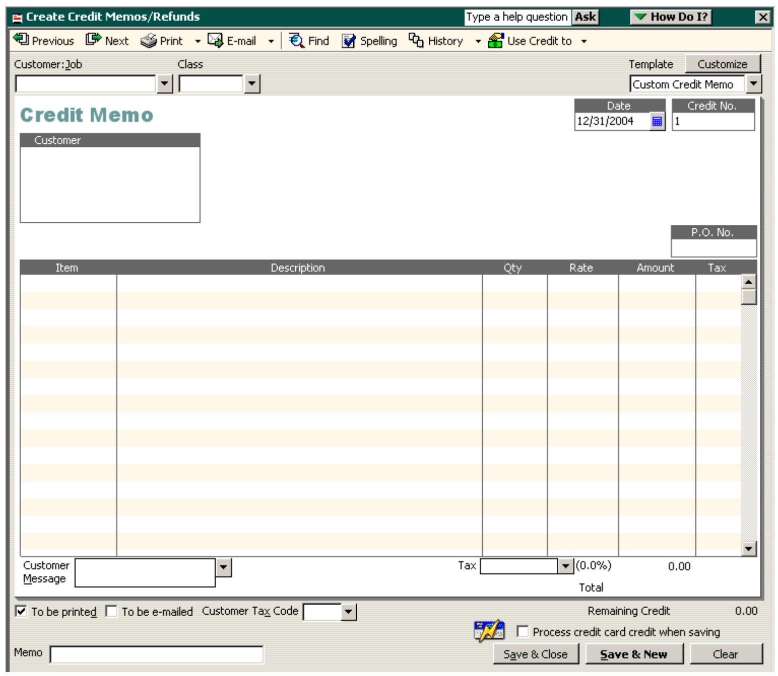


Figure 104

These forms are extremely useful when recording transactions. There are, of course, other screens used by **QuickBooks Pro** to make keeping financial records as easy as possible. These will be covered when we get to the transactions section of the example.

Modifying QuickBooks Pro

You are almost finished with the company setup. The only thing left to do (for this example) is to modify **QuickBooks Pro** to fit your needs and to record the data that helps you maintain your business. These modifications are easy to make and affect this example only. (That is, if you create another company in **QuickBooks Pro**, these modifications would not affect it.) Furthermore, you can undo these modifications at any time.

The modifications that we will make affect the **Invoice**, **Cash Sales Receipt** and **Estimate** forms. Let's start with the **Invoice** form.

Choose the **Lists** menu and then click on **Templates**. This brings up the **Templates** window (*Figure 105*). As you can see, **QuickBooks Pro** has some preset form templates. We want to duplicate these templates and then customize the duplicates for our example.

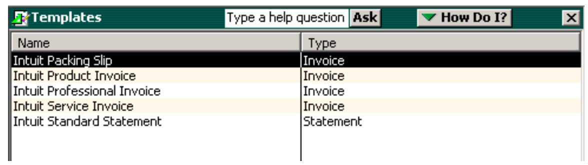


Figure 105

The first template that we want to duplicate and then customize is the **Intuit Product Invoice**. To do this, click on ***Intuit Product Invoice*** to highlight it and then click the **Templates** button and choose **Duplicate**. You will then see the **Select Template Type** window. Make sure that **Invoice** is marked and then click **OK**. You will now see a new template listed called **DUP: Intuit Product Invoice**. Highlight this template, click the **Templates** button and then choose **Edit Template**.

This brings up the **Customize Invoice** window. Change the **Template Name** field to ***Invoice***. This screen should now look like *Figure 106*.

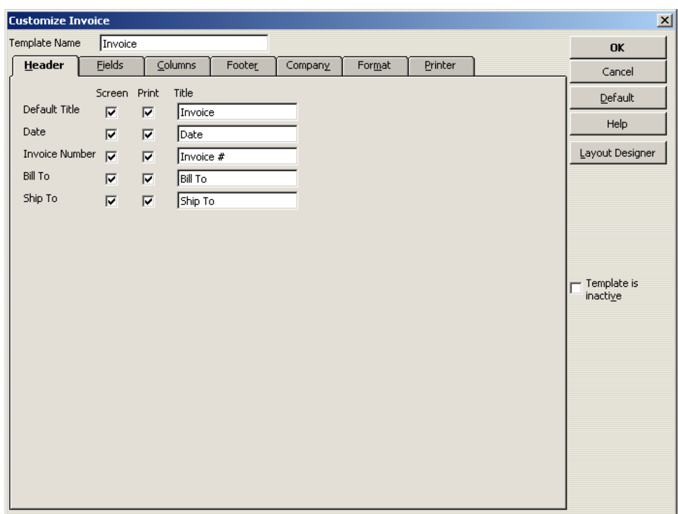


Figure 106

Now click on the **Fields** tab and click on the boxes beside **P.O. No.**, **REP** and **FOB** to "uncheck" these fields. Also check the boxes beside **Due Date** and the box in the **Screen** column beside **ADVERTISING**. Change the **Title** of the **Project/Job** column to ***DEPARTMENT***. This window should now look like the one shown in *Figure 107*.

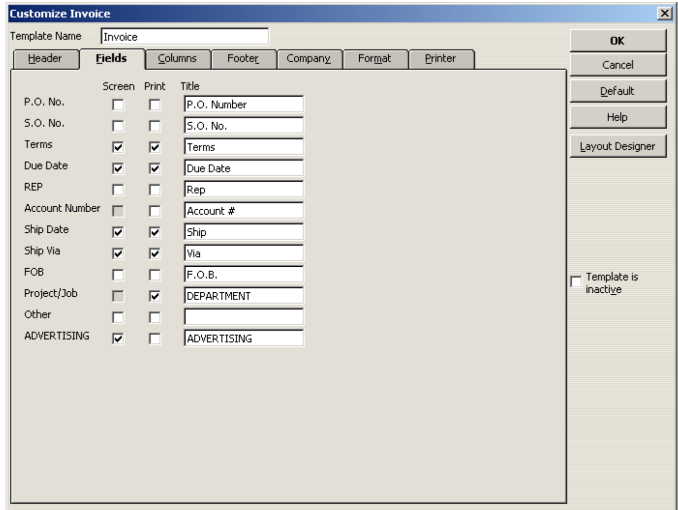


Figure 107

Now click the **Columns** tab. Check the boxes beside **Service Date**. In the **Screen** column check the box beside **Class**. In the **Print** column, uncheck the box beside **Item**. Next, change the **Title** of the **Rate** row to ***Rate*** and the **Title** of the **Service Date** row to ***Service Date***. Also, renumber the boxes in the **Order** column like this: (1) **Item**; (2) **Description**; (3) **Class**; (4) **Service Date**; (5) **Quantity**; (6) **Rate**; and (7) **Amount**. This screen should now look like the one shown in *Figure 108.*

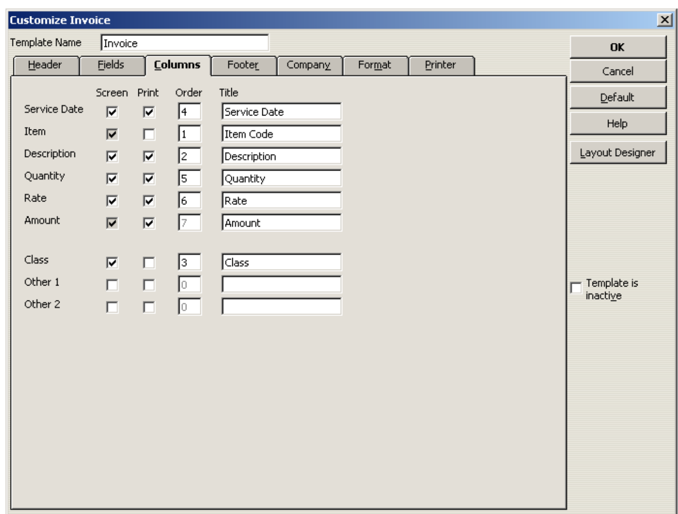


Figure 108

Now click on the **Footer** tab. Check the **Print** boxes beside **Subtotal**, **Sales Tax**, **Payments/Credits** and **Balance Due**. This window should look like the one shown in *Figure 109*.

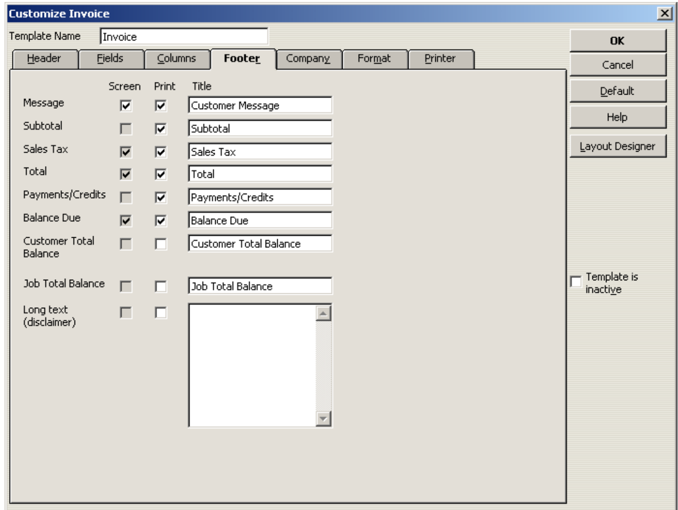


Figure 109

Finally, click on the **Company** tab. This tab provides some options for the company information section of the invoice. Make sure that the **Print Company Name** and the **Print Company Address** boxes are checked in the **Company Information** area. Now check the **Print Phone Number**, **Print Fax Number**, **Print E-mail Address**, and **Print Web Site Address** boxes are checked in the **Contact Information** area. When you finish, this screen should look like *Figure 110* If so, click **OK** to close the **Customize Invoice** window. You may now see a **Warning** window that tells you that fields have been added to the template and that these added fields are overlapping other fields. The instructions in this window can be confusing at first glance; the option you should choose is **Relayout**.

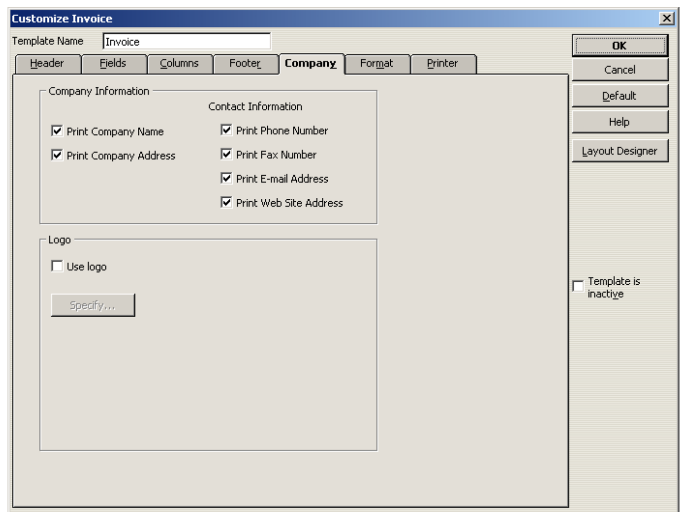


Figure 110

Now Click **Templates** and click New. You will be asked to select a template type, Select **Sales Receipt**. Click **OK**. Follow the same type of logic in modifying the **Custom Sales Receipt** (the default name for the **Cash Sales Receipt** form). Give this form a name of ***Cash Sales Receipt*** and remember that the **Due Date** field is not used here since payment is made at the time of the transaction.

Now we can create the **Custom Estimate** template in the same manner as the Custom Sales Receipt. This form will be used for price and quantity requests. To create the form, click the **Templates** button, and then click **New**. You will be asked to select a template type, Select **Estimate**. Click **OK**.

This brings up the **Customize Estimate** window. Change the **Template Name** field to ***Proposal***. Change the **Title** of the template to ***Proposal*** and then change ***Estimate #*** to ***Proposal #*** in the **Title** column of the **Estimate Number** section. This screen should now look like *Figure 111.*

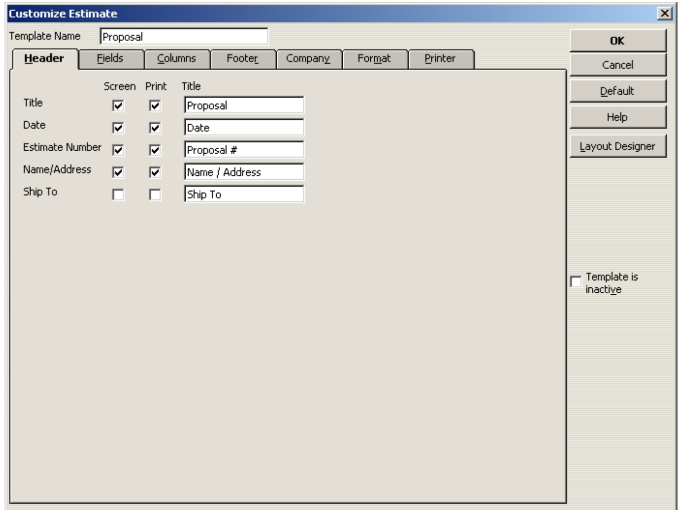


Figure 111

Now click on the **Fields** tab. Change the **Title** of the **Project/Job** field to ***Department*** and check the box in the **Screen** column beside the **Advertising** field. This screen should look like *Figure 112* Now click the **Columns** tab. In the **Screen** column, uncheck the **Markup** box and check the **Class** box. In the **Title** column, change **Cost** to ***Rate*** for the **Cost** column and **Qty** to ***Quantity*** for the **Quantity** row. Renumber the columns so they appear in the following order: (1) **Item**; (2) **Description**; (3) **Class**; (4) **Quantity**; and (5) **Cost**. When you finish, this screen should look like *Figure 113*. Now configure the options on the **Company** tab in the same way as for the invoice. When you finish, click **OK**.

When you finish modifying the templates, close the **Templates** window. We are now finished with the company setup. The next part of the example deals with the transactions you would most likely perform in your business operation.

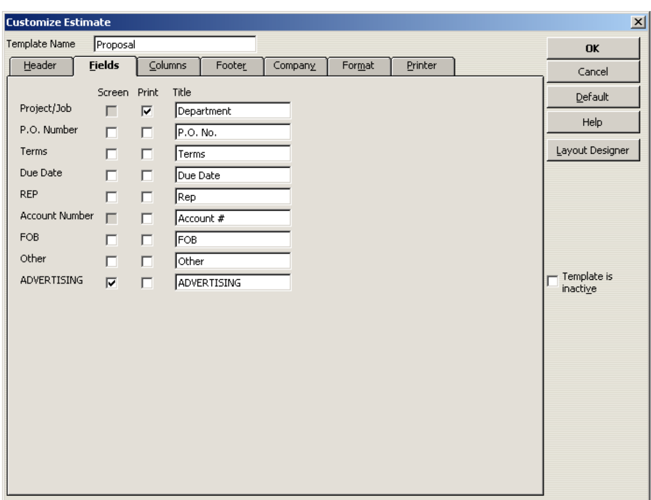


Figure 112

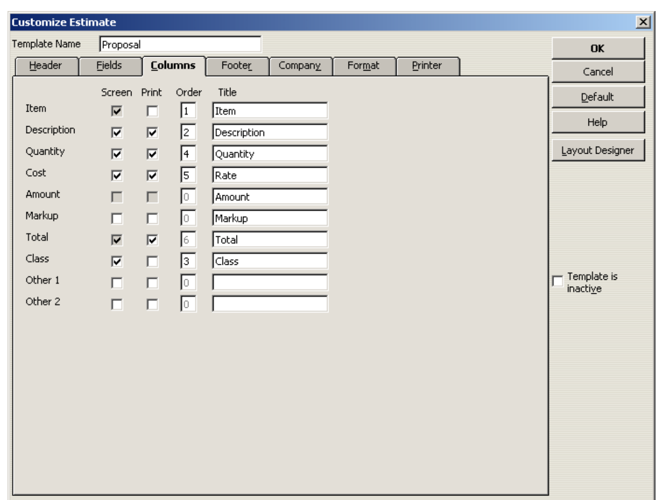


Figure 113

ENTERING TIMESHEETS

Unlike the other employees, the time for Paul Ferguson is tracked daily by the time he spends working on particular jobs for particular customers. This time is tracked with the **QuickBooks Pro** timesheet feature. To use this feature, click on **Employees** in the **Navigation Bar** and then choose the **Use Weekly Timesheet** icon in the **Employees Navigator**. This brings up the **Weekly Timesheet** screen as shown in *Figure 114*.

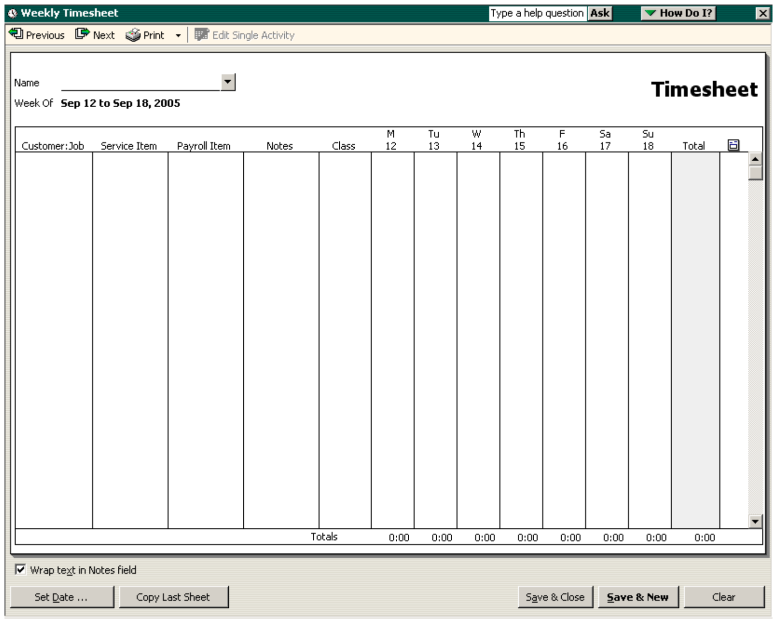


Figure 114

Using the drop-down arrow list, choose the employee whose time you will be tracking (***Paul Ferguson***). Then click the **Set Date** button to reveal the **Set Date** screen. Enter ***January 1*** in the **New Date** field (*Figure 115*) and click **OK**. Then press **TAB** to move to the first entry line of the time sheet.

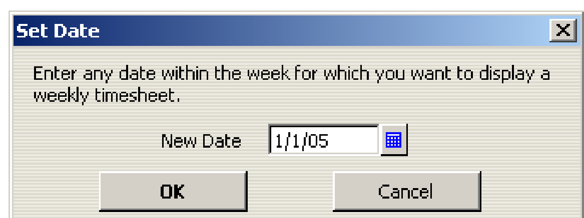


Figure 115

The detail area of the timesheet can record a great deal of information about an employee's activities during the week. The first two columns are used when an employee performs a specific task for a particular customer or job *and* that task is tracked to an invoice or cash sales receipt for that customer. Entries in these columns are optional, and these columns would not be used if we were not tracking an employee's time back to a specific customer or service item. (In our example, **Labor** and **Service Call** are the only service items we use.) The **Service Call** item will be used exclusively with 1099 contractors since we check the box beside the **This work is performed by a subcontractor** field. The **Labor** item is the only item used to describe the number of labor hours worked on a computer by Mr. Ferguson, the service technician.

The first "customer" that we want to enter time for is **Cash**. This line will describe small jobs that are brought in by walk-in customers. Since our company policy is to charge a one-hour minimum for this type of job, Paul Ferguson could perform service work for more than one customer in a one-hour period, yet bill more than a total of one hour to all customers serviced in that period. Therefore, we do not want to track this time back to a particular cash sales receipt.

To enter the time that Paul Ferguson actually worked for the generic "Cash" customer, use the drop-down arrow to enter the ***Cash*** customer in the **Customer: Job** field. Then **TAB** to the **Payroll Item** column and choose ***Hourly Wage*** as the payroll item. Then **TAB** to the **Class** column and choose ***Service & Repairs*** as the profit center under which the work was performed. Now **TAB** to the **M** column. (Monday is the first day of the payweek in this example. The beginning day of the payweek can be changed by using the **Time Tracking Preferences** located in the **Company** tab of the **QuickBooks Navigator**.) Mr. Ferguson worked for the "Cash" customer four hours on Monday, three hours on Tuesday, six hours on Wednesday and five hours on Friday. Enter these amounts and click on the **Billable** image in the last column of the time sheet to "untie" these hours from a particular invoice or cash sales receipt. Then **TAB** to the next entry line of the timesheet.

Paul worked for two other customers during this week. He worked on computers for Jenkins Construction for four hours on Monday, five hours on Tuesday and two hours on Wednesday. Paul was paid the ***Hourly Regular Rate*** payroll item and the customer was charged the ***Labor*** service item. Enter the correct **Customer:Job**, **Service Item**, **Payroll Item**, **Class** and the appropriate hours worked in the day-of-the-week columns. However, do not click on the **Billable** image, because these hours will be tied to a specific invoice for Jenkins Construction. Now **TAB** to the next entry line of the timesheet.

Paul also did some work for the City of Metropolis Police Department. He worked for this customer eight hours on Thursday and five hours on Friday. Since this means that Paul worked two hours overtime on Friday, his time must be split between the **Hourly Regular Rate** payroll item and the **Overtime Hourly Rate** payroll item. (This means that the time Paul worked for this customer must be split into two lines on the timesheet.) However, the Police Department was only charged the regular **Labor** service item rate even though Paul was paid by our company on an overtime basis. (If you wish to change this rate on the invoice, it is quite easily done. This will be demonstrated when we create an invoice for the Police Department later in the example.) Enter the appropriate information and, as before, do not click on the **Billable** image. When you finish, this screen should look like *Figure 116*. If so, click the **Save & Close** button.

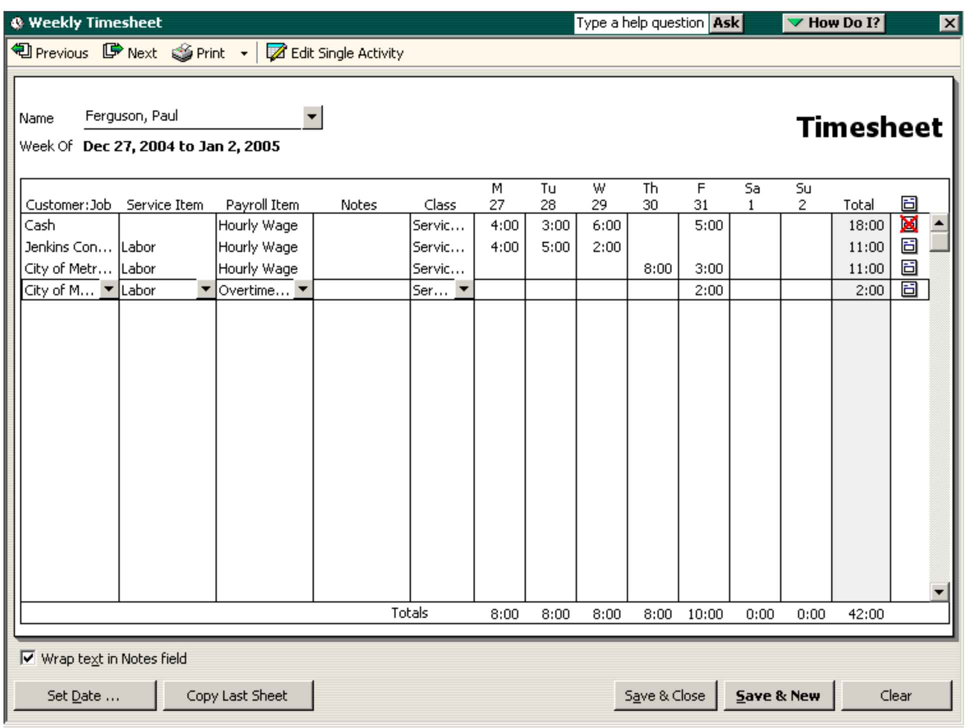


Figure 116

CALCULATING PAYROLL

One of the most popular features of **QuickBooks Pro** is its ability to calculate payroll and maintain payroll records. To calculate payroll, click the **Pay Employees** icon of the **Employees Navigator** and again choose **No** to answer the question **Would you like to learn more about Intuit Payroll Services?**. When you select this icon for the first time, a **Pay Employees** warning screen (*Figure 117*) will appear and tell you that you have not entered any year-to-date adjustments for employee withholdings or employer payroll taxes. Since you are going to begin your payroll at the beginning of the year, you can ignore this warning. Click **OK** to continue.

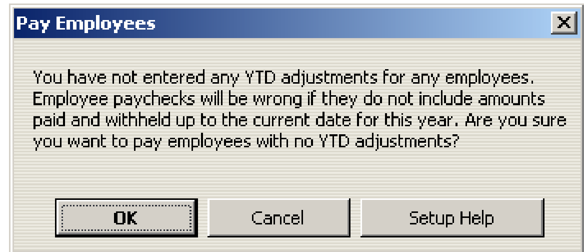


Figure 117

This will bring up the **Select Employees To Pay** screen. Check the **To be handwritten or direct deposited** box , set the **First Check Number** as ***100***, and make sure that the box beside **Enter hours and tax amounts before creating paychecks.** circle is marked. Using the drop-down arrow list, select ***Checking*** as the **Bank Account**. Now set the **Check Date** as ***January 7*** and the **Pay Period Ends** date as ***January 2***. Now select the employees that are to be paid. Placing the cursor in the column to the left of each employee's name turns the cursor into a check mark (✔). If you left-click the mouse with the cursor in this position, **QuickBooks Pro** places a check mark beside that employee's name. This means that the employee is selected to be paid for this pay period. Now click beside each employee name to signify that you want to pay all employees. This screen should now look like *Figure 118*. If so, click **Create**.

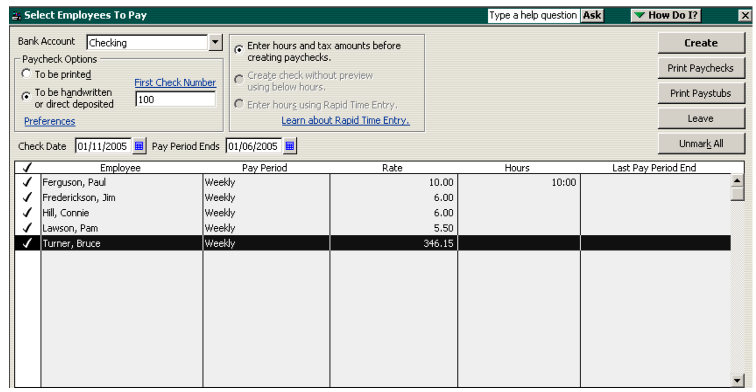


Figure 118

If a payroll subscription warning appears, click **Continue**. This takes us to the **Preview Paycheck** screen for our first employee (***Paul Ferguson***). The data entered in the previously completed timesheet now appears in the window. To enter the amounts deducted from the employee paycheck, click in the **Amount** column beside the payroll item in the **Employee Summary**. Click in the **Amount** column beside **Federal Withholding** to enter $4.00, $26.66 for **Employee Social Security** and $6.24 for **Employee Medicare**. Now click in the **Amount** column of the **Company Summary** to enter 0.65 for **TN-Job Skills Fee**, $26.66 for **Company Social Security**, $6.24 for **Company Medicare**, $3.44 for **Federal Unemployment** and $11.83 for **Tennessee Unemployment**. This window should look like *Figure 119*. If so, click **Create** to go to the next employee.

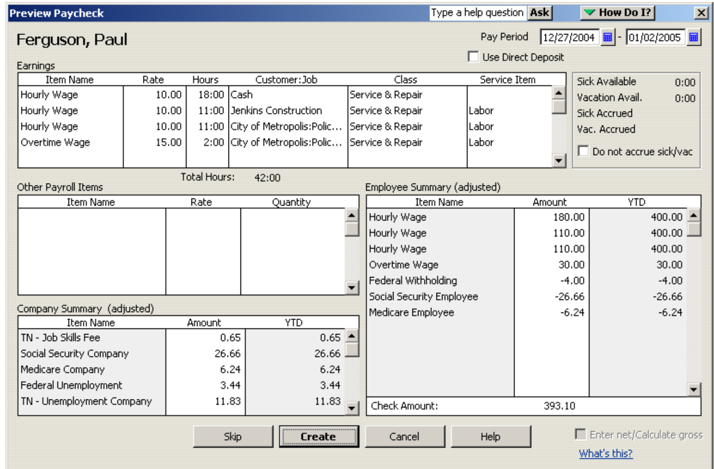


Figure 119

The next employee is Jim Frederickson, one of the sales clerks. Jim worked 30 regular hours and 10 overtime hours in the **Service & Repair** class for Jenkins Construction and 10 regular hours in the **Product Sales** class. He also earned a commission on $20,000 in sales. Also note that Jim Frederickson has a $50 deduction from his paycheck for garnishment of wages, $100 deduction for his car loan payment, a $50 deduction for his trailer loan payment and a 3 percent deduction (based on gross wages of $730) for a 401(k) plan contribution, which is matched by Tennessee Computers.

To enter these amounts, **TAB** to the **Hours** column of the first entry line in the **Earnings** area (beside the ***Hourly Rate*** payroll item) and enter ***30***. Then **TAB** to the **Customer:Job** column and enter ***Jenkins Construction***. Now **TAB** to the **Class** column and enter ***Service & Repair***. Then **TAB** to the second entry line and enter ***Hourly Rate*** in the **Item Name** column , ***10*** in the **Hours** column and ***Product Sales*** in the **Class** column. Then **TAB** to the third entry line and enter ***Overtime Hourly Rate*** in the **Item Name** column, ***10*** in the **Hours**, ***Jenkins Construction*** in the **Customer:Job** column, and ***Service & Repair*** in the **Class** column. Then **TAB** to the ***Commission*** line and enter 20,000 in the **Quantity** column and ***Overhead*** in the **Class** column.

Click in the **Amount** column in the **Employee Summary** to enter $62.00 for **Federal Withholding**, $45.26 for **Employee Social Security** and $10.59 for **Employee Medicare**. Now click in the **Amount** column of the **Company Summary** to enter $45.26 for **Company Social Security**, $10.59 for **Company Medicare**, $5.84 for **Federal Unemployment**, and $20.08 for **Tennessee Unemployment**. When you finish, this screen should resemble *Figure 120*. If so, click **Create** to calculate the paycheck for the next employee.

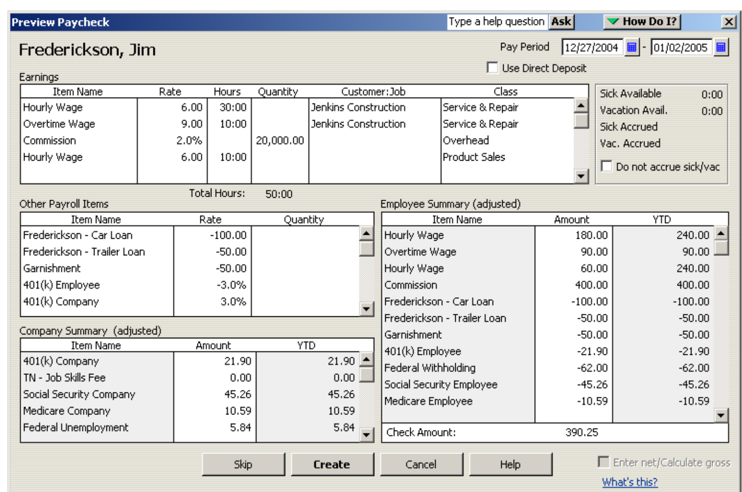


Figure 120

Now enter the payroll information for the following employees. Remember that the maximum 401(k) contribution by Tennessee Computers is 4 percent of employee gross wages for any particular time period. This will affect the company's contributions for Connie Hill and Bruce Turner. The **Preview Paycheck** screens for the three remaining employees are shown in *Figure 121*, *Figure 122* and *Figure 123*. When you have finished, **QuickBooks Pro** takes you back to the **Select Employees To Pay** window. When you see this screen, click **Leave**.

Payroll Item	**Hours or Sales**	Class
	Connie Hill	
Hourly Wage	40 hours	Product Sales
Commission Sales	$6,000 of sales	Overhead
Federal Withholding	9.00	
Employee Soc. Security	22.32	
Employee Medicare	5.22	
Co. Social Security	22.32	
Co. Medicare	5.22	
Fed Unemployment	2.88	
TN Unemployment	9.90	
	Pam Lawson	
Hourly Wage	40 hours	Overhead
Overtime Wage	5 hours	Overhead
Federal Withholding	26.00	
Employee Soc. Security	16.20	
Employee Medicare	3.79	
Co. Social Security	16.20	
Co. Medicare	3.79	
Fed Unemployment	2.09	
TN Unemployment	7.18	
	Bruce Turner	
Salary	$18,000 per year or $346.15 per week	Overhead

Federal Withholding	3.00
Employee Soc. Security	21.46
Employee Medicare	5.02
Co. Social Security	21.46
Co. Medicare	5.02
Fed Unemployment	2.77
TN Unemployment	9.52

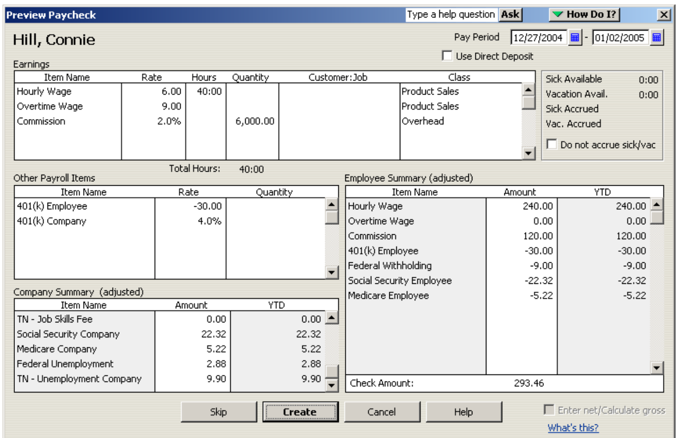


Figure 121

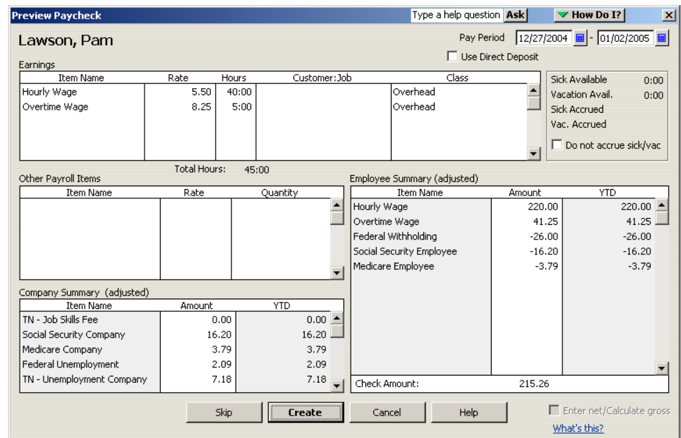


Figure 122

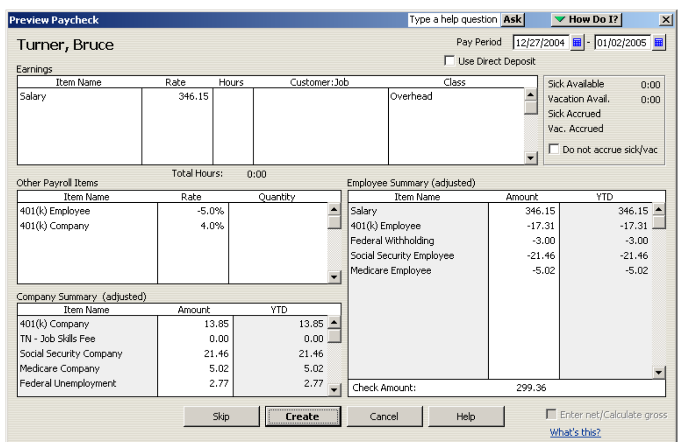


Figure 123

To maintain payroll records, **QuickBooks Pro** creates two new accounts: **Payroll Liabilities** and **Payroll Expenses**. **Payroll Liabilities** tracks the appropriate levels of employee withholdings and employer payroll-tax liability for a payment period (this concept will be discussed later). **Payroll Expenses** tracks the total cost of the employee to the company (the gross wages paid to the employee plus any appropriate payroll taxes and employer contributions). Since a company's payroll expenses are reported on its income tax return, we need to assign a tax line to the **Payroll Expenses** account. To do this, click on **Company** from the **Navigation Bar** and then choose **Chart of Accounts**. Scroll down the **Chart of Accounts** until you see the

Payroll Expenses account. Highlight it, click the **Account** button at the bottom of the window and then choose **Edit**. Use the drop-down arrow list for the **Tax Line** field to choose ***Sch C: Wages Paid***. When you finish, this screen should look like *Figure 124*. If so, click **OK** and close the **Chart of Accounts** window.

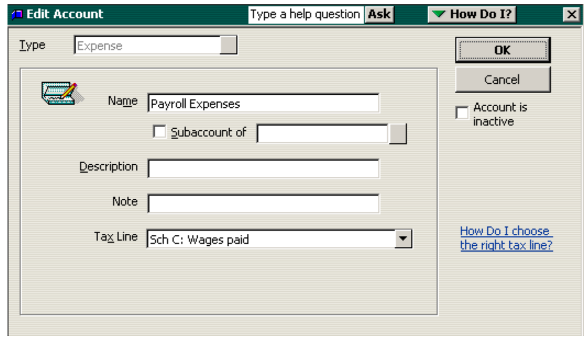


Figure 124

Now let's pay the payroll liabilities associated with this pay period. (These liabilities are normally paid either once per month or once per quarter, but we will make an exception for this example since this is the only payroll calculation we will be making.) To do this, click on the **Pay Liabilities** icon of the **Employee Navigator**. In the **Select Date Range For Liabilities** window, enter ***January 1*** and ***January 31*** in the **Show liabilities from** and **through** fields (*Figure 125*) and click **OK**. This brings us to the **Pay Liabilities** screen. Using the drop-down arrow list for the **Bank Account** field, choose ***Money Market***. Enter ***February 15*** as the **Check Date** and uncheck the **To be printed** box. Use the mouse to place a check mark beside each payroll liability to be paid (use the same technique as when you selected the employees to be paid). Remember that the Federal Unemployment must be paid on a separate check from the 941 deposit (Federal Withholding, Social Security, and Medicare). To abide by this rule, check all payroll liabilities except the Federal Unemployment. This screen should now look like the one shown in *Figure 126*.

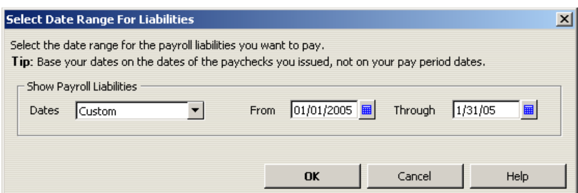


Figure 125

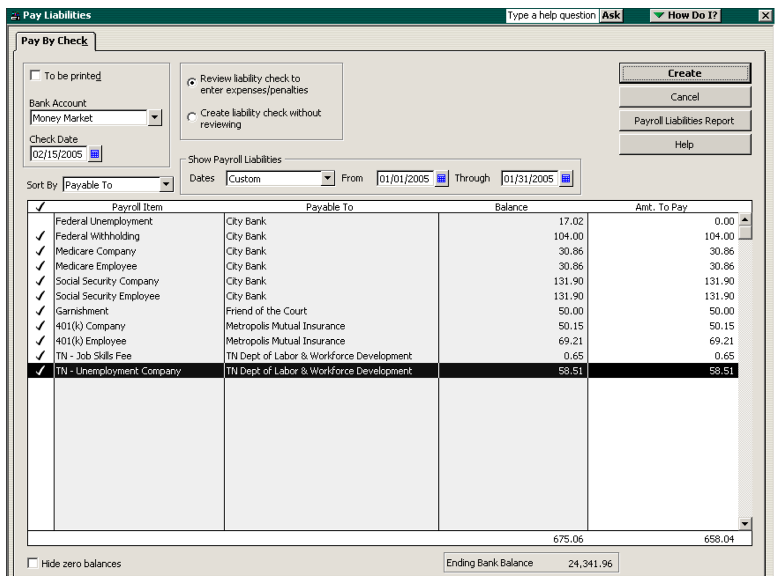


Figure 126

As you examine this screen, you will notice that four separate vendors appear in the **Payable To** column (**Metropolis Mutual Insurance**, **City Bank**, **Friend of the Court** and **TN Dept of Labor & Workforce Dev**). Now click **Create** to write the checks paying the payroll liabilities and then look at the **Money Market** account register to see that **QuickBooks Pro** has written four separate checks. To open this register, click **Banking** in the **Navigator Bar** and then click the **Check Register** icon in the **Banking Navigator**. Enter ***Money Market*** in the **Select Account** field of the **Open Check Register** window and click **OK**. This brings up the **Money Market** account register screen (*Figure 127*). You should notice that checks were written to **City Bank** [$429.52 for Federal Withholding ($104.00), Social Security Employee ($131.90), Medicare Employee ($30.86), Social Security Company ($131.90) and Medicare Company ($30.86)], **Friend of the Court** ($50.00 for Garnishment), **Metropolis Mutual Insurance** [$119.36 for 401(k) Plan ($69.21) and 401(k) Co

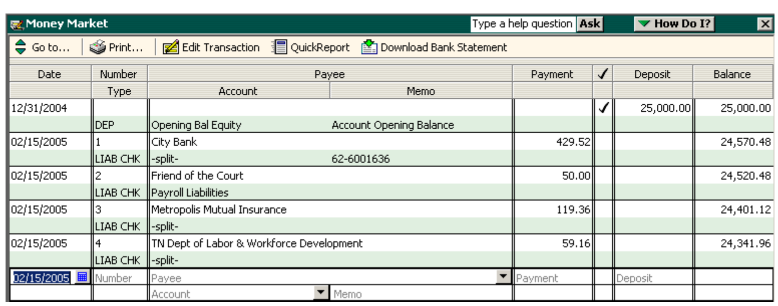


Figure 127

Contribution ($50.15) and **TN Dept of Labor & Workforce Development** ($59.16) for TN-Unemployment Company ($58.51) and TN-Job Skills Fee ($0.65)]. When you finish examining this screen, close the **Money Market** account register. You can now choose the **Pay Liabilities** icon and pay the Federal Unemployment Tax.

In the **Chart of Accounts** screen, scroll down until you can see the accounts **Car Loan** and **Trailer Loan** (*Figure 128*). Note that these accounts have been reduced by $100 and $50, respectively, because Jim Frederickson made payments from his last paycheck. However, you should also note that the balance of the **Car Loan** account is now **$0.00**. This means that Mr. Frederickson has paid off his car loan and this payroll item should no longer be used in calculating his paycheck. To discontinue use of this item, close the **Chart of Accounts** screen, click **Employees** on the **Navigation Bar** and then click on the **Payroll Items** icon to reveal the **Payroll Item List** window. Scroll down this list until you see the **Frederickson - Car Loan** payroll item. Highlight this payroll item, click the **Payroll Item** button and then choose **Make Payroll Item Inactive**. This causes **Frederickson - Car Loan** to disappear from the **Payroll Item List** (this item reappears if you check the box beside **Include inactive**) and to become inactive (it cannot be re-entered on an employee template until you reactivate it). Now close the **Payroll Item List** and choose the **Employees** icon.

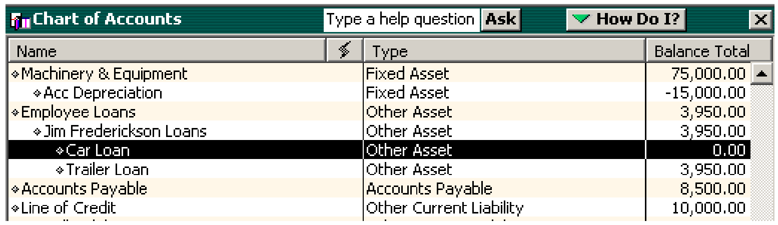


Figure 128

From the **Employee List** window, highlight ***Frederickson, Jim***, click the **Employee** button at the bottom of the window and then choose **Edit**. This brings up the **Edit Employee** screen for Jim Frederickson. In the **Change tabs** drop-down menu, click **Payroll and Compensation Info**. Then click on ***Frederickson - Car Loan*** in the **Additions, Deductions, and Company Contributions** area. Press **Ctrl + Del** (press the **Ctrl** key and the **Del** key simultaneously) to delete this payroll item from the employee template for Jim Frederickson. This screen should now look like the one shown in *Figure 129*. If so, click **OK** and close the **Employee List** window.

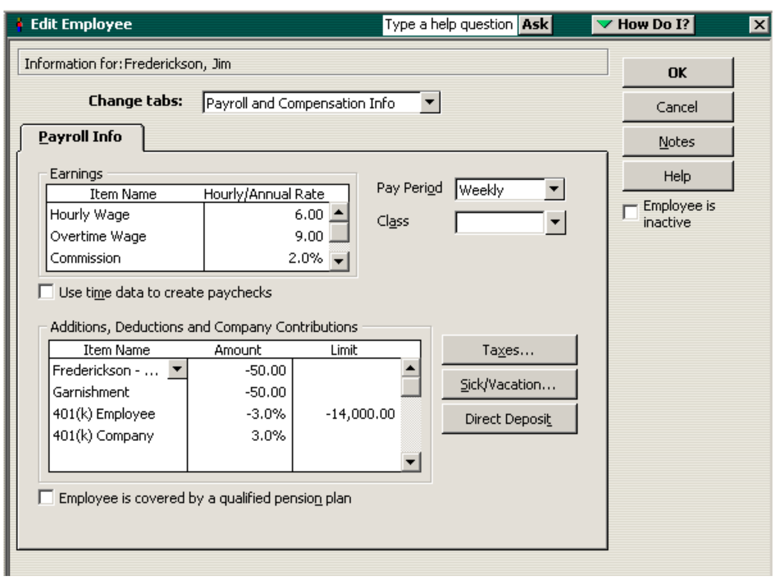


Figure 129

1099 CONTRACTOR PAYMENTS

As we have previously discussed, **QuickBooks Pro** treats subcontractors differently from employees. Therefore, you cannot pay 1099 contractors with a paycheck. Instead, you must write them a regular check. We are going to pay two separate 1099 contractors in this example. The first check that we will write is to Fred Allen (the owner of our building) for January's rent and the second is to Eduardo Gutierrez for service calls made to different customers.

To pay these contractors, choose **Banking** from the **Navigation Bar** and then choose the **Checks** icon on the **Banking Navigator**. Select ***Checking*** as the **Bank Account** and uncheck the **To be printed** box. Set the date as ***January 15*** and choose ***Allen, Fred*** from the drop-down arrow list in the **Pay to the Order of** field. Now click on the first entry line of the check-voucher detail field in the **Expenses** tab. Choose ***Rent Expense*** as the **Account** and enter an **Amount** of ***$500.00***. Now **TAB** to the **Class** column and choose ***Overhead*** from the drop-down arrow list. This screen should now look like *Figure 130*. If so, click **Save & New** to enter another check.

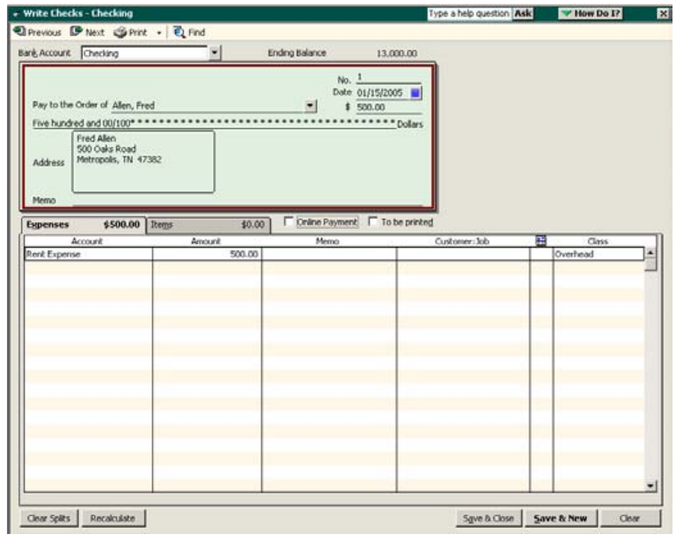


Figure 130

The next check is to Eduardo Gutierrez to pay him for service calls to the City of Metropolis Police Department for the maintenance and repair of computers and for the installation of computer systems to various customers that we will not bother to track. Set the **Date** for this check as ***January 15*** and choose ***Gutierrez, Eduardo*** as the payee. Now **TAB** to the first entry line of the **Expenses** voucher area. For this entry, choose ***Contract Labor:Installation Labor*** as the **Account**, ***$500.00*** as the **Amount**, ***City of Metropolis: Police Department*** as the **Customer: Job** and ***Product Sales*** as the **Class**. Since we are going to track these expenses back to the customer, leave the billable image unchecked. When you finish, this screen should look like *Figure 131*.

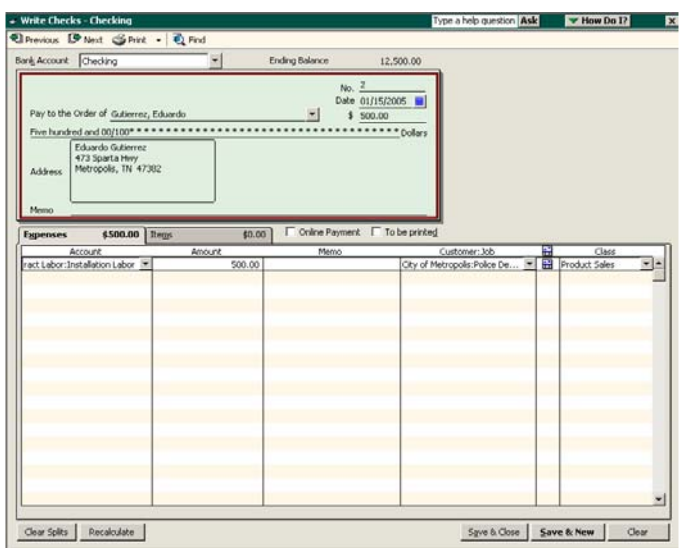


Figure 131

Now click on the **Items** tab of the check voucher. Choose ***Service Call*** as the **Item**, ***15.5*** as the **Qty** (Quantity), ***City of Metropolis:Police Department*** as the **Customer:Job**, and ***Service & Repair*** as the **Class**. This screen should resemble *Figure 132*. If so, click **Save & Close** to record the check.

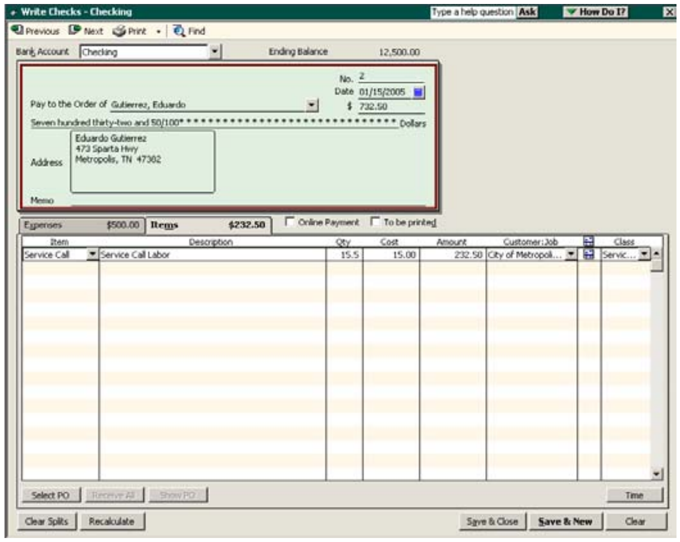


Figure 132

Invoice Sales

Selling items and services on credit is a mainstay of most business operations. Therefore, accurate and up-to-date financial records are a must, since these credit sales are often the main source of revenue and the lifeblood of the business. To record this type of sale, choose **Customers** from the **Navigation Bar** and then choose the **Invoices** icon from the **Customers Navigator**. This causes the **Create Invoices** window to appear. Using the drop-down arrow list in the **Customer:Job** field, choose ***City of Metropolis:Police Department*** as the customer and job. Then select ***Invoice*** as the **Template** and set the **Date** as ***January 20***. **TAB** to the **Invoice #** field and set the number as ***1000***.

Now **TAB** to the **ADVERTISING** field. Since we have a contract to provide computer service to the Police Department, enter ***Contract*** here and uncheck the **To be printed** box. Now **TAB** to the **Item Code** field on the first available entry line of the invoice voucher area.

Since we have service hours and expenses that are billable to the police department, we need to enter them into this invoice. To do this, click the **Time/Costs** button to bring up the **Choose Billable Time and Costs** screen. The **Items** tab of this window should now be highlighted. The entry in this tab is a result of the check we wrote to Eduardo Gutierrez for service calls made to the police department. Note that while we paid Eduardo $15.00 per hour to perform this service, we are charging the police department $25.00 per hour. To make this entry appear on the invoice we are creating, simply click in the **Use** column beside the entry. This screen should now look like *Figure 133*.

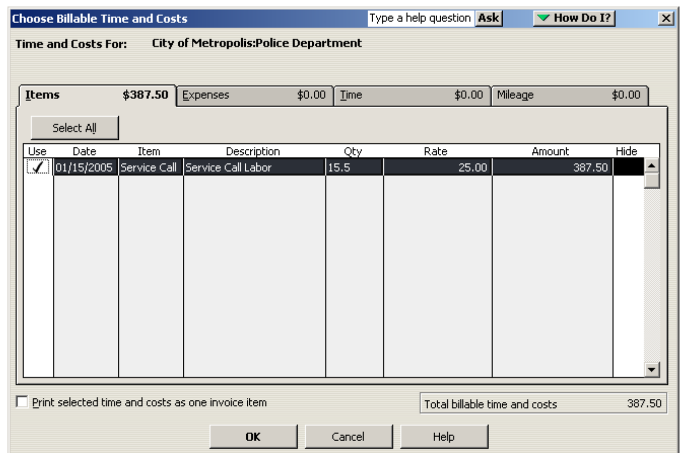


Figure 133

Now click on the **Expenses** tab. Set the **Markup Amount or %** as ***50.0%*** and enter ***Sales Income*** in the **Markup Account** field. You will see the $500 paid to Eduardo Gutierrez for the installation of the computer systems for the Police Department. The 50.0 percent markup means that while we paid Mr. Gutierrez $500 for installing these systems, we will charge the Police Department $750 for this service. To incorporate these changes into the invoice, check the **Use** column beside the entry. When you finish, this screen should look like *Figure 134*.

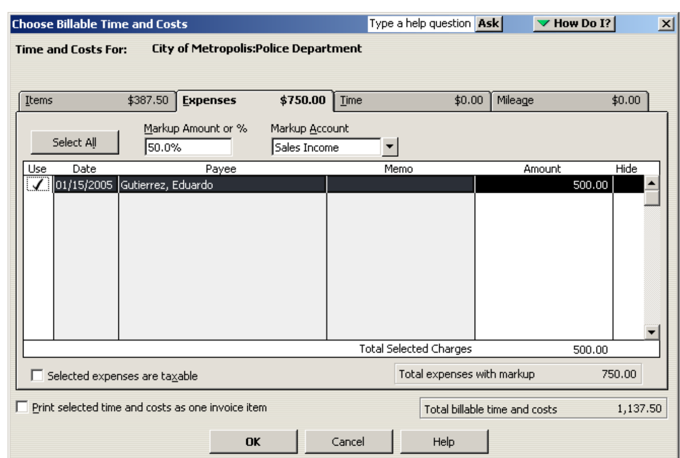


Figure 134

Now click on the **Time** tab. You will now see the entries that we made on Paul Ferguson's timesheet that denoted the police department as the customer. To select these entries and transfer them to the invoice, again click beside each line in the **Use** column. This screen should now look like *Figure 135*. If so, click **OK**.

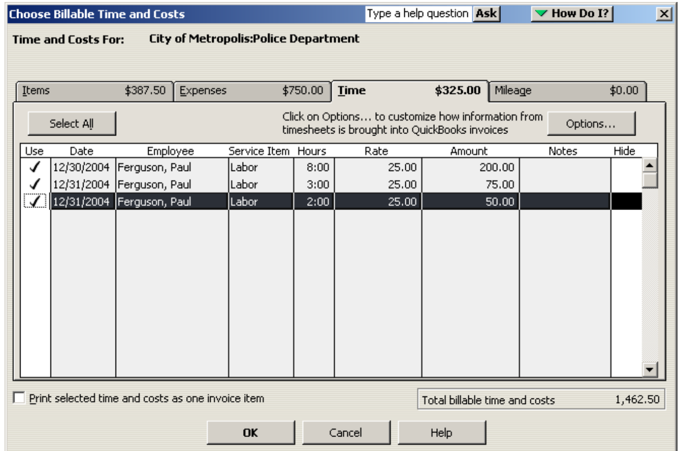


Figure 135

These entries now appear on the invoice. However, we are not finished. While the ***Service Call*** item was classified as a result of the check we wrote to Eduardo Gutierrez, the ***Expenses Markup*** did not carry the class of **Service & Repair** when it was transferred to the invoice. Therefore, click in the **CLASS** column beside this entry and use the drop-down arrow list to choose ***Product Sales*** as the class.

We have one more modification that we need to make to the detail area of the invoice before we move on. The police department also purchased two Pentium III 700 Mhz computers from us. To enter these on the invoice, simply click in the **ITEM CODE** column of the first available entry line of the invoice. Use the drop-down arrow list to choose the ***COMPUTER:Pent III 700*** item. Then **TAB** to the **CLASS** column and enter ***Product Sales*** as the class. Now **TAB** to the **QUANTITY** column and enter a quantity purchased of ***2***.

Finally, we need to enter a customer message for this invoice. Click the drop-down arrow beside the **Customer Message** field and choose ***Thanks for doing business with our firm!*** This invoice should now look like *Figure 136*. If so, click **Save & New** to enter another invoice.

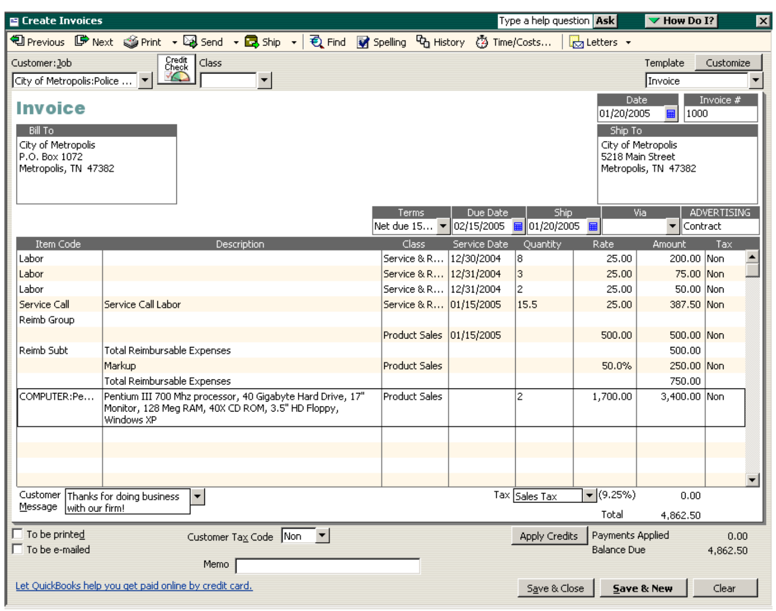


Figure 136

You will now see the **Name Information Changed** screen (*Figure 137*). It tells you that you have changed the **ADVERTISING** information for the City of Metropolis: Police Department. It also asks if you would like to have this information appear the next time you create an invoice, cash sales receipt or invoice for this customer. Click **Yes**.

Figure 137

The next invoice we will create is to Super Mart for the purchase of 10 mouse pads and 10 keyboards that they are going to resell. Choose ***Super Mart*** as the **Customer:Job** and set the date as ***January 25***. Now **TAB** to the **SHIP TO** field. Since we will be delivering these items to Super Mart, we need to supply a street address for the driver. This address is:

Super Mart
1213 Access Road
Metropolis, TN 47382

Now **TAB** to the **ADVERTISING** field and enter ***Word of Mouth*** as the way Super Mart heard about our firm. Now **TAB** to the **ITEM CODE** column in the invoice detail area and enter the items and the appropriate quantities that we sold to each customer. Be sure to assign a class to each line.

Finally, since we are delivering these items to Super Mart, we will assess a delivery charge of $50.00. To do this, **TAB** to the next available entry line. Choose ***DELIVERY*** as the **ITEM CODE**, ***Overhead*** as the **CLASS** and set the **AMOUNT** as ***$50.00***. Also choose ***We really appreciate your business!*** as the **Customer Message**. When you finish, this screen should look like *Figure 138*. If so, click **Save & New** and then click **Yes** to answer the **Name Information Changed** screen.

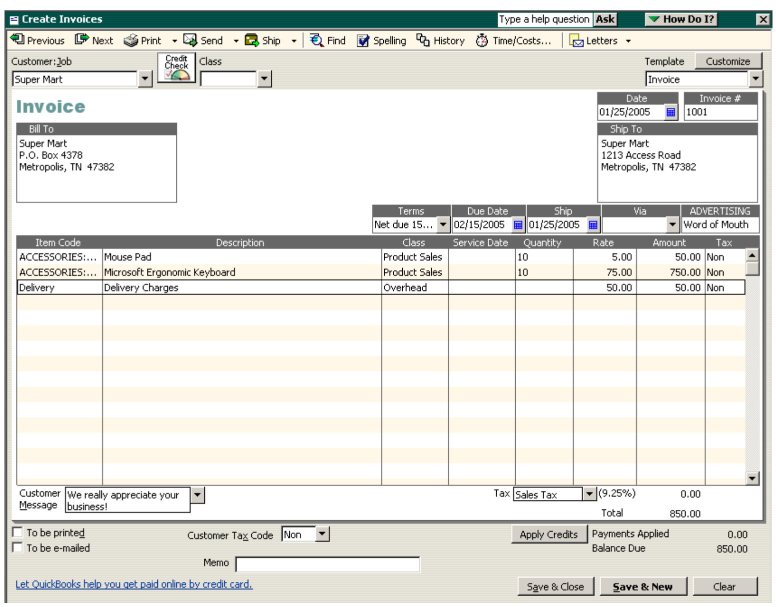


Figure 138

Now let's create one more invoice. Click on the **Invoices** icon and choose ***Tri City Pumping*** as the **Customer:Job**. Set the **Date** as ***January 26*** and enter ***Yellow Pages*** in the **ADVERTISING** field. Now enter the following items in the invoice detail area.

ITEM	QUANTITY	CLASS
Pentium III 600	1	Product Sales
Pentium III 700	1	Product Sales
Memory	4	Product Sales

However, they have sent us a down payment of $500. This is entered as the ***PAYMENT*** item with ***$500*** in the **AMOUNT** column. This item does not have a class since it does not affect an income or expense account. Now choose ***You are the reason we are here! Thanks!*** as the **Customer Message**. When you finish, this invoice should look like *Figure 139*. If so, click **Save & Close** and then click **Yes** to answer the **Name Information Changed** screen.

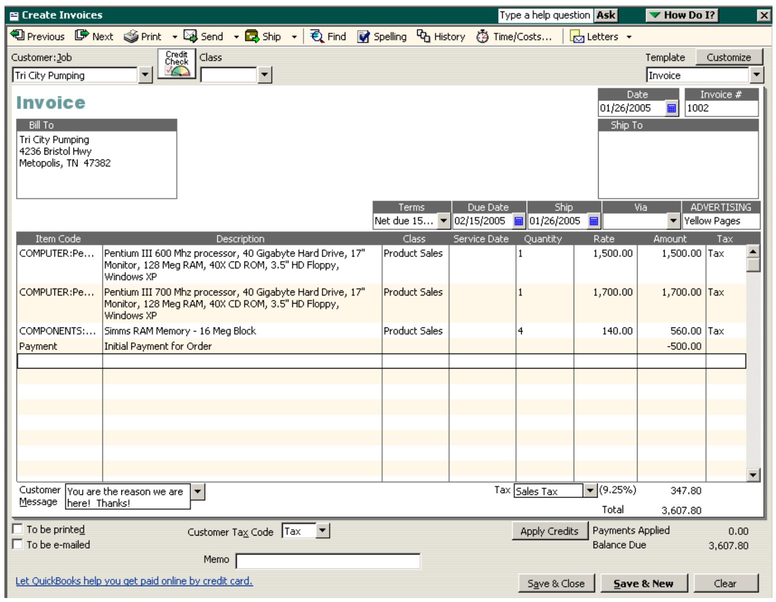
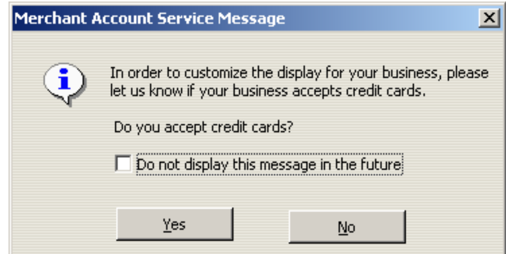


Figure 139

Receiving Payment On An Invoice



On February 1, we received payment for the goods purchased by Tri City Pumping on January 26. To record this payment, click the **Receive Payments** icon located in the **Customers Navigator**. Click **No** when you see a **Merchant Account Service Message** screen appear like *Figure 140*. Enter ***Tri City Pumping*** in the **Received From** field and set the **DATE** as ***February 1***. In the **Amount** field, enter the amount they sent us (***$3,525.64***). Make sure that the appropriate invoice is checked in the **Outstanding Invoices/Statement Charges** area. This screen should now look like *Figure 141*.

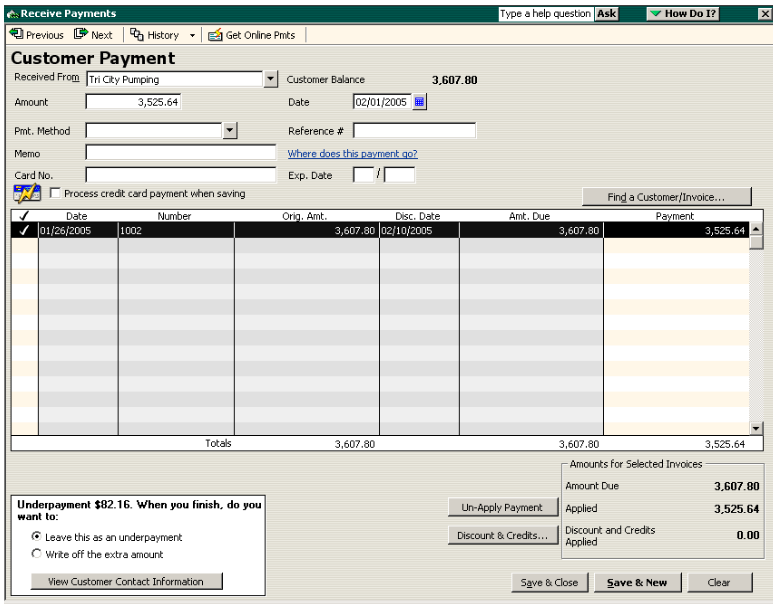


Figure 141

Before we go on, we need to determine if Tri City Pumping is eligible for a discount for early payment. Click the button **Discount & Credits** and look at the **Discount Date**. This tells us that Tri City Pumping is eligible to receive a discount on this invoice through February 10. This information is on the **Discount & Credits** screen shown in *Figure 142*. This screen shows that Tri City Pumping is entitled to a discount of $72.16. But this customer has withheld a discount of $82.16. This is because **QuickBooks Pro** has calculated the discount based on the outstanding invoice amount of $3,607.80 (the total amount of the invoice minus the $500 down payment). But Tri City Pumping has withheld a discount based on $4,107.80 (the total amount of the invoice). Which is correct?

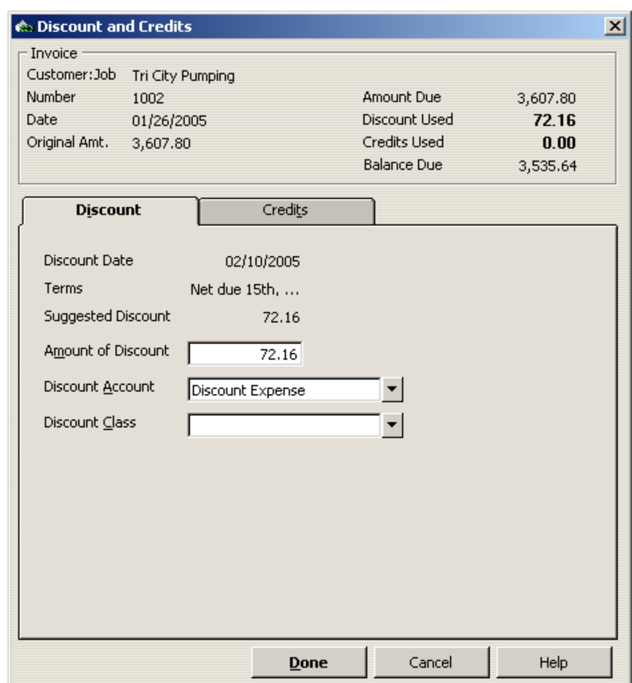


Figure 142

This depends on your particular company's policy. However, while allowing Tri City Pumping the smaller discount will save Tennessee Computers $10.00, it will probably also make the customer angry. Therefore, it may be better for your business in the long run to allow Tri City

Pumping the larger discount of $82.16. To do this, simply change the amount in the **Amount of Discount** field from ***$72.16*** to ***$82.16***. Enter ***Discount Expense*** as the **Discount Account**. (This is a new account, so you will have to set it up. Use ***Sch C: Other business expenses*** as the tax line.) The **Discount Information** screen should now look like *Figure 143*. If so, click **Done**.

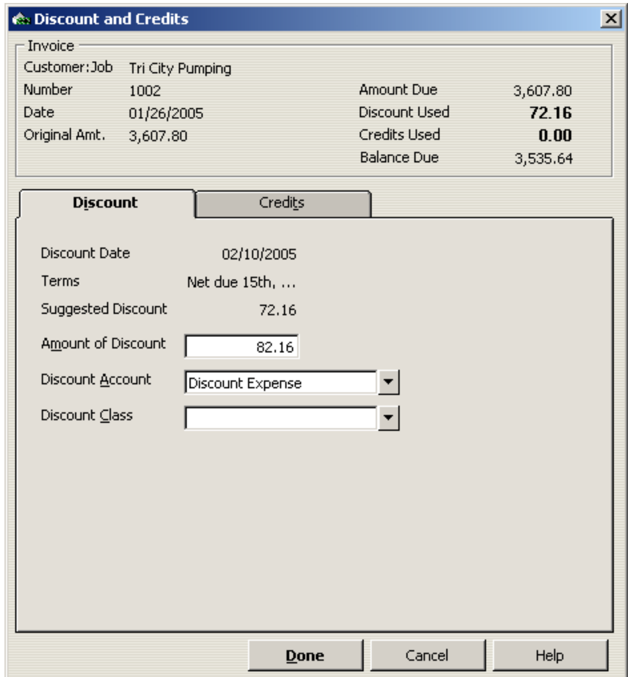


Figure 143

A screen will appear titled **Items Not Assigned Classes** like *Figure 144*. Click **Save Anyway**.

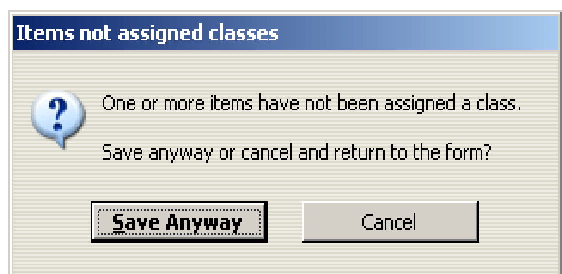


Figure 144

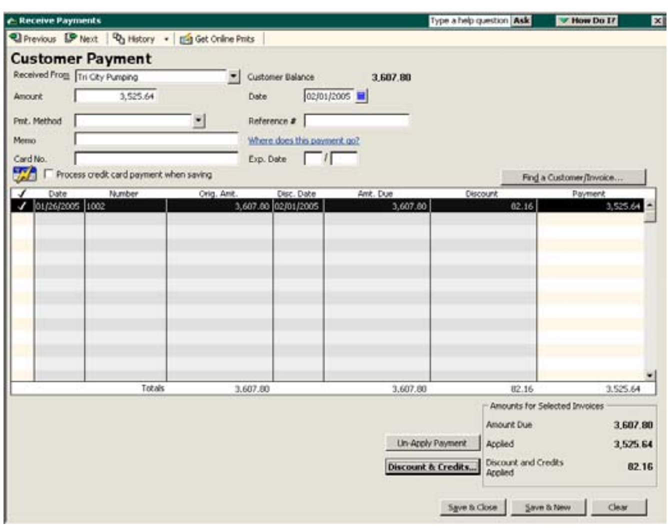


Figure 145

This takes you back to the **Receive Payments** screen. This screen should now look like *Figure 145*. If so, click **Save & Close**.

RECEIVING PARTIAL PAYMENT ON AN INVOICE

On Invoice 1001, we sold goods to Super Mart and included a delivery charge. On March 2, Super Mart sent us a check for the entire invoice amount except the delivery charge ($800.00). To record this payment, click the **Receive Payments** icon located in the **Customers Navigator**. Enter the proper customer and date and the amount that was paid (check the **Discount Date** to see that no discount is applicable). This screen should look like *Figure 146*. If so, click **Save & Close**.

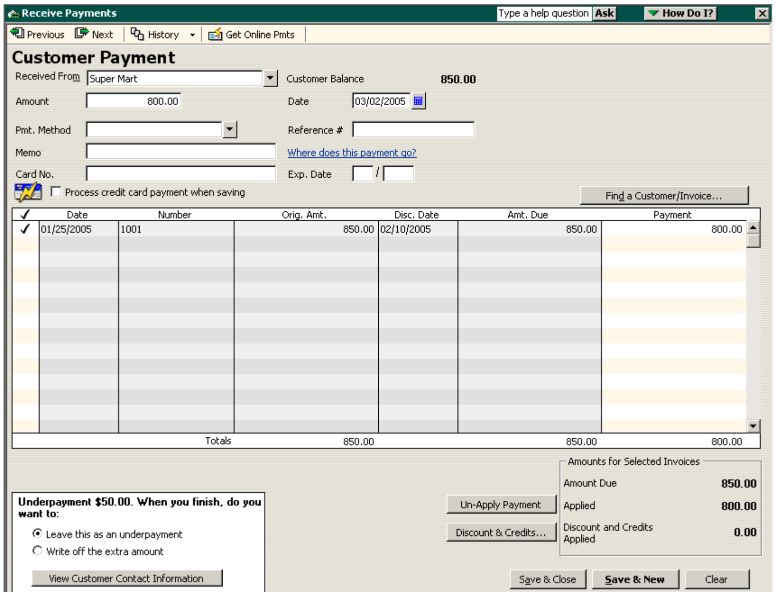


Figure 146

However, we want Super Mart to know that we haven't forgotten about the $50 delivery charge. Therefore, on March 5, we want to send this customer a reminder statement. To do this, click the **Statements** icon located in the **Customers** tab of the **QuickBooks Navigator**. To let Super Mart know what their purchase history has been for this year, set the **Statement Period From** and **To** fields to ***January 1*** and ***March 5***, respectively. In the **Select Customers** area, select **One Customer** and then choose ***Super Mart*** from the drop-down arrow list. This screen should now look like the one shown in *Figure 147*. To print this statement, you would click **Print**. Click **Close**.

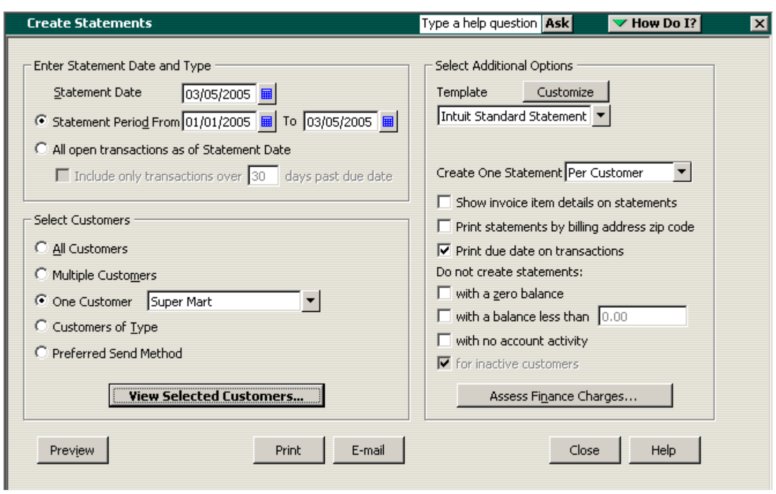


Figure 147

RECEIVING PAYMENTS FROM MULTIPLE JOBS WITH ONE CUSTOMER

On March 5, the City of Metropolis sent us a check for the goods and services purchased from us so far. This check is for $8,562.50 and consists of payment for Invoice #1000 (written to the police department in the amount of $4,862.50) and the opening balance that we entered for the city clerk's office ($3,700.00).

To receive payment for these jobs, choose the **Receive Payments** icon from the **Customers Navigator**. Then complete the Receive Payments screen in the same manner as you did for the previous customers.

Choose City of Metropolis as the Customer:Job and set the Date as March 5. Now enter 8562.50 in the Amount field and make sure the proper invoices are checked in the Applied to area. Be sure to check the Disc. Date column to make sure that no discounts are applicable. This screen should now look like *Figure 148* If so, click **Save & Close** to receive the payment for the city's outstanding charges.

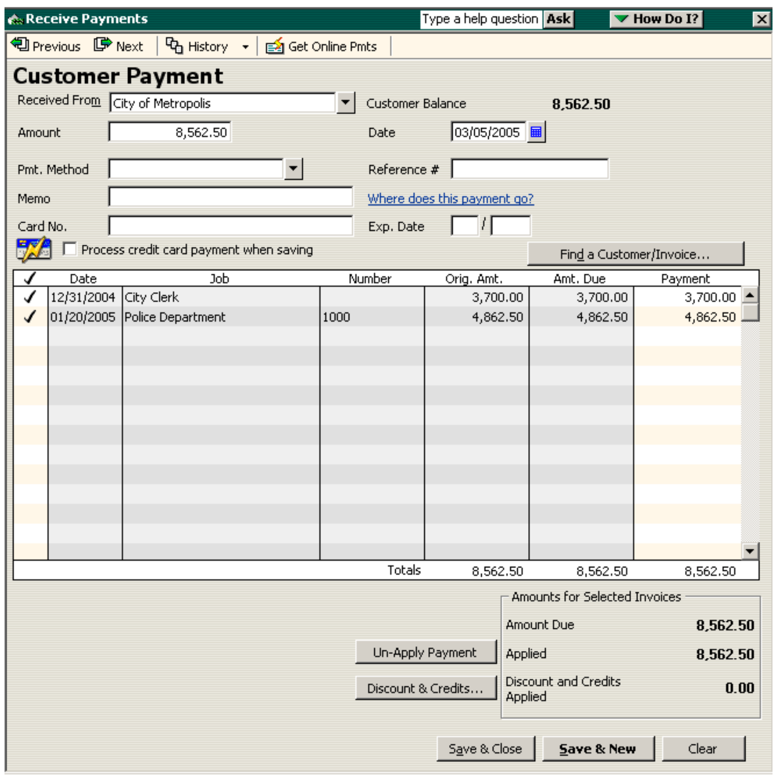


Figure 148

MAKING DEPOSITS

Now that we have received funds from sales and accounts receivable, we need to make a deposit. To do this, click the **Deposits** icon located in either the **Customers Navigator** or the **Banking Navigator**. This brings up the **Payments to Deposit** window. Since we will be depositing all payments, click the **Select All** button. This places a check mark beside each payment to denote that these payments are to be deposited. This screen should now look like the one shown in *Figure 149* If so, click **OK**.

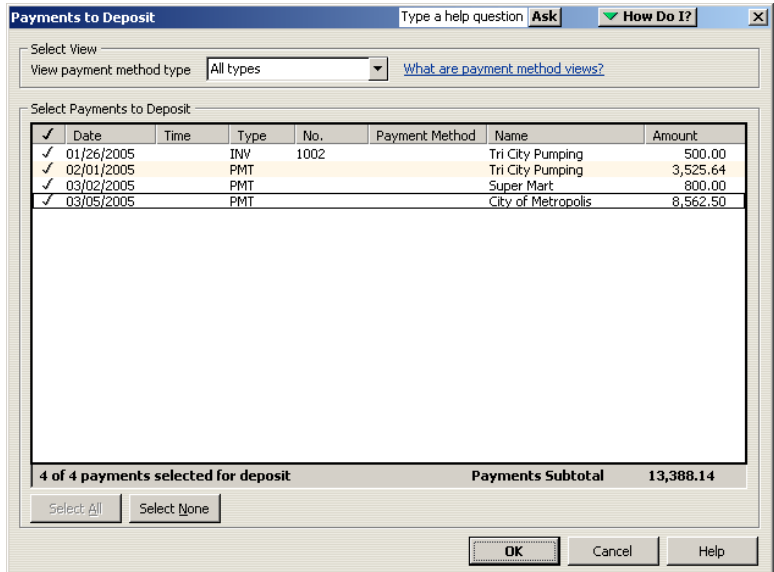


Figure 149

This takes you to the **Make Deposits** screen. Select ***Checking*** in the **Deposit To** field and set the **Date** as ***March 5***. But before we go further, we need to deposit $1,160.00 received from the sale of some service equipment that has been fully depreciated. To deposit this sum, click on the first available entry line in the **Make Deposits** screen's detail area. **TAB** to the **From Account** column and use the drop-down arrow list to choose **Capital Gains/Losses** as the recipient account (since this sum is from the sale of an asset, it should not be posted to the **Sales Income** account). Then **TAB** to the **Class** column and enter ***Service & Repair*** as the class. Now **TAB** to the **Amount** column and enter the ***$1,160.00*** amount here. This screen should now look like *Figure 150* If so, click **Save & Close**.

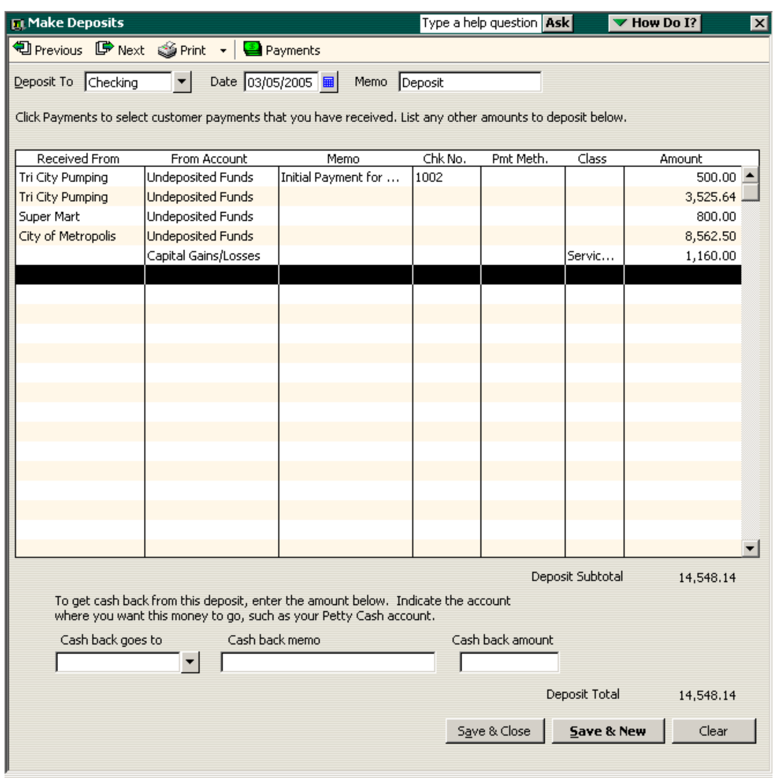


Figure 150

ASSESSING FINANCE CHARGES

On March 10, we decided to assess a $20.00 finance charge against Super Mart for their unpaid delivery charges. To do this, we must add a new account (refer to the **ACCOUNTS** chapter) and a new item (refer to the **ITEMS** chapter). Information for the account is:

Type:	***Other Income***
Name:	***Finance Charge Income***
Tax Line:	***Sch C: Other business income***

Information for the new item is:

Type:	***Other Charge***
Item Name/Number:	***Finance***
Description:	***Finance Charge***
Account:	***Finance Charge Income***
	Not taxable

Now we can enter the charges to Super Mart's account. Choose the **Customers** icon from the **Customers Navigator** and then highlight ***Super Mart***. Click the **Activities** button and choose **Use Register**. This brings up the **Super Mart Accounts Receivable** register. You are now at the first available entry line of the register.

Set the **Date** as ***March 10*** and press **TAB**. Use the drop-down arrow list to choose ***Finance*** as the item. Now **TAB** to the **Rate** field and enter ***$20.00***. Leave the **Description** as ***Finance Charge*** and **TAB** to the **Class** field. Enter ***Overhead*** as the **Class** and ***March 10*** as the **Due Date**. This screen should now look like *Figure 151*. If so, click **Record** and then close the **Super Mart-Accounts Receivable** register and the **Customer:Job List** window. See previous instructions on printing another statement for this customer to let him or her know that you have assessed the finance charge.

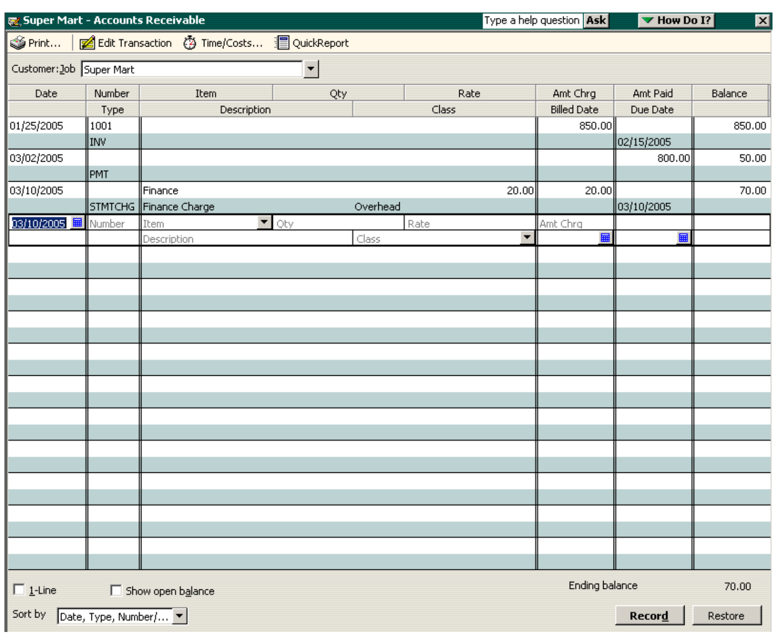


Figure 151

Cash Sale With A New Customer And Sales Tax

There are times when a customer just walks up to your store and wants to make a purchase and pay for it immediately with either cash or a credit card. You handle this transaction the same way as you would one of your regular customers such as Super Mart or the City of Metropolis Police Department, except that you use a different form. This example is that of a cash sale with a customer whom you want to track.

To handle this, choose the **Sales Receipts** icon from the **Customers Navigator**. This brings up the **Enter Sales Receipts** window. Then choose ***Cash Sales Receipt*** as the **Template**. But this is a new customer. Do we need to click on the **Customers** icon and go through the same procedures you went through during the initial company setup? Not necessarily. Assume that our customer's name is Chip Johnson. Since we are sorting individual customers by their last names (the same way we sorted our individual vendors in the 1099 contractors chapter), enter ***Johnson, Chip*** in the **Customer:Job** field and then press **TAB**. The **Customer:Job Not Found** screen then appears (*Figure 152*) and gives you two choices. **Quick Add** simply enters the customer's name and allows you to go directly back to the **Enter Sales Receipts** screen. **Set Up** takes you through the customer information screens that we have previously seen. For the sake of simplicity, choose **Quick Add** to record Chip's name and then move on. (Remember that you can always edit Chip Johnson's customer file later and enter any further information that you want to keep track of. If the customer pays by check, this would be easy to do since most checks have addresses, phone numbers, etc., printed on them.)

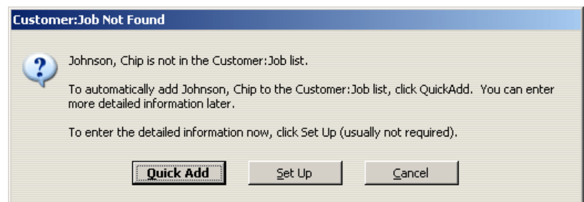


Figure 152

Set the **DATE** as ***January 27*** and let this be **SALE NO.** ***1000***. Now **TAB** to the **SOLD TO** field. Notice that Chip's name is shown on the screen as **Johnson, Chip**. Since we do not want to print a sales receipt with his name listed this way, replace ***Johnson, Chip*** with ***Chip Johnson***. Chip told us that he heard about our company on the radio, so **TAB** to the **ADVERTISING** field and enter ***Radio***. Chip then purchased one keyboard, one mouse and one mouse pad. When you enter these items in the **Cash Sales Receipt** detail area, his sales receipt should look like the one shown in *Figure 153*. If so, click **Save & Close**. When the **Name Information Changed** screen appears and asks you if you would like to have the new billing and advertising information for Johnson, Chip appear when you create a new form involving this customer, click **Yes**.

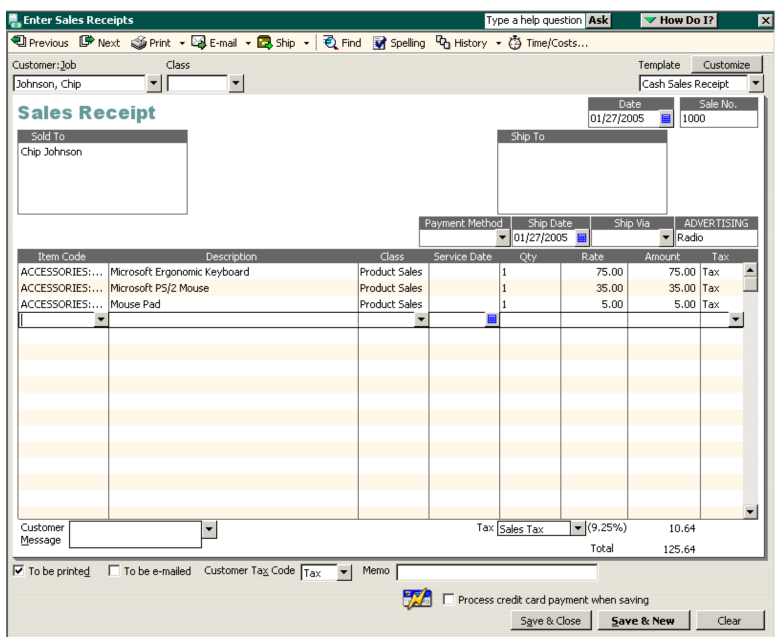


Figure 153

Note that we had to charge Chip sales tax on his purchase. When we collected this sales tax, it became a liability on our part because we now owe it to the Tennessee Department of Revenue. We will cover the payment of this liability in the next chapter.

Paying Sales Tax Liabilities

The state of Tennessee only allows a business to pay its sales tax liabilities in round dollars (for example, a business would pay $359.00 instead of the $358.44 that **QuickBooks** says that the business owes). To adjust this liability, you need to create another income account to track the sales tax adjustment. The amount that is owed is derived from the sales tax form that the state provides.

First, set up an **Other Income** account and give it a name of ***Sales Tax - Adjustment***. Set the tax line as ***Sch C: Other business income***. Then click on the ***Sales Tax Payable*** account and click on the **Activities** button located at the bottom of the screen and choose **Use Register**.

You are now on the first available entry line of the **Sales Tax Payable** register. Set the **Date** as ***March 31*** (the end of the quarter) and enter ***TN Dept of Revenue*** as the **Vendor**. Now **TAB** to the **Billed** field and enter the amount that you must adjust (in this case, you would add ***$0.56*** since you owe a total sales-tax liability of **$358.44**). Now **TAB** to the **Account** field and enter ***Sales Tax - Adjustment***. Note that since you are working with the register of a balance-sheet account, you cannot assign a class to this entry. When you are finished, this screen should look like *Figure 154*. If so, click **Record** and close the **Sales Tax Payable** register.

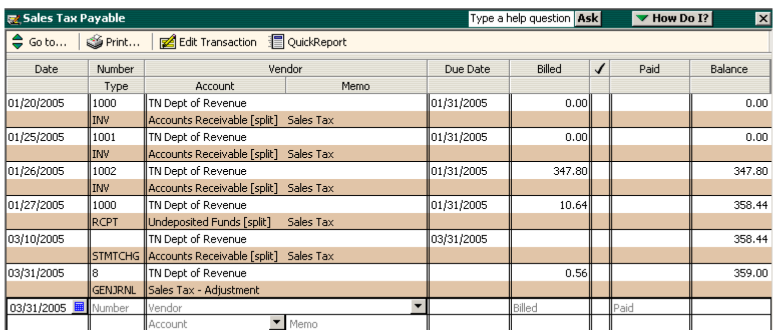


Figure 154

Paying sales-tax liabilities is very similar to paying payroll liabilities. Click **Vendors** in the **Navigator Bar** to reveal the **Vendors Navigator**. Then choose the **Pay Sales Tax** icon. Enter ***Checking*** in the **Pay From Account** field and set the **Check Date** and **Show sales due through** dates to ***March 31***. Then check all transactions that you want to pay (including the adjustment debit). This screen should now look like *Figure 155*. If so, click **OK**. The check to the Tennessee Department of Revenue is waiting to be printed.

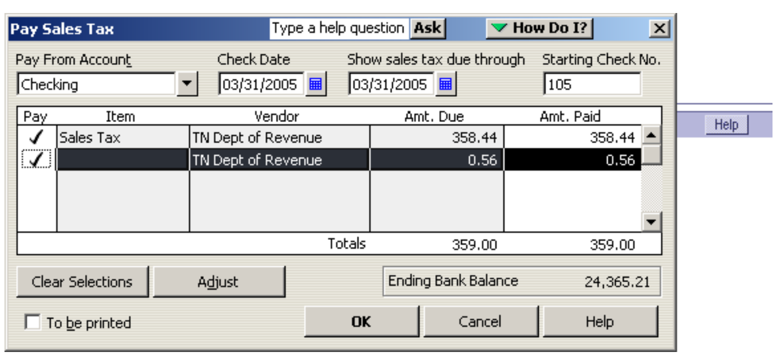


Figure 155

CREDIT MEMOS

There are times when a customer must return merchandise. A **Credit Memo** is designed to handle this type of transaction, especially when the customer returns an item that you have designated as an inventory part in **QuickBooks Pro**. For our example, let's assume that on January 5, the Sparta Nursery has returned three Seagate 13 gigabyte hard drives that they purchased and paid for before the beginning of the year.

To enter this transaction, open the **Customer Navigator** and choose the **Refunds and Credits** icon. This opens the **Create Credit Memos/Refunds** screen. Enter ***Sparta Nursery*** as the **Customer:Job**, ***Product Sales*** as the **Class**, and set the **Date** as ***January 5***. Then **TAB** to the form's detail area.

Enter the ***HD 40 Gig*** part in the **Item** column. Then **TAB** to the **Qty** column and enter a quantity of ***3***. This screen should now look like *Figure 156*. If so, click **Save & Close**.

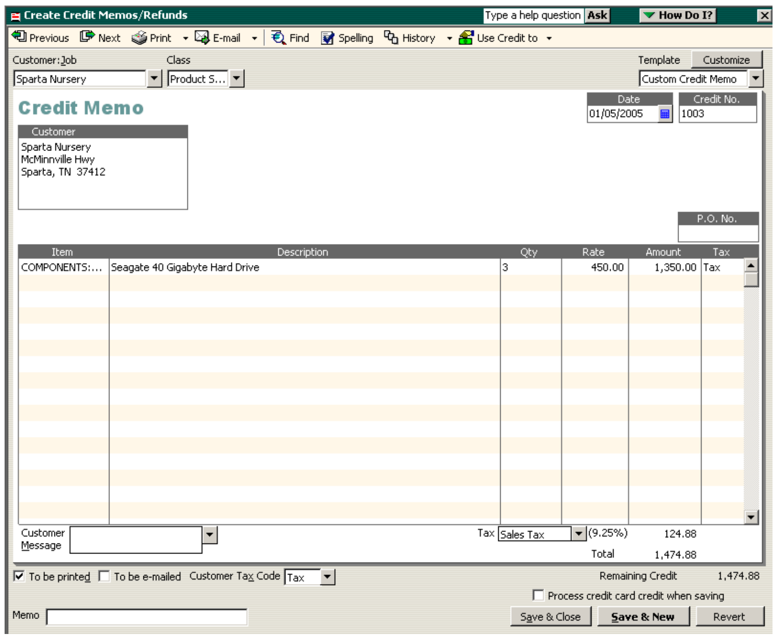


Figure 156

An **Available Credit** screen appears like *Figure 157* that asks **What would you like to do with this credit?** Click on **Retain as an available credit** and then click **OK**.

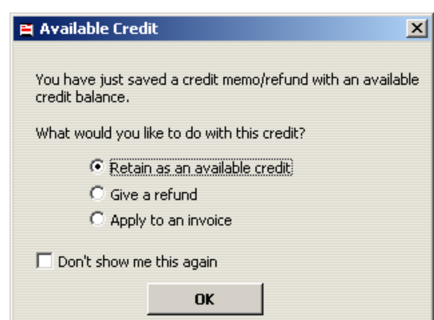
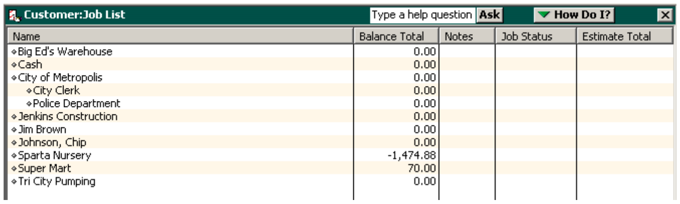


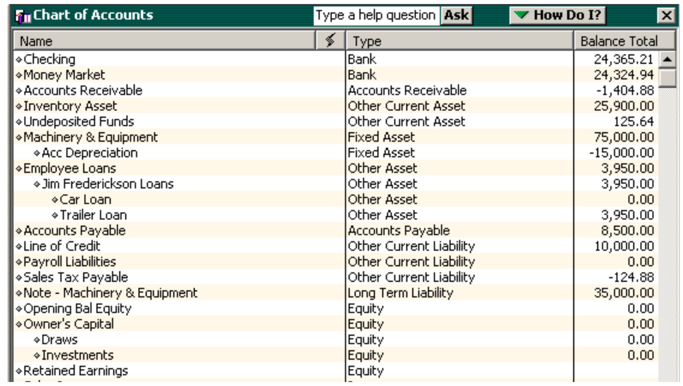
Figure 157

There are two points that need to be made at this time. If you look at the Customer:Job list (*Figure 158*), you can see that the Sparta Nursery has a balance of -1,474.88. This means that you owe this customer $1,474.88 since they have returned the merchandise. Second, if you examine the Chart of Accounts (*Figure 159*), you will see that the balance of the Sales Tax Payable account is -124.88. This balance is correct since sale tax was eventually paid to the Tennessee Department of Revenue and now that the product has been returned, you are entitled to a refund of the sales tax amount from the state.



Name	Balance Total	Notes	Job Status	Estimate Total
Big Ed's Warehouse	0.00			
Cash	0.00			
City of Metropolis	0.00			
City Clerk	0.00			
Police Department	0.00			
Jenkins Construction	0.00			
Jim Brown	0.00			
Johnson, Chip	0.00			
Sparta Nursery	-1,474.88			
Super Mart	70.00			
Tri City Pumping	0.00			

Figure 158



Name	Type	Balance Total
Checking	Bank	24,365.21
Money Market	Bank	24,324.94
Accounts Receivable	Accounts Receivable	-1,404.88
Inventory Asset	Other Current Asset	25,900.00
Undeposited Funds	Other Current Asset	125.64
Machinery & Equipment	Fixed Asset	75,000.00
Acc Depreciation	Fixed Asset	-15,000.00
Employee Loans	Other Asset	3,950.00
Jim Frederickson Loans	Other Asset	3,950.00
Car Loan	Other Asset	0.00
Trailer Loan	Other Asset	3,950.00
Accounts Payable	Accounts Payable	8,500.00
Line of Credit	Other Current Liability	10,000.00
Payroll Liabilities	Other Current Liability	0.00
Sales Tax Payable	Other Current Liability	-124.88
Note - Machinery & Equipment	Long Term Liability	35,000.00
Opening Bal Equity	Equity	0.00
Owner's Capital	Equity	0.00
Draws	Equity	0.00
Investments	Equity	0.00
Retained Earnings	Equity	

Figure 159

RECORDING CASH REGISTER SALES

There may be times (such as with a retail operation) when you will not want to record every individual sale in **QuickBooks Pro**. In cases such as this, you may want to record sales for each of the departments that you created for your cash register. To do this, you must set up new items to represent these departments. These items are non-inventory parts and, for this example, their names begin with the letters **CR** to show that they represent the cash register departments you have created on your cash register.

To create the individual items, click **Customers** on the **Navigation Bar** and then choose the **Items & Services** icon. This brings up the **Item List** screen. Click the **Item** button and then **New** to reveal the **New Item** window.

The first item that we will create is called **CR - Sales Tax**. Choose ***Sales Tax Item*** as the **Type**. Then **TAB** to the **Tax Name** field and enter ***CR - Sales Tax*** as the item name. Now **TAB** to the **Description** field and enter a description of ***Default CR Sales Tax*** and press **TAB**. Leave the **Rate** as ***0.0%*** and select ***TN Department of Revenue*** as the **Tax Agency**. When you finish, the screen should look like the one shown in *Figure 160*. If so, click **Next** to create another item.

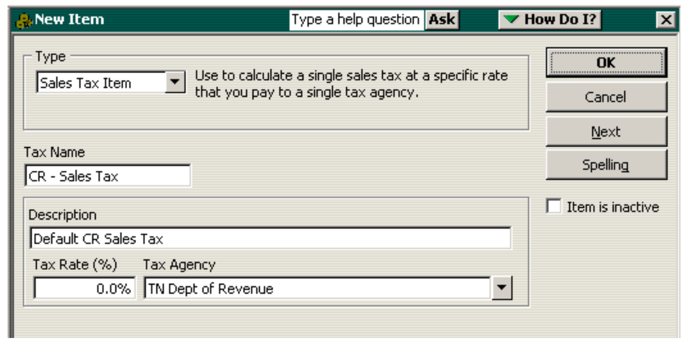


Figure 160

Now create an item called **CR - COMPUTERS - Tax**. Since we will not need to track inventory of these items, choose ***Non-inventory Part*** as the **Type**. Then **TAB** to the **Item Name/Number** field and enter ***CR - COMPUTERS - Tax*** as the item name. Now **TAB** to the **Description** field and enter a description of ***Taxable Computers Sold*** and press **TAB**. Leave the **Price** as ***0.00***, leave the **Tax Code** set as ***Tax*** and change the **Account** to ***Sales Income***. When you finish, the screen should look like the one shown in *Figure 161*. If so, click **Next** to create another item.

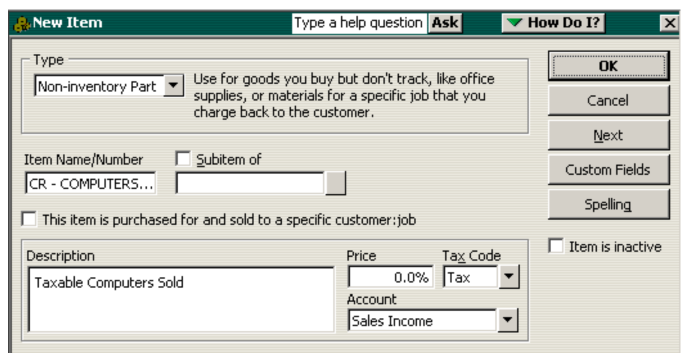


Figure 161

Now enter the following cash register items in the same manor.

Type: Non-Inventory Part	**Type:** Non-Inventory Part
Item Name/Number: CR - COMPUTERS - NonTax	**Item Name/Number:** CR - ACCESSORIES - Tax
Subitem of:	**Subitem of:**
Description: NonTaxable Computers Sold	**Description:** Taxable Accessories Sold
Price: $0.00	**Price:** $0.00
Tax Code: Non	**Tax Code:** Tax
Account: Sales Income	**Account:** Sales Income

Type: Non-Inventory Part **Item Name/Number:** CR - ACCESSORIES - NonTax **Subitem of:** **Description:** NonTaxable Accessories Sold **Price:** $0.00 **Tax Code:** Non **Account:** Sales Income	**Type:** Non-Inventory Part **Item Name/Number:** CR - COMPONENTS - Tax **Subitem of:** **Description:** Taxable Computer Components Sold **Price:** $0.00 **Tax Code:** Tax **Account:** Sales Income
Type: Non-Inventory Part **Item Name/Number:** CR - COMPONENTS - NonTax **Subitem of:** **Description:** NonTaxable Computer Components Sold **Price:** $0.00 **Tax Code:** Non **Account:** Sales Income	**Type:** Non-Inventory Part **Item Name/Number:** CR - SERVICE - Tax **Subitem of:** **Description:** Taxable Services **Price:** $0.00 **Tax Code:** Tax **Account:** Sales Income
Type: Non-Inventory Part **Item Name/Number:** CR - SERVICE - NonTax **Subitem of:** **Description:** NonTaxable Services **Price:** $0.00 **Tax Code:** Non **Account:** Sales Income	**Type:** Non-Inventory Part **Item Name/Number:** CR - MISC - Tax **Subitem of:** **Description:** Taxable Miscellaneous Items Sold **Price:** $0.00 **Tax Code:** Tax **Account:** Sales Income
Type: Non-Inventory Part **Item Name/Number:** CR - MISC - NonTax **Subitem of:** **Description:** NonTaxable Miscellaneous Items Sold **Price:** $0.00 **Tax Code:** Non **Account:** Sales Income	

Next, you will need to create an item and an accompanying expense account that will deal with any overages or shortages in your cash register. To create the expense account, click on **Chart of Accounts** in the **Company Navigator**. Now click **Account** and **New**. Enter ***Expense*** in the field beside **Type**, ***Overage/Shortage*** in the **Name** field and ***Sch C: Other business expenses*** as the **Tax Line**. When you finish, the screen should look like *Figure 162*. If so, click **OK** and close the **Chart of Accounts**.

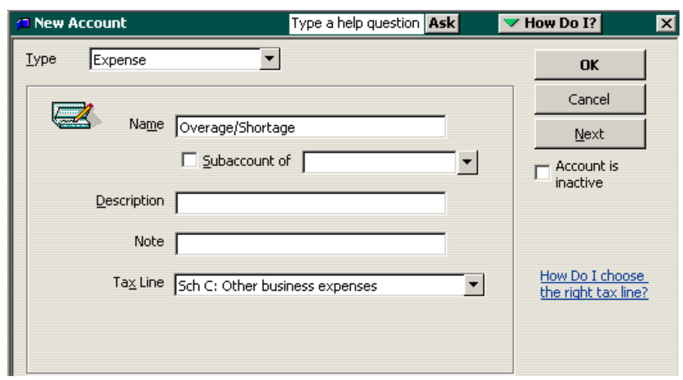


Figure 162

Now create an item called Overage/Shortage. Set the **Type** as ***Other Charge*** and enter ***Overage/Shortage*** as the **Item Name/Number**. Enter a description of ***Cash Register Overage/Shortage***, leave the default amount set as ***$0.00*** and change the **Tax Code** to ***Non***. Select ***Overage/Shortage*** as the expense **Account**. When you finish, the screen should resemble *Figure 163*. If so, click **OK** and then close the **Item List** window.

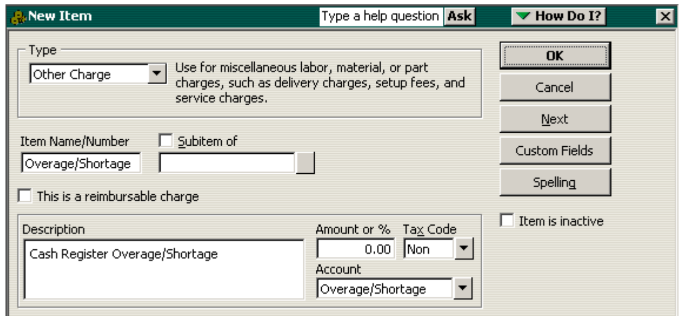


Figure 163

You are now ready to use your cash register tape to record sales by departments. At the end of the day on January 28, the cash register Z-tape provides the following information:

Department	Class	Number of Sales	Amount
Computers - Tax	Product Sales	3	$4,900.00
Computers - NonTax	Product Sales	2	$2,500.00
Accessories - Tax	Product Sales	10	$290.00
Accessories - NonTax	Product Sales	5	$155.00
Components - Tax	Product Sales	5	$2,020.00
Components - NonTax	Product Sales	3	$1,570.00
Service - Tax	Service & Repair	6	$150.00
Service - NonTax	Service & Repair	2	$50.00
Misc - Tax	Product Sales	10	$250.00
Misc - NonTax	Product Sales	5	$125.00
Sales Tax	Product Sales		$626.00

According to the Z-tape, you should have $12,636.00 to deposit. However, you only have $12,631.00 in the cash drawer because the cashier gave a customer $5.00 too much in change. In order to make the deposit enter the information from the Z-tape onto a Sales Receipt. To do this, click **Sales Receipts** in the **Customer Navigator**. After the **Enter Sales Receipts** window opens, enter ***Cash*** as the **Customer:Job**, change the **Date** to ***January 28***, uncheck the **To be printed** box and choose ***CR - Sales Tax*** as the **Tax** at the bottom. A **Sales Tax Codes** screen pops up saying you can use sales tax codes. Click **OK** to continue. In the first line of the form's detail area, enter the **Item Code** as ***CR - COMPUTERS - Tax,*** the **Class** as ***Product Sales***, the **Quantity** as ***3***, the **Amount** as ***$4,900.00*** and the **Tax** as ***Tax***. Note that **QuickBooks Pro** calculates the average sale in the **Rate** column. Now, enter the rest of the information from the Z-tape. Be sure to change the **Tax** to ***Non*** when a NonTax item is entered. After entering the Sales Tax, you will see a **Warning** screen that says changing the amount of a tax line item may cause your sales tax reports to be incorrect. Click **OK** and then add the ***Overage/Shortage*** of ***-$5.00*** as the last entry with a **Class** of ***Overhead***. When the **Warning** screen pops up asking if you would like to continue since the item is associated with an expense account, enter

OK. The **Enter Sales Receipts** window should look like *Figure 164***.** If so, click **Save & Close**. You could now pay the sales tax associated with these transactions in the same manor as before.

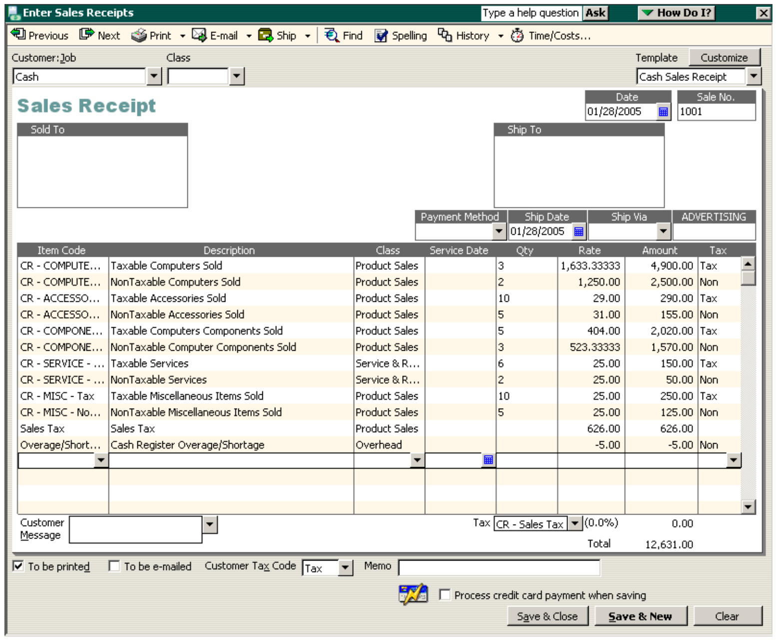


Figure 164

A message will appear saying, You have changed the Tax Item for Cash. Would you like to have this new information appear next time? (*Figure 165*). Click **No**.

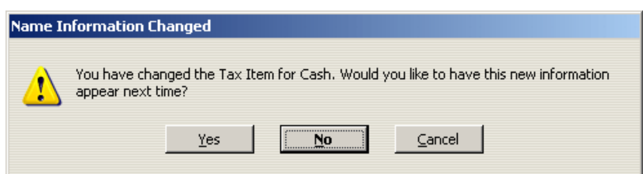


Figure 165

RETURNED CHECKS

On March 8, City Bank called us to report that the $3,525.64 check from Tri City Pumping was returned for insufficient funds.

To handle this bad check, we need to create an **Other Charge** item. Give this item an **Item Name/Number** of ***Bad Check***, a **Description** of ***Returned Check*** and set the **Account** as ***Checking***. Leave the **Amount or %** set as ***0.00*** and **Tax Code** set as **Non**. The **New Item** window for this item should look like *Figure 166*. If so, click **OK** and close the **Item List** window.

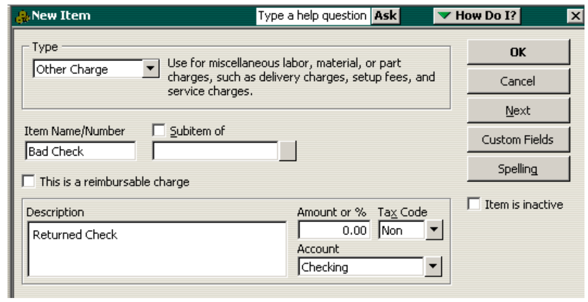
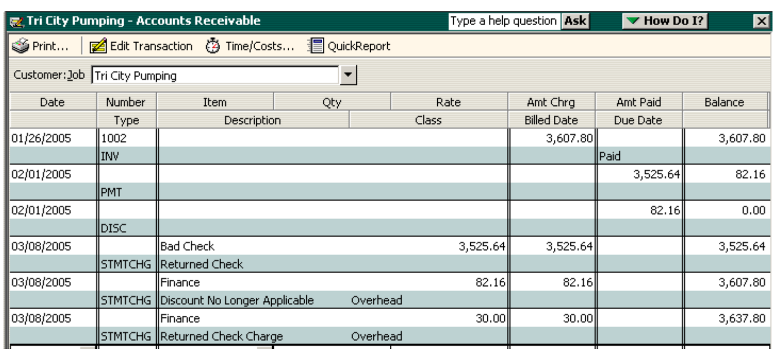


Figure 166

We now need to enter this **Bad Check** item in the customer's register for statement purposes. From the **Customers Navigator**, choose the **Customers** icon. Click on ***Tri City Pumping*** to highlight this customer, select the **Activities** button, and then choose **Use Register**. On the first available entry line of the **Tri City Pumping** customer register, enter the date that City Bank returned the check (***March 8***) and enter ***Bad Check*** as the **Item**. Enter ***$3,525.64*** as the **Rate** and then click **Record**.

On the next line of the register, leave the date as ***March 8*** and enter the ***Finance*** item with a **Rate** of ***$82.16*** and a **Description** of ***Discount No Longer Applicable***. Assign ***Overhead*** as the **Class** and click **Record**.

On the next line, again leave the date as ***March 8*** and enter the ***Finance*** item with a **Rate** of ***$30.00*** and a **Description** of ***Returned Check Charge*** to denote a returned-check handling fee. Set the **Class** as ***Overhead*** and then click **Record**. When you finish, the register should look like the one shown in *Figure 167*. If so, close this register and the **Customer: Job** list. You can now print a statement to mail to Tri City Pumping.



Date	Number / Type	Item / Description	Qty / Class	Rate	Amt Chrg / Billed Date	Amt Paid / Due Date	Balance
01/26/2005	1002 / INV				3,607.80	Paid	3,607.80
02/01/2005	PMT					3,525.64	82.16
02/01/2005	DISC					82.16	0.00
03/08/2005	STMTCHG	Bad Check / Returned Check		3,525.64	3,525.64		3,525.64
03/08/2005	STMTCHG	Finance / Discount No Longer Applicable	Overhead	82.16	82.16		3,607.80
03/08/2005	STMTCHG	Finance / Returned Check Charge	Overhead	30.00	30.00		3,637.80

Figure 167

WRITING OFF A BAD DEBT (NO SALES TAX APPLIED)

Unfortunately, we have to write off a bad debt all too often. This is the case with the $70.00 owed to us by Super Mart. We have decided that it is not worth the risk of making Super Mart mad at us and potentially losing a good customer.

There are several methods that you can use in **QuickBooks Pro** to write off a bad debt, but perhaps the simplest one is to use the **Receive Payments** screen (particularly when no sales tax has been applied to the transaction).

To use this method when writing off a debt, click on the **Customers** in the **Navigator Bar** to reveal the **Customers Navigator**. Then choose the **Receive Payments** icon. Enter ***Super Mart*** as the **Customer:Job** and change the **DATE** to the date on which you wish to write off the debt (***April 1***). Leave the **Amount** field set as ***0.00***. This screen should resemble the one shown in *Figure 168*.

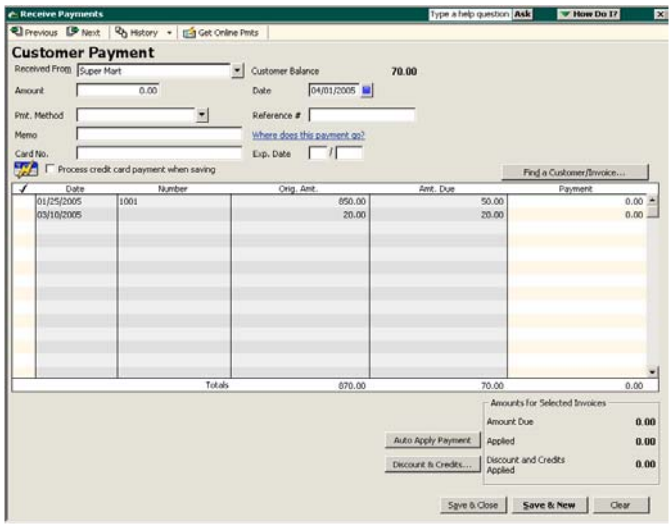


Figure 168

Now click in the **Payment** column of the first line that will not be paid (this is the line that contains the $50.00 balance from Invoice 1001 on January 25). Now click the **Discounts and Credits** button.

In the **Discount and Credits** window, enter the **Amount of Discount** as ***$50.00*** and set the **Discount Account** as ***Bad Debt Expense***. (This will be a new account, so you will have to create it. Use ***Sch C: Bad debts from sales/service*** as the **Tax Line**.) Choose **Overhead** as the **Discount Class.** This screen should now look like the one shown in *Figure 169*. If so, click **Done**. Repeat the same procedure for the line which contains the statement charge of $20.00. When you finish, the **Receive Payments** screen should look like the one shown in *Figure 170*. If so, click **Save & Close**.

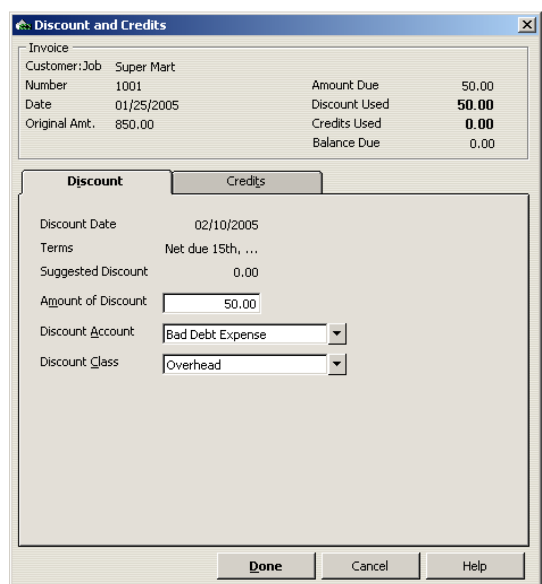


Figure 169

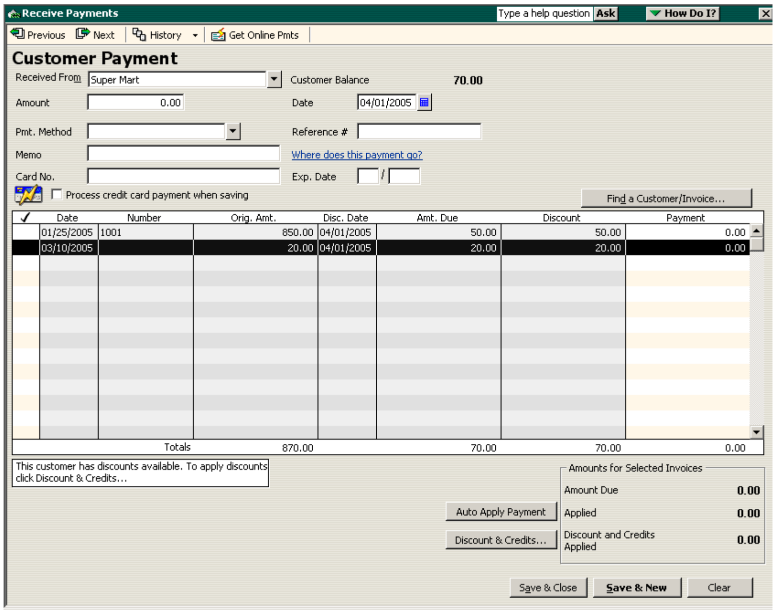

Receive Payments
Type a help question Ask
How Do I?
Previous Next History Get Online Pmts
Customer Payment
Received From Super Mart
Customer Balance 70.00
Amount 0.00
Date 04/01/2005
Pmt. Method
Reference #
Memo
Where does this payment go?
Card No.
Exp. Date
Process credit card payment when saving
Find a Customer/Invoice...
Date Number Orig. Amt. Disc. Date Amt. Due Discount Payment
01/25/2005 1001 850.00 04/01/2005 50.00 50.00 0.00
03/10/2005 20.00 04/01/2005 20.00 20.00 0.00
Totals 870.00 70.00 70.00 0.00
This customer has discounts available. To apply discounts click Discount & Credits...
Amounts for Selected Invoices
Amount Due 0.00
Applied 0.00
Discount and Credits Applied 0.00
Auto Apply Payment
Discount & Credits...
Save & Close
Save & New
Clear

Figure 170

WRITING OFF A BAD DEBT (WITH SALES TAX APPLIED)

The preceding method for writing off a bad debt is fine when there are no sales taxes applied to the transaction. But suppose we charged the customer sales tax (as we did with Tri City Pumping). On the surface, there seems to be no difference. After all, aren't you just writing off a total amount of dollars for the sale? The answer to this is yes *and* no. Since sales tax was applied to this transaction, we also want to reduce our sales tax burden to the Tennessee Department of Revenue.

To write off this bad debt accurately and reduce the sales tax liability that we owe to the Department of Revenue, we must first look at the transactions we have performed to the Tri City Pumping Customer. First, we sold them $3,760.00 worth of taxable merchandise and charged them sales tax of $347.80. They gave us a down payment of $500.00 (this check cleared the bank) which means that the outstanding balance of the invoice was $3,607.80. They then sent us a check for $3,525.64 which included a discount of $82.16. This check bounced, so we added the $3,525.64 back to their account, negated the $82.16 discount, and charged them $30.00 as a returned-check handling charge.

This means that the total debt owed to Tennessee Computers by Tri City Pumping is $3,637.80. If we simply write this amount off as in the previous section, we will not reduce our sales tax liability. Furthermore, if we simply take the total amount of the product sold ($3,760.00), reduce this amount by $500.00 (the amount of the down payment), and then reduce our sales-tax liability based on this amount, we will short-change ourselves because the $500.00 down payment did include some sales tax (it was taken off the total amount of the transaction, not off the amount of taxable merchandise sold). So what do we do?

The correct way to handle this problem is to divide the $500.00 down payment by the sales-tax rate plus one (1.0925). This gives us the amount of taxable merchandise that was paid for by the down payment ($457.67). The difference between the down payment and this number ($42.33) is the amount of sales tax that was included in the down payment. This means that we need to write off $3,298.11 of taxable merchandise ($3,760.00 minus $457.67), $305.47 of sales tax ($347.80 minus $42.33), and the $30.00 returned-check handling charge for a total of $3,637.80.

There is one other twist to this problem. We did not recover any of the items that we originally sold to Tri City Pumping. This presents a problem if we write off this bad debt in the manner that your **QuickBooks Pro** manual or help screens suggest. These recommend that you should list the items on a **Credit Memo** to write off the debt, but some of the items that we sold to Tri City Pumping were inventory items. If we listed these items on a Credit Memo, QuickBooks Pro would think that we recovered them from Tri City Pumping. Unfortunately, this is not the case. (This would not present a problem if all items were either non-inventory parts or service items.) There are at least two methods which you can use to handle this problem.

First of all, you can use the method explained in the **QuickBooks Pro** manual or help screen (the best option is the Credit Memo method rather than manipulating the original invoice) or you can use a combination of the two methods. This combination is the procedure we will use for this example.

To use this method, we need to create two new items. The first item will be an **Other Charge** item that will be used to write off the taxable sales. Use ***Bad Debt - Taxable*** as the **Item Name/Number**, enter ***Bad Debt Write Off - Taxable Items and Charges*** as the **Description**, leave the **Amount** field set as ***0.00***, set the **Tax Code** as ***Tax***, and enter ***Bad Debt Expense*** as the **Account**. The **New Item** screen should now look like *Figure 171*. If it does, click **Next** to enter the other item.

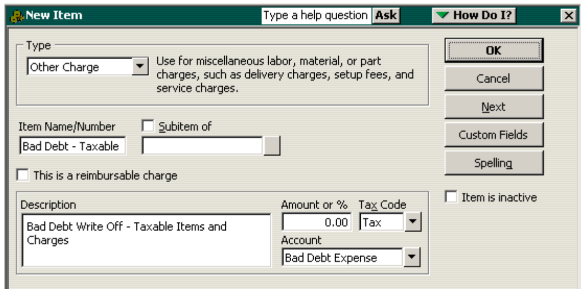


Figure 171

The other item that we will create and use is also an **Other Charge** item, but will be used to write off the non-taxable returned-check handling fee that we imposed on Tri City Pumping. (As explained in your QuickBooks Pro manual or help screens, you can use the Finance item here since this fee is not an inventory part. However, there may be times when you will need to write off inventory-part sales that are not taxable, so we will go through this procedure.) Enter ***Bad Debt - Non Taxable*** as the **Item Name/Number**, ***Bad Debt Write Off - Non Taxable Items and Charges*** as the **Description**, leave the **Amount** field set as ***0.00***,set the **Tax Code** as ***Non***, and enter ***Bad Debt Expense*** in the **Account** field. When you finish, click **OK** and close the **Item List** window.

Now click on the **Refunds and Credit** icon located in the **Customers Navigator** to reveal the **Create Credit Memo/Refunds** screen. Choose ***Tri City Pumping*** as the **Customer:Job** and **TAB** to the **Class** field. Since writing off a bad debt does not really have anything to do with product sales or service, choose ***Overhead*** as the class for the entire **Credit Memo**. Enter ***April 1*** as the **DATE** and **TAB** to the **ITEM** column of the **Credit Memo** detail area.

The first item that will we choose is ***Bad Debt - Taxable***. Set the **RATE** as ***$3,302.33*** and then **TAB** to the second line (note that **QuickBooks Pro** has calculated the decreased sales tax liability as **$305.47**, the amount suggested earlier). On the second entry line, use the drop-down arrow list to choose ***Bad Debt-NoTx*** and set the **RATE** as ***$30.00***. This window should now look like the one shown in *Figure 172*. If so, click **Save & Close** to write off the debt.

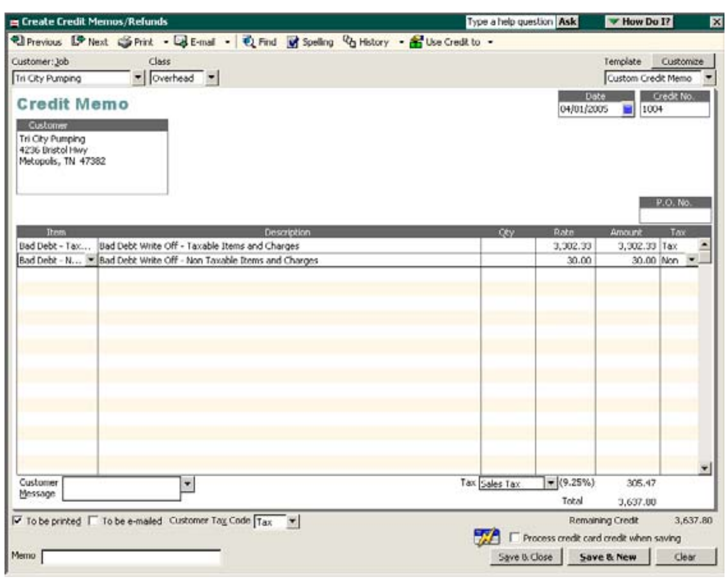


Figure 172

A question will be asked, **You have just saved a credit memo/refund with an available credit balance. What would you like to do with this credit?** Click **Retain as an available credit** and click **OK.**

Now let's see if this process really worked. First, click on the **Customers** icon to pull up the **Customer:Job List** window (*Figure 173*). Note that Tri City Pumping has a balance of **0.00**. Therefore, this part of the operation worked. Now close the **Customer:Job List** window.

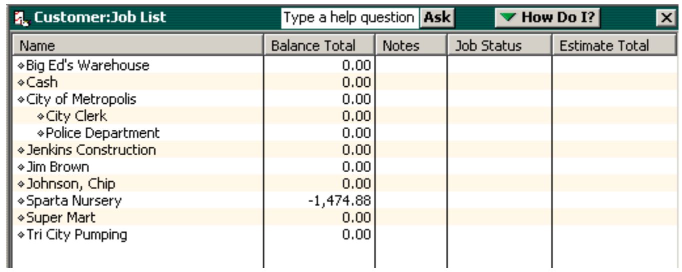


Figure 173

But what about the reduction in the sales tax liability owed to the Tennessee Department of Revenue? To determine the effect of this transaction on the **Sales Tax Payable** account, open the **Company Navigator** and choose the **Chart of Accounts** icon. Scroll down the window until you see the **Sales Tax Payable** account (*Figure 174*) and notice that it has a balance of **$195.65** The balance shows the credit was applied. Now close this window.

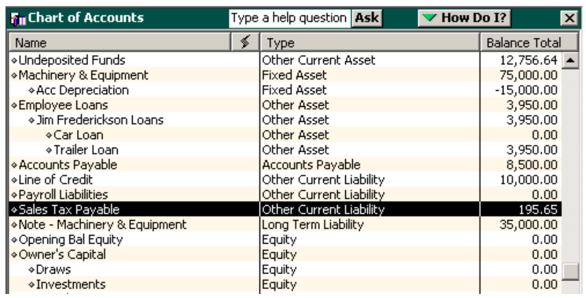


Figure 174

However, there is one more thing that we must do before we leave this topic. Choose **Reports**, **Customers & Receivables** and click on **Open Invoices** (*Figure 175*). Notice the detail for Tri City Pumping. Since we have written off this debt, there should be no activity listed for this customer. This demonstrates that not only do we have to write off the bad debt with a credit memo, we must also apply any outstanding credits that we create to the invoice.

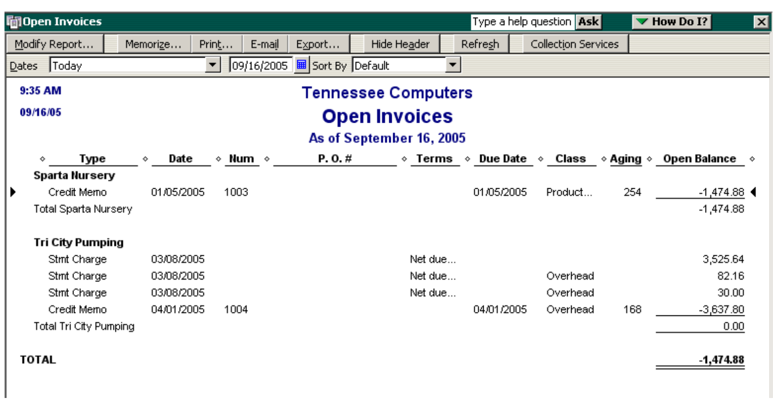


Figure 175

To do this, open the **Customer Navigator** and choose the **Receive Payments** icon. Using the drop-down arrow, choose ***Tri City Pumping*** as the **Customer:Job**. This screen should look like the one shown in *Figure 176*. Now click on the first line of the customer payment detail area and then choose the **Discounts and Credits** button to reveal the **Discount and Credits** window (*Figure 177*). This window tells you that this customer has a total credit amount of $3,637.80 and that $3,525.64 will be applied to the line that you chose in the **Customer Payments** screen. Now click **Done** to return to the **Receive Payments** window. Repeat this procedure for the other two changes. When you finish, the **Customer Payments** window should look like *Figure 178*. If so, click **Save & Close**.

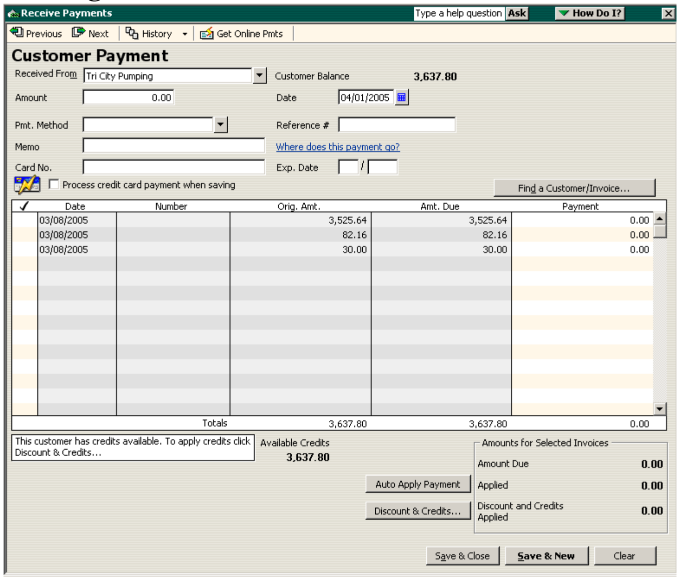


Figure 176

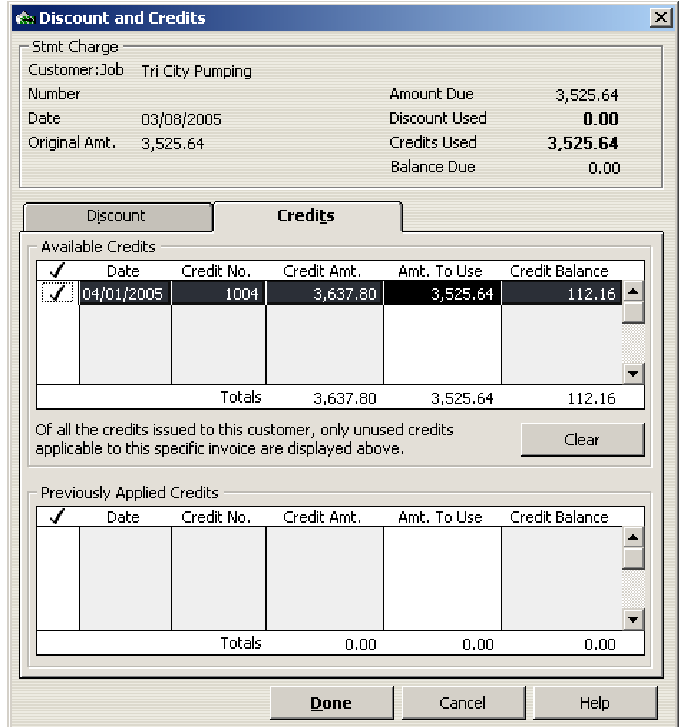


Figure 177

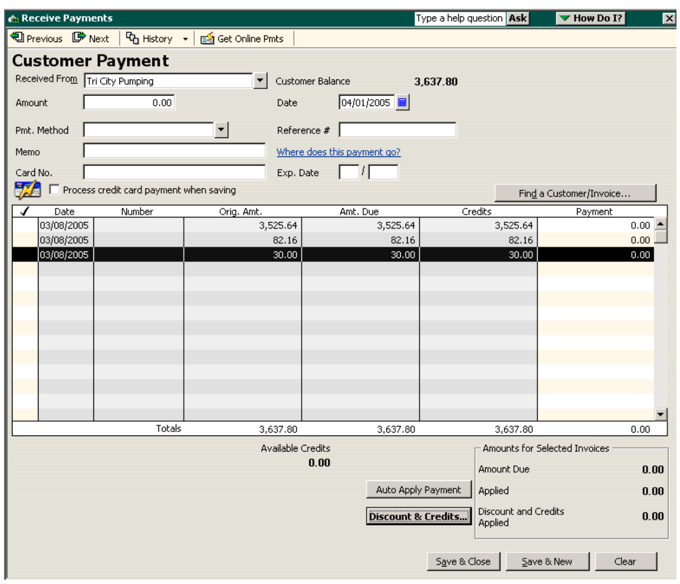


Figure 178

CREATING PROPOSALS AND INVOICES

Creating proposals (estimates) follows the same basic procedure as recording a sale through the use of an invoice or a sales receipt, except that the estimate form does not post to any account. Assume that the City of Metropolis wants a proposal for the following items on January 10 for the city clerk's office.

ITEM	QUANTITY
Pentium III 600	5
Pentium III 700	5
Memory	10
Keyboards	10

Open the **Customers Navigator** and then choose the **Estimates** icon. This brings up the **Create Estimates** screen. Choose ***Proposal*** as the **Template**. Enter ***City of Metropolis:City Clerk*** as the **Customer:Job**, set the **Date** as ***January 10***, set the **Proposal Number** as ***1000***, and enter ***Bid Process*** in the **ADVERTISING** field. Then enter the items and quantities as you would when filling out an invoice. When you finish, this screen should look like *Figure 179*. If so, click **Save & Close**.

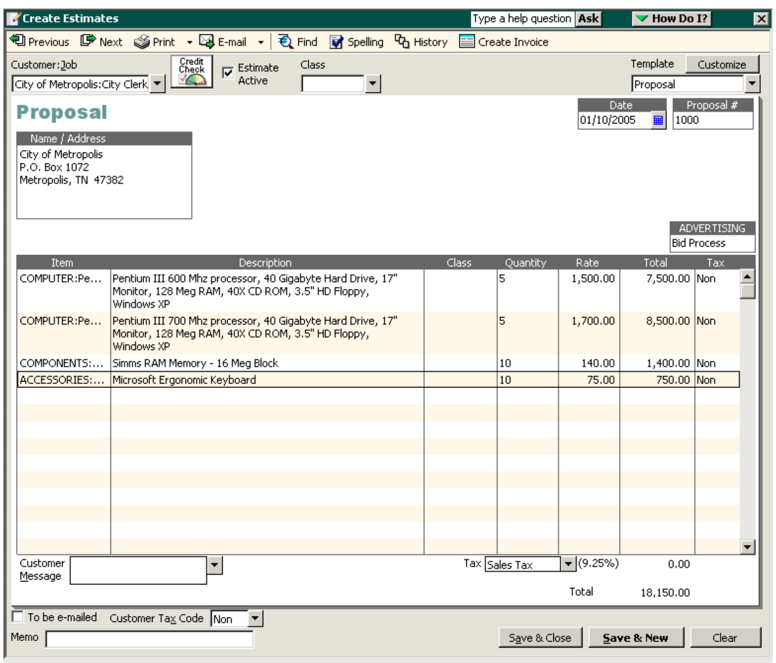


Figure 179

Now assume that the City of Metropolis accepts your bid with the prices and quantities as stated on January 20. You can now transform this **Proposal** into an **Invoice**. To do this, click the **Estimates** icon and use the **Previous** button to find the **City of Metropolis:City Clerk Proposal**. Then click the **Create Invoice** button. The proposal has now been copied onto an **Invoice** (*Figure 180*). You can change any information that you want to on this invoice (you will need to change the **Date** to ***January 20*** and the **INVOICE #** to ***1004***).

Click **Save & Close** to close this screen and record the invoice. When told another invoice or credit memo already has number 1004, click Keep Number (*Figure 181)*.

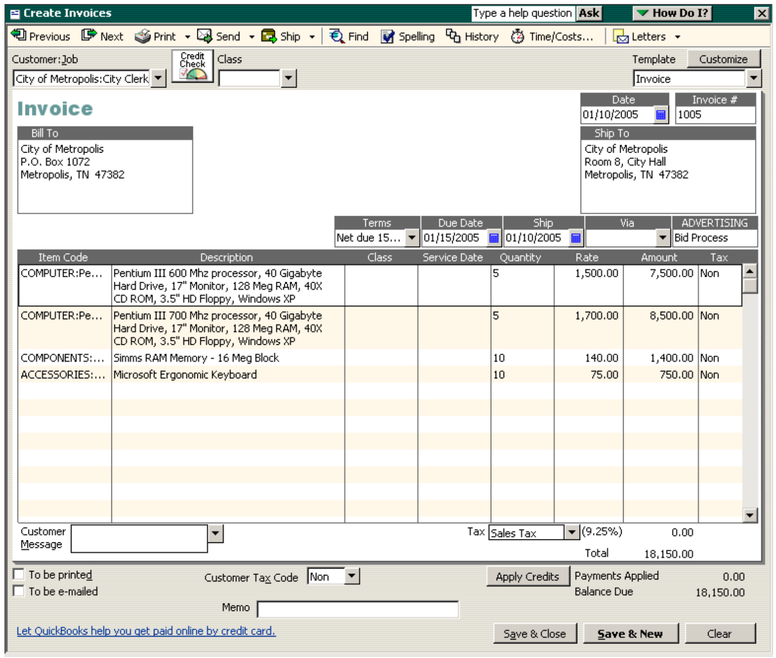


Figure 180

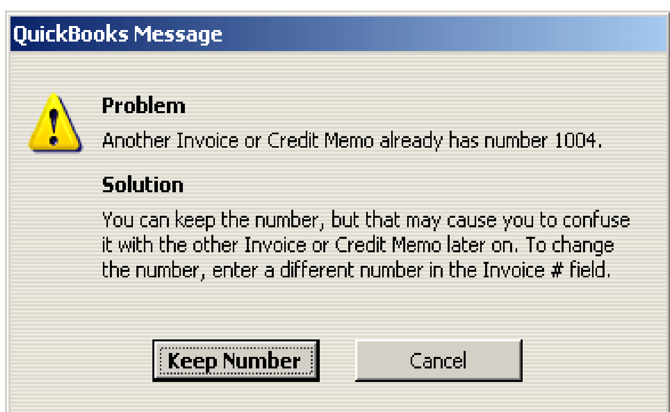


Figure 181

PURCHASING INPUTS ON ACCOUNT

Often we purchase our input on an “open” account. This section is about incurring these Accounts Payable liabilities and then paying them off.

Suppose we order merchandise from IBM on two separate occasions. On January 4, we purchase:

ITEM	QUANTITY	AMOUNT
Pentium III 600	3	$3,600.00
Pentium III 700	2	2,600.00
	Total	$6,200.00

The second time (February 10) we purchase:

ITEM	QUANTITY	AMOUNT
Pentium III 600	2	$2,400.00
Pentium III 700	3	3,900.00
	Total	$6,300.00

To record these transactions, choose the **Enter Bills** icon located in the **Vendor Navigator**. This brings up the **Enter Bills** window. Enter ***IBM*** in the **Vendor** field, set the **Date** as ***January 4***, and show the **Bill Due** date as ***February 15***. Then click on the **Items** tab of the detail area.

On the first line of the detail area, enter the first item (***Pent III 600***) **TAB** to the **Qty** column. Enter the proper quantity of this type of computer (***3***) and then **TAB** to the **Class** column. Enter ***Product Sales*** as the class. Repeat the same type of procedure for entering the **Pent III 700** computers. When you finish, this screen should look like *Figure 182*.

We also had a freight charge of $150.00 for these computers. To enter this charge, click on the **Expenses** tab of the bill detail area. Set the **Account** as ***Freight Expense***, the **Amount** as ***$150.00*** and the **Class** as ***Product Sales***. This bill window should now look like *Figure 183*. If so, click **Save and New** to enter the other bill.

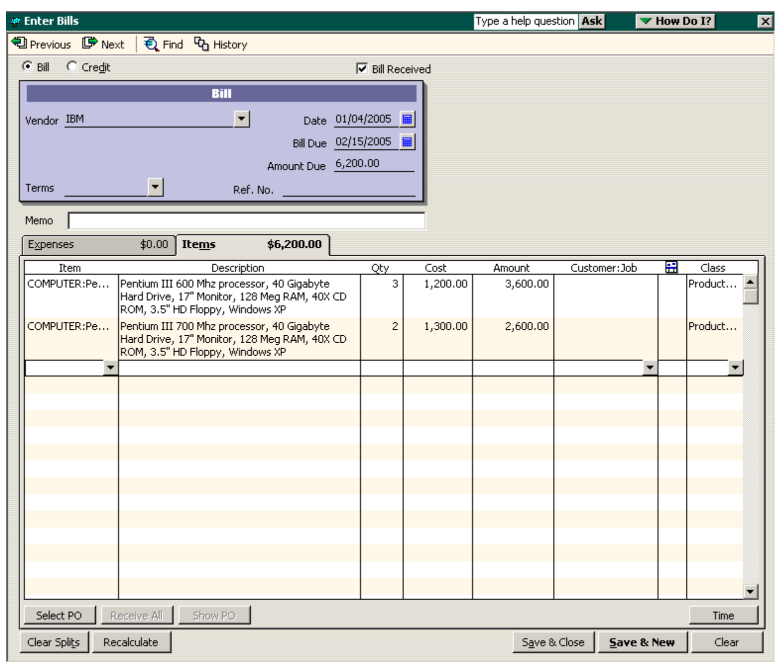


Figure 182

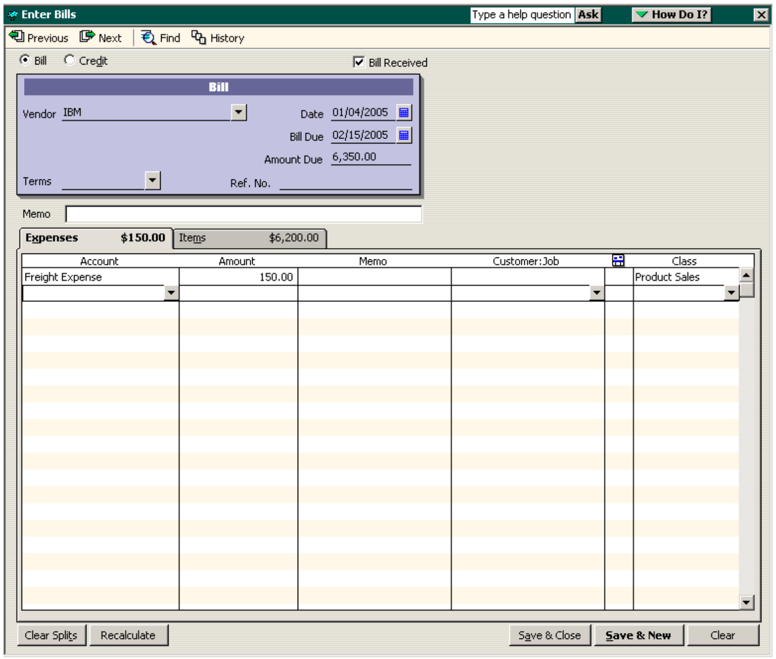


Figure 183

Now enter the February 10 purchase and set the **Due Date** as ***March 15***. There is a freight charge of $150.00 for this shipment. Once finished, click **Save and Close.**

VENDOR CREDITS

There are times when we have to return merchandise to a vendor. This is the case with the January 4 shipment we received from IBM. One of the Pentium III Computers was defective and we must return it. IBM will give us a credit for the cost of the machine ($1,200.00) and a credit for its shipping cost ($30.00).

To record this transaction, choose the **Enter Bills** icon located in the **Vendor Navigator**. Choose the **Credit** radio button, enter ***IBM*** in the **Vendor** field, and set the **Date** as ***January 6***. Then click on the **Items** tab of the detail area.

On the first line of the detail area, enter ***Pent III 600*** as the **Item**, ***1*** as the **Qty**, and ***Product Sales*** as the **Class**. This screen should now look like *Figure 184*.

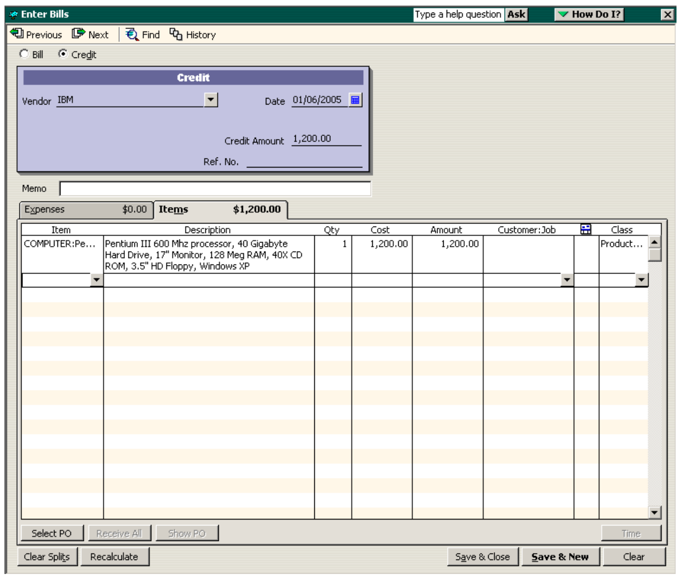


Figure 184

Now choose the **Expenses** tab. To enter a credit for the freight charge associated with this computer, choose ***Freight Expense*** as the **Account**, enter ***30.00*** as the **Amount**, and ***Product Sales*** as the **Class**. When you finish, this window should look like *Figure 185*. If so, click **Save & Close**.

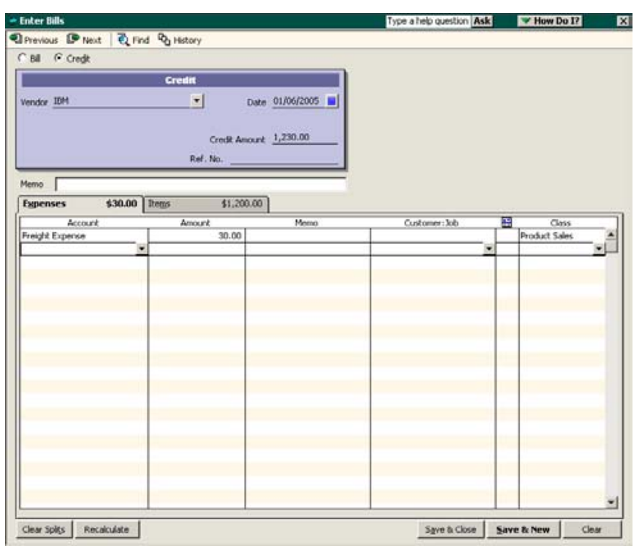


Figure 185

PAYING BILLS

The statement arrived February 5 for both the purchase we made from IBM in January *and* the amount that we entered as the balance we owed to IBM when we converted our record-keeping system to **QuickBooks Pro**. To pay these charges, click on the **Pay Bills** icon located in the **Vendors Navigator**. Set the **Show bills due on or before** as ***February 15*** and **Payment Date** as ***February 10***. Use the ***Checking*** account as the payment account. Remember that we have a credit on the $6,350.00 bill. To apply this credit, click on this bill in the detail area of the **Pay Bills** window. This screen should resemble *Figure 186*.

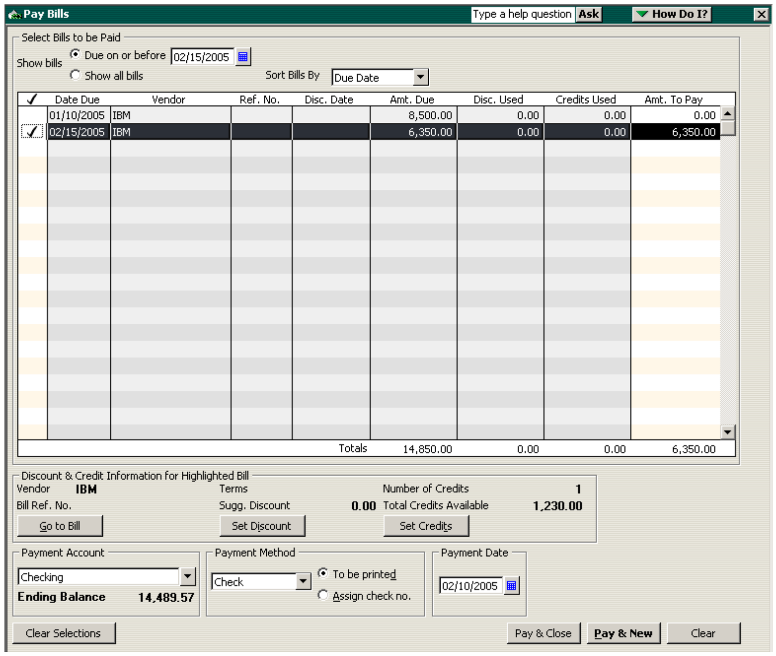


Figure 186

In the **Discount and Credit Information for Highlighted Bill** area, you can see that the **Number of Credits** for this vendor is ***1*** and that the balance of the **Total Credits Available** is $1,230.00 (the amount of the credit we just entered). To apply this credit (it is very important that you have the proper bill selected before applying any credits), click in the left column of the bill for which the credit is to be applied. Then click the **Set Credits** button. The **Discount and Credits** window appears (*Figure 187*) and shows that the original amount of the bill was $6,350.00, the amount of the credit is $1,230.00, and the amount that you will owe on the bill after the credit is applied is $5,120.00. Now click **Done**.

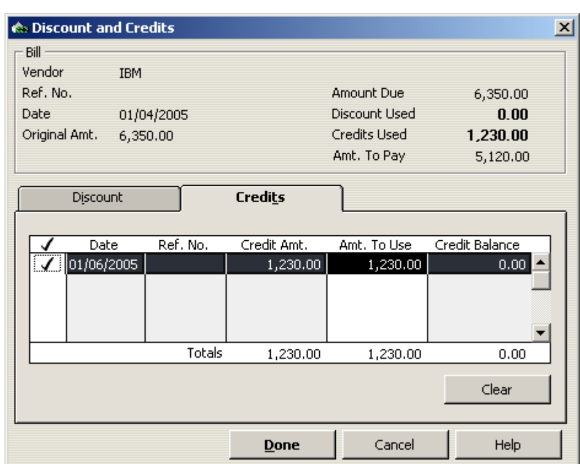


Figure 187

This takes you back to the **Pay Bills** window. You can now check the other bill that we need to pay to this vendor (the opening balance bill for $8,500.00). This screen should now look like the one shown in *Figure 188*. Make sure **Assign check number** is clicked in the **Payment Method** box. If so, click **Pay & Close**.

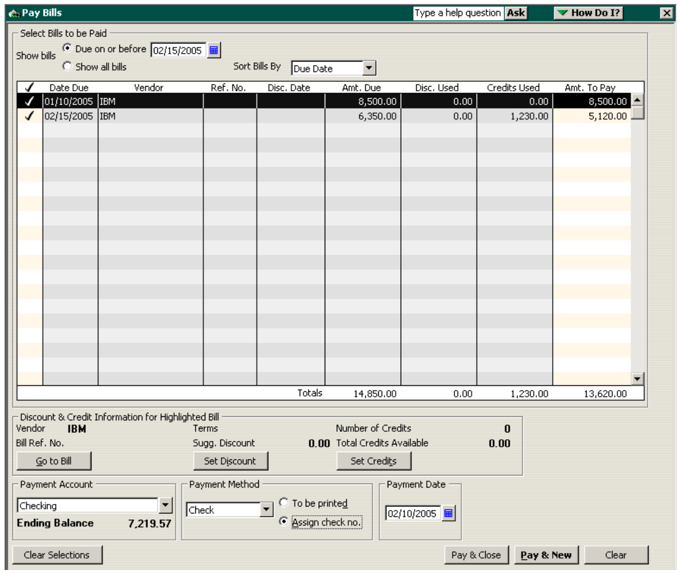


Figure 188

A message will appear for you to select how check numbers are assigned. Click **Automatically assign based on next check number for this bank account** (*Figure 189*).

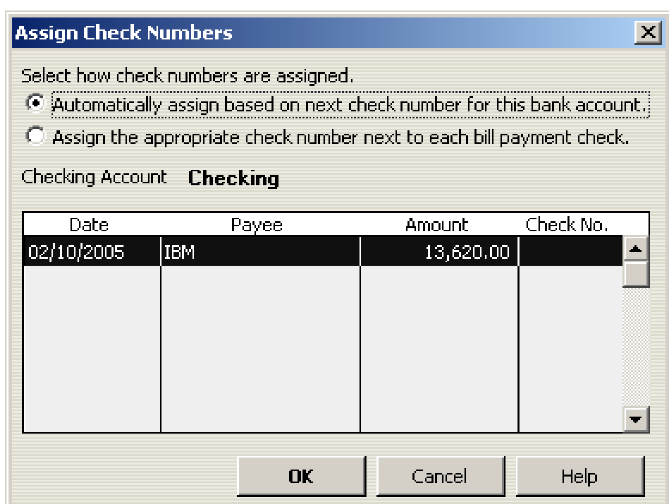


Figure 189

PURCHASING INPUTS WITH A CHECK

We will want to write a check for input at the time of their purchase. This usually includes purchasing supplies or paying utility bills. Assume that we need to purchase some office supplies from Office Super Store. The amount of this purchase will be $175.00 and the class will be ***Overhead***.

To record this transaction, open the **Banking Navigator** and choose the **Checks** icon. Choose ***Checking*** as the **Bank Account** and set the **Date** as ***February 10***. Use the drop-down arrow list in the **Pay to the Order of** field to choose ***Office Super Store*** and **TAB** to the **Expenses** detail area. Use ***Office Supplies*** as the **Account**, enter ***$175.00*** in the **Amount** column, and choose ***Overhead*** as the **Class**. When you finish, your check should look like *Figure 190*. If so, click **Save & Close**.

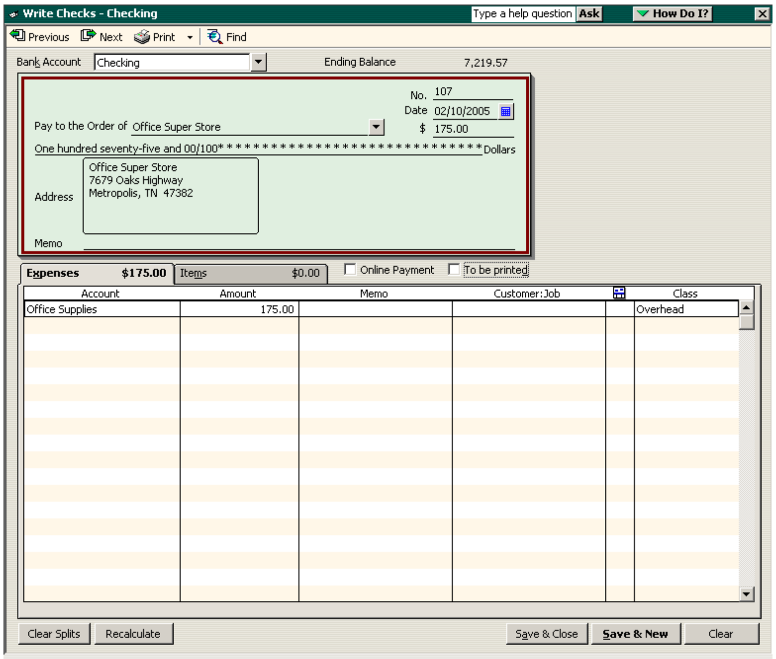


Figure 190

PAYING ON A LOAN

Paying on a loan in **QuickBooks Pro** is as simple as writing a check. Assume that on February 15, you make a payment of $1,000.00 to the City Bank for the Mach & Equipment Note. Also assume that $877.42 is a principal payment that debits the Note - Mach & Equipment account and $122.58 is an interest payment that is recorded in the Interest - Non Mortgage expense account. The interest expense will be classified as Service & Repair.

To record this transaction, click on the **Checks** icon located in the **Banking Navigator**. Use the ***Money Market*** bank account. When you finish, your check should look like *Figure 191*. If so, click **Save & Close**.

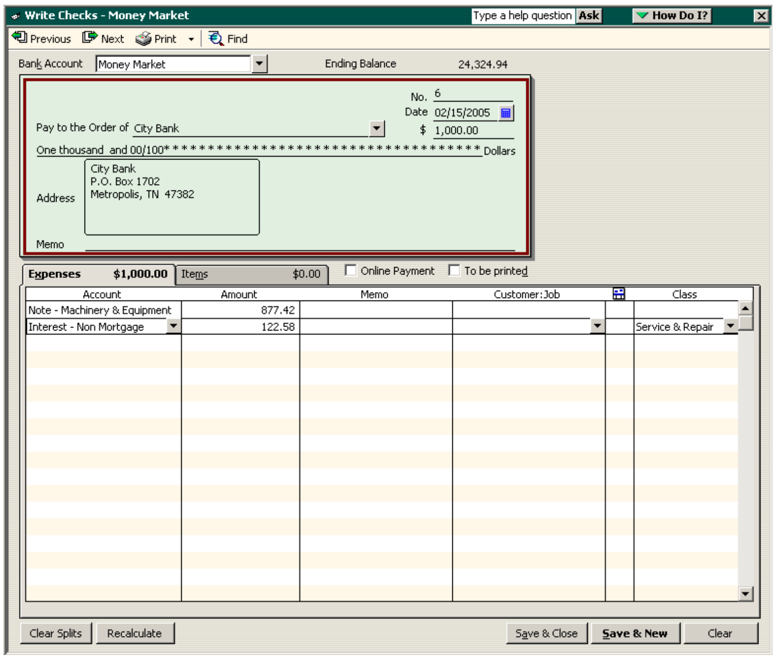


Figure 191

OWNER'S DRAW

There are times when you will want to withdraw money from the business for your own use. To record a draw of $500, click on the **Checks** icon in the **Checking and Credit Cards** tab of the **QuickBooks Navigator**. Make the check out to yourself (you will need to **Quick Add** your name as an **Other** type name) and choose ***Owner's Capital: Draws*** as the account you will use to record this withdrawal. Let the **Bank Account** be ***Checking*** and set the **Date** as ***January 15***. The completed **Write Checks - Checking** screen should look like *Figure 192*. If so, click **Save & Close**.

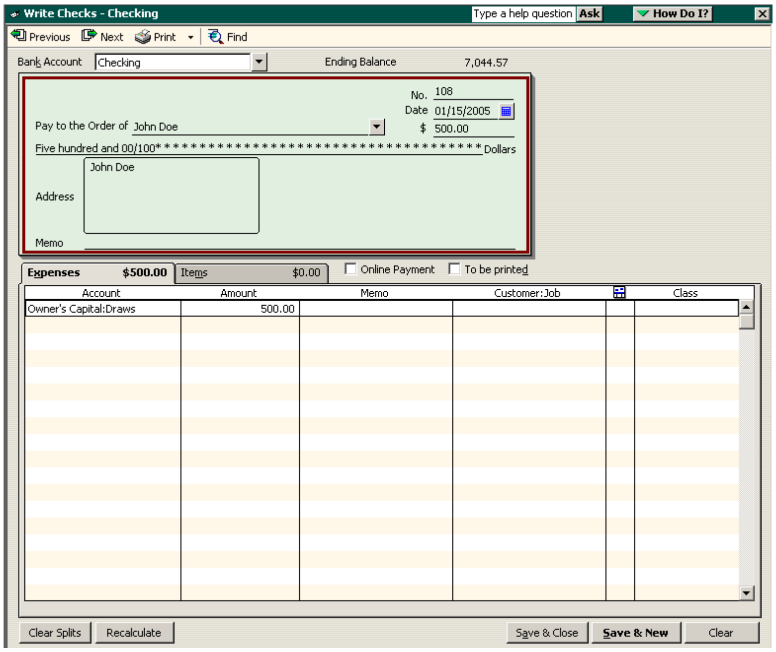


Figure 192

RECORDING DEPRECIATION

On March 31 (the end of the first quarter), you record depreciation that has accumulated through the first quarter on your machinery and equipment. To do this, open the **Company Navigator**, choose the **Chart of Accounts** icon, and highlight the ***Mach & Equipment:Acc Depreciation*** account. Then click on the **Activities** button and choose **Use Register**. This brings up the **Mach & Equipment:Acc Depreciation** account register. On the first available entry line, set the **Date** as ***March 31*** and **TAB** to the **Decrease** column. Enter ***$5,000.00*** in this column and then **TAB** to the **Account** field. Using the drop down arrow list, choose ***Depreciation Expense*** as the **Account**. This screen should now look like *Figure 193*. If so, click **Record** and close the **Mach & Equipment:Acc Depreciation** account register.

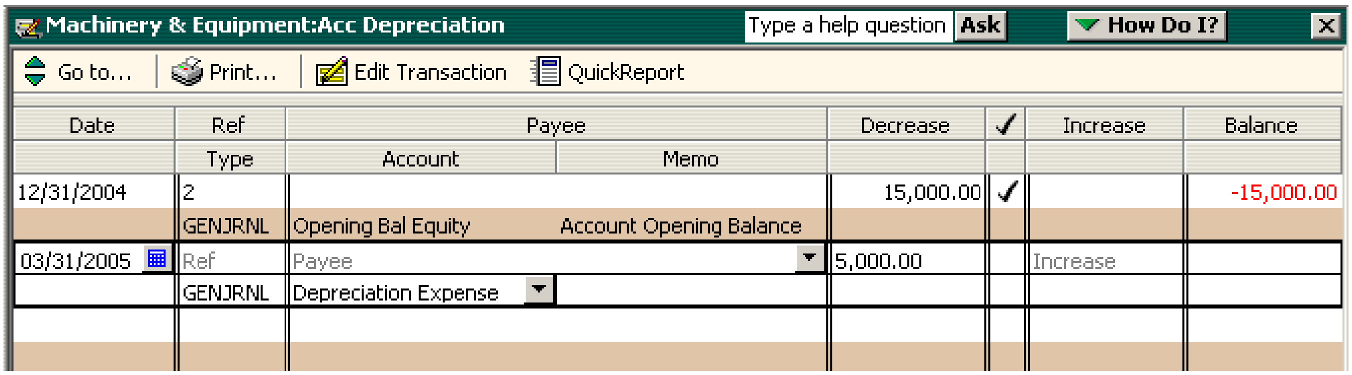


Figure 193

To see what the effect of this transaction has been, highlight the ***Mach & Equipment*** asset account and then click on the **Activities** button and choose **Use Register**. This brings up the **Mach & Equipment** account register (*Figure 194*). Before this transaction, the value of **Mach & Equipment** was **$75,000**. After the transaction, this account's value is **$70,000**. Now close the register and the **Chart of Accounts** window.

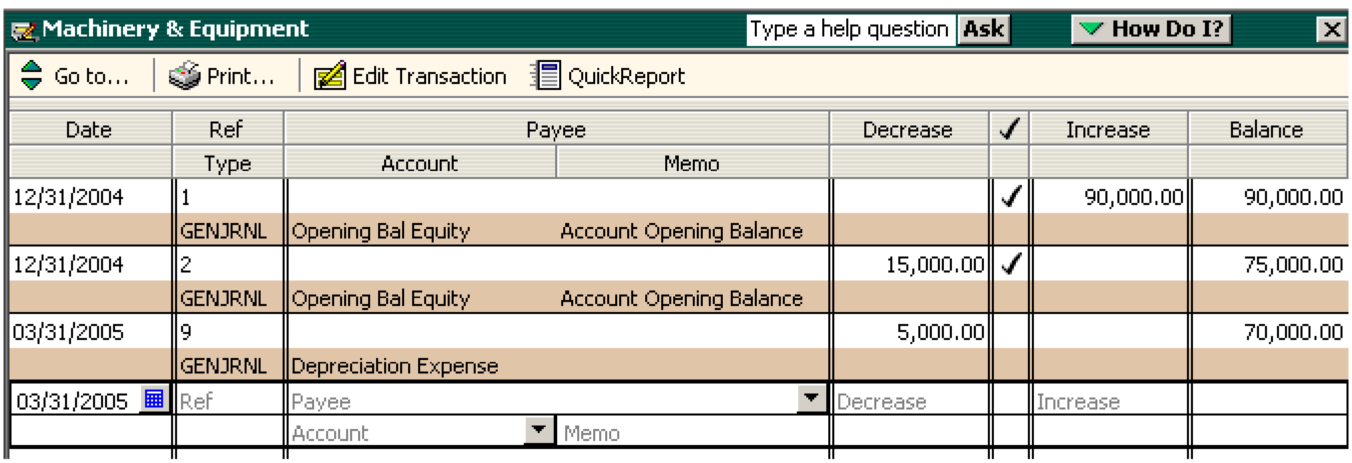


Figure 194

One problem with entering depreciation in this way is that the transaction cannot be classed. For example, if this entry was classed, you would probably assign the depreciation to the **Overhead** class. However, since we were working from a balance sheet account register, **QuickBooks Pro** will record this transaction as "**Unclassified**," meaning that no class was assigned.

There is a method for recording depreciation that does allow you to assign a class to the expense portion of the transaction. This method involves using a **General Journal Entry**. While it is beyond the scope of this workbook, information on using this method can be found in your **QuickBooks Pro** manual.

Reconciling a Bank Statement

On April 4, you receive the following activity statement that has taken place in your checking account during the first quarter of the year.

Opening Balance	13,000.00
Ending Balance	8,111.07
Service Charges	25.00
Deposits	14,548.14

Withdrawals

Check #100	393.10
Check #101	390.25
Check #102	293.46
Check #103	215.26
Check #104	299.36
Check #106	13,620.00
Returned Check	3,525.64
Check #107	175.00
Check #108	500.00

To reconcile this bank statement, click the **Reconcile** icon in the **Banking Navigator**. This brings up the **Reconcile** window. Set the **Account to Reconcile** as ***Checking*** and fill in the **Ending Balance** data. Set the date for the checking account service charge as ***March 31***, enter ***Bank Charges*** as the **Account**, and **Overhead** as the **Class**. This screen should look like the one shown in *Figure 195*. If so, click **Continue**.

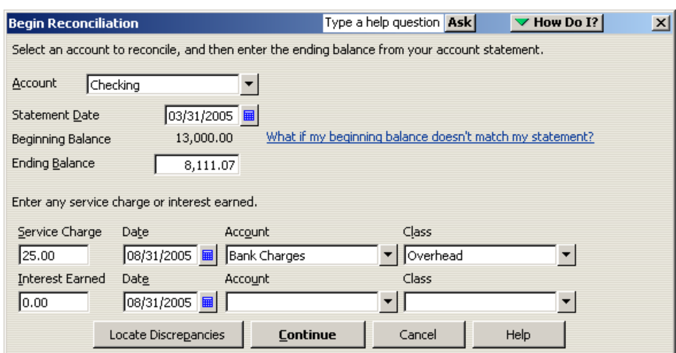


Figure 195

You will now see the **Reconcile - Checking** window. Check the appropriate deposits and withdrawals. Before you are finished, you must make sure that the difference between the **Ending Balance** that you entered and the **Cleared Balance** that **QuickBooks Pro** has calculated is zero. If this difference is not zero, then you have not balanced your checking account. Go back and make sure that all the items that you have selected to be reconciled should be selected. Also check for number amounts very carefully, particularly if you are handwriting checks and just using **QuickBooks Pro** to maintain your register. If all else fails, contact your local bank and find out if it has made a mistake in your account. When you finish, this screen should look like *Figure 196*. If so, click **Reconcile Now**.

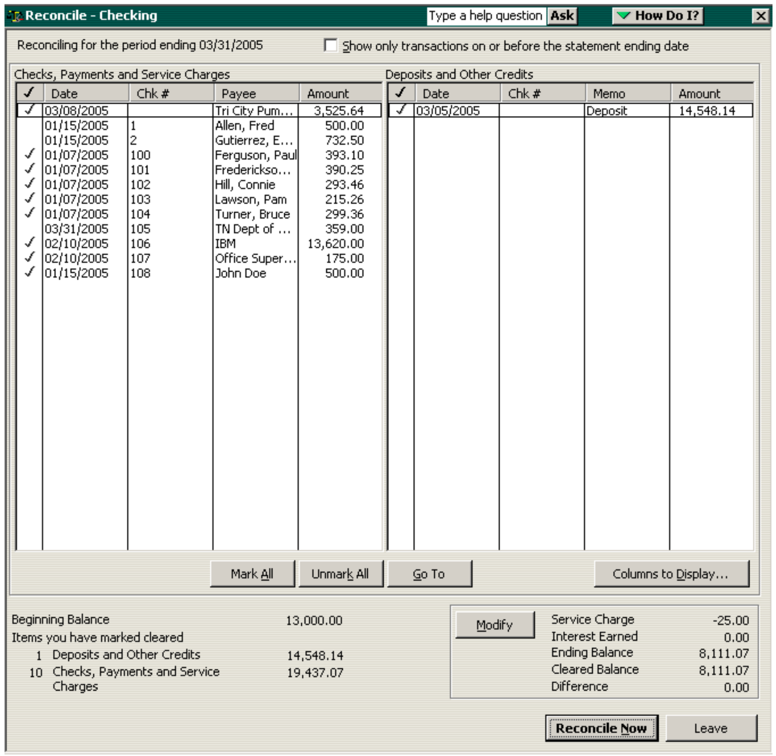

Reconcile - Checking
Type a help question
Ask
How Do I?
Reconciling for the period ending 03/31/2005
Show only transactions on or before the statement ending date
Checks, Payments and Service Charges
✓ Date Chk # Payee Amount
✓ 03/08/2005 Tri City Pum... 3,525.64
01/15/2005 1 Allen, Fred 500.00
01/15/2005 2 Gutierrez, E... 732.50
✓ 01/07/2005 100 Ferguson, Paul 393.10
✓ 01/07/2005 101 Fredericksо... 390.25
✓ 01/07/2005 102 Hill, Connie 293.46
✓ 01/07/2005 103 Lawson, Pam 215.26
✓ 01/07/2005 104 Turner, Bruce 299.36
03/31/2005 105 TN Dept of ... 359.00
✓ 02/10/2005 106 IBM 13,620.00
✓ 02/10/2005 107 Office Super... 175.00
✓ 01/15/2005 108 John Doe 500.00
Deposits and Other Credits
✓ Date Chk # Memo Amount
✓ 03/05/2005 Deposit 14,548.14
Mark All
Unmark All
Go To
Columns to Display...
Beginning Balance 13,000.00
Items you have marked cleared
1 Deposits and Other Credits 14,548.14
10 Checks, Payments and Service Charges 19,437.07
Modify
Service Charge -25.00
Interest Earned 0.00
Ending Balance 8,111.07
Cleared Balance 8,111.07
Difference 0.00
Reconcile Now
Leave

Figure 196

REPORTS

A record keeping system that allows you to enter and maintain information is of little use unless it also allows you to generate a summary of information in the form that you need. This type of summary is often useful for understanding the profitability of the business, making decisions for the future concerning product lines or credit terms, and filing income taxes. **QuickBooks Pro** allows for the information entered in the software to be summarized and analyzed in a number of different ways. These reports of the data demonstrate where the computerized function of record-keeping can be very beneficial. An entire year's worth of income, expenses, sales, accounts receivable and payable, etc., can be summarized in a matter of minutes.

Sometimes it seems that generating the appropriate report from **QuickBooks Pro** is next to impossible. However, there are two facets of report generation that are most commonly at fault when you can't seem to summarize the data in the manner you wish.

The most common mistake made when generating a report is setting incorrect report dates. Since QuickBooks Pro is completely date driven, the wrong report dates will either yield the wrong data or no data at all.

Another common error occurs when you are *filtering* a report. The filtering feature allows you to set parameters regarding the information that you want to include in a report. For example, the last report in this workbook involves determining the total amount of state unemployment tax contributions accrued by the company in a specified time period. Since the state unemployment tax contributions are the only pieces of information that we want in the report, we will filter out all payroll items except the one dealing with this tax. This will be covered in much greater detail when we create this report, but it is easy to see how the filters can affect the information provided in a customized or altered report.

QuickBooks Pro (as do most computerized financial record-keeping systems) allows for numerous types of reports to be generated. We have included examples of some common reports that you may use from the software. You may not have a need for all the reports shown, but you will probably need more specialized reports than the ones we have demonstrated. To help you create your own specialized reports, we have included a description of the type of information presented by each report or group of reports and the steps taken to generate the report in **QuickBooks Pro**.

REPORT TYPE **PAGE**

THE RECONCILIATION REPORT

The **Reconciliation Report** can be printed at the end of the bank statement reconciliation and is one of the most useful reports contained in **QuickBooks Pro**. This report lists of all the credits and debits to your bank account that have and have not cleared the bank. If all transactions have been entered properly, this report will mirror your bank statement. To obtain this report, select **Reports** from the top menu. Then choose **Banking** and **Previous Reconciliation.** In the **Select Reconciliation Report** screen, click on **Checking** and choose **Display**. This report is shown on the next page.

10:23 AM

09/16/05

Tennessee Computers

Reconciliation Detail

Checking, Period Ending 03/31/2005

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						13,000.00
Cleared Transactions						
Checks and Payments - 10 items						
Paycheck	1/7/2005	101	Frederickson, Jim	X	-390.25	-390.25
Paycheck	1/7/2005	102	Hill, Connie	X	-293.46	-683.71
Paycheck	1/7/2005	104	Turner, Bruce	X	-299.36	-983.07
Paycheck	1/7/2005	103	Lawson, Pam	X	-215.26	-1,198.33
Paycheck	1/7/2005	100	Ferguson, Paul	X	-393.10	-1,591.43
Check	1/15/2005	108	John Doe	X	-500.00	-2,091.43
Check	2/10/2005	107	Office Super Store	X	-175.00	-2,266.43
Bill Pmt -Check	2/10/2005	106	IBM	X	-13,620.00	-15,886.43
Stmt Charge	3/8/2005		Tri City Pumping	X	-3,525.64	-19,412.07
Check	8/31/2005			X	-25.00	-19,437.07
Total Checks and Payments					-19,437.07	-19,437.07
Deposits and Credits - 1 item						
Deposit	3/5/2005			X	14,548.14	14,548.14
Total Deposits and Credits					14,548.14	14,548.14
Total Cleared Transactions					-4,888.93	-4,888.93
Cleared Balance					-4,888.93	8,111.07
Uncleared Transactions						
Checks and Payments - 3 items						
Check	1/15/2005	1	Allen, Fred		-500.00	-500.00
Check	1/15/2005	2	Gutierrez, Eduardo		-732.50	-1,232.50
Sales Tax Payment	3/31/2005	105	TN Dept of Revenue		-359.00	-1,591.50
Total Checks and Payments					-1,591.50	-1,591.50
Total Uncleared Transactions					-1,591.50	-1,591.50
Register Balance as of 03/31/2005					-6,480.43	6,519.57
Ending Balance					**-6,480.43**	**6,519.57**

The Profit & Loss Reports

The **Profit and Loss Statement** is a summary of the revenues (receipts or income) and expenses (costs) of a business over a specified period of time. Its primary function is to help you determine whether some aspect of your business is profitable over a specified time period. The aspect that you examine could be the entire operation, the jobs undertaken by the business, the business's divisions or classes, the income received from customers or the expenses paid to vendors. You can also create reports that compare the current time period's operations with those of the same time period in a previous year or with the year-to-date profitability. Finally, **QuickBooks Pro** allows you the option of creating the reports or either a cash or accrual accounting system basis.[1]

Four profit and loss statements appear in this example. They show a summary of the income and expense related transactions for the company both as a whole and by company divisions (classes) on a cash and an accrual basis.

To create these reports, choose **Reports** from the top menu bar and then click on **Company & Financial**. You will then see the various default report formats as shown in *Figure 198*. Choose **Profit & Loss Standard** to see the Profit and Loss report as shown in *Figure 199*.

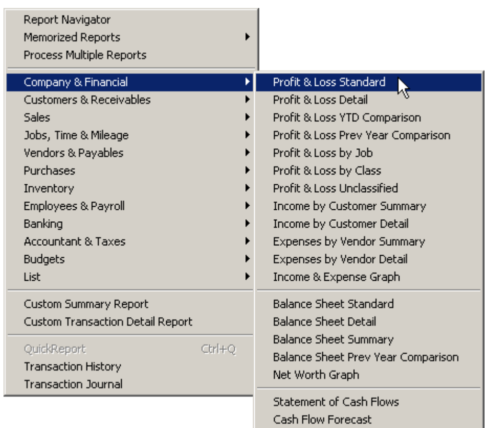


Figure 198

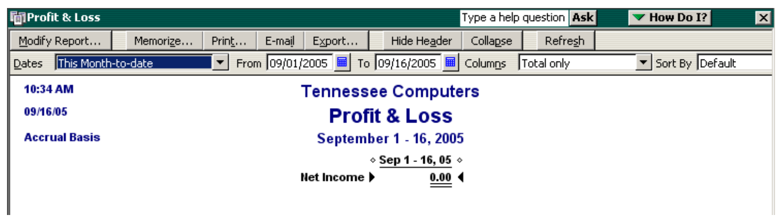


Figure 199

Since we want to see a report that covers the entire calendar year's worth of transactions, change the **From** and **To** fields to ***January 1*** and ***December 31*** respectively. Now click the **Modify Report...** button to see the **Modify Report: Profit & Loss** screen as shown in *Figure 200*. This screen sets the viewing preferences for the report. The **Report Basis** can be set either to **Accrual** or **Cash** by simply choosing the appropriate option. Also, by clicking on the drop-down arrow beside the **Display columns by** field, you can quite easily alter the layout of the report. For example, if you want to see a **Profit and Loss Statement** for the

---

[1]Cash basis verses accrual basis are two different types of accounting systems. In a cash basis accounting system, revenue is reflected when cash is actually received during the year, regardless of when the sale was made or when the goods were produced. Likewise, operating expenses are recorded at the time they were paid, with no reference as to when they are incurred. When using an accrual method of accounting, revenue is shown when the products are produced or when the service is sold, regardless of when the cash is actually received. Business expenses in an accrual accounting system are reflected when the expense is incurred, regardless of when payment has been sent to the vendor.

company as a whole, choose ***Total Only***. Likewise, if you want to see this a **Profit and Loss Statement** for each of the company's profit centers, choose ***Class***. As you can see, you have many other options regarding the layout of this report. Pages 110 through 114 provide four different **Profit and Loss Statements** based upon the data we have entered in our example.

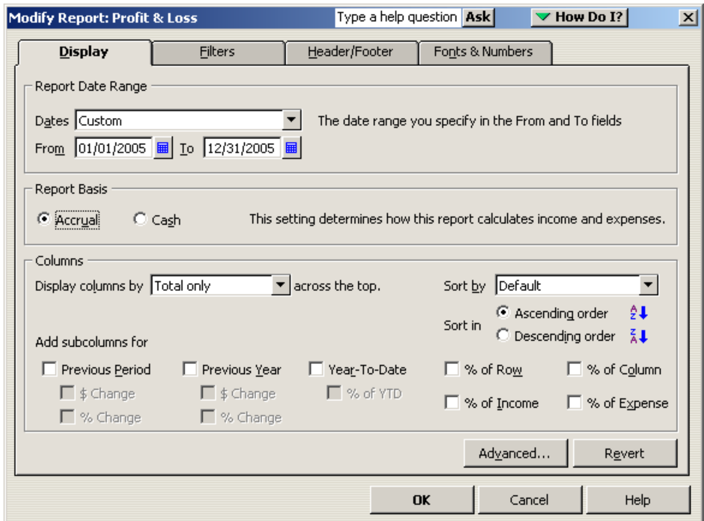


Figure 200

10:37 AM

09/16/05

Accrual Basis

Tennessee Computers
Profit & Loss
January through December 2005

	Jan - Dec 05
Ordinary Income/Expense	
Income	
Sales Income	37,847.50
Total Income	37,847.50
Cost of Goods Sold	
Cost of Goods Sold	18,100.00
Total COGS	18,100.00
Gross Profit	19,747.50
Expense	
Bad Debt Expense	3,402.33
Bank Charges	25.00
Contract Labor	
Installation Labor	0.00
Service & Repair Labor	232.50
Total Contract Labor	232.50
Depreciation Expense	5,000.00
Discount Expense	82.16
Employee Benefits	50.15
Freight Expense	270.00
Interest - Non Mortgage	122.58
Office Supplies	175.00
Overage/Shortage	5.00
Payroll Expenses	2,366.34
Rent Expense	500.00
Total Expense	12,231.06
Net Ordinary Income	7,516.44
Other Income/Expense	
Other Income	
Finance Charge Income	132.16
Freight Income	50.00
Sales Tax - Adjustment	-0.56
Total Other Income	181.60
Other Expense	
Capital Gains/Losses	-1,160.00
Total Other Expense	-1,160.00
Net Other Income	1,341.60
Net Income	**8,858.04**

10:37 AM
09/16/05
Cash Basis

Tennessee Computers
Profit & Loss
January through December 2005

		Jan - Dec 05
Ordinary Income/Expense		
Income		
Sales Income		21,047.50
Uncategorized Income		3,700.00
Total Income		24,747.50
Cost of Goods Sold		
Cost of Goods Sold		5,500.00
Total COGS		5,500.00
Gross Profit		19,247.50
Expense		
Bad Debt Expense		3,402.33
Bank Charges		25.00
Contract Labor		
Installation Labor	0.00	
Service & Repair Labor	232.50	
Total Contract Labor		232.50
Depreciation Expense		5,000.00
Discount Expense		82.16
Employee Benefits		50.15
Freight Expense		120.00
Interest - Non Mortgage		122.58
Office Supplies		175.00
Overage/Shortage		5.00
Payroll Expenses		2,366.34
Rent Expense		500.00
Uncategorized Expenses		8,500.00
Total Expense		20,581.06
Net Ordinary Income		-1,333.56
Other Income/Expense		
Other Income		
Finance Charge Income		132.16
Freight Income		50.00
Sales Tax - Adjustment		-0.56
Total Other Income		181.60
Other Expense		
Capital Gains/Losses		-1,160.00
Total Other Expense		-1,160.00
Net Other Income		1,341.60
Net Income		8.04

10:39 AM
09/16/05
Accrual Basis

Tennessee Computers
Profit & Loss by Class
January through December 2005

	Overhead	Product Sales	Service & Repair	Unclassified	TOTAL
Ordinary Income/Expense					
Income					
Sales Income	0.00	18,785.00	912.50	18,150.00	37,847.50
Total Income	0.00	18,785.00	912.50	18,150.00	37,847.50
Cost of Goods Sold					
Cost of Goods Sold	0.00	4,600.00	0.00	13,500.00	18,100.00
Total COGS	0.00	4,600.00	0.00	13,500.00	18,100.00
Gross Profit	0.00	14,185.00	912.50	4,650.00	19,747.50
Expense					
Bad Debt Expense	3,402.33	0.00	0.00	0.00	3,402.33
Bank Charges	25.00	0.00	0.00	0.00	25.00
Contract Labor					
Installation Labor	0.00	0.00	0.00	0.00	0.00
Service & Repair Labor	0.00	0.00	232.50	0.00	232.50
Total Contract Labor	0.00	0.00	232.50	0.00	232.50
Depreciation Expense	0.00	0.00	0.00	5,000.00	5,000.00
Discount Expense	0.00	0.00	0.00	82.16	82.16
Employee Benefits	30.65	11.40	8.10	0.00	50.15
Freight Expense	0.00	270.00	0.00	0.00	270.00
Interest - Non Mortgage	0.00	0.00	122.58	0.00	122.58
Office Supplies	175.00	0.00	0.00	0.00	175.00
Overage/Shortage	5.00	0.00	0.00	0.00	5.00
Payroll Expenses	1,253.67	333.60	779.07	0.00	2,366.34
Rent Expense	500.00	0.00	0.00	0.00	500.00
Total Expense	5,391.65	615.00	1,142.25	5,082.16	12,231.06
Net Ordinary Income	-5,391.65	13,570.00	-229.75	-432.16	7,516.44
Other Income/Expense					
Other Income					
Finance Charge Income	132.16	0.00	0.00	0.00	132.16
Freight Income	50.00	0.00	0.00	0.00	50.00
Sales Tax - Adjustment	0.00	0.00	0.00	-0.56	-0.56
Total Other Income	182.16	0.00	0.00	-0.56	181.60
Other Expense					
Capital Gains/Losses	0.00	0.00	-1,160.00	0.00	-1,160.00
Total Other Expense	0.00	0.00	-1,160.00	0.00	-1,160.00
Net Other Income	182.16	0.00	1,160.00	-0.56	1,341.60
Net Income	-5,209.49	13,570.00	930.25	-432.72	8,858.04

10:39 AM
09/16/05
Cash Basis

Tennessee Computers
Profit & Loss by Class
January through December 2005

	Overhead	Product Sales	Service & Repair	Unclassified	TOTAL
Ordinary Income/Expense					
Income					
Sales Income	0.00	20,135.00	912.50	0.00	21,047.50
Uncategorized Income	0.00	0.00	0.00	3,700.00	3,700.00
Total Income	0.00	20,135.00	912.50	3,700.00	24,747.50
Cost of Goods Sold					
Cost of Goods Sold	0.00	5,500.00	0.00	0.00	5,500.00
Total COGS	0.00	5,500.00	0.00	0.00	5,500.00
Gross Profit	0.00	14,635.00	912.50	3,700.00	19,247.50
Expense					
Bad Debt Expense	3,402.33	0.00	0.00	0.00	3,402.33
Bank Charges	25.00	0.00	0.00	0.00	25.00
Contract Labor					
Installation Labor	0.00	0.00	0.00	0.00	0.00
Service & Repair Labor	0.00	0.00	232.50	0.00	232.50
Total Contract Labor	0.00	0.00	232.50	0.00	232.50
Depreciation Expense	0.00	0.00	0.00	5,000.00	5,000.00
Discount Expense	0.00	0.00	0.00	82.16	82.16
Employee Benefits	30.65	11.40	8.10	0.00	50.15
Freight Expense	0.00	120.00	0.00	0.00	120.00
Interest - Non Mortgage	0.00	0.00	122.58	0.00	122.58
Office Supplies	175.00	0.00	0.00	0.00	175.00
Overage/Shortage	5.00	0.00	0.00	0.00	5.00
Payroll Expenses	1,253.67	333.60	779.07	0.00	2,366.34
Rent Expense	500.00	0.00	0.00	0.00	500.00
Uncategorized Expenses	0.00	0.00	0.00	8,500.00	8,500.00
Total Expense	5,391.65	465.00	1,142.25	13,582.16	20,581.06
Net Ordinary Income	-5,391.65	14,170.00	-229.75	-9,882.16	-1,333.56
Other Income/Expense					
Other Income					
Finance Charge Income	132.16	0.00	0.00	0.00	132.16
Freight Income	50.00	0.00	0.00	0.00	50.00
Sales Tax - Adjustment	0.00	0.00	0.00	-0.56	-0.56
Total Other Income	182.16	0.00	0.00	-0.56	181.60

10:39 AM
09/16/05
Cash Basis

Tennessee Computers
Profit & Loss by Class
January through December 2005

	Overhead	Product Sales	Service & Repair	Unclassified	TOTAL
Other Expense					
Capital Gains/Losses	0.00	0.00	-1,160.00	0.00	-1,160.00
Total Other Expense	0.00	0.00	-1,160.00	0.00	-1,160.00
Net Other Income	182.16	0.00	1,160.00	-0.56	1,341.60
Net Income	-5,209.49	14,170.00	930.25	-9,882.72	8.04

The Balance Sheet Reports

The **Balance Sheet** is a listing of all that the firm owns (its assets) and all that it owes (its liabilities) at a specific moment in time. The difference between these amounts is the equity that the owner(s) has in the firm.

As before, click **Reports** in the top menu bar and then choose **Company & Financial**. As with the profit and loss statement, you can see that the balance sheet for the firm can be reported in a variety of ways. For our example, we are interested in a simple balance sheet for the entire firm with no comparisons to other (previous) time periods. Therefore, choose the **Balance Sheet Standard** option. Change the **As of** date to December 31 to ascertain the firm's financial position at the end of the calendar (and in this case, fiscal) year. Now click on the **Modify Report...** button. As with the profit and loss statement, you can view the balance sheet on either an accrual or a cash basis. You can also compare the financial position of your company at different time periods by clicking the drop-down arrow beside the **Display columns by** field and choosing an option other than ***Total Only***.

There is a point that should be made about the differences between the cash basis and accrual basis balance sheets. In a cash-based accounting system, there should be no entries for accounts receivable or accounts payable, since no cash has changed hands with these transactions. However, for QuickBooks Pro to balance all accounts in the reports, it must take into account those parts of the accounts receivable or accounts payable transactions that have an offsetting entry to another balance sheet account (for example, Inventory Asset).

10:40 AM
09/16/05
Accrual Basis

Tennessee Computers
Balance Sheet
As of December 31, 2005

			Dec 31, 05
ASSETS			
Current Assets			
Checking/Savings			
Checking			6,519.57
Money Market			23,324.94
Total Checking/Savings			29,844.51
Accounts Receivable			
Accounts Receivable			16,675.12
Total Accounts Receivable			16,675.12
Other Current Assets			
Inventory Asset			23,700.00
Undeposited Funds			12,756.64
Total Other Current Assets			36,456.64
Total Current Assets			82,976.27
Fixed Assets			
Machinery & Equipment			
Acc Depreciation		-20,000.00	
Machinery & Equipment - Other		90,000.00	
Total Machinery & Equipment			70,000.00
Total Fixed Assets			70,000.00
Other Assets			
Employee Loans			
Jim Frederickson Loans			
Trailer Loan	3,950.00		
Total Jim Frederickson Loans		3,950.00	
Total Employee Loans			3,950.00
Total Other Assets			3,950.00
TOTAL ASSETS			**156,926.27**
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
Accounts Payable			6,450.00
Total Accounts Payable			6,450.00
Other Current Liabilities			
Line of Credit			10,000.00
Sales Tax Payable			195.65
Total Other Current Liabilities			10,195.65
Total Current Liabilities			16,645.65
Long Term Liabilities			
Note - Machinery & Equipment			34,122.58
Total Long Term Liabilities			34,122.58
Total Liabilities			50,768.23
Equity			
Owner's Capital			
Draws		-500.00	
Total Owner's Capital			-500.00
Retained Earnings			97,800.00
Net Income			8,858.04
Total Equity			106,158.04
TOTAL LIABILITIES & EQUITY			**156,926.27**

10:41 AM
09/16/05
Cash Basis

Tennessee Computers
Balance Sheet
As of December 31, 2005

	Dec 31, 05
ASSETS	
Current Assets	
Checking/Savings	
Checking	6,519.57
Money Market	23,324.94
Total Checking/Savings	29,844.51
Accounts Receivable	
Accounts Receivable	12,600.00
Total Accounts Receivable	12,600.00
Other Current Assets	
Inventory Asset	23,700.00
Undeposited Funds	12,756.64
Total Other Current Assets	36,456.64
Total Current Assets	78,901.15
Fixed Assets	
Machinery & Equipment	
Acc Depreciation	-20,000.00
Machinery & Equipment - Other	90,000.00
Total Machinery & Equipment	70,000.00
Total Fixed Assets	70,000.00
Other Assets	
Employee Loans	
Jim Frederickson Loans	
Trailer Loan	3,950.00
Total Jim Frederickson Loans	3,950.00
Total Employee Loans	3,950.00
Total Other Assets	3,950.00
TOTAL ASSETS	**152,851.15**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	6,300.00
Total Accounts Payable	6,300.00
Other Current Liabilities	
Line of Credit	10,000.00
Sales Tax Payable	320.53
Total Other Current Liabilities	10,320.53
Total Current Liabilities	16,620.53
Long Term Liabilities	
Note - Machinery & Equipment	34,122.58
Total Long Term Liabilities	34,122.58
Total Liabilities	50,743.11
Equity	
Owner's Capital	
Draws	-500.00
Total Owner's Capital	-500.00
Retained Earnings	102,600.00
Net Income	8.04
Total Equity	102,108.04
TOTAL LIABILITIES & EQUITY	**152,851.15**

STATEMENT OF CASH FLOWS

The **Statement of Cash Flows** is simply a summary of the cash that flows into and out of a business over a specified period of time. It shows the operating, investing and financing activities that both provide cash for the business and take cash away from the business. It is extremely useful in helping you as a business owner or manager determine the degree to which your business is "liquid" (this is just another way of saying that the business has enough cash on hand to pay its bills).

To generate this report, choose **Reports** from the top menu bar, then choose **Company & Financial** and **Statement of Cash Flows**. Make sure that you set the dates to the period that you wish to analyze.

Another useful report that is contained in this section (although it is not shown here due to a lack of transactions needed to generate a meaningful example) is the **Cash Flow Forecast** report. This report helps you to forecast how much cash you will have by projecting your cash inflows, cash disbursements and bank account balances on a week-by-week basis.

10:47 AM
09/16/05

Tennessee Computers
Statement of Cash Flows
January 1 through September 16, 2005

	Jan 1 - Sep 16, 05
OPERATING ACTIVITIES	
Net Income	8,658.04
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	-12,975.12
Inventory Asset	6,800.00
Accounts Payable	-2,050.00
Sales Tax Payable	195.65
Net cash provided by Operating Activities	628.57
INVESTING ACTIVITIES	
Machinery & Equipment:Acc Depreciation	5,000.00
Employee Loans:Jim Frederickson Loans:Car Loan	100.00
Employee Loans:Jim Frederickson Loans:Trailer Loan	50.00
Net cash provided by Investing Activities	5,150.00
FINANCING ACTIVITIES	
Note - Machinery & Equipment	-877.42
Owner's Capital:Draws	-500.00
Net cash provided by Financing Activities	-1,377.42
Net cash increase for period	4,601.15
Cash at beginning of period	38,000.00
Cash at end of period	**42,601.15**

10:48 AM
09/16/05

Tennessee Computers
Cash Flow Forecast
September 11 through October 8, 2005

	Accnts Receivable	Accnts Payable	Bank Accnts	Net Inflows	Proj Balance
Beginning Balance	16,675.12	6,450.00	46,126.79		56,351.91
Week of Sep 11, 05	0.00	0.00	0.00	0.00	56,351.91
Week of Sep 18, 05	0.00	0.00	0.00	0.00	56,351.91
Week of Sep 25, 05	0.00	0.00	0.00	0.00	56,351.91
Week of Oct 2, 05	0.00	0.00	0.00	0.00	56,351.91
Sep 11 - Oct 8, 05	0.00	0.00	0.00	0.00	
Ending Balance	**16,675.12**	**6,450.00**	**46,126.79**		**56,351.91**

THE ACCOUNTS RECEIVABLE REPORTS

If you sell on credit, the accounts receivable reports can be some of the most important reports that you will generate. Clicking **Reports** from the top menu bar and then choosing **Customers & Receivables** gives you several options for basic accounts receivable and customer-related reports. While each of these options can be extremely useful (particularly the ***Open Invoices*** option, we will focus only on the **Customer Balance Summary** and **Customer Balance Detail** options.

The **Customer Balance Summary Report** (below) lists the customers that owe you money and the total amount that they owe (note that this report should be generated solely on an accrual basis). In contrast, the **Customer Balance Detail Report** (page 121) lists all activities associated with a particular customer during the specified time period.

10:48 AM
09/16/05

Tennessee Computers
Customer Balance Summary
All Transactions

	Aug 31, 05
City of Metropolis	
City Clerk	18,150.00
Total City of Metropolis	18,150.00
Sparta Nursery	-1,474.88
TOTAL	16,675.12

10:49 AM
09/16/05
Accrual Basis

Tennessee Computers
Customer Balance Detail
All Transactions

Type	Date	Num	Account	Class	Amount	Balance
City of Metropolis						
City Clerk						
Invoice	12/31/2004		Accounts Receivable		3,700.00	3,700.00
Invoice	1/20/2005	1004	Accounts Receivable		18,150.00	21,850.00
Payment	3/5/2005		Accounts Receivable		-3,700.00	18,150.00
Total City Clerk					18,150.00	18,150.00
Police Department						
Invoice	1/20/2005	1000	Accounts Receivable		4,862.50	4,862.50
Payment	3/5/2005		Accounts Receivable		-4,862.50	0.00
Total Police Department					0.00	0.00
Total City of Metropolis					18,150.00	18,150.00
Sparta Nursery						
Credit Memo	1/5/2005	1003	Accounts Receivable	Product ...	-1,474.88	-1,474.88
Total Sparta Nursery					-1,474.88	-1,474.88
Super Mart						
Invoice	1/25/2005	1001	Accounts Receivable		850.00	850.00
Payment	3/2/2005		Accounts Receivable		-800.00	50.00
Stmt Charge	3/10/2005		Accounts Receivable	Overhead	20.00	70.00
Discount	4/1/2005		Accounts Receivable		-70.00	0.00
Total Super Mart					0.00	0.00
Tri City Pumping						
Invoice	1/26/2005	1002	Accounts Receivable		3,607.80	3,607.80
Payment	2/1/2005		Accounts Receivable		-3,525.64	82.16
Discount	2/1/2005		Accounts Receivable		-82.16	0.00
Stmt Charge	3/8/2005		Accounts Receivable		3,525.64	3,525.64
Stmt Charge	3/8/2005		Accounts Receivable	Overhead	82.16	3,607.80
Stmt Charge	3/8/2005		Accounts Receivable	Overhead	30.00	3,637.80
Credit Memo	4/1/2005	1004	Accounts Receivable	Overhead	-3,637.80	0.00
Total Tri City Pumping					0.00	0.00
TOTAL					**16,675.12**	**16,675.12**

Sales Reports

The sales reports generated by **QuickBooks Pro** can be extremely valuable to your business. They can let you know what products you are selling and who are you selling these products to. By clicking on **Reports** from the top menu bar and then choosing **Sales**, you can see the basic sales report options. For this example, we will be mainly focusing on four of these options: sales by item summary, sales by item detail, sales by customer summary and sales by customer detail. These reports will be presented on both an accrual and a cash basis. Finally, we will examine how the custom field information that we collected concerning the advertising of our product can be used in these reports to let us know where our advertising dollars are the most effective.

The first report that we will look at is the **Sales By Item Summary Report**. This report provides information regarding the total number of a particular item sold, the total amount of the sales and the percentage of total sales that was accounted for by that item. Other information includes the average price charged for the item, the total Cost of Goods Sold and the average Cost of Goods Sold, and the Gross Margin and Gross Margin Percentage resulting from the sale of that item. This report can be generated on either an accrual basis (page 123) or on a cash (page 127) basis. Remember that a sale in the cash basis report will only be reported if payment has been made for the item.

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09/16/05
Accrual Basis

Tennessee Computers
Sales by Item Summary
January through December 2005

	Jan - Dec 05					
	Qty	Amount	% of Sales	Avg Price	COGS	Avg COGS
Inventory						
COMPONENTS						
HD 40 Gig	-3	-1,350.00	-3.6%	450.00	-900.00	300.00
Memory	14	1,960.00	5.2%	140.00	1,400.00	100.00
Total COMPONENTS		610.00	1.6%		500.00	
COMPUTER						
Pent III 600	6	9,000.00	23.7%	1,500.00	7,200.00	1,200.00
Pent III 700	8	13,600.00	35.8%	1,700.00	10,400.00	1,300.00
Total COMPUTER		22,600.00	59.5%		17,600.00	
Total Inventory		23,210.00	61.1%		18,100.00	
Parts						
ACCESSORIES						
Keyboard	21	1,575.00	4.1%	75.00		
Mouse	1	35.00	0.1%	35.00		
Mouse Pad	11	55.00	0.1%	5.00		
Total ACCESSORIES		1,665.00	4.4%			
CR - ACCESSORIES - NonTax	5	155.00	0.4%	31.00		
CR - ACCESSORIES - Tax	10	290.00	0.8%	29.00		
CR - COMPONENTS - NonTax	3	1,570.00	4.1%	523.33		
CR - COMPONENTS - Tax	5	2,020.00	5.3%	404.00		
CR - COMPUTERS - NonTax	2	2,500.00	6.6%	1,250.00		
CR - COMPUTERS - Tax	3	4,900.00	12.9%	1,633.33		
CR - MISC - NonTax	5	125.00	0.3%	25.00		
CR - MISC - Tax	10	250.00	0.7%	25.00		
CR - SERVICE - NonTax	2	50.00	0.1%	25.00		
CR - SERVICE - Tax	6	150.00	0.4%	25.00		
Total Parts		13,675.00	36.0%			
Service						
Labor	13	325.00	0.9%	25.00		
Service Call	15.5	387.50	1.0%	25.00		
Total Service		712.50	1.9%			

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Accrual Basis

Tennessee Computers
Sales by Item Summary
January through December 2005

	Jan - Dec 05					
	Qty	Amount	% of Sales	Avg Price	COGS	Avg COGS
Other Charges						
Bad Check	1	3,525.64	9.3%	3,525.64		
Bad Debt - Non Taxable	-1	-30.00	-0.1%	30.00		
Bad Debt - Taxable	-1	-3,302.33	-8.7%	3,302.33		
Delivery	1	50.00	0.1%	50.00		
Finance	3	132.16	0.3%	44.05		
Overage/Shortage	1	-5.00	-0.0%	-5.00		
Total Other Charges		370.47	1.0%			
TOTAL		37,967.97	100.0%			

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Accrual Basis

Tennessee Computers
Sales by Item Summary
January through December 2005

	Jan - Dec 05	
	Gross Margin	Gross Margin %
Inventory		
COMPONENTS		
HD 40 Gig	-450.00	33.3%
Memory	560.00	28.6%
Total COMPONENTS	110.00	18.0%
COMPUTER		
Pent III 600	1,800.00	20.0%
Pent III 700	3,200.00	23.5%
Total COMPUTER	5,000.00	22.1%
Total Inventory	5,110.00	22.0%
Parts		
ACCESSORIES		
Keyboard		
Mouse		
Mouse Pad		
Total ACCESSORIES		
CR - ACCESSORIES - NonTax		
CR - ACCESSORIES - Tax		
CR - COMPONENTS - NonTax		
CR - COMPONENTS - Tax		
CR - COMPUTERS - NonTax		
CR - COMPUTERS - Tax		
CR - MISC - NonTax		
CR - MISC - Tax		
CR - SERVICE - NonTax		
CR - SERVICE - Tax		
Total Parts		
Service		
Labor		
Service Call		
Total Service		

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Accrual Basis

Tennessee Computers

Sales by Item Summary

January through December 2005

	Jan - Dec 05	
	Gross Margin	Gross Margin %
Other Charges		
Bad Check		
Bad Debt - Non Taxable		
Bad Debt - Taxable		
Delivery		
Finance		
Overage/Shortage		
Total Other Charges		
TOTAL		

10:50 AM
09/16/05
Cash Basis

Tennessee Computers
Sales by Item Summary
January through December 2005

	Qty	Amount	% of Sales	Avg Price	COGS	Avg COGS
	Jan - Dec 05					
Inventory						
COMPONENTS						
Memory	4	560.00	2.6%	140.00	400.00	100.00
Total COMPONENTS		560.00	2.6%		400.00	
COMPUTER						
Pent III 600	1	1,500.00	7.1%	1,500.00	1,200.00	1,200.00
Pent III 700	3	5,100.00	24.1%	1,700.00	3,900.00	1,300.00
Total COMPUTER		6,600.00	31.2%		5,100.00	
Total Inventory		7,160.00	33.8%		5,500.00	
Parts						
ACCESSORIES						
Keyboard	11	825.00	3.9%	75.00		
Mouse	1	35.00	0.2%	35.00		
Mouse Pad	11	55.00	0.3%	5.00		
Total ACCESSORIES		915.00	4.3%			
CR - ACCESSORIES - NonTax	5	155.00	0.7%	31.00		
CR - ACCESSORIES - Tax	10	290.00	1.4%	29.00		
CR - COMPONENTS - NonTax	3	1,570.00	7.4%	523.33		
CR - COMPONENTS - Tax	5	2,020.00	9.5%	404.00		
CR - COMPUTERS - NonTax	2	2,500.00	11.8%	1,250.00		
CR - COMPUTERS - Tax	3	4,900.00	23.1%	1,633.33		
CR - MISC - NonTax	5	125.00	0.6%	25.00		
CR - MISC - Tax	10	250.00	1.2%	25.00		
CR - SERVICE - NonTax	2	50.00	0.2%	25.00		
CR - SERVICE - Tax	6	150.00	0.7%	25.00		
Total Parts		12,925.00	61.1%			
Service						
Labor	13	325.00	1.5%	25.00		
Service Call	15.5	387.50	1.8%	25.00		
Total Service		712.50	3.4%			
Other Charges						
Bad Check	1	3,525.64	16.7%	3,525.64		
Bad Debt - Non Taxable	-1	-30.00	-0.1%	30.00		
Bad Debt - Taxable	-1	-3,302.33	-15.6%	3,302.33		
Delivery	1	50.00	0.2%	50.00		
Finance	3	132.16	0.6%	44.05		
Overage/Shortage	1	-5.00	-0.0%	-5.00		
Total Other Charges		370.47	1.8%			
TOTAL		21,167.97	100.0%			

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Cash Basis

Tennessee Computers
Sales by Item Summary
January through December 2005

	Jan - Dec 05	
	Gross Margin	Gross Margin %
Inventory		
COMPONENTS		
Memory	160.00	28.6%
Total COMPONENTS	160.00	28.6%
COMPUTER		
Pent III 600	300.00	20.0%
Pent III 700	1,200.00	23.5%
Total COMPUTER	1,500.00	22.7%
Total Inventory	1,660.00	23.2%
Parts		
ACCESSORIES		
Keyboard		
Mouse		
Mouse Pad		
Total ACCESSORIES		
CR - ACCESSORIES - NonTax		
CR - ACCESSORIES - Tax		
CR - COMPONENTS - NonTax		
CR - COMPONENTS - Tax		
CR - COMPUTERS - NonTax		
CR - COMPUTERS - Tax		
CR - MISC - NonTax		
CR - MISC - Tax		
CR - SERVICE - NonTax		
CR - SERVICE - Tax		
Total Parts		
Service		
Labor		
Service Call		
Total Service		
Other Charges		
Bad Check		
Bad Debt - Non Taxable		
Bad Debt - Taxable		
Delivery		
Finance		
Overage/Shortage		
Total Other Charges		
TOTAL		

SALES BY ITEM DETAIL REPORTS

The Sales By Item Detail report is presented on an accrual basis (page 130) and on a cash basis (page 134). The difference between these two reports is the cash versus accrual concepts discussed earlier in the profit and loss statement section. The accrual based report shows the items that were sold, regardless of whether money was collected for these items by the end of the reporting period. The cash based report shows only those items for which payment has been received. Therefore, the accrual basis gives a much clearer picture of the items that are demanded by your customers. As with the profit and loss statement, this report can be quite easily changed from an accrual to a cash basis by clicking on the **Modify Report...** button and the choosing the appropriate **Report Basis**.

The **Sales By Item Detail Report** presents the same type of information as the **Sales By Item Summary Report** except that it designates the customers who purchased each item and the quantity of the item that the customer purchased, along with the date that the purchase was made. While it does not yield the Cost of Goods Sold and Gross Margin breakdowns, it does reveal the various purchasers of your products and the time of the year in which the purchases were made.

The next set of sales reports basically provides the same information as the Sales By Item reports, but they report on a Sales By Customer basis.

The **Sales By Customer Summary Report** (generated in an accrual basis and on a cash basis on page 138) provides information as to the total dollar amount of goods and services (excluding applicable sales taxes) that each customer has purchased over the reporting period. Again, this report can be generated on either an accrual basis or on a cash basis with the cash basis report having the same type of deficiencies as previously discussed.

The **Sales By Customer Detail Report** provides a listing of each individual item purchased by your customers over the specified reporting period. This report can either be generated on an accrual basis (page 139) or on a cash basis (page 141).

This report can have significant additional benefit to our operation given the information we entered in our sample company. By clicking on the **Modify Report...** button, we can see that this report has a **Columns** field. By scrolling down this field, we see that we can insert an additional column to provide us with the **ADVERTISING** custom field we recorded as we entered our sales. Clicking on this item places a check beside this field (*Figure 201*). Click **OK** to see the enhanced **Sales By Customer and Custom Field Detail Report** (the accrual basis report is shown on page 143 and the cash basis report is shown on page 145).

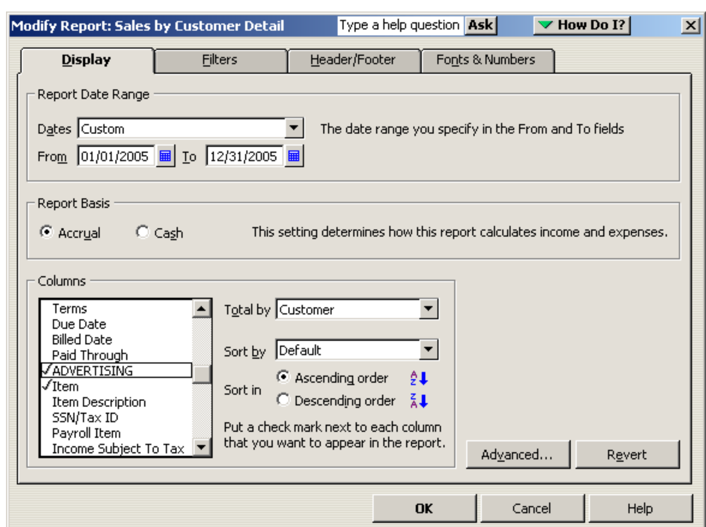

Figure 201

10:52 AM

09/16/05

Accrual Basis

Tennessee Computers
Sales by Item Detail
January through December 2005

Type	Date	Num	Memo	Name	Qty	Sales Price	Amount	Balance
Inventory								
COMPONENTS								
HD 40 Gig								
Credit Memo	1/5/2005	1003	Seagate 40 ...	Sparta Nursery	-3	450.00	-1,350.00	-1,350.00
Total HD 40 Gig							-1,350.00	-1,350.00
Memory								
Invoice	1/20/2005	1004	Simms RAM ...	City of Metropolis:Ci...	10	140.00	1,400.00	1,400.00
Invoice	1/26/2005	1002	Simms RAM ...	Tri City Pumping	4	140.00	560.00	1,960.00
Total Memory							1,960.00	1,960.00
Total COMPONENTS							610.00	610.00
COMPUTER								
Pent III 600								
Invoice	1/20/2005	1004	Pentium III 6...	City of Metropolis:Ci...	5	1,500.00	7,500.00	7,500.00
Invoice	1/26/2005	1002	Pentium III 6...	Tri City Pumping	1	1,500.00	1,500.00	9,000.00
Total Pent III 600							9,000.00	9,000.00
Pent III 700								
Invoice	1/20/2005	1000	Pentium III 7...	City of Metropolis:P...	2	1,700.00	3,400.00	3,400.00
Invoice	1/20/2005	1004	Pentium III 7...	City of Metropolis:Ci...	5	1,700.00	8,500.00	11,900.00
Invoice	1/26/2005	1002	Pentium III 7...	Tri City Pumping	1	1,700.00	1,700.00	13,600.00
Total Pent III 700							13,600.00	13,600.00
Total COMPUTER							22,600.00	22,600.00
Total Inventory							23,210.00	23,210.00
Parts								
ACCESSORIES								
Keyboard								
Invoice	1/20/2005	1004	Microsoft Erg...	City of Metropolis:Ci...	10	75.00	750.00	750.00
Invoice	1/25/2005	1001	Microsoft Erg...	Super Mart	10	75.00	750.00	1,500.00
Sales Receipt	1/27/2005	1000	Microsoft Erg...	Johnson, Chip	1	75.00	75.00	1,575.00
Total Keyboard							1,575.00	1,575.00
Mouse								
Sales Receipt	1/27/2005	1000	Microsoft PS/...	Johnson, Chip	1	35.00	35.00	35.00
Total Mouse							35.00	35.00

Tennessee Computers
Sales by Item Detail
January through December 2005

Type	Date	Num	Memo	Name	Qty	Sales Price	Amount	Balance
Mouse Pad								
Invoice	1/25/2005	1001	Mouse Pad	Super Mart	10	5.00	50.00	50.00
Sales Receipt	1/27/2005	1000	Mouse Pad	Johnson, Chip	1	5.00	5.00	55.00
Total Mouse Pad							55.00	55.00
Total ACCESSORIES							1,665.00	1,665.00
CR - ACCESSORIES - NonTax								
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	5	31.00	155.00	155.00
Total CR - ACCESSORIES - NonTax							155.00	155.00
CR - ACCESSORIES - Tax								
Sales Receipt	1/28/2005	1001	Taxable Acce...	Cash	10	29.00	290.00	290.00
Total CR - ACCESSORIES - Tax							290.00	290.00
CR - COMPONENTS - NonTax								
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	3	523.33333	1,570.00	1,570.00
Total CR - COMPONENTS - NonTax							1,570.00	1,570.00
CR - COMPONENTS - Tax								
Sales Receipt	1/28/2005	1001	Taxable Com...	Cash	5	404.00	2,020.00	2,020.00
Total CR - COMPONENTS - Tax							2,020.00	2,020.00
CR - COMPUTERS - NonTax								
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	2	1,250.00	2,500.00	2,500.00
Total CR - COMPUTERS - NonTax							2,500.00	2,500.00
CR - COMPUTERS - Tax								
Sales Receipt	1/28/2005	1001	Taxable Com...	Cash	3	1,633.33333	4,900.00	4,900.00
Total CR - COMPUTERS - Tax							4,900.00	4,900.00
CR - MISC - NonTax								
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	5	25.00	125.00	125.00
Total CR - MISC - NonTax							125.00	125.00
CR - MISC - Tax								
Sales Receipt	1/28/2005	1001	Taxable Misc...	Cash	10	25.00	250.00	250.00
Total CR - MISC - Tax							250.00	250.00
CR - SERVICE - NonTax								
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	2	25.00	50.00	50.00
Total CR - SERVICE - NonTax							50.00	50.00

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09/16/05

Accrual Basis

Tennessee Computers
Sales by Item Detail
January through December 2005

Type	Date	Num	Memo	Name	Qty	Sales Price	Amount	Balance
CR - SERVICE - Tax								
Sales Receipt	1/28/2005	1001	Taxable Servi...	Cash	6	25.00	150.00	150.00
Total CR - SERVICE - Tax							150.00	150.00
Total Parts							13,675.00	13,675.00
Service								
Labor								
Invoice	1/20/2005	1000		City of Metropolis:P...	8	25.00	200.00	200.00
Invoice	1/20/2005	1000		City of Metropolis:P...	3	25.00	75.00	275.00
Invoice	1/20/2005	1000		City of Metropolis:P...	2	25.00	50.00	325.00
Total Labor							325.00	325.00
Service Call								
Invoice	1/20/2005	1000	Service Call ...	City of Metropolis:P...	15.5	25.00	387.50	387.50
Total Service Call							387.50	387.50
Total Service							712.50	712.50
Other Charges								
Bad Check								
Stmt Charge	3/8/2005		Returned Ch...	Tri City Pumping	1	3,525.64	3,525.64	3,525.64
Total Bad Check							3,525.64	3,525.64
Bad Debt - Non Taxable								
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pumping	-1	30.00	-30.00	-30.00
Total Bad Debt - Non Taxable							-30.00	-30.00
Bad Debt - Taxable								
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pumping	-1	3,302.33	-3,302.33	-3,302.33
Total Bad Debt - Taxable							-3,302.33	-3,302.33
Delivery								
Invoice	1/25/2005	1001	Delivery Char...	Super Mart	1	50.00	50.00	50.00
Total Delivery							50.00	50.00
Finance								
Stmt Charge	3/8/2005		Discount No ...	Tri City Pumping	1	82.16	82.16	82.16
Stmt Charge	3/8/2005		Returned Ch...	Tri City Pumping	1	30.00	30.00	112.16
Stmt Charge	3/10/2005		Finance Char...	Super Mart	1	20.00	20.00	132.16
Total Finance							132.16	132.16

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09/16/05

Accrual Basis

Tennessee Computers
Sales by Item Detail
January through December 2005

Type	Date	Num	Memo	Name	Qty	Sales Price	Amount	Balance
Overage/Shortage								
Sales Receipt	1/28/2005	1001	Cash Registe...	Cash	1	-5.00	-5.00	-5.00
Total Overage/Shortage							-5.00	-5.00
Total Other Charges							370.47	370.47
TOTAL							**37,967.97**	**37,967.97**

2:20 PM
10/20/05
Cash Basis

Tennessee Computers
Sales by Item Detail
January through December 2005

Type	Date	Num	Memo	Name	Qty	Sales Pri...	Original Am...	Paid Amount	Balance
Inventory									
COMPONENTS									
Memory									
Invoice	1/26/2005	1002	Simms RA...	Tri City Pumping	4	140.00	560.00	68.16	68.16
Invoice	2/1/2005	1002	Simms RA...	Tri City Pumping	4	140.00	560.00	480.64	548.80
Invoice	2/1/2005	1002	Simms RA...	Tri City Pumping	4	140.00	560.00	11.20	560.00
Total Memory								560.00	560.00
Total COMPONENTS								560.00	560.00
COMPUTER									
Pent III 600									
Invoice	1/26/2005	1002	Pentium III...	Tri City Pumping	1	1,500.00	1,500.00	182.59	182.59
Invoice	2/1/2005	1002	Pentium III...	Tri City Pumping	1	1,500.00	1,500.00	1,287.41	1,470.00
Invoice	2/1/2005	1002	Pentium III...	Tri City Pumping	1	1,500.00	1,500.00	30.00	1,500.00
Total Pent III 600								1,500.00	1,500.00
Pent III 700									
Invoice	1/26/2005	1002	Pentium III...	Tri City Pumping	1	1,700.00	1,700.00	206.92	206.92
Invoice	2/1/2005	1002	Pentium III...	Tri City Pumping	1	1,700.00	1,700.00	1,459.08	1,666.00
Invoice	2/1/2005	1002	Pentium III...	Tri City Pumping	1	1,700.00	1,700.00	34.00	1,700.00
Invoice	3/5/2005	1000	Pentium III...	City of Metrop...	2	1,700.00	3,400.00	3,400.00	5,100.00
Total Pent III 700								5,100.00	5,100.00
Total COMPUTER								6,600.00	6,600.00
Total Inventory								7,160.00	7,160.00
Parts									
ACCESSORIES									
Keyboard									
Sales Receipt	1/27/2005	1000	Microsoft ...	Johnson, Chip	1	75.00	75.00	75.00	75.00
Invoice	3/2/2005	1001	Microsoft ...	Super Mart	10	75.00	750.00	705.88	780.88
Invoice	4/1/2005	1001	Microsoft ...	Super Mart	10	75.00	750.00	44.12	825.00
Total Keyboard								825.00	825.00
Mouse									
Sales Receipt	1/27/2005	1000	Microsoft ...	Johnson, Chip	1	35.00	35.00	35.00	35.00
Total Mouse								35.00	35.00

2:20 PM
10/20/05
Cash Basis

Tennessee Computers
Sales by Item Detail
January through December 2005

Type	Date	Num	Memo	Name	Qty	Sales Pri...	Original Am...	Paid Amount	Balance
Mouse Pad									
Sales Receipt	1/27/2005	1000	Mouse Pad	Johnson, Chip	1	5.00	5.00	5.00	5.00
Invoice	3/2/2005	1001	Mouse Pad	Super Mart	10	5.00	50.00	47.06	52.06
Invoice	4/1/2005	1001	Mouse Pad	Super Mart	10	5.00	50.00	2.94	55.00
Total Mouse Pad								55.00	55.00
Total ACCESSORIES								915.00	915.00
CR - ACCESSORIES - NonTax									
Sales Receipt	1/28/2005	1001	NonTaxabl...	Cash	5	31.00	155.00	155.00	155.00
Total CR - ACCESSORIES - NonTax								155.00	155.00
CR - ACCESSORIES - Tax									
Sales Receipt	1/28/2005	1001	Taxable A...	Cash	10	29.00	290.00	290.00	290.00
Total CR - ACCESSORIES - Tax								290.00	290.00
CR - COMPONENTS - NonTax									
Sales Receipt	1/28/2005	1001	NonTaxabl...	Cash	3	523.33333	1,570.00	1,570.00	1,570.00
Total CR - COMPONENTS - NonTax								1,570.00	1,570.00
CR - COMPONENTS - Tax									
Sales Receipt	1/28/2005	1001	Taxable C...	Cash	5	404.00	2,020.00	2,020.00	2,020.00
Total CR - COMPONENTS - Tax								2,020.00	2,020.00
CR - COMPUTERS - NonTax									
Sales Receipt	1/28/2005	1001	NonTaxabl...	Cash	2	1,250.00	2,500.00	2,500.00	2,500.00
Total CR - COMPUTERS - NonTax								2,500.00	2,500.00
CR - COMPUTERS - Tax									
Sales Receipt	1/28/2005	1001	Taxable C...	Cash	3	****	4,900.00	4,900.00	4,900.00
Total CR - COMPUTERS - Tax								4,900.00	4,900.00
CR - MISC - NonTax									
Sales Receipt	1/28/2005	1001	NonTaxabl...	Cash	5	25.00	125.00	125.00	125.00
Total CR - MISC - NonTax								125.00	125.00
CR - MISC - Tax									
Sales Receipt	1/28/2005	1001	Taxable M...	Cash	10	25.00	250.00	250.00	250.00
Total CR - MISC - Tax								250.00	250.00
CR - SERVICE - NonTax									
Sales Receipt	1/28/2005	1001	NonTaxabl...	Cash	2	25.00	50.00	50.00	50.00
Total CR - SERVICE - NonTax								50.00	50.00

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Cash Basis

Tennessee Computers
Sales by Item Detail
January through December 2005

Type	Date	Num	Memo	Name	Qty	Sales Pri...	Original Am...	Paid Amount	Balance
CR - SERVICE - Tax									
Sales Receipt	1/28/2005	1001	Taxable S...	Cash	6	25.00	150.00	150.00	150.00
Total CR - SERVICE - Tax								150.00	150.00
Total Parts								12,925.00	12,925.00
Service									
Labor									
Invoice	3/5/2005	1000		City of Metrop...	8	25.00	200.00	200.00	200.00
Invoice	3/5/2005	1000		City of Metrop...	3	25.00	75.00	75.00	275.00
Invoice	3/5/2005	1000		City of Metrop...	2	25.00	50.00	50.00	325.00
Total Labor								325.00	325.00
Service Call									
Invoice	3/5/2005	1000	Service C...	City of Metrop...	15.5	25.00	387.50	387.50	387.50
Total Service Call								387.50	387.50
Total Service								712.50	712.50
Other Charges									
Bad Check									
Stmt Charge	3/8/2005		Returned ...	Tri City Pumping	1	3,525.64	3,525.64	3,525.64	3,525.64
Stmt Charge	3/8/2005		Returned ...	Tri City Pumping	-1		3,525.64	-3,525.64	0.00
Stmt Charge	4/1/2005		Returned ...	Tri City Pumping	1		3,525.64	3,525.64	3,525.64
Total Bad Check								3,525.64	3,525.64
Bad Debt - Non Taxable									
Credit Memo	4/1/2005	1004	Bad Debt ...	Tri City Pumping	-1	30.00	-30.00	-0.67	-0.67
Credit Memo	4/1/2005	1004	Bad Debt ...	Tri City Pumping	-1	30.00	-30.00	-0.25	-0.92
Credit Memo	4/1/2005	1004	Bad Debt ...	Tri City Pumping	-1	30.00	-30.00	-29.08	-30.00
Total Bad Debt - Non Taxable								-30.00	-30.00
Bad Debt - Taxable									
Credit Memo	4/1/2005	1004	Bad Debt ...	Tri City Pumping	-1	3,302.33	-3,302.33	-27.23	-27.23
Credit Memo	4/1/2005	1004	Bad Debt ...	Tri City Pumping	-1	3,302.33	-3,302.33	-74.59	-101.82
Credit Memo	4/1/2005	1004	Bad Debt ...	Tri City Pumping	-1	3,302.33	-3,302.33	-3,200.51	-3,302.33
Total Bad Debt - Taxable								-3,302.33	-3,302.33
Delivery									
Invoice	3/2/2005	1001	Delivery C...	Super Mart	1	50.00	50.00	47.06	47.06
Invoice	4/1/2005	1001	Delivery C...	Super Mart	1	50.00	50.00	2.94	50.00
Total Delivery								50.00	50.00

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Cash Basis

Tennessee Computers
Sales by Item Detail
January through December 2005

Type	Date	Num	Memo	Name	Qty	Sales Pri...	Original Am...	Paid Amount	Balance
Finance									
Stmt Charge	4/1/2005		Finance C...	Super Mart	1	20.00	20.00	20.00	20.00
Stmt Charge	4/1/2005		Discount ...	Tri City Pumping	1	82.16	82.16	82.16	102.16
Stmt Charge	4/1/2005		Returned ...	Tri City Pumping	1	30.00	30.00	30.00	132.16
Total Finance								132.16	132.16
Overage/Shortage									
Sales Receipt	1/28/2005	1001	Cash Regi...	Cash	1	-5.00	-5.00	-5.00	-5.00
Total Overage/Shortage								-5.00	-5.00
Total Other Charges								370.47	370.47
TOTAL								**21,167.97**	**21,167.97**

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Accrual Basis

Tennessee Computers

Sales by Customer Summary

January through December 2005

	Jan - Dec 05
Cash	12,005.00
City of Metropolis	
City Clerk	18,150.00
Police Department	4,112.50
Total City of Metropolis	22,262.50
Johnson, Chip	115.00
Sparta Nursery	-1,350.00
Super Mart	870.00
Tri City Pumping	4,065.47
TOTAL	37,967.97

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Cash Basis

Tennessee Computers

Sales by Customer Summary

January through December 2005

	Jan - Dec 05
Cash	12,005.00
City of Metropolis	
Police Department	4,112.50
Total City of Metropolis	4,112.50
Johnson, Chip	115.00
Super Mart	870.00
Tri City Pumping	4,065.47
TOTAL	21,167.97

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Accrual Basis

Tennessee Computers
Sales by Customer Detail
January through December 2005

Type	Date	Num	Memo	Name	Item	Qty	Sales Price	Amount	Balance
Cash									
Sales Receipt	1/28/2005	1001	Taxable Com...	Cash	CR - CO...	3	1,633.33333	4,900.00	4,900.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	CR - CO...	2	1,250.00	2,500.00	7,400.00
Sales Receipt	1/28/2005	1001	Taxable Acce...	Cash	CR - AC...	10	29.00	290.00	7,690.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	CR - AC...	5	31.00	155.00	7,845.00
Sales Receipt	1/28/2005	1001	Taxable Com...	Cash	CR - CO...	5	404.00	2,020.00	9,865.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	CR - CO...	3	523.33333	1,570.00	11,435.00
Sales Receipt	1/28/2005	1001	Taxable Servi...	Cash	CR - SE...	6	25.00	150.00	11,585.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	CR - SE...	2	25.00	50.00	11,635.00
Sales Receipt	1/28/2005	1001	Taxable Misc...	Cash	CR - MIS...	10	25.00	250.00	11,885.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	CR - MIS...	5	25.00	125.00	12,010.00
Sales Receipt	1/28/2005	1001	Cash Registe...	Cash	Overage/...	1	-5.00	-5.00	12,005.00
Total Cash								12,005.00	12,005.00
City of Metropolis									
City Clerk									
Invoice	1/20/2005	1004	Pentium III 6...	City of Metropolis:Ci...	COMPU...	5	1,500.00	7,500.00	7,500.00
Invoice	1/20/2005	1004	Pentium III 7...	City of Metropolis:Ci...	COMPU...	5	1,700.00	8,500.00	16,000.00
Invoice	1/20/2005	1004	Simms RAM ...	City of Metropolis:Ci...	COMPO...	10	140.00	1,400.00	17,400.00
Invoice	1/20/2005	1004	Microsoft Erg...	City of Metropolis:Ci...	ACCESS...	10	75.00	750.00	18,150.00
Total City Clerk								18,150.00	18,150.00
Police Department									
Invoice	1/20/2005	1000		City of Metropolis:P...	Labor	8	25.00	200.00	200.00
Invoice	1/20/2005	1000		City of Metropolis:P...	Labor	3	25.00	75.00	275.00
Invoice	1/20/2005	1000		City of Metropolis:P...	Labor	2	25.00	50.00	325.00
Invoice	1/20/2005	1000	Service Call ...	City of Metropolis:P...	Service ...	15.5	25.00	387.50	712.50
Invoice	1/20/2005	1000	Pentium III 7...	City of Metropolis:P...	COMPU...	2	1,700.00	3,400.00	4,112.50
Total Police Department								4,112.50	4,112.50
Total City of Metropolis								22,262.50	22,262.50
Johnson, Chip									
Sales Receipt	1/27/2005	1000	Microsoft Erg...	Johnson, Chip	ACCESS...	1	75.00	75.00	75.00
Sales Receipt	1/27/2005	1000	Microsoft PS/...	Johnson, Chip	ACCESS...	1	35.00	35.00	110.00
Sales Receipt	1/27/2005	1000	Mouse Pad	Johnson, Chip	ACCESS...	1	5.00	5.00	115.00
Total Johnson, Chip								115.00	115.00
Sparta Nursery									
Credit Memo	1/5/2005	1003	Seagate 40 ...	Sparta Nursery	COMPO...	-3	450.00	-1,350.00	-1,350.00
Total Sparta Nursery								-1,350.00	-1,350.00

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Accrual Basis

Tennessee Computers
Sales by Customer Detail
January through December 2005

Type	Date	Num	Memo	Name	Item	Qty	Sales Price	Amount	Balance
Super Mart									
Invoice	1/25/2005	1001	Mouse Pad	Super Mart	ACCESS...	10	5.00	50.00	50.00
Invoice	1/25/2005	1001	Microsoft Erg...	Super Mart	ACCESS...	10	75.00	750.00	800.00
Invoice	1/25/2005	1001	Delivery Char...	Super Mart	Delivery	1	50.00	50.00	850.00
Stmt Charge	3/10/2005		Finance Char...	Super Mart	Finance	1	20.00	20.00	870.00
Total Super Mart								870.00	870.00
Tri City Pumping									
Invoice	1/26/2005	1002	Pentium III 6...	Tri City Pumping	COMPU...	1	1,500.00	1,500.00	1,500.00
Invoice	1/26/2005	1002	Pentium III 7...	Tri City Pumping	COMPU...	1	1,700.00	1,700.00	3,200.00
Invoice	1/26/2005	1002	Simms RAM ...	Tri City Pumping	COMPO...	4	140.00	560.00	3,760.00
Stmt Charge	3/8/2005		Returned Ch...	Tri City Pumping	Bad Check	1	3,525.64	3,525.64	7,285.64
Stmt Charge	3/8/2005		Discount No ...	Tri City Pumping	Finance	1	82.16	82.16	7,367.80
Stmt Charge	3/8/2005		Returned Ch...	Tri City Pumping	Finance	1	30.00	30.00	7,397.80
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pumping	Bad Debt...	-1	3,302.33	-3,302.33	4,095.47
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pumping	Bad Debt...	-1	30.00	-30.00	4,065.47
Total Tri City Pumping								4,065.47	4,065.47
TOTAL								**37,967.97**	**37,967.97**

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Cash Basis

Tennessee Computers
Sales by Customer Detail
January through December 2005

Type	Date	Num	Memo	Name	Item	Qty	Sales Price	Original Am...	Paid Amount	Balance
Cash										
Sales Receipt	1/28/2005	1001	Taxable Com...	Cash	CR - CO...	3	1,633.33333	4,900.00	4,900.00	4,900.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	CR - CO...	2	1,250.00	2,500.00	2,500.00	7,400.00
Sales Receipt	1/28/2005	1001	Taxable Acce...	Cash	CR - AC...	10	29.00	290.00	290.00	7,690.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	CR - AC...	5	31.00	155.00	155.00	7,845.00
Sales Receipt	1/28/2005	1001	Taxable Com...	Cash	CR - CO...	5	404.00	2,020.00	2,020.00	9,865.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	CR - CO...	3	523.33333	1,570.00	1,570.00	11,435.00
Sales Receipt	1/28/2005	1001	Taxable Servi...	Cash	CR - SE...	6	25.00	150.00	150.00	11,585.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	CR - SE...	2	25.00	50.00	50.00	11,635.00
Sales Receipt	1/28/2005	1001	Taxable Misc...	Cash	CR - MIS...	10	25.00	250.00	250.00	11,885.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash	CR - MIS...	5	25.00	125.00	125.00	12,010.00
Sales Receipt	1/28/2005	1001	Cash Registe...	Cash	Overage/...	1	-5.00	-5.00	-5.00	12,005.00
Total Cash									12,005.00	12,005.00
City of Metropolis										
Police Department										
Invoice	3/5/2005	1000		City of Met...	Labor	8	25.00	200.00	200.00	200.00
Invoice	3/5/2005	1000		City of Met...	Labor	3	25.00	75.00	75.00	275.00
Invoice	3/5/2005	1000		City of Met...	Labor	2	25.00	50.00	50.00	325.00
Invoice	3/5/2005	1000	Service Call ...	City of Met...	Service ...	15.5	25.00	387.50	387.50	712.50
Invoice	3/5/2005	1000	Pentium III 7...	City of Met...	COMPU...	2	1,700.00	3,400.00	3,400.00	4,112.50
Total Police Department									4,112.50	4,112.50
Total City of Metropolis									4,112.50	4,112.50
Johnson, Chip										
Sales Receipt	1/27/2005	1000	Microsoft Erg...	Johnson, ...	ACCESS...	1	75.00	75.00	75.00	75.00
Sales Receipt	1/27/2005	1000	Microsoft PS/...	Johnson, ...	ACCESS...	1	35.00	35.00	35.00	110.00
Sales Receipt	1/27/2005	1000	Mouse Pad	Johnson, ...	ACCESS...	1	5.00	5.00	5.00	115.00
Total Johnson, Chip									115.00	115.00
Super Mart										
Invoice	3/2/2005	1001	Mouse Pad	Super Mart	ACCESS...	10	5.00	50.00	47.06	47.06
Invoice	3/2/2005	1001	Microsoft Erg...	Super Mart	ACCESS...	10	75.00	750.00	705.88	752.94
Invoice	3/2/2005	1001	Delivery Char...	Super Mart	Delivery	1	50.00	50.00	47.06	800.00
Invoice	4/1/2005	1001	Mouse Pad	Super Mart	ACCESS...	10	5.00	50.00	2.94	802.94
Invoice	4/1/2005	1001	Microsoft Erg...	Super Mart	ACCESS...	10	75.00	750.00	44.12	847.06
Invoice	4/1/2005	1001	Delivery Char...	Super Mart	Delivery	1	50.00	50.00	2.94	850.00
Stmt Charge	4/1/2005		Finance Char...	Super Mart	Finance	1	20.00	20.00	20.00	870.00
Total Super Mart									870.00	870.00

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Cash Basis

Tennessee Computers
Sales by Customer Detail
January through December 2005

Type	Date	Num	Memo	Name	Item	Qty	Sales Price	Original Am...	Paid Amount	Balance
Tri City Pumping										
Invoice	1/26/2005	1002	Pentium III 6...	Tri City Pu...	COMPU...	1	1,500.00	1,500.00	182.59	182.59
Invoice	1/26/2005	1002	Pentium III 7...	Tri City Pu...	COMPU...	1	1,700.00	1,700.00	206.92	389.51
Invoice	1/26/2005	1002	Simms RAM ...	Tri City Pu...	COMPO...	4	140.00	560.00	68.16	457.67
Invoice	2/1/2005	1002	Pentium III 6...	Tri City Pu...	COMPU...	1	1,500.00	1,500.00	30.00	487.67
Invoice	2/1/2005	1002	Pentium III 6...	Tri City Pu...	COMPU...	1	1,500.00	1,500.00	1,287.41	1,775.08
Invoice	2/1/2005	1002	Pentium III 7...	Tri City Pu...	COMPU...	1	1,700.00	1,700.00	34.00	1,809.08
Invoice	2/1/2005	1002	Pentium III 7...	Tri City Pu...	COMPU...	1	1,700.00	1,700.00	1,459.08	3,268.16
Invoice	2/1/2005	1002	Simms RAM ...	Tri City Pu...	COMPO...	4	140.00	560.00	480.64	3,748.80
Invoice	2/1/2005	1002	Simms RAM ...	Tri City Pu...	COMPO...	4	140.00	560.00	11.20	3,760.00
Stmt Charge	3/8/2005		Returned Ch...	Tri City Pu...	Bad Check	1	3,525.64	3,525.64	3,525.64	7,285.64
Stmt Charge	3/8/2005		Returned Ch...	Tri City Pu...	Bad Check	-1		3,525.64	-3,525.64	3,760.00
Stmt Charge	4/1/2005		Returned Ch...	Tri City Pu...	Bad Check	1		3,525.64	3,525.64	7,285.64
Stmt Charge	4/1/2005		Discount No ...	Tri City Pu...	Finance	1	82.16	82.16	82.16	7,367.80
Stmt Charge	4/1/2005		Returned Ch...	Tri City Pu...	Finance	1	30.00	30.00	30.00	7,397.80
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pu...	Bad Debt...	-1	3,302.33	-3,302.33	-27.23	7,370.57
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pu...	Bad Debt...	-1	3,302.33	-3,302.33	-74.59	7,295.98
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pu...	Bad Debt...	-1	3,302.33	-3,302.33	-3,200.51	4,095.47
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pu...	Bad Debt...	-1	30.00	-30.00	-0.67	4,094.80
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pu...	Bad Debt...	-1	30.00	-30.00	-0.25	4,094.55
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pu...	Bad Debt...	-1	30.00	-30.00	-29.08	4,065.47
Total Tri City Pumping									4,065.47	4,065.47
TOTAL									**21,167.97**	**21,167.97**

Tennessee Computers
Sales by Customer and Custom Field Detail
January through December 2005

Type	Date	Num	ADVERTISING	Item	Qty	Sales Price	Amount	Balance
Cash								
Sales Receipt	1/28/2005	1001		CR - COMPUTERS - Tax	3	1,633.33333	4,900.00	4,900.00
Sales Receipt	1/28/2005	1001		CR - COMPUTERS - NonTax	2	1,250.00	2,500.00	7,400.00
Sales Receipt	1/28/2005	1001		CR - ACCESSORIES - Tax	10	29.00	290.00	7,690.00
Sales Receipt	1/28/2005	1001		CR - ACCESSORIES - NonTax	5	31.00	155.00	7,845.00
Sales Receipt	1/28/2005	1001		CR - COMPONENTS - Tax	5	404.00	2,020.00	9,865.00
Sales Receipt	1/28/2005	1001		CR - COMPONENTS - NonTax	3	523.33333	1,570.00	11,435.00
Sales Receipt	1/28/2005	1001		CR - SERVICE - Tax	6	25.00	150.00	11,585.00
Sales Receipt	1/28/2005	1001		CR - SERVICE - NonTax	2	25.00	50.00	11,635.00
Sales Receipt	1/28/2005	1001		CR - MISC - Tax	10	25.00	250.00	11,885.00
Sales Receipt	1/28/2005	1001		CR - MISC - NonTax	5	25.00	125.00	12,010.00
Sales Receipt	1/28/2005	1001		Overage/Shortage	1	-5.00	-5.00	12,005.00
Total Cash							12,005.00	12,005.00
City of Metropolis								
City Clerk								
Invoice	1/20/2005	1004	Bid Process	COMPUTER:Pent III 600	5	1,500.00	7,500.00	7,500.00
Invoice	1/20/2005	1004	Bid Process	COMPUTER:Pent III 700	5	1,700.00	8,500.00	16,000.00
Invoice	1/20/2005	1004	Bid Process	COMPONENTS:Memory	10	140.00	1,400.00	17,400.00
Invoice	1/20/2005	1004	Bid Process	ACCESSORIES:Keyboard	10	75.00	750.00	18,150.00
Total City Clerk							18,150.00	18,150.00
Police Department								
Invoice	1/20/2005	1000	Contract	Labor	8	25.00	200.00	200.00
Invoice	1/20/2005	1000	Contract	Labor	3	25.00	75.00	275.00
Invoice	1/20/2005	1000	Contract	Labor	2	25.00	50.00	325.00
Invoice	1/20/2005	1000	Contract	Service Call	15.5	25.00	387.50	712.50
Invoice	1/20/2005	1000	Contract	COMPUTER:Pent III 700	2	1,700.00	3,400.00	4,112.50
Total Police Department							4,112.50	4,112.50
Total City of Metropolis							22,262.50	22,262.50
Johnson, Chip								
Sales Receipt	1/27/2005	1000	Radio	ACCESSORIES:Keyboard	1	75.00	75.00	75.00
Sales Receipt	1/27/2005	1000	Radio	ACCESSORIES:Mouse	1	35.00	35.00	110.00
Sales Receipt	1/27/2005	1000	Radio	ACCESSORIES:Mouse Pad	1	5.00	5.00	115.00
Total Johnson, Chip							115.00	115.00
Sparta Nursery								
Credit Memo	1/5/2005	1003		COMPONENTS:HD 40 Gig	-3	450.00	-1,350.00	-1,350.00
Total Sparta Nursery							-1,350.00	-1,350.00

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Accrual Basis

Tennessee Computers
Sales by Customer and Custom Field Detail
January through December 2005

Type	Date	Num	ADVERTISING	Item	Qty	Sales Price	Amount	Balance
Super Mart								
Invoice	1/25/2005	1001	Word of Mouth	ACCESSORIES:Mouse Pad	10	5.00	50.00	50.00
Invoice	1/25/2005	1001	Word of Mouth	ACCESSORIES:Keyboard	10	75.00	750.00	800.00
Invoice	1/25/2005	1001	Word of Mouth	Delivery	1	50.00	50.00	850.00
Stmt Charge	3/10/2005			Finance	1	20.00	20.00	870.00
Total Super Mart							870.00	870.00
Tri City Pumping								
Invoice	1/26/2005	1002	Yellow Pages	COMPUTER:Pent III 600	1	1,500.00	1,500.00	1,500.00
Invoice	1/26/2005	1002	Yellow Pages	COMPUTER:Pent III 700	1	1,700.00	1,700.00	3,200.00
Invoice	1/26/2005	1002	Yellow Pages	COMPONENTS:Memory	4	140.00	560.00	3,760.00
Stmt Charge	3/8/2005			Bad Check	1	3,525.64	3,525.64	7,285.64
Stmt Charge	3/8/2005			Finance	1	82.16	82.16	7,367.80
Stmt Charge	3/8/2005			Finance	1	30.00	30.00	7,397.80
Credit Memo	4/1/2005	1004		Bad Debt - Taxable	-1	3,302.33	-3,302.33	4,095.47
Credit Memo	4/1/2005	1004		Bad Debt - Non Taxable	-1	30.00	-30.00	4,065.47
Total Tri City Pumping							4,065.47	4,065.47
TOTAL							**37,967.97**	**37,967.97**

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Cash Basis

Tennessee Computers
Sales by Customer Detail and Custom Field Detail
January through December 2005

Type	Date	Num	Memo	Name	ADVERTI...	Item	Qty	Sales Price	Original A...	Paid Amount	Balance
Cash											
Sales Receipt	1/28/2005	1001	Taxable Com...	Cash		CR - CO...	3	1,633.33333	4,900.00	4,900.00	4,900.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash		CR - CO...	2	1,250.00	2,500.00	2,500.00	7,400.00
Sales Receipt	1/28/2005	1001	Taxable Acce...	Cash		CR - AC...	10	29.00	290.00	290.00	7,690.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash		CR - AC...	5	31.00	155.00	155.00	7,845.00
Sales Receipt	1/28/2005	1001	Taxable Com...	Cash		CR - CO...	5	404.00	2,020.00	2,020.00	9,865.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash		CR - CO...	3	523.33333	1,570.00	1,570.00	11,435.00
Sales Receipt	1/28/2005	1001	Taxable Servi...	Cash		CR - SE...	6	25.00	150.00	150.00	11,585.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash		CR - SE...	2	25.00	50.00	50.00	11,635.00
Sales Receipt	1/28/2005	1001	Taxable Misc...	Cash		CR - MIS...	10	25.00	250.00	250.00	11,885.00
Sales Receipt	1/28/2005	1001	NonTaxable ...	Cash		CR - MIS...	5	25.00	125.00	125.00	12,010.00
Sales Receipt	1/28/2005	1001	Cash Registe...	Cash		Overage/...	1	-5.00	-5.00	-5.00	12,005.00
Total Cash										12,005.00	12,005.00
City of Metropolis											
Police Department											
Invoice	3/5/2005	1000		City of Metr...	Contract	Labor	8	25.00	200.00	200.00	200.00
Invoice	3/5/2005	1000		City of Metr...	Contract	Labor	3	25.00	75.00	75.00	275.00
Invoice	3/5/2005	1000		City of Metr...	Contract	Labor	2	25.00	50.00	50.00	325.00
Invoice	3/5/2005	1000	Service Call ...	City of Metr...	Contract	Service ...	15.5	25.00	387.50	387.50	712.50
Invoice	3/5/2005	1000	Pentium III 7...	City of Metr...	Contract	COMPU...	2	1,700.00	3,400.00	3,400.00	4,112.50
Total Police Department										4,112.50	4,112.50
Total City of Metropolis										4,112.50	4,112.50
Johnson, Chip											
Sales Receipt	1/27/2005	1000	Microsoft Erg...	Johnson, C...	Radio	ACCESS...	1	75.00	75.00	75.00	75.00
Sales Receipt	1/27/2005	1000	Microsoft PS/...	Johnson, C...	Radio	ACCESS...	1	35.00	35.00	35.00	110.00
Sales Receipt	1/27/2005	1000	Mouse Pad	Johnson, C...	Radio	ACCESS...	1	5.00	5.00	5.00	115.00
Total Johnson, Chip										115.00	115.00
Super Mart											
Invoice	3/2/2005	1001	Mouse Pad	Super Mart	Word of M...	ACCESS...	10	5.00	50.00	47.06	47.06
Invoice	3/2/2005	1001	Microsoft Erg...	Super Mart	Word of M...	ACCESS...	10	75.00	750.00	705.88	752.94
Invoice	3/2/2005	1001	Delivery Char...	Super Mart	Word of M...	Delivery	1	50.00	50.00	47.06	800.00
Invoice	4/1/2005	1001	Mouse Pad	Super Mart	Word of M...	ACCESS...	10	5.00	50.00	2.94	802.94
Invoice	4/1/2005	1001	Microsoft Erg...	Super Mart	Word of M...	ACCESS...	10	75.00	750.00	44.12	847.06
Invoice	4/1/2005	1001	Delivery Char...	Super Mart	Word of M...	Delivery	1	50.00	50.00	2.94	850.00
Stmt Charge	4/1/2005		Finance Char...	Super Mart		Finance	1	20.00	20.00	20.00	870.00
Total Super Mart										870.00	870.00

2:38 PM

10/20/05

Cash Basis

Tennessee Computers

Sales by Customer Detail and Custom Field Detail

January through December 2005

Type	Date	Num	Memo	Name	ADVERTI...	Item	Qty	Sales Price	Original A...	Paid Amount	Balance
Tri City Pumping											
Invoice	1/26/2005	1002	Pentium III 6...	Tri City Pu...	Yellow Pa...	COMPU...	1	1,500.00	1,500.00	182.59	182.59
Invoice	1/26/2005	1002	Pentium III 7...	Tri City Pu...	Yellow Pa...	COMPU...	1	1,700.00	1,700.00	206.92	389.51
Invoice	1/26/2005	1002	Simms RAM ...	Tri City Pu...	Yellow Pa...	COMPO...	4	140.00	560.00	68.16	457.67
Invoice	2/1/2005	1002	Pentium III 6...	Tri City Pu...	Yellow Pa...	COMPU...	1	1,500.00	1,500.00	30.00	487.67
Invoice	2/1/2005	1002	Pentium III 6...	Tri City Pu...	Yellow Pa...	COMPU...	1	1,500.00	1,500.00	1,287.41	1,775.08
Invoice	2/1/2005	1002	Pentium III 7...	Tri City Pu...	Yellow Pa...	COMPU...	1	1,700.00	1,700.00	34.00	1,809.08
Invoice	2/1/2005	1002	Pentium III 7...	Tri City Pu...	Yellow Pa...	COMPU...	1	1,700.00	1,700.00	1,459.08	3,268.16
Invoice	2/1/2005	1002	Simms RAM ...	Tri City Pu...	Yellow Pa...	COMPO...	4	140.00	560.00	480.64	3,748.80
Invoice	2/1/2005	1002	Simms RAM ...	Tri City Pu...	Yellow Pa...	COMPO...	4	140.00	560.00	11.20	3,760.00
Stmt Charge	3/8/2005		Returned Ch...	Tri City Pu...		Bad Check	1	3,525.64	3,525.64	3,525.64	7,285.64
Stmt Charge	3/8/2005		Returned Ch...	Tri City Pu...		Bad Check	-1		3,525.64	-3,525.64	3,760.00
Stmt Charge	4/1/2005		Returned Ch...	Tri City Pu...		Bad Check	1		3,525.64	3,525.64	7,285.64
Stmt Charge	4/1/2005		Discount No ...	Tri City Pu...		Finance	1	82.16	82.16	82.16	7,367.80
Stmt Charge	4/1/2005		Returned Ch...	Tri City Pu...		Finance	1	30.00	30.00	30.00	7,397.80
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pu...		Bad Debt...	-1	3,302.33	-3,302.33	-27.23	7,370.57
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pu...		Bad Debt...	-1	3,302.33	-3,302.33	-74.59	7,295.98
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pu...		Bad Debt...	-1	3,302.33	-3,302.33	-3,200.51	4,095.47
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pu...		Bad Debt...	-1	30.00	-30.00	-0.67	4,094.80
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pu...		Bad Debt...	-1	30.00	-30.00	-0.25	4,094.55
Credit Memo	4/1/2005	1004	Bad Debt Wri...	Tri City Pu...		Bad Debt...	-1	30.00	-30.00	-29.08	4,065.47
Total Tri City Pumping										4,065.47	4,065.47
TOTAL										**21,167.97**	**21,167.97**

THE 1099 REPORTS

If you use subcontractors in your business operations, this next set of reports could be very valuable. The **1099 Summary Report** shown below derives its information from the vendors that you have designated as 1099 contractors and the threshold limits that you entered in the Tax: 1099 preferences setup screen. While this report will usually cover all of your needs to determine which vendors should be sent a 1099 form, there is one set of circumstances in which it would not issue a 1099 form for a vendor who should have received one. This is the case where the vendor is paid amounts in two or more 1099 form box categories, but should receive a 1099 form based on the total amount paid to the vendor. For this reason, you might wish to also analyze the **1099 Detail Report** (page 148). This report details all payments to vendors set up as 1099 contractors that were changed to expense accounts set up as 1099 form accounts.

To generate these reports, click **Reports** from the top menu bar and then choose **Vendors & Payables**. You can now choose the appropriate report to generate. Note that you have no options regarding generating these reports on either an accrual or a cash basis, but you do have several options regarding the report format of the **1099 Report**. While the default settings for these options are usually adequate for the reports that you will generate, there may be times that you want information other than what the default report will provide. Therefore, it should be advantageous for you to familiarize yourself with these options.

11:02 AM
09/16/05

Tennessee Computers
1099 Summary
January through December 2005

	Box 1: Rents	Box 7: Nonemployee Comp...	TOTAL
Allen, Fred 400-97-6236	0.00	0.00	0.00
Gutierrez, Eduardo 107-68-4136	0.00	732.50	732.50
TOTAL	**0.00**	**732.50**	**732.50**

11:02 AM

09/16/05

Tennessee Computers

1099 Detail

January through December 2005

Type	Date	Num	Memo	Account	Clr	Split	Original Amount	Paid Amount	Balance
Allen, Fred									
400-97-6236									
Check	1/15/2005	1		Rent Expense		Checking	500.00	500.00	500.00
Total Allen, Fred								500.00	500.00
Gutierrez, Eduardo									
107-68-4136									
Check	1/15/2005	2		Installation Labor		Checking	500.00	500.00	500.00
Check	1/15/2005	2	Service Call ...	Service & Repair La...		Checking	232.50	232.50	732.50
Total Gutierrez, Eduardo								732.50	732.50
TOTAL								**1,232.50**	**1,232.50**

THE ACCOUNTS PAYABLE REPORTS

Just as QuickBooks Pro has provided a means for you to track the funds that should be entering your firm in the near future (Accounts Receivable), it can track the money that will be leaving your firm in the near future through Accounts Payable. By clicking on **Reports** and then **Vendors & Payables**, you can see that there are several options available for analyzing your accounts payable. However, we will only examine two of these options for this example.

The **Vendor Balance Summary** report (below) provides the total amounts that you owe to individual vendors on the appropriate report date. The **Vendor Balance Detail** report (below) not only denotes the total amount owed to the vendor, but the transaction history that comprised the amount owed. If you click on the **Modify Report...** button, you can see that this report can be generated on either an accrual or a cash basis. However, due to the problems that **QuickBooks Pro** has with this type of transaction in dealing with a cash basis report (this was explained in the Accounts Receivable reports section) this report should always be generated on an accrual basis.

There is another set of reports that should be mentioned here, even though they will not be presented. These are the **Accounts Payable Aging Reports**. If you are delinquent in paying several of your outstanding bills, this report can provide you with information that you will need to determine which delinquent bills to pay first. Another advantage of this report is to identify bills that you have simply forgotten to pay and may have slipped through the cracks with your vendor. Maintaining control on these types of transactions will help you maintain or improve your credit rating and could assist you in obtaining more favorable payment terms.

11:03 AM
09/16/05

Tennessee Computers
Vendor Balance Summary
All Transactions

	Aug 31, 05
IBM	6,450.00
TOTAL	6,450.00

11:04 AM
09/16/05
Accrual Basis

Tennessee Computers
Vendor Balance Detail
All Transactions

Type	Date	Num	Account	Amount	Balance
IBM					
Bill	12/31/2004		Accounts Payable	8,500.00	8,500.00
Bill	1/4/2005		Accounts Payable	6,350.00	14,850.00
Credit	1/6/2005		Accounts Payable	-1,230.00	13,620.00
Bill	2/10/2005		Accounts Payable	6,450.00	20,070.00
Bill Pmt -Check	2/10/2005	106	Accounts Payable	-13,620.00	6,450.00
Total IBM				6,450.00	6,450.00
TOTAL				6,450.00	6,450.00

THE INVENTORY REPORTS

If you are using inventory items in your record keeping, QuickBooks Pro provides two reports that can assist you with analyzing the inventory that you maintain and can assist you in counting your inventory. These reports can be generated by choosing **Reports** from the top menu bar and them choosing **Inventory**.

The **Inventory Stock Status By Item Report** (page 151) provides you with information regarding the number of a particular inventory part that you have on hand, the reorder point threshold that you have set, the number of items that you have on order (this feature is active only when you utilize the Purchase Order feature of QuickBooks Pro) and the average level of sales of the item per week.

The **Physical Inventory Worksheet** (page 152) will assist you in determining the inventory levels that you have on hand. It provides you with the item name, preferred vendor, the number of items that QuickBooks Pro accounted for and a blank that you or your employees can use to make a physical count.

11:05 AM

09/16/05

Tennessee Computers
Inventory Stock Status by Item
January through December 2005

	Item Description	Pref Vendor	Reorder Pt	On Hand	Order	On Purchase Order	Next Deliv	Sales/Week
Inventory								
COMPONENTS								
HD 20 Gig SCSI	SCSI 20 Gigabyte H...	Computer W...	5	10		0		0
HD 40 Gig	Seagate 40 Gigabyt...	Seagate	15	13	X	0		-0.1
Memory	Simms RAM Memor...	Computer W...	20	16	X	0		0.3
COMPONENTS - Other	Computer Compone...			0		0		0
Total COMPONENTS				39		0		0.2
COMPUTER								
Pent III 600	Pentium III 600 Mhz...	IBM	5	6		0		0.1
Pent III 700	Pentium III 700 Mhz...	IBM	5	5	X	0		0.2
COMPUTER - Other	Computer Systems			0		0		0
Total COMPUTER				11		0		0.3

11:05 AM
09/16/05

Tennessee Computers
Physical Inventory Worksheet
All Transactions

	Item Description	Pref Vendor	On Hand	Physical Count
Inventory				
COMPONENTS				
HD 20 Gig SCSI	SCSI 20 Gigabyte H...	Computer W...	10	
HD 40 Gig	Seagate 40 Gigabyt...	Seagate	13	
Memory	Simms RAM Memor...	Computer W...	16	
COMPONENTS - Other	Computer Compone...		0	
COMPONENTS - End				
COMPUTER				
Pent III 600	Pentium III 600 Mhz...	IBM	6	
Pent III 700	Pentium III 700 Mhz...	IBM	5	
COMPUTER - Other	Computer Systems		0	
COMPUTER - End				

THE ACCOUNTING REPORTS

QuickBooks Pro has the capability of generating two reports that, while they probably will not be used on a day-to-day basis, can be extremely valuable when searching for a particular transaction. The **Trial Balance Report** (page 154) is a summary of all transactions entered into the software for the reporting period. Basically, it is a combination balance sheet and profit-and-loss statement.

The second report that we should examine at this time is the **General Ledger Report** (page 155). Far from being a summary report, it lists every transaction by account for the reporting period. While it can be extremely cumbersome, it can be invaluable in providing some detailed analyses.

Both reports can be generated by clicking **Reports** from the top menu bar and then choosing **Accountant & Taxes**. These reports can be customized quite easily and can be generated on either a cash or an accrual basis. However, given the aforementioned problems with the analysis of cash-based reports utilizing accounts receivable or accounts payable accounts, it is recommended that these reports be analyzed on an accrual basis only.

11:06 AM
09/16/05
Accrual Basis

Tennessee Computers
Trial Balance
As of December 31, 2005

	Dec 31, 05	
	Debit	Credit
Checking	6,519.57	
Money Market	23,324.94	
Accounts Receivable	16,675.12	
Inventory Asset	23,700.00	
Undeposited Funds	12,756.64	
Machinery & Equipment	90,000.00	
Machinery & Equipment:Acc Depreciation		20,000.00
Employee Loans:Jim Frederickson Loans:Car Loan	0.00	
Employee Loans:Jim Frederickson Loans:Trailer Loan	3,950.00	
Accounts Payable		6,450.00
Line of Credit		10,000.00
Payroll Liabilities	0.00	
Sales Tax Payable		195.65
Note - Machinery & Equipment		34,122.58
Opening Bal Equity	0.00	
Owner's Capital:Draws	500.00	
Retained Earnings		97,800.00
Sales Income		37,847.50
Cost of Goods Sold	18,100.00	
Bad Debt Expense	3,402.33	
Bank Charges	25.00	
Contract Labor:Installation Labor	0.00	
Contract Labor:Service & Repair Labor	232.50	
Depreciation Expense	5,000.00	
Discount Expense	82.16	
Employee Benefits	50.15	
Freight Expense	270.00	
Interest - Non Mortgage	122.58	
Office Supplies	175.00	
Overage/Shortage	5.00	
Payroll Expenses	2,366.34	
Rent Expense	500.00	
Finance Charge Income		132.16
Freight Income		50.00
Sales Tax - Adjustment	0.56	
Capital Gains/Losses		1,160.00
TOTAL	207,757.89	207,757.89

11:07 AM

09/16/05

Accrual Basis

Tennessee Computers
General Ledger
As of December 31, 2005

Type	Date	Num	Name	Memo	Split	Amount	Balance
Checking							13,000.00
Paycheck	1/7/2005	100	Ferguson, Paul		-SPLIT-	-393.10	12,606.90
Paycheck	1/7/2005	101	Frederickson, Jim		-SPLIT-	-390.25	12,216.65
Paycheck	1/7/2005	102	Hill, Connie		-SPLIT-	-293.46	11,923.19
Paycheck	1/7/2005	103	Lawson, Pam		-SPLIT-	-215.26	11,707.93
Paycheck	1/7/2005	104	Turner, Bruce		-SPLIT-	-299.36	11,408.57
Check	1/15/2005	1	Allen, Fred		Rent Expense	-500.00	10,908.57
Check	1/15/2005	2	Gutierrez, Eduardo		-SPLIT-	-732.50	10,176.07
Check	1/15/2005	108	John Doe		Draws	-500.00	9,676.07
Bill Pmt -Ch...	2/10/2005	106	IBM		Accounts Pa...	-13,620.00	-3,943.93
Check	2/10/2005	107	Office Super Store		Office Suppli...	-175.00	-4,118.93
Deposit	3/5/2005			Deposit	-SPLIT-	14,548.14	10,429.21
Stmt Charge	3/8/2005		Tri City Pumping	Returned ...	Accounts Re...	-3,525.64	6,903.57
Sales Tax P...	3/31/2005	105	TN Dept of Reven...		-SPLIT-	-359.00	6,544.57
Check	8/31/2005			Service C...	Bank Charges	-25.00	6,519.57
Total Checking						-6,480.43	6,519.57
Money Market							25,000.00
Liability Check	2/15/2005	1	City Bank	62-6001636	-SPLIT-	-429.52	24,570.48
Liability Check	2/15/2005	2	Friend of the Court		Payroll Liabil...	-50.00	24,520.48
Liability Check	2/15/2005	3	Metropolis Mutual...		-SPLIT-	-119.36	24,401.12
Liability Check	2/15/2005	4	TN Dept of Labor ...		-SPLIT-	-59.16	24,341.96
Liability Check	2/15/2005	5	City Bank	62-6001636	Payroll Liabil...	-17.02	24,324.94
Check	2/15/2005	6	City Bank		-SPLIT-	-1,000.00	23,324.94
Total Money Market						-1,675.06	23,324.94
Accounts Receivable							3,700.00
Credit Memo	1/5/2005	1003	Sparta Nursery		-SPLIT-	-1,474.88	2,225.12
Invoice	1/20/2005	1000	City of Metropolis:...		-SPLIT-	4,862.50	7,087.62
Invoice	1/20/2005	1004	City of Metropolis:...		-SPLIT-	18,150.00	25,237.62
Invoice	1/25/2005	1001	Super Mart		-SPLIT-	850.00	26,087.62
Invoice	1/26/2005	1002	Tri City Pumping		-SPLIT-	3,607.80	29,695.42
Payment	2/1/2005		Tri City Pumping		Undeposited...	-3,525.64	26,169.78
Discount	2/1/2005		Tri City Pumping		Undeposited...	-82.16	26,087.62
Payment	3/2/2005		Super Mart		Undeposited...	-800.00	25,287.62
Payment	3/5/2005		City of Metropolis:...		Undeposited...	-3,700.00	21,587.62
Payment	3/5/2005		City of Metropolis:...		Undeposited...	-4,862.50	16,725.12
Stmt Charge	3/8/2005		Tri City Pumping	Returned ...	-SPLIT-	3,525.64	20,250.76
Stmt Charge	3/8/2005		Tri City Pumping	Discount ...	-SPLIT-	82.16	20,332.92
Stmt Charge	3/8/2005		Tri City Pumping	Returned ...	-SPLIT-	30.00	20,362.92
Stmt Charge	3/10/2005		Super Mart	Finance C...	-SPLIT-	20.00	20,382.92
Discount	4/1/2005		Super Mart		Bad Debt Ex...	-70.00	20,312.92
Credit Memo	4/1/2005	1004	Tri City Pumping		-SPLIT-	-3,637.80	16,675.12
Total Accounts Receivable						12,975.12	16,675.12
Inventory Asset							30,500.00
Bill	1/4/2005		IBM	Pentium III...	Accounts Pa...	3,600.00	34,100.00
Bill	1/4/2005		IBM	Pentium III...	Accounts Pa...	2,600.00	36,700.00
Credit Memo	1/5/2005	1003	Sparta Nursery	Seagate 4...	Accounts Re...	900.00	37,600.00
Credit	1/6/2005		IBM	Pentium III...	Accounts Pa...	-1,200.00	36,400.00
Invoice	1/20/2005	1000	City of Metropolis:...	Pentium III...	Accounts Re...	-2,600.00	33,800.00
Invoice	1/20/2005	1004	City of Metropolis:...	Pentium III...	Accounts Re...	-6,000.00	27,800.00
Invoice	1/20/2005	1004	City of Metropolis:...	Pentium III...	Accounts Re...	-6,500.00	21,300.00
Invoice	1/20/2005	1004	City of Metropolis:...	Simms RA...	Accounts Re...	-1,000.00	20,300.00
Invoice	1/26/2005	1002	Tri City Pumping	Pentium III...	Accounts Re...	-1,200.00	19,100.00
Invoice	1/26/2005	1002	Tri City Pumping	Pentium III...	Accounts Re...	-1,300.00	17,800.00
Invoice	1/26/2005	1002	Tri City Pumping	Simms RA...	Accounts Re...	-400.00	17,400.00
Bill	2/10/2005		IBM	Pentium III...	Accounts Pa...	2,400.00	19,800.00
Bill	2/10/2005		IBM	Pentium III...	Accounts Pa...	3,900.00	23,700.00
Total Inventory Asset						-6,800.00	23,700.00

11:07 AM
09/16/05
Accrual Basis

Tennessee Computers
General Ledger
As of December 31, 2005

Type	Date	Num	Name	Memo	Split	Amount	Balance
Undeposited Funds							0.00
Invoice	1/26/2005	1002	Tri City Pumping	Initial Pay...	Accounts Re...	500.00	500.00
Sales Receipt	1/27/2005	1000	Johnson, Chip		-SPLIT-	125.64	625.64
Sales Receipt	1/28/2005	1001	Cash		-SPLIT-	12,631.00	13,256.64
Payment	2/1/2005		Tri City Pumping		Accounts Re...	3,525.64	16,782.28
Payment	3/2/2005		Super Mart		Accounts Re...	800.00	17,582.28
Payment	3/5/2005		City of Metropolis		Accounts Re...	8,562.50	26,144.78
Deposit	3/5/2005	1002	Tri City Pumping	Initial Pay...	Checking	-500.00	25,644.78
Deposit	3/5/2005		Tri City Pumping	Deposit	Checking	-3,525.64	22,119.14
Deposit	3/5/2005		Super Mart	Deposit	Checking	-800.00	21,319.14
Deposit	3/5/2005		City of Metropolis	Deposit	Checking	-8,562.50	12,756.64
Total Undeposited Funds						12,756.64	12,756.64
Machinery & Equipment							75,000.00
Acc Depreciation							-15,000.00
General Jou...	3/31/2005	9			Depreciation...	-5,000.00	-20,000.00
Total Acc Depreciation						-5,000.00	-20,000.00
Machinery & Equipment - Other							90,000.00
Total Machinery & Equipment - Other							90,000.00
Total Machinery & Equipment						-5,000.00	70,000.00
Employee Loans							4,100.00
Jim Frederickson Loans							4,100.00
Car Loan							100.00
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	-100.00	0.00
Total Car Loan						-100.00	0.00
Trailer Loan							4,000.00
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	-50.00	3,950.00
Total Trailer Loan						-50.00	3,950.00
Jim Frederickson Loans - Other							0.00
Total Jim Frederickson Loans - Other							0.00
Total Jim Frederickson Loans						-150.00	3,950.00
Employee Loans - Other							0.00
Total Employee Loans - Other							0.00
Total Employee Loans						-150.00	3,950.00
Accounts Payable							-8,500.00
Bill	1/4/2005		IBM		-SPLIT-	-6,350.00	-14,850.00
Credit	1/6/2005		IBM		-SPLIT-	1,230.00	-13,620.00
Bill	2/10/2005		IBM		-SPLIT-	-6,450.00	-20,070.00
Bill Pmt -Ch...	2/10/2005	106	IBM		Checking	13,620.00	-6,450.00
Total Accounts Payable						2,050.00	-6,450.00
Line of Credit							-10,000.00
Total Line of Credit							-10,000.00

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Type	Date	Num	Name	Memo	Split	Amount	Balance
Payroll Liabilities							0.00
Paycheck	1/7/2005	100	Ferguson, Paul		Checking	-0.65	-0.65
Paycheck	1/7/2005	100	Ferguson, Paul		Checking	-4.00	-4.65
Paycheck	1/7/2005	100	Ferguson, Paul		Checking	-26.66	-31.31
Paycheck	1/7/2005	100	Ferguson, Paul		Checking	-26.66	-57.97
Paycheck	1/7/2005	100	Ferguson, Paul		Checking	-6.24	-64.21
Paycheck	1/7/2005	100	Ferguson, Paul		Checking	-6.24	-70.45
Paycheck	1/7/2005	100	Ferguson, Paul		Checking	-3.44	-73.89
Paycheck	1/7/2005	100	Ferguson, Paul		Checking	-11.83	-85.72
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	-50.00	-135.72
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	-21.90	-157.62
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	-21.90	-179.52
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	0.00	-179.52
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	-62.00	-241.52
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	-45.26	-286.78
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	-45.26	-332.04
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	-10.59	-342.63
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	-10.59	-353.22
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	-5.84	-359.06
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	-20.08	-379.14
Paycheck	1/7/2005	102	Hill, Connie		Checking	-30.00	-409.14
Paycheck	1/7/2005	102	Hill, Connie		Checking	-14.40	-423.54
Paycheck	1/7/2005	102	Hill, Connie		Checking	0.00	-423.54
Paycheck	1/7/2005	102	Hill, Connie		Checking	-9.00	-432.54
Paycheck	1/7/2005	102	Hill, Connie		Checking	-22.32	-454.86
Paycheck	1/7/2005	102	Hill, Connie		Checking	-22.32	-477.18
Paycheck	1/7/2005	102	Hill, Connie		Checking	-5.22	-482.40
Paycheck	1/7/2005	102	Hill, Connie		Checking	-5.22	-487.62
Paycheck	1/7/2005	102	Hill, Connie		Checking	-2.88	-490.50
Paycheck	1/7/2005	102	Hill, Connie		Checking	-9.90	-500.40
Paycheck	1/7/2005	103	Lawson, Pam		Checking	0.00	-500.40
Paycheck	1/7/2005	103	Lawson, Pam		Checking	-26.00	-526.40
Paycheck	1/7/2005	103	Lawson, Pam		Checking	-16.20	-542.60
Paycheck	1/7/2005	103	Lawson, Pam		Checking	-16.20	-558.80
Paycheck	1/7/2005	103	Lawson, Pam		Checking	-3.79	-562.59
Paycheck	1/7/2005	103	Lawson, Pam		Checking	-3.79	-566.38
Paycheck	1/7/2005	103	Lawson, Pam		Checking	-2.09	-568.47
Paycheck	1/7/2005	103	Lawson, Pam		Checking	-7.18	-575.65
Paycheck	1/7/2005	104	Turner, Bruce		Checking	-17.31	-592.96
Paycheck	1/7/2005	104	Turner, Bruce		Checking	-13.85	-606.81
Paycheck	1/7/2005	104	Turner, Bruce		Checking	0.00	-606.81
Paycheck	1/7/2005	104	Turner, Bruce		Checking	-3.00	-609.81
Paycheck	1/7/2005	104	Turner, Bruce		Checking	-21.46	-631.27
Paycheck	1/7/2005	104	Turner, Bruce		Checking	-21.46	-652.73
Paycheck	1/7/2005	104	Turner, Bruce		Checking	-5.02	-657.75
Paycheck	1/7/2005	104	Turner, Bruce		Checking	-5.02	-662.77
Paycheck	1/7/2005	104	Turner, Bruce		Checking	-2.77	-665.54
Paycheck	1/7/2005	104	Turner, Bruce		Checking	-9.52	-675.06
Liability Check	2/15/2005	1	City Bank	62-6001636	Money Market	104.00	-571.06
Liability Check	2/15/2005	1	City Bank	62-6001636	Money Market	30.86	-540.20
Liability Check	2/15/2005	1	City Bank	62-6001636	Money Market	30.86	-509.34
Liability Check	2/15/2005	1	City Bank	62-6001636	Money Market	131.90	-377.44
Liability Check	2/15/2005	1	City Bank	62-6001636	Money Market	131.90	-245.54
Liability Check	2/15/2005	2	Friend of the Court		Money Market	50.00	-195.54
Liability Check	2/15/2005	3	Metropolis Mutual...		Money Market	50.15	-145.39
Liability Check	2/15/2005	3	Metropolis Mutual...		Money Market	69.21	-76.18
Liability Check	2/15/2005	4	TN Dept of Labor ...		Money Market	0.65	-75.53
Liability Check	2/15/2005	4	TN Dept of Labor ...		Money Market	58.51	-17.02
Liability Check	2/15/2005	5	City Bank	62-6001636	Money Market	17.02	0.00
Total Payroll Liabilities						0.00	0.00

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Type	Date	Num	Name	Memo	Split	Amount	Balance
Sales Tax Payable							0.00
Credit Memo	1/5/2005	1003	TN Dept of Reven...	Sales Tax	Accounts Re...	124.88	124.88
Invoice	1/20/2005	1000	TN Dept of Reven...	Sales Tax	Accounts Re...	0.00	124.88
Invoice	1/20/2005	1004	TN Dept of Reven...	Sales Tax	Accounts Re...	0.00	124.88
Invoice	1/25/2005	1001	TN Dept of Reven...	Sales Tax	Accounts Re...	0.00	124.88
Invoice	1/26/2005	1002	TN Dept of Reven...	Sales Tax	Accounts Re...	-347.80	-222.92
Sales Receipt	1/27/2005	1000	TN Dept of Reven...	Sales Tax	Undeposited...	-10.64	-233.56
Sales Receipt	1/28/2005	1001	TN Dept of Reven...	Sales Tax	Undeposited...	-626.00	-859.56
Sales Receipt	1/28/2005	1001	TN Dept of Reven...	Default C...	Undeposited...	0.00	-859.56
Stmt Charge	3/8/2005		TN Dept of Reven...	Sales Tax	Accounts Re...		-859.56
Stmt Charge	3/8/2005		TN Dept of Reven...	Sales Tax	Accounts Re...		-859.56
Stmt Charge	3/8/2005		TN Dept of Reven...	Sales Tax	Accounts Re...		-859.56
Stmt Charge	3/10/2005		TN Dept of Reven...	Sales Tax	Accounts Re...		-859.56
General Jou...	3/31/2005	8	TN Dept of Reven...		Sales Tax - ...	-0.56	-860.12
Sales Tax P...	3/31/2005	105	TN Dept of Reven...		Checking	358.44	-501.68
Sales Tax P...	3/31/2005	105	TN Dept of Reven...		Checking	0.56	-501.12
Credit Memo	4/1/2005	1004	TN Dept of Reven...	Sales Tax	Accounts Re...	305.47	-195.65
Total Sales Tax Payable						-195.65	-195.65
Note - Machinery & Equipment							-35,000.00
Check	2/15/2005	6	City Bank		Money Market	877.42	-34,122.58
Total Note - Machinery & Equipment						877.42	-34,122.58
Opening Bal Equity							0.00
Total Opening Bal Equity							0.00
Owner's Capital							0.00
Draws							0.00
Check	1/15/2005	108	John Doe		Checking	500.00	500.00
Total Draws						500.00	500.00
Investments							0.00
Total Investments							0.00
Owner's Capital - Other							0.00
Total Owner's Capital - Other							0.00
Total Owner's Capital						500.00	500.00
Retained Earnings							-97,800.00
Total Retained Earnings							-97,800.00
Sales Income							0.00
Credit Memo	1/5/2005	1003	Sparta Nursery	Seagate 4...	Accounts Re...	1,350.00	1,350.00
Invoice	1/20/2005	1000	City of Metropolis:...		Accounts Re...	-200.00	1,150.00
Invoice	1/20/2005	1000	City of Metropolis:...		Accounts Re...	-75.00	1,075.00
Invoice	1/20/2005	1000	City of Metropolis:...		Accounts Re...	-50.00	1,025.00
Invoice	1/20/2005	1000	City of Metropolis:...	Service C...	Accounts Re...	-387.50	637.50
Invoice	1/20/2005	1000	City of Metropolis:...	Markup	Accounts Re...	-250.00	387.50
Invoice	1/20/2005	1000	City of Metropolis:...	Pentium III...	Accounts Re...	-3,400.00	-3,012.50
Invoice	1/20/2005	1004	City of Metropolis:...	Pentium III...	Accounts Re...	-7,500.00	-10,512.50
Invoice	1/20/2005	1004	City of Metropolis:...	Pentium III...	Accounts Re...	-8,500.00	-19,012.50
Invoice	1/20/2005	1004	City of Metropolis:...	Simms RA...	Accounts Re...	-1,400.00	-20,412.50
Invoice	1/20/2005	1004	City of Metropolis:...	Microsoft ...	Accounts Re...	-750.00	-21,162.50
Invoice	1/25/2005	1001	Super Mart	Mouse Pad	Accounts Re...	-50.00	-21,212.50
Invoice	1/25/2005	1001	Super Mart	Microsoft ...	Accounts Re...	-750.00	-21,962.50
Invoice	1/26/2005	1002	Tri City Pumping	Pentium III...	Accounts Re...	-1,500.00	-23,462.50
Invoice	1/26/2005	1002	Tri City Pumping	Pentium III...	Accounts Re...	-1,700.00	-25,162.50
Invoice	1/26/2005	1002	Tri City Pumping	Simms RA...	Accounts Re...	-560.00	-25,722.50
Sales Receipt	1/27/2005	1000	Johnson, Chip	Microsoft ...	Undeposited...	-75.00	-25,797.50
Sales Receipt	1/27/2005	1000	Johnson, Chip	Microsoft ...	Undeposited...	-35.00	-25,832.50
Sales Receipt	1/27/2005	1000	Johnson, Chip	Mouse Pad	Undeposited...	-5.00	-25,837.50
Sales Receipt	1/28/2005	1001	Cash	Taxable C...	Undeposited...	-4,900.00	-30,737.50
Sales Receipt	1/28/2005	1001	Cash	NonTaxab...	Undeposited...	-2,500.00	-33,237.50
Sales Receipt	1/28/2005	1001	Cash	Taxable A...	Undeposited...	-290.00	-33,527.50

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Type	Date	Num	Name	Memo	Split	Amount	Balance
Sales Receipt	1/28/2005	1001	Cash	NonTaxab...	Undeposited...	-155.00	-33,682.50
Sales Receipt	1/28/2005	1001	Cash	Taxable C...	Undeposited...	-2,020.00	-35,702.50
Sales Receipt	1/28/2005	1001	Cash	NonTaxab...	Undeposited...	-1,570.00	-37,272.50
Sales Receipt	1/28/2005	1001	Cash	Taxable S...	Undeposited...	-150.00	-37,422.50
Sales Receipt	1/28/2005	1001	Cash	NonTaxab...	Undeposited...	-50.00	-37,472.50
Sales Receipt	1/28/2005	1001	Cash	Taxable M...	Undeposited...	-250.00	-37,722.50
Sales Receipt	1/28/2005	1001	Cash	NonTaxab...	Undeposited...	-125.00	-37,847.50
Total Sales Income						-37,847.50	-37,847.50
Uncategorized Income							0.00
Total Uncategorized Income							0.00
Cost of Goods Sold							0.00
Credit Memo	1/5/2005	1003	Sparta Nursery	Seagate 4...	Accounts Re...	-900.00	-900.00
Invoice	1/20/2005	1000	City of Metropolis:...	Pentium III...	Accounts Re...	2,600.00	1,700.00
Invoice	1/20/2005	1004	City of Metropolis:...	Pentium III...	Accounts Re...	6,000.00	7,700.00
Invoice	1/20/2005	1004	City of Metropolis:...	Pentium III...	Accounts Re...	6,500.00	14,200.00
Invoice	1/20/2005	1004	City of Metropolis:...	Simms RA...	Accounts Re...	1,000.00	15,200.00
Invoice	1/26/2005	1002	Tri City Pumping	Pentium III...	Accounts Re...	1,200.00	16,400.00
Invoice	1/26/2005	1002	Tri City Pumping	Pentium III...	Accounts Re...	1,300.00	17,700.00
Invoice	1/26/2005	1002	Tri City Pumping	Simms RA...	Accounts Re...	400.00	18,100.00
Total Cost of Goods Sold						18,100.00	18,100.00
Bad Debt Expense							0.00
Payment	4/1/2005		Super Mart		Accounts Re...	50.00	50.00
Payment	4/1/2005		Super Mart		Accounts Re...	20.00	70.00
Credit Memo	4/1/2005	1004	Tri City Pumping	Bad Debt ...	Accounts Re...	3,302.33	3,372.33
Credit Memo	4/1/2005	1004	Tri City Pumping	Bad Debt ...	Accounts Re...	30.00	3,402.33
Total Bad Debt Expense						3,402.33	3,402.33
Bank Charges							0.00
Check	8/31/2005			Service C...	Checking	25.00	25.00
Total Bank Charges						25.00	25.00
Contract Labor							0.00
Installation Labor							0.00
Check	1/15/2005	2	City of Metropolis:...		Checking	500.00	500.00
Invoice	1/20/2005	1000	City of Metropolis:...		Accounts Re...	-500.00	0.00
Total Installation Labor						0.00	0.00
Service & Repair Labor							0.00
Check	1/15/2005	2	City of Metropolis:...	Service C...	Checking	232.50	232.50
Total Service & Repair Labor						232.50	232.50
Contract Labor - Other							0.00
Total Contract Labor - Other							0.00
Total Contract Labor						232.50	232.50
Depreciation Expense							0.00
General Jou...	3/31/2005	9			Acc Depreci...	5,000.00	5,000.00
Total Depreciation Expense						5,000.00	5,000.00
Discount Expense							0.00
Payment	2/1/2005		Tri City Pumping		Undeposited...	82.16	82.16
Total Discount Expense						82.16	82.16
Dues & Professional Services							0.00
Total Dues & Professional Services							0.00

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Type	Date	Num	Name	Memo	Split	Amount	Balance
Employee Benefits							0.00
Paycheck	1/7/2005	101	Jenkins Construct...		Checking	8.10	8.10
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	1.80	9.90
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	12.00	21.90
Paycheck	1/7/2005	102	Hill, Connie		Checking	9.60	31.50
Paycheck	1/7/2005	102	Hill, Connie		Checking	4.80	36.30
Paycheck	1/7/2005	104	Turner, Bruce		Checking	13.85	50.15
Total Employee Benefits						50.15	50.15
Freight Expense							0.00
Bill	1/4/2005		IBM		Accounts Pa...	150.00	150.00
Credit	1/6/2005		IBM		Accounts Pa...	-30.00	120.00
Bill	2/10/2005		IBM		Accounts Pa...	150.00	270.00
Total Freight Expense						270.00	270.00
Fuel & Oil Expense							0.00
Total Fuel & Oil Expense							0.00
Insurance Expense							0.00
Total Insurance Expense							0.00
Interest - Non Mortgage							0.00
Check	2/15/2005	6	City Bank		Money Market	122.58	122.58
Total Interest - Non Mortgage						122.58	122.58
Inventory Purchases Expense							0.00
Total Inventory Purchases Expense							0.00
Marketing Expense							0.00
Total Marketing Expense							0.00
Office Supplies							0.00
Check	2/10/2005	107	Office Super Store		Checking	175.00	175.00
Total Office Supplies						175.00	175.00
Overage/Shortage							0.00
Sales Receipt	1/28/2005	1001	Cash	Cash Regi...	Undeposited...	5.00	5.00
Total Overage/Shortage						5.00	5.00
Payroll Expenses							0.00
Paycheck	1/7/2005	100	Cash		Checking	180.00	180.00
Paycheck	1/7/2005	100	Jenkins Construct...		Checking	110.00	290.00
Paycheck	1/7/2005	100	City of Metropolis:...		Checking	110.00	400.00
Paycheck	1/7/2005	100	City of Metropolis:...		Checking	30.00	430.00
Paycheck	1/7/2005	100	Cash		Checking	0.27	430.27
Paycheck	1/7/2005	100	Jenkins Construct...		Checking	0.17	430.44
Paycheck	1/7/2005	100	City of Metropolis:...		Checking	0.21	430.65
Paycheck	1/7/2005	100	Cash		Checking	11.16	441.81
Paycheck	1/7/2005	100	Jenkins Construct...		Checking	6.82	448.63
Paycheck	1/7/2005	100	City of Metropolis:...		Checking	8.68	457.31
Paycheck	1/7/2005	100	Cash		Checking	2.61	459.92
Paycheck	1/7/2005	100	Jenkins Construct...		Checking	1.60	461.52
Paycheck	1/7/2005	100	City of Metropolis:...		Checking	2.03	463.55
Paycheck	1/7/2005	100	Cash		Checking	1.44	464.99
Paycheck	1/7/2005	100	Jenkins Construct...		Checking	0.88	465.87
Paycheck	1/7/2005	100	City of Metropolis:...		Checking	1.12	466.99
Paycheck	1/7/2005	100	Cash		Checking	4.95	471.94
Paycheck	1/7/2005	100	Jenkins Construct...		Checking	3.03	474.97
Paycheck	1/7/2005	100	City of Metropolis:...		Checking	3.85	478.82
Paycheck	1/7/2005	101	Jenkins Construct...		Checking	180.00	658.82
Paycheck	1/7/2005	101	Jenkins Construct...		Checking	90.00	748.82
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	60.00	808.82
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	400.00	1,208.82
Paycheck	1/7/2005	101	Jenkins Construct...		Checking	0.00	1,208.82
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	0.00	1,208.82

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Type	Date	Num	Name	Memo	Split	Amount	Balance
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	0.00	1,208.82
Paycheck	1/7/2005	101	Jenkins Construct...		Checking	16.74	1,225.56
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	3.72	1,229.28
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	24.80	1,254.08
Paycheck	1/7/2005	101	Jenkins Construct...		Checking	3.92	1,258.00
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	0.87	1,258.87
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	5.80	1,264.67
Paycheck	1/7/2005	101	Jenkins Construct...		Checking	2.16	1,266.83
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	0.48	1,267.31
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	3.20	1,270.51
Paycheck	1/7/2005	101	Jenkins Construct...		Checking	7.43	1,277.94
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	1.65	1,279.59
Paycheck	1/7/2005	101	Frederickson, Jim		Checking	11.00	1,290.59
Paycheck	1/7/2005	102	Hill, Connie		Checking	240.00	1,530.59
Paycheck	1/7/2005	102	Hill, Connie		Checking	0.00	1,530.59
Paycheck	1/7/2005	102	Hill, Connie		Checking	120.00	1,650.59
Paycheck	1/7/2005	102	Hill, Connie		Checking	0.00	1,650.59
Paycheck	1/7/2005	102	Hill, Connie		Checking	0.00	1,650.59
Paycheck	1/7/2005	102	Hill, Connie		Checking	14.88	1,665.47
Paycheck	1/7/2005	102	Hill, Connie		Checking	7.44	1,672.91
Paycheck	1/7/2005	102	Hill, Connie		Checking	3.48	1,676.39
Paycheck	1/7/2005	102	Hill, Connie		Checking	1.74	1,678.13
Paycheck	1/7/2005	102	Hill, Connie		Checking	1.92	1,680.05
Paycheck	1/7/2005	102	Hill, Connie		Checking	0.96	1,681.01
Paycheck	1/7/2005	102	Hill, Connie		Checking	6.60	1,687.61
Paycheck	1/7/2005	102	Hill, Connie		Checking	3.30	1,690.91
Paycheck	1/7/2005	103	Lawson, Pam		Checking	220.00	1,910.91
Paycheck	1/7/2005	103	Lawson, Pam		Checking	41.25	1,952.16
Paycheck	1/7/2005	103	Lawson, Pam		Checking	0.00	1,952.16
Paycheck	1/7/2005	103	Lawson, Pam		Checking	16.20	1,968.36
Paycheck	1/7/2005	103	Lawson, Pam		Checking	3.79	1,972.15
Paycheck	1/7/2005	103	Lawson, Pam		Checking	2.09	1,974.24
Paycheck	1/7/2005	103	Lawson, Pam		Checking	7.18	1,981.42
Paycheck	1/7/2005	104	Turner, Bruce		Checking	346.15	2,327.57
Paycheck	1/7/2005	104	Turner, Bruce		Checking	0.00	2,327.57
Paycheck	1/7/2005	104	Turner, Bruce		Checking	21.46	2,349.03
Paycheck	1/7/2005	104	Turner, Bruce		Checking	5.02	2,354.05
Paycheck	1/7/2005	104	Turner, Bruce		Checking	2.77	2,356.82
Paycheck	1/7/2005	104	Turner, Bruce		Checking	9.52	2,366.34
Total Payroll Expenses						2,366.34	2,366.34
Rent Expense							0.00
Check	1/15/2005	1	Allen, Fred		Checking	500.00	500.00
Total Rent Expense						500.00	500.00
Repair & Service Supplies							0.00
Total Repair & Service Supplies							0.00
Repairs Expense							0.00
Building							0.00
Total Building							0.00
Machinery & Equipment							0.00
Total Machinery & Equipment							0.00
Repairs Expense - Other							0.00
Total Repairs Expense - Other							0.00
Total Repairs Expense							0.00
Taxes & Licenses							0.00
Total Taxes & Licenses							0.00

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	Type	Date	Num	Name	Memo	Split	Amount	Balance
Uncategorized Expenses								0.00
Total Uncategorized Expenses								0.00
Utilities Expense								0.00
Electricity Expense								0.00
Total Electricity Expense								0.00
Phone Expense								0.00
Total Phone Expense								0.00
Water Expense								0.00
Total Water Expense								0.00
Utilities Expense - Other								0.00
Total Utilities Expense - Other								0.00
Total Utilities Expense								0.00
Finance Charge Income								0.00
	Stmt Charge	3/8/2005		Tri City Pumping	Discount ...	Accounts Re...	-82.16	-82.16
	Stmt Charge	3/8/2005		Tri City Pumping	Returned ...	Accounts Re...	-30.00	-112.16
	Stmt Charge	3/10/2005		Super Mart	Finance C...	Accounts Re...	-20.00	-132.16
Total Finance Charge Income							-132.16	-132.16
Freight Income								0.00
	Invoice	1/25/2005	1001	Super Mart	Delivery C...	Accounts Re...	-50.00	-50.00
Total Freight Income							-50.00	-50.00
Sales Tax - Adjustment								0.00
	General Jou...	3/31/2005	8	TN Dept of Reven...		Sales Tax P...	0.56	0.56
Total Sales Tax - Adjustment							0.56	0.56
Capital Gains/Losses								0.00
	Deposit	3/5/2005			Deposit	Checking	-1,160.00	-1,160.00
Total Capital Gains/Losses							-1,160.00	-1,160.00
No accnt								0.00
Total no accnt								0.00
TOTAL							**0.00**	**0.00**

THE PAYROLL REPORTS

One of the biggest problems faced by small business owners is maintaining accurate reporting methods for their payroll expenses. **QuickBooks Pro** eases this burden by providing two reports that provide information for the most common types of payroll reporting that you will need.

The **Payroll Liabilities** (below) provides a list of all payroll liabilities owed as of a particular reporting date. The **Payroll Balances Report** (page 163) provides all payroll components, deductions and company taxes and contributions in an extremely easy-to-read format. These reports can be accessed by clicking on **Reports** and then choosing **Employees & Payroll**.

QuickBooks Pro maintains three more reports that can ease the burden of the end-of-year payroll reporting. By clicking on the **Process Payroll Forms** icon in the **Employees Navigator**, you can access the reporting feature for the 941 and 940. W-2 forms can be accessed in the **Employees Navigator** by clicking on the **Process W-2** icon. While these forms cannot be incorporated into this manual, they are extremely easy to generate. **QuickBooks Pro** has a report generator that prints the actual 940 and 941 forms. To process your company's W-2 forms, you will need to purchase the preprinted forms either from the Government Printing Office or from an office supply store.

11:10 AM
09/16/05

Tennessee Computers
Payroll Liability Balances
January through December 2005

	BALANCE
Payroll Liabilities	
Federal Withholding	0.00
Medicare Employee	0.00
Social Security Employee	0.00
Federal Unemployment	0.00
Medicare Company	0.00
Social Security Company	0.00
TN - Unemployment Company	0.00
TN - Job Skills Fee	0.00
401(k) Employee	0.00
Garnishment	0.00
401(k) Company	0.00
Total Payroll Liabilities	0.00

11:11 AM

09/16/05

Tennessee Computers
Payroll Summary
January through December 2005

	Ferguson, Paul			Frederickson, Jim			Hill, Connie	
	Hours	Rate	Jan - Dec 05	Hours	Rate	Jan - Dec 05	Hours	Rate
Employee Wages, Taxes and Adjustments								
Gross Pay								
Salary			0.00			0.00		
Hourly Wage	40	10.00	400.00	40	6.00	240.00	40	6.00
Overtime Wage	2	15.00	30.00	10	9.00	90.00		9.00
Commission			0.00			400.00		
Total Gross Pay	42		430.00	50		730.00	40	
Deductions from Gross Pay								
401(k) Employee			0.00			-21.90		
Total Deductions from Gross Pay			0.00			-21.90		
Adjusted Gross Pay	42		430.00	50		708.10	40	
Taxes Withheld								
Federal Withholding			-4.00			-62.00		
Medicare Employee			-6.24			-10.59		
Social Security Employee			-26.66			-45.26		
Total Taxes Withheld			-36.90			-117.85		
Deductions from Net Pay								
Frederickson - Car Loan			0.00			-100.00		
Frederickson - Trailer Loan			0.00			-50.00		
Garnishment			0.00			-50.00		
Total Deductions from Net Pay			0.00			-200.00		
Net Pay	42		393.10	50		390.25	40	
Employer Taxes and Contributions								
Federal Unemployment			3.44			5.84		
Medicare Company			6.24			10.59		
Social Security Company			26.66			45.26		
TN - Unemployment Company			11.83			20.08		
401(k) Company			0.00			21.90		
TN - Job Skills Fee			0.65			0.00		
Total Employer Taxes and Contributions			48.82			103.67		

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09/16/05

Tennessee Computers
Payroll Summary
January through December 2005

	Hill, Connie	Lawson, Pam			Turner, Bruce			TOTAL
	Jan - Dec 05	Hours	Rate	Jan - Dec 05	Hours	Rate	Jan - Dec 05	Hours
Employee Wages, Taxes and Adjustments								
Gross Pay								
Salary	0.00			0.00			346.15	
Hourly Wage	240.00	40	5.50	220.00			0.00	160.00
Overtime Wage	0.00	5	8.25	41.25			0.00	17.00
Commission	120.00			0.00			0.00	
Total Gross Pay	360.00	45		261.25			346.15	177.00
Deductions from Gross Pay								
401(k) Employee	-30.00			0.00			-17.31	
Total Deductions from Gross Pay	-30.00			0.00			-17.31	
Adjusted Gross Pay	330.00	45		261.25			328.84	177.00
Taxes Withheld								
Federal Withholding	-9.00			-26.00			-3.00	
Medicare Employee	-5.22			-3.79			-5.02	
Social Security Employee	-22.32			-16.20			-21.46	
Total Taxes Withheld	-36.54			-45.99			-29.48	
Deductions from Net Pay								
Frederickson - Car Loan	0.00			0.00			0.00	
Frederickson - Trailer Loan	0.00			0.00			0.00	
Garnishment	0.00			0.00			0.00	
Total Deductions from Net Pay	0.00			0.00			0.00	
Net Pay	293.46	45		215.26			299.36	177.00
Employer Taxes and Contributions								
Federal Unemployment	2.88			2.09			2.77	
Medicare Company	5.22			3.79			5.02	
Social Security Company	22.32			16.20			21.46	
TN - Unemployment Company	9.90			7.18			9.52	
401(k) Company	14.40			0.00			13.85	
TN - Job Skills Fee	0.00			0.00			0.00	
Total Employer Taxes and Contributions	54.72			29.26			52.62	

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09/16/05

Tennessee Computers
Payroll Summary
January through December 2005

	TOTAL	
	Rate	Jan - Dec 05
Employee Wages, Taxes and Adjustments		
Gross Pay		
Salary		346.15
Hourly Wage		1,100.00
Overtime Wage		161.25
Commission		520.00
Total Gross Pay		2,127.40
Deductions from Gross Pay		
401(k) Employee		-69.21
Total Deductions from Gross Pay		-69.21
Adjusted Gross Pay		2,058.19
Taxes Withheld		
Federal Withholding		-104.00
Medicare Employee		-30.86
Social Security Employee		-131.90
Total Taxes Withheld		-266.76
Deductions from Net Pay		
Frederickson - Car Loan		-100.00
Frederickson - Trailer Loan		-50.00
Garnishment		-50.00
Total Deductions from Net Pay		-200.00
Net Pay		**1,591.43**
Employer Taxes and Contributions		
Federal Unemployment		17.02
Medicare Company		30.86
Social Security Company		131.90
TN - Unemployment Company		58.51
401(k) Company		50.15
TN - Job Skills Fee		0.65
Total Employer Taxes and Contributions		289.09

INCOME TAX REPORTS

As stated earlier, one of the great advantages to using a computerized financial record keeping system is the ability to ease the company's reporting burden, especially at income tax time. QuickBooks Pro generates two income tax reports that can provide this information. These reports can be accessed by choosing **Reports** from the top menu bar and then clicking on **Accountant & Taxes**.

The **Income Tax Summary Report** (below) is a listing of the total amounts designated to each tax line that you chose when you created the company's accounts. If all transactions were entered properly and completely, these numbers could be transferred from the QuickBooks Pro report directly to the appropriate tax form. The **Income Tax Detail Report** (page 168) provides a listing of all transactions that affect each tax line. This report can assist you in making sure that all transactions were entered properly so that you will be able to accurately and easily complete your income tax forms.

11:11 AM
09/16/05
Accrual Basis

Tennessee Computers
Income Tax Summary
As of December 31, 2005

	Dec 31, 05
Sch C	
Gross receipts or sales	37,847.50
Other business income	181.60
Bad debts from sales/services	3,402.33
Commissions and fees	25.00
Employee benefit programs	50.15
Interest expense, other	122.58
Office expenses	175.00
Rent/lease other bus. prop.	500.00
Wages paid	2,366.34
Other business expenses	87.16
Labor, cost of goods	232.50
Other costs, COGS	270.00
Tax Line Unassigned (balance sheet)	-6,411.53
Tax Line Unassigned (income/expense)	21,940.00
Not Tax Related (balance sheet)	10,469.57

11:12 AM
09/16/05
Accrual Basis

Tennessee Computers
Income Tax Detail
January through December 2005

Type	Date	Num	Name	Memo	Class	Account	Amount
Sch C							
Gross receipts or sales							
Credit Memo	1/5/2005	1003	Sparta Nurs...	Seagate 4...	Product ...	Sales Income	-1,350.00
Invoice	1/20/2005	1000	City of Metro...		Service ...	Sales Income	200.00
Invoice	1/20/2005	1000	City of Metro...		Service ...	Sales Income	75.00
Invoice	1/20/2005	1000	City of Metro...		Service ...	Sales Income	50.00
Invoice	1/20/2005	1000	City of Metro...	Service Ca...	Service ...	Sales Income	387.50
Invoice	1/20/2005	1000	City of Metro...	Markup	Product ...	Sales Income	250.00
Invoice	1/20/2005	1000	City of Metro...	Pentium III...	Product ...	Sales Income	3,400.00
Invoice	1/20/2005	1004	City of Metro...	Pentium III...		Sales Income	7,500.00
Invoice	1/20/2005	1004	City of Metro...	Pentium III...		Sales Income	8,500.00
Invoice	1/20/2005	1004	City of Metro...	Simms RA...		Sales Income	1,400.00
Invoice	1/20/2005	1004	City of Metro...	Microsoft ...		Sales Income	750.00
Invoice	1/25/2005	1001	Super Mart	Mouse Pad	Product ...	Sales Income	50.00
Invoice	1/25/2005	1001	Super Mart	Microsoft ...	Product ...	Sales Income	750.00
Invoice	1/26/2005	1002	Tri City Pum...	Pentium III...	Product ...	Sales Income	1,500.00
Invoice	1/26/2005	1002	Tri City Pum...	Pentium III...	Product ...	Sales Income	1,700.00
Invoice	1/26/2005	1002	Tri City Pum...	Simms RA...	Product ...	Sales Income	560.00
Sales Receipt	1/27/2005	1000	Johnson, Chip	Microsoft ...	Product ...	Sales Income	75.00
Sales Receipt	1/27/2005	1000	Johnson, Chip	Microsoft ...	Product ...	Sales Income	35.00
Sales Receipt	1/27/2005	1000	Johnson, Chip	Mouse Pad	Product ...	Sales Income	5.00
Sales Receipt	1/28/2005	1001	Cash	Taxable C...	Product ...	Sales Income	4,900.00
Sales Receipt	1/28/2005	1001	Cash	NonTaxabl...	Product ...	Sales Income	2,500.00
Sales Receipt	1/28/2005	1001	Cash	Taxable A...	Product ...	Sales Income	290.00
Sales Receipt	1/28/2005	1001	Cash	NonTaxabl...	Product ...	Sales Income	155.00
Sales Receipt	1/28/2005	1001	Cash	Taxable C...	Product ...	Sales Income	2,020.00
Sales Receipt	1/28/2005	1001	Cash	NonTaxabl...	Product ...	Sales Income	1,570.00
Sales Receipt	1/28/2005	1001	Cash	Taxable S...	Service ...	Sales Income	150.00
Sales Receipt	1/28/2005	1001	Cash	NonTaxabl...	Service ...	Sales Income	50.00
Sales Receipt	1/28/2005	1001	Cash	Taxable Mi...	Product ...	Sales Income	250.00
Sales Receipt	1/28/2005	1001	Cash	NonTaxabl...	Product ...	Sales Income	125.00
Total Gross receipts or sales							37,847.50
Other business income							
Invoice	1/25/2005	1001	Super Mart	Delivery C...	Overhead	Freight Income	50.00
Stmt Charge	3/8/2005		Tri City Pum...	Discount N...	Overhead	Finance Charg...	82.16
Stmt Charge	3/8/2005		Tri City Pum...	Returned ...	Overhead	Finance Charg...	30.00
Stmt Charge	3/10/2005		Super Mart	Finance C...	Overhead	Finance Charg...	20.00
General Journal	3/31/2005	8	TN Dept of R...			Sales Tax - Ad...	-0.56
Total Other business income							181.60
Bad debts from sales/services							
Payment	4/1/2005		Super Mart		Overhead	Bad Debt Exp...	50.00
Payment	4/1/2005		Super Mart		Overhead	Bad Debt Exp...	20.00
Credit Memo	4/1/2005	1004	Tri City Pum...	Bad Debt ...	Overhead	Bad Debt Exp...	3,302.33
Credit Memo	4/1/2005	1004	Tri City Pum...	Bad Debt ...	Overhead	Bad Debt Exp...	30.00
Total Bad debts from sales/services							3,402.33
Commissions and fees							
Check	8/31/2005			Service Ch...	Overhead	Bank Charges	25.00
Total Commissions and fees							25.00
Employee benefit programs							
Paycheck	1/7/2005	101	Jenkins Con...		Service ...	Employee Ben...	8.10
Paycheck	1/7/2005	101	Frederickson...		Product ...	Employee Ben...	1.80
Paycheck	1/7/2005	101	Frederickson...		Overhead	Employee Ben...	12.00
Paycheck	1/7/2005	102	Hill, Connie		Product ...	Employee Ben...	9.60
Paycheck	1/7/2005	102	Hill, Connie		Overhead	Employee Ben...	4.80
Paycheck	1/7/2005	104	Turner, Bruce		Overhead	Employee Ben...	13.85
Total Employee benefit programs							50.15
Interest expense, other							
Check	2/15/2005	6	City Bank		Service ...	Interest - Non ...	122.58
Total Interest expense, other							122.58

11:12 AM
09/16/05
Accrual Basis

Tennessee Computers
Income Tax Detail
January through December 2005

Type	Date	Num	Name	Memo	Class	Account	Amount
Office expenses							
Check	2/10/2005	107	Office Super ...		Overhead	Office Supplies	175.00
Total Office expenses							175.00
Rent/lease other bus. prop.							
Check	1/15/2005	1	Allen, Fred		Overhead	Rent Expense	500.00
Total Rent/lease other bus. prop.							500.00
Wages paid							
Paycheck	1/7/2005	100	Cash		Service ...	Payroll Expens...	180.00
Paycheck	1/7/2005	100	Jenkins Con...		Service ...	Payroll Expens...	110.00
Paycheck	1/7/2005	100	City of Metro...		Service ...	Payroll Expens...	110.00
Paycheck	1/7/2005	100	City of Metro...		Service ...	Payroll Expens...	30.00
Paycheck	1/7/2005	100	Cash		Service ...	Payroll Expens...	0.27
Paycheck	1/7/2005	100	Jenkins Con...		Service ...	Payroll Expens...	0.17
Paycheck	1/7/2005	100	City of Metro...		Service ...	Payroll Expens...	0.21
Paycheck	1/7/2005	100	Cash		Service ...	Payroll Expens...	11.16
Paycheck	1/7/2005	100	Jenkins Con...		Service ...	Payroll Expens...	6.82
Paycheck	1/7/2005	100	City of Metro...		Service ...	Payroll Expens...	8.68
Paycheck	1/7/2005	100	Cash		Service ...	Payroll Expens...	2.61
Paycheck	1/7/2005	100	Jenkins Con...		Service ...	Payroll Expens...	1.60
Paycheck	1/7/2005	100	City of Metro...		Service ...	Payroll Expens...	2.03
Paycheck	1/7/2005	100	Cash		Service ...	Payroll Expens...	1.44
Paycheck	1/7/2005	100	Jenkins Con...		Service ...	Payroll Expens...	0.88
Paycheck	1/7/2005	100	City of Metro...		Service ...	Payroll Expens...	1.12
Paycheck	1/7/2005	100	Cash		Service ...	Payroll Expens...	4.95
Paycheck	1/7/2005	100	Jenkins Con...		Service ...	Payroll Expens...	3.03
Paycheck	1/7/2005	100	City of Metro...		Service ...	Payroll Expens...	3.85
Paycheck	1/7/2005	101	Jenkins Con...		Service ...	Payroll Expens...	180.00
Paycheck	1/7/2005	101	Jenkins Con...		Service ...	Payroll Expens...	90.00
Paycheck	1/7/2005	101	Frederickson...		Product ...	Payroll Expens...	60.00
Paycheck	1/7/2005	101	Frederickson...		Overhead	Payroll Expens...	400.00
Paycheck	1/7/2005	101	Jenkins Con...		Service ...	Payroll Expens...	0.00
Paycheck	1/7/2005	101	Frederickson...		Product ...	Payroll Expens...	0.00
Paycheck	1/7/2005	101	Frederickson...		Overhead	Payroll Expens...	0.00
Paycheck	1/7/2005	101	Jenkins Con...		Service ...	Payroll Expens...	16.74
Paycheck	1/7/2005	101	Frederickson...		Product ...	Payroll Expens...	3.72
Paycheck	1/7/2005	101	Frederickson...		Overhead	Payroll Expens...	24.80
Paycheck	1/7/2005	101	Jenkins Con...		Service ...	Payroll Expens...	3.92
Paycheck	1/7/2005	101	Frederickson...		Product ...	Payroll Expens...	0.87
Paycheck	1/7/2005	101	Frederickson...		Overhead	Payroll Expens...	5.80
Paycheck	1/7/2005	101	Jenkins Con...		Service ...	Payroll Expens...	2.16
Paycheck	1/7/2005	101	Frederickson...		Product ...	Payroll Expens...	0.48
Paycheck	1/7/2005	101	Frederickson...		Overhead	Payroll Expens...	3.20
Paycheck	1/7/2005	101	Jenkins Con...		Service ...	Payroll Expens...	7.43
Paycheck	1/7/2005	101	Frederickson...		Product ...	Payroll Expens...	1.65
Paycheck	1/7/2005	101	Frederickson...		Overhead	Payroll Expens...	11.00
Paycheck	1/7/2005	102	Hill, Connie		Product ...	Payroll Expens...	240.00
Paycheck	1/7/2005	102	Hill, Connie		Product ...	Payroll Expens...	0.00
Paycheck	1/7/2005	102	Hill, Connie		Overhead	Payroll Expens...	120.00
Paycheck	1/7/2005	102	Hill, Connie		Product ...	Payroll Expens...	0.00
Paycheck	1/7/2005	102	Hill, Connie		Overhead	Payroll Expens...	0.00
Paycheck	1/7/2005	102	Hill, Connie		Product ...	Payroll Expens...	14.88
Paycheck	1/7/2005	102	Hill, Connie		Overhead	Payroll Expens...	7.44
Paycheck	1/7/2005	102	Hill, Connie		Product ...	Payroll Expens...	3.48
Paycheck	1/7/2005	102	Hill, Connie		Overhead	Payroll Expens...	1.74
Paycheck	1/7/2005	102	Hill, Connie		Product ...	Payroll Expens...	1.92
Paycheck	1/7/2005	102	Hill, Connie		Overhead	Payroll Expens...	0.96
Paycheck	1/7/2005	102	Hill, Connie		Product ...	Payroll Expens...	6.60
Paycheck	1/7/2005	102	Hill, Connie		Overhead	Payroll Expens...	3.30
Paycheck	1/7/2005	103	Lawson, Pam		Overhead	Payroll Expens...	220.00
Paycheck	1/7/2005	103	Lawson, Pam		Overhead	Payroll Expens...	41.25
Paycheck	1/7/2005	103	Lawson, Pam		Overhead	Payroll Expens...	0.00
Paycheck	1/7/2005	103	Lawson, Pam		Overhead	Payroll Expens...	16.20
Paycheck	1/7/2005	103	Lawson, Pam		Overhead	Payroll Expens...	3.79
Paycheck	1/7/2005	103	Lawson, Pam		Overhead	Payroll Expens...	2.09
Paycheck	1/7/2005	103	Lawson, Pam		Overhead	Payroll Expens...	7.18
Paycheck	1/7/2005	104	Turner, Bruce		Overhead	Payroll Expens...	346.15

11:12 AM
09/16/05
Accrual Basis

Tennessee Computers
Income Tax Detail
January through December 2005

Type	Date	Num	Name	Memo	Class	Account	Amount
Paycheck	1/7/2005	104	Turner, Bruce		Overhead	Payroll Expens...	0.00
Paycheck	1/7/2005	104	Turner, Bruce		Overhead	Payroll Expens...	21.46
Paycheck	1/7/2005	104	Turner, Bruce		Overhead	Payroll Expens...	5.02
Paycheck	1/7/2005	104	Turner, Bruce		Overhead	Payroll Expens...	2.77
Paycheck	1/7/2005	104	Turner, Bruce		Overhead	Payroll Expens...	9.52
Total Wages paid							2,366.34
Other business expenses							
Sales Receipt	1/28/2005	1001	Cash	Cash Regi...	Overhead	Overage/Short...	5.00
Payment	2/1/2005		Tri City Pum...			Discount Expe...	82.16
Total Other business expenses							87.16
Labor, cost of goods							
Check	1/15/2005	2	City of Metro...		Product ...	Installation La...	500.00
Check	1/15/2005	2	City of Metro...	Service Ca...	Service ...	Service & Rep...	232.50
Invoice	1/20/2005	1000	City of Metro...		Product ...	Installation La...	-500.00
Total Labor, cost of goods							232.50
Other costs, COGS							
Bill	1/4/2005		IBM		Product ...	Freight Expense	150.00
Credit	1/6/2005		IBM		Product ...	Freight Expense	-30.00
Bill	2/10/2005		IBM		Product ...	Freight Expense	150.00
Total Other costs, COGS							270.00
Tax Line Unassigned (income/expense)							
Credit Memo	1/5/2005	1003	Sparta Nurs...	Seagate 4...	Product ...	Cost of Goods ...	-900.00
Invoice	1/20/2005	1000	City of Metro...	Pentium III...	Product ...	Cost of Goods ...	2,600.00
Invoice	1/20/2005	1004	City of Metro...	Pentium III...		Cost of Goods ...	6,000.00
Invoice	1/20/2005	1004	City of Metro...	Pentium III...		Cost of Goods ...	6,500.00
Invoice	1/20/2005	1004	City of Metro...	Simms RA...		Cost of Goods ...	1,000.00
Invoice	1/26/2005	1002	Tri City Pum...	Pentium III...	Product ...	Cost of Goods ...	1,200.00
Invoice	1/26/2005	1002	Tri City Pum...	Pentium III...	Product ...	Cost of Goods ...	1,300.00
Invoice	1/26/2005	1002	Tri City Pum...	Simms RA...	Product ...	Cost of Goods ...	400.00
Deposit	3/5/2005			Deposit	Service ...	Capital Gains/...	-1,160.00
General Journal	3/31/2005	9				Depreciation E...	5,000.00
Total Tax Line Unassigned (income/expense)							21,940.00

SALES TAX LIABILITY REPORT

As we discovered when we were entering transactions, **QuickBooks Pro** makes it extremely easy to pay your state sales tax liabilities. However, it was extremely difficult to obtain the information needed to fill out the state sales tax report. **QuickBooks Pro** has alleviated this burden by providing a **Sales Tax Liability Report**. To generate this report, click on **Reports** from the top menu bar and then choose **Vendors & Payables**. Now select **Sales Tax Liability**. This report should now look like the one shown below.

As you can see, this report provides the level of total sales, non-taxable sales, taxable sales, the tax rate, the tax collected and the amount of tax payable for each individual sales tax item.

3:25 PM
10/20/05
Accrual Basis

Tennessee Computers
Sales Tax Liability
January through December 2005

	Total Sales	Non-Taxable Sa...	Taxable Sales	Tax Rate	Tax Collected
TN Dept of Revenue					
CR - Sales Tax	12,005.00	4,395.00	7,610.00	0.0%	0.00
Sales Tax	26,837.97	27,615.30	-777.33	9.25%	554.09
TN Dept of Revenue - Other	0.00	0.00	0.00		0.00
Multiple taxes for TN Dept of R...	-125.00	-125.00	0.00		0.00
Total TN Dept of Revenue	38,717.97	31,885.30	6,832.67		554.09
TOTAL	38,717.97	31,885.30	6,832.67		554.09

State Unemployment Tax Reports

There is one report that this company will have to file for which the data is not readily available in **QuickBooks Pro**. This is the report that must accompany the state unemployment insurance payments. For this report, you need two pieces of information. First, you must know the total amount of wages paid to employees for the reporting period. Second, you must be able to ascertain the total amount of state unemployment insurance employee contributions for the reporting period. Since there are no reports available in **QuickBooks Pro** that will readily provide this information without including a large amount of information that is not required, we will create our own report.

To create this report, click **Reports** from the top menu bar and then click **Custom Summary Report**. This brings up the **Modify Report: Custom Summary Report** window. Since you normally pay this tax on a quarterly basis, use the drop down arrow beside the **Report Date Range** field and choose ***This Fiscal Quarter***. Click on the drop down arrow beside the **Display columns by** field and choose ***Payroll item detail***. Now click the drop down arrow beside the **Display rows by** field and choose ***Employee***. When you finish, this screen should look like *Figure 202*. If so, click **OK**.

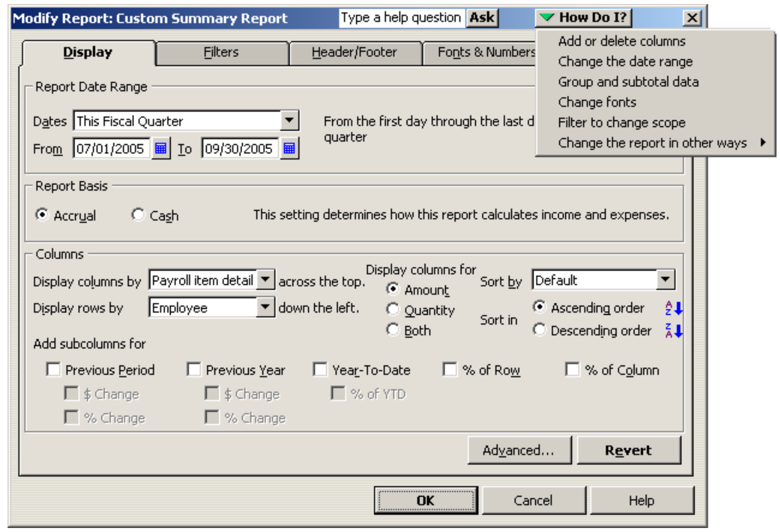

Figure 202

You should now be at the **Custom Report** screen. You now have a report that provides you with the information that you want, but it also gives you a lot of information that you don't need for this report. When we chose ***Payroll item detail*** for the report columns, **QuickBooks Pro** included all payroll items in the report. However, we only want the employee compensation items to be included. To modify the report in this way, we must use the filtering feature of **QuickBooks Pro**.

To utilize this feature, click the **Filters** located on the top menu bar of the **Modify Report: Custom Summary Report** tab. Scroll down the **Filter** list until you find ***Payroll Item***. Click on this filter to highlight it. Now click the drop-down arrow beside the **Payroll Item** field and choose ***Selected payroll items...***. This brings up the **Select Payroll Items** window. Click on ***Salary***, ***Hourly Wage***, ***Overtime Wage*** and ***Commission*** to select these items for inclusion in the report. When you finish, this screen should look like *Figure 203*. If so, click **OK**.

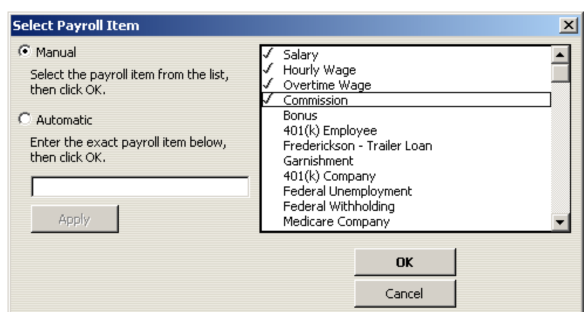

Figure 203

The **Modify Report Filters** screen will now look like *Figure 204*. If so, click **OK**. It contains the information that we need to complete the employee earnings section of the state unemployment tax forms, but we need to give a title that describes the information contained in the report. To do this, click the **Header/Footer** tab in the **Modify Report: Custom Summary Report** window. Change the **Report Title** to ***Employee Compensation***. This screen should now look like *Figure 205*.

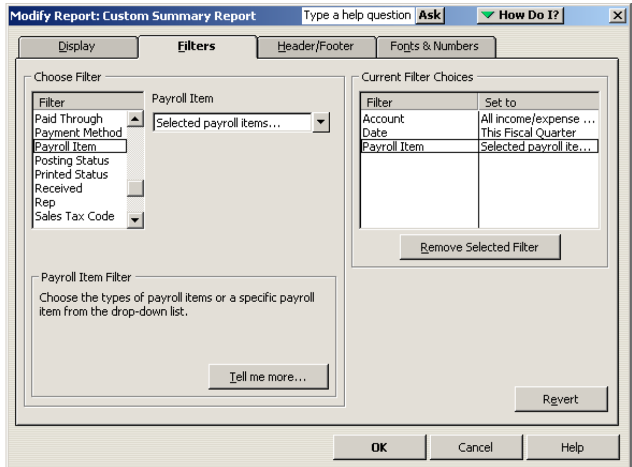

Figure 204

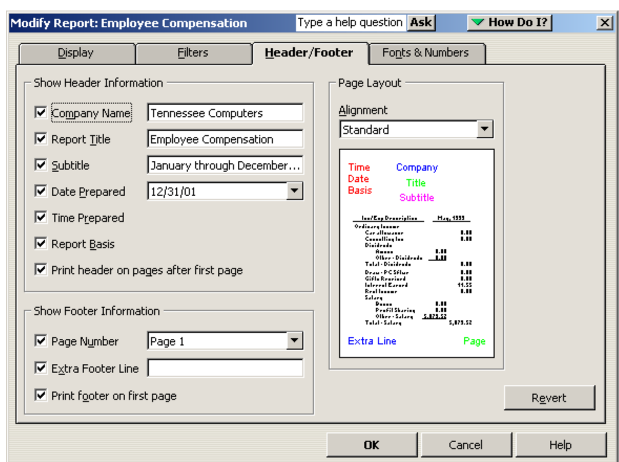

Figure 205

We now have a report (page 174) that provides us with the information that we need in a form that we can use to pay our state unemployment tax. However, since we do not want to go through the process of creating this report every time that we need this information, we want to **memorize** the report.

To do this, click the **Memorize...** button located in the top menu bar of the **Custom Summary Report** screen. This brings up the **Memorize Report** window. The default name for this report is ***Employee Compensation*** (remember that this is the title that we gave to the report). This memorized transaction name should provide us with an adequate description of the information contained in the report. If it does, click **OK**. This report is now memorized and can be accessed by clicking **Reports** on the top **QuickBooks Pro** menu bar and then choosing **Memorized Reports**.

We still need to create a report that provides us with the employee contributions to the state unemployment tax. Create this report in the same manner as the **Employee Compensation Report**. Give it a title and a memorized name of **State Unemployment Contributions**. When you finish, it should resemble the report shown on page 174.

You do have one other option in creating a report to show state tax withholdings and contributions. Choose **Reports** from the top menu bar, select **Employees & Payroll**, and then choose **Employee State Taxes Detail**. This report gives you the same information as the custom reports you just created, but in a slightly different format. This report is shown on page 175 .

11:22 AM
09/16/05
Accrual Basis

Tennessee Computers
Employee Compensation
January through December 2005

	Salary	Hourly Wage	Overtime Wage	Commission	TOTAL
Ferguson, Paul	0.00	400.00	30.00	0.00	430.00
Frederickson, Jim	0.00	240.00	90.00	400.00	730.00
Hill, Connie	0.00	240.00	0.00	120.00	360.00
Lawson, Pam	0.00	220.00	41.25	0.00	261.25
Turner, Bruce	346.15	0.00	0.00	0.00	346.15
TOTAL	346.15	1,100.00	161.25	520.00	2,127.40

11:25 AM
09/16/05
Accrual Basis

Tennessee Computers
State Unemployment Contributions
January through December 2005

	TN - Unemployment Company	TN - Job Skills Fee	TOTAL
Ferguson, Paul	11.83	0.65	12.48
Frederickson, Jim	20.08	0.00	20.08
Hill, Connie	9.90	0.00	9.90
Lawson, Pam	7.18	0.00	7.18
Turner, Bruce	9.52	0.00	9.52
TOTAL	58.51	0.65	59.16

11:26 AM

09/16/05

Tennessee Computers
Employee State Taxes Detail
January through December 2005

Source Name	SSN/Tax ID	Date	Payroll Item	Income Subject To Tax	Wage Base	Amount
Ferguson, Paul						
Ferguson, Paul	304-58-7672	1/7/2005	TN - Unemployment Company	430.00	430.00	-11.83
Total Ferguson, Paul				430.00	430.00	-11.83
Frederickson, Jim						
Frederickson, Jim	573-48-5327	1/7/2005	TN - Unemployment Company	730.00	730.00	-20.08
Total Frederickson, Jim				730.00	730.00	-20.08
Hill, Connie						
Hill, Connie	037-16-9842	1/7/2005	TN - Unemployment Company	360.00	360.00	-9.90
Total Hill, Connie				360.00	360.00	-9.90
Lawson, Pam						
Lawson, Pam	432-75-6878	1/7/2005	TN - Unemployment Company	261.25	261.25	-7.18
Total Lawson, Pam				261.25	261.25	-7.18
Turner, Bruce						
Turner, Bruce	403-72-4856	1/7/2005	TN - Unemployment Company	346.15	346.15	-9.52
Total Turner, Bruce				346.15	346.15	-9.52
TOTAL				**2,127.40**	**2,127.40**	**-58.51**