

## Setting Up QuickBooks®

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### Lesson 2

# Lesson Objectives

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- To discuss decisions that must be made before using QuickBooks
- To create a new QuickBooks company using the EasyStep Interview
- To set QuickBooks preferences in the Interview
- To record the opening balance for a checking account
- To enter customers, jobs, vendors, accounts, and items

# Creating a QuickBooks Company

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- EasyStep Interview walks you through setting up your business:
  - Company Information
  - Your industry
  - Your company organization
  - Sales information
  - Sales tax information
  - Estimates
  - Sales orders
  - Sales receipts
  - Preferences
  - Business start date
  - Creating an account and entering an opening balance
  - Reviewing the chart of accounts based on your industry
  - Completing company file setup

# Starting the EasyStep Interview

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To begin adding a new company:

1. Start QuickBooks.
2. Select **Create a new company**, click the **Start your new company file now** button, or choose **New Company** from the File menu. QuickBooks displays the EasyStep Interview window.

# Entering Company Info

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To create a new QuickBooks company file:

1. At the Welcome window for the interview, click **Start Interview** to begin.
2. In the Company Name field, type **Lockhart Design** and press Tab.
3. Press Tab again and type **94-1234567** as the Tax ID number.

# Entering Company Info

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To create a new QuickBooks company file:

4. Type the following information in the address, city, state, and ZIP fields:

1239 Bayshore Road

Middlefield, CA 94432

5. Now enter the following information in the Phone # and Fax # fields:

Phone #: 650-555-1234

Fax #: 650-555-5678

6. Next enter the email and Web addresses for Lockhart Design.

Email: [margaret@samplename.com](mailto:margaret@samplename.com)

Website: [www.lockhart\\_design.com](http://www.lockhart_design.com)

7. Click **Next**.

# Entering Company Info

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To create a new QuickBooks company file:

8. In the "Select your industry" window, scroll down the list until you find **Retail Shop or Online Commerce** and select it.
9. Click **Next**.
10. In the "How is your company organized?" window, select **Sole Proprietorship**.
11. Click **Next**.
12. In the "Select the first month of your fiscal year" window, make sure **January** is selected.
13. Click **Next**.

# Entering Company Info

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To create a new QuickBooks company file:

14. In the "Set up administrator password" window, click **Next**.
15. Click **Next** to save the company file.
16. In the "Filename for New Company" window, make sure that QuickBooks is set to save the file in the QBTrain folder you set up during the introduction to the guide.
17. Click **Save** to accept the default filename of "Lockhart Design."

# Indicating what you sell

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To indicate what you sell:

1. Click **Next** to display the “What do you sell?” window.
2. Select **Both services and products**.
3. Click **Next**.

# Entering sales information

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To indicate how you enter sales:

1. In the “How will you enter your sales in QuickBooks?” window, click **Record each sale individually**.
2. Click **Next**.
3. In the “Do you sell products online?” window, make sure the **I don’t sell online and I am not interested in doing so** option is selected.

# Entering sales tax information

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To set up QuickBooks to track sales tax:

1. Click **Next** to move to the “Do you charge sales tax?” window.
2. Click **Yes** for the question, “Do you charge sales tax?” Then click **Next**.

QuickBooks automatically creates a current liability account, called Sales Tax Payable, that keeps track of the sales tax you collect in your business.

# Creating estimates

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To create estimates for your business:

1. In the “Do you want to create estimates in QuickBooks?” window, click **Yes**.
2. Click **Next**.

# Using sales orders and sales receipts

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To set up sales orders and receipts:

1. Click **Yes**, if the “Tracking customer orders in QuickBooks” window displays, then click **Next**.

This screen appears if you are using QuickBooks Premier Edition or higher.

2. In the “Using sales receipts in QuickBooks” window, click **No**.
3. Click **Next**.

# Choose remaining preferences

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| For this item:            | Select:                               |
|---------------------------|---------------------------------------|
| Billing statements        | No                                    |
| Progress invoicing        | Yes                                   |
| Bill tracking             | Yes                                   |
| Do you print checks?      | I print checks                        |
| Inventory                 | No                                    |
| Credit and debit cards    | I accept credit cards and debit cards |
| Track time                | Yes                                   |
| Employees                 | No                                    |
| Track multiple currencies | No                                    |

# Choosing a start date

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The start date is the date for which you give QuickBooks a financial snapshot of your company assets and liabilities.

To choose a start date:

1. In the “Using Accounts in QuickBooks” window, click **Next**.
2. In the “Select a date to start tracking your finances” window, select **Use today’s date or the first day of the quarter or month**.
3. In the date field, type **12/31/2009** and then click **Next**.

# Entering opening balances

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To enter the checking account opening balance:

1. On the "Add your bank account" window, make sure Yes is selected and then click **Next**.
2. Type **Checking** as the name of the account and click **Next**.
3. For "When did you open this bank account?," click **Before**.
4. Click **Next**.

# Entering opening balances

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To enter the checking account opening balance:

5. For Statement Ending Date, type **12/28/2009**.
6. In the Statement Ending Balance field, type **8359.00**.
7. Click **Next**.
8. When QuickBooks asks if you want to add another bank account, click **No**. Then click **Next**.

# Reviewing the chart of accounts

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To review the chart of accounts:

1. In the “Review income and expense accounts” window, scroll through the recommended accounts to get an idea of what is included.

You can remove or add accounts from this list. Clear the checkmark to remove an account; click in the checkmark column to add an account.

2. Click [Next](#).

# Finishing the Interview

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3. To leave the EasyStep Interview and save your changes, click [Finish](#).
4. If the QuickBooks Learning Center appears, click [Go to QuickBooks](#).
5. If the QuickBooks Coach appears, click [Start Working](#).

After you have completed the EasyStep Interview, Intuit recommends that you not use the Interview to make changes to your company file.

Use the information in the help options described later to help you make changes and adjustments to your company file.

Next, you'll complete the company file setup.

# Completing company file setup

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After you have created your company file using the EasyStep Interview, you can begin using QuickBooks to run your business. However, there are some additional tasks you might need to do to make sure the company file is properly set up and that the data is complete.

QuickBooks is based on four key concepts:

- Customers & jobs
- Vendors
- Accounts
- Items

# Adding customers

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In order to bill customers with QuickBooks, you need to add your customers.

To add a customer:

1. Click Customer Center in the icon bar.
2. Click the New Customer & Job menu button, and then choose **New Customer**.
3. In the Customer Name field, enter the name of the customer as you'd like it to appear on your Customers & Jobs list. For this exercise, type **Smith, Lee**, and then press Tab.

# Adding customers

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5. Press Tab in the Opening Balance field to leave this field blank.  
For now, leave this field blank. Lockhart Design is planning to set up one or more jobs for this customer. QuickBooks will calculate and track the overall balance for this customer from the balances you enter for the individual jobs.
6. In Address Info tab, click in the First Name field and type **Lee**.
7. Press tab and type **M.** as the middle initial and in the Last Name field, type **Smith**.

# Adding customers

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8. Press Tab to go to the Address field, and then press Enter after Lee M. Smith.
9. Type **43 Hampshire Blvd** and press Enter.
10. Type **East Bayshore, CA 94327**.
11. Click **Copy** to copy the address to the Ship To field. Click OK in the Add to Ship To Address Information window.
12. Click OK to add this customer.

The Customer Center appears, with the Customers & Jobs list along the left side.

The Customers & Jobs list is the same list as the Customer:Job list. It is called Customers & Jobs on the Customer Center, and it is called Customer:Job on forms.

# Adding a job

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You do not need to add jobs to the Customers & Jobs list if your company never does more than one job or project per customer. Jobs in QuickBooks are optional. If you often perform multiple jobs for the same customer, you can use jobs in QuickBooks to track the activity for each job separately.

Lockhart Design wants to track jobs for Lee Smith.

# Adding a job

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To add a job for a customer:

1. In the Customers & Jobs list, right-click Smith, Lee and choose **Add Job**.
2. In the Job Name field, type **Patio**, and press Tab.
3. In the Opening Balance field, type **862** and press Tab.
4. Enter **12/31/2009** in the As Of field to indicate that this was the balance outstanding for this job as of the QuickBooks start date.

# Adding a job

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5. Click the Job Info tab and choose **In Progress** from the Job Status drop-down list.

Job status information is for your records—it gives you a way to keep track of each job.

6. For the Start Date, type **12/15/09** and press Tab.

7. In the Projected End date, type **3/15/10** and press Tab.

8. Click OK.

9. If you see a message about a past or future transaction, click **Yes**.

The job now appears under Smith, Lee in the Customers & Jobs list.

10. Close the Customer Center.

# Adding vendors

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In order to pay your bills with QuickBooks, you need to add your vendors. Nearly everyone you pay, other than employees, are vendors.

To add a vendor:

1. Click Vendor Center in the icon bar.
2. Click **New Vendor** in the button bar.
3. In the Vendor Name field, enter the name of the vendor as you'd like it to appear on your Vendor list. For this exercise, type **Fay, Maureen Lynn, CPA**, and then press Tab.
4. In the Opening Balance field, type **350**, which is the amount you owed this vendor as of the start date. Press Tab.

# Adding vendors

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5. In the As Of field, enter **12/31/09**.
6. In Address Info tab, click in the First Name field and type **Maureen**.
7. Press tab and type **L.** as the middle initial and in the Last Name field, type **Fay**.
8. Press Tab to go to the Address field, and then press Enter after Maureen L. Fay.
9. Type **200 Royal Rd.** and press Enter.
10. Type **Bayshore, CA 94326**.
11. Click in the "Print on Checks As" field, and type **Maureen Fay**.
12. Click OK to add this vendor.
13. If you see a message about a past or future transaction, click **Yes**.
14. Close the Vendor Center.

# Setting up additional accounts

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During the EasyStep Interview, you added one checking account for Lockhart Design.

There are two basic types of accounts: balance sheet accounts, such as savings or checking, and accounts used to group transactions for reporting purposes, such as income and expense accounts.

Income and expense accounts track the sources of your income and the purpose of each expense. When you record transactions, you usually assign the amount of the transaction to one or more income or expense accounts.

# Setting up additional accounts

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In the EasyStep Interview, you selected “Retail Shop or Online Commerce” as the industry for Lockhart Design. QuickBooks created a chart of accounts based on the retail industry. However, Margaret Lockhart also receives income from design consulting. She needs to modify the chart of accounts to add an income account for consulting.

# Setting up additional accounts

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A complete list of your business' accounts and their balances appear in the chart of accounts. You use a chart of accounts to track how much money your company has, how much money it owes, how much money is coming in, and how much is going out.

For Lockhart Design, you'll add an income account for her consulting income.

# Setting up additional accounts

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To add an income account:

1. From the Lists menu, choose **Chart of Accounts**.
2. Click the Account menu button and choose **New**.
3. In the Add New Account window, choose **Income** and then click **Continue**.
4. Click in the Account Name field, and type **Consulting**.
5. From the Tax Line Mapping drop-down list, choose **Sch C: Other business income**.
6. Click **Save & Close**, and then close the chart of accounts.

# Adding items

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- In QuickBooks, an item is anything that your company buys, sells, or resells in the course of business, such as products, shipping and handling charges, discounts, and sales tax (if applicable). You can think of an item as something that shows up as a line on an invoice or other sales or purchase form.
- QuickBooks provides several different types of items. Some—such as the service item or the inventory part item—help you record the services and products your business sells. Others—such as the subtotal item or discount item—are used to perform calculations on the amounts in a sale.
- For Lockhart Design, you'll set up a service item for billing the time used for initial consultation for a design project. You'll assign it to the new Consulting income account.

# Adding items

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To add an item:

1. From the Lists menu, choose **Item List**.
2. Click the Item menu button, and choose **New**.
3. In the New Item window, choose **Service** from the Type drop-down list.
4. Click in the Item Name/Number field and type **Initial Design Consultation**.
5. In the Description field, type **Initial design consulting**.

# Adding items

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6. Click in the Rate field, and type 40.
7. In the Tax Code field, choose **Non-Taxable Sales** from the drop-down list.
8. In the Account field, choose Add New.
9. In the new Account screen, enter **Consulting** as the income account, then click Save and Close.
10. Click OK to add the new item to the Item List.
11. Close the Item List.

# Entering historical transactions

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If your QuickBooks start date is before today's date, you need to enter past transactions so that you have complete financial records from the start date forward. It is important to enter historical transactions in this order:

1. All sales (sales receipts, invoices, or statement charges)
2. Customer payments received for outstanding invoices after the start date
3. Bills received since the start date
4. Bills paid since the start date
5. Deposits made to any of the accounts since the start date
6. Any other checks written (other than bills) since the start date

# Closing the company file

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To close the company file:

1. From the File menu, choose **Close Company**.



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**LESSON 2**

**Review questions  
and activities**



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## **Lesson 2: Setting up QuickBooks**

### **Review questions**

- 1** During the EasyStep Interview, QuickBooks creates income and expense accounts based on your company's \_\_\_\_\_ .
- 2** When setting up a company file in QuickBooks, what does the Start Date signify?
  - a** The date the business was created
  - b** The first date of the company's fiscal year
  - c** The date the company purchased QuickBooks
  - d** The date from which you will be entering transactions in QuickBooks
- 3** When setting up a company file in QuickBooks at the beginning of a fiscal period, you would normally select which of the following as the start date?
  - a** The first day of the current fiscal period
  - b** The last day of the previous fiscal period
- 4** True or false: Once you have set up the chart of accounts, you cannot add, delete, or modify accounts.
  - a** True
  - b** False
- 5** Before working in QuickBooks, you need to enter an \_\_\_\_\_ for each account.
- 6** True or false: Choosing a company organization associates a tax form with your business in the QuickBooks file.
  - a** True
  - b** False
- 7** In QuickBooks, linking income and expense accounts with tax lines does which of the following?
  - a** Helps keep your company profitable
  - b** Helps in preparing income taxes
  - c** Helps keep track of sales taxes you owe
  - d** Both B and C

### **Review activities**

- 1** Turn on class tracking in the company file you created in this lesson.

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## Lesson 2: Setting up QuickBooks

### Review questions

- 1** During the EasyStep Interview, QuickBooks creates income and expense accounts based on your company's *industry*.
- 2** When setting up a company file in QuickBooks, what does the Start Date signify?
  - a** The date the business was created
  - b** The first date of the company's fiscal year
  - c** The date the company purchased QuickBooks
  - d** *The date from which you will be entering transactions in QuickBooks*
- 3** When setting up a company file in QuickBooks at the beginning of a fiscal period, you would normally select which of the following as the start date?
  - a** The first day of the current fiscal period
  - b** *The last day of the previous fiscal period*
- 4** True or false: Once you have set up the chart of accounts, you cannot add, delete, or modify accounts.
  - a** True
  - b** *False*
- 5** Before working in QuickBooks, you need to enter an *opening balance* for each account.
- 6** True or false: Choosing a company organization associates a tax form with your business in the QuickBooks file.
  - a** *True*
  - b** False
- 7** In QuickBooks, linking income and expense accounts with tax lines does which of the following?
  - a** Helps keep your company profitable
  - b** *Helps in preparing income taxes*
  - c** Helps keep track of sales taxes you owe
  - d** Both B and C