

# Intuit ProLine

## **QuickBooks 2011 Student Guide**

### **Setting Up Inventory**

Lesson 10

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## Lesson Objectives

- To get an overview of inventory in QuickBooks
- To practice filling out a purchase order for inventory items
- To track the receipt of the inventory items in QuickBooks
- To adjust inventory manually, to enter a stock loss or increase
- To create, build, and edit inventory assemblies (finished goods) (QuickBooks: Premier or higher)
- To set up and use units of measure

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## Notes

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## Turning on the Inventory Feature

The QuickBooks inventory feature is turned on in your exercise file, but you'll review how to turn on this feature so you become familiar with QuickBooks preferences. If you need to track inventory for your company, you can turn the feature on while completing the EasyStep Interview. If you want to turn on the inventory feature after you've completed the EasyStep Interview, follow this procedure.

### To turn on the inventory feature:

1. From the Edit menu, choose **Preferences**.
2. Select **Items & Inventory** from the left panel.
3. Click the **Company Preferences** tab.
4. Click the **Inventory and purchase orders are active** checkbox to select it.
5. Click **OK**.

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### Notes

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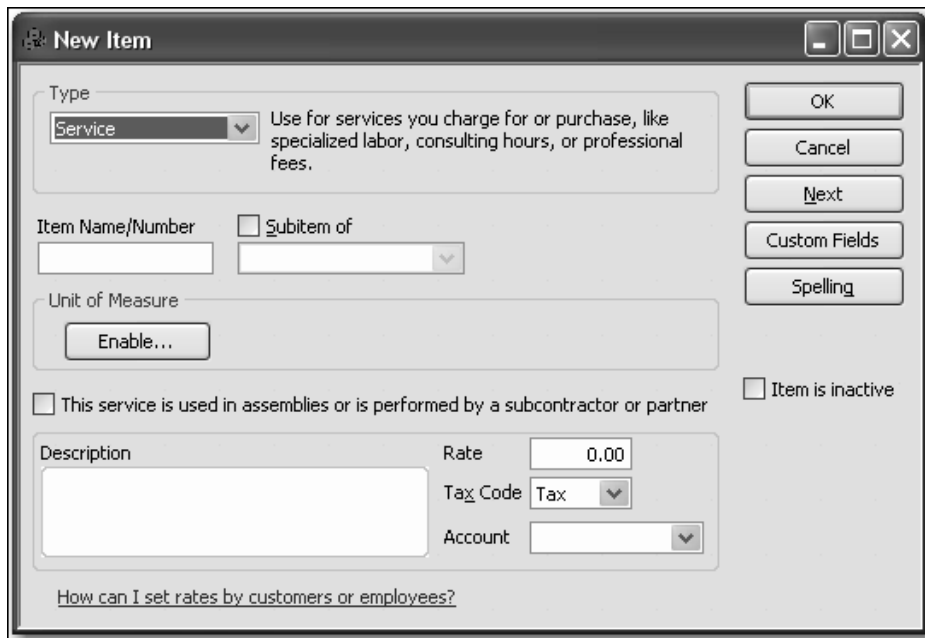
## Entering Products into Inventory

Many small businesses that stock inventory don't know the number of units they have on hand or on order at any given time, and have no way of getting that information quickly. Using QuickBooks to manage your inventory, you'll be able to track the number of items in stock and the value of your inventory after every purchase and sale.

As you order inventory items, receive the items, and later sell the items from inventory, QuickBooks tracks each inventory-related transaction. You will know the status of your inventory and will have a more accurate picture of your business's assets.

### To enter a product into inventory:

1. From the Vendors menu, choose **Item List**.
2. Click the Item menu button, and then choose **New**.
3. If the New Feature screen for Add/Edit Multiple List Entries appears, click the box for "Do not display this message in the future" and click OK.



The screenshot shows the 'New Item' dialog box in QuickBooks. The 'Type' dropdown is set to 'Service'. The 'Item Name/Number' field is empty. The 'Subitem of' checkbox is unchecked. The 'Unit of Measure' field has an 'Enable...' button. The 'Description' field is empty. The 'Rate' field is set to 0.00. The 'Tax Code' dropdown is set to 'Tax'. The 'Account' dropdown is empty. There are buttons for 'OK', 'Cancel', 'Next', 'Custom Fields', and 'Spelling' on the right side.

4. In the Type field, choose **Inventory Part** from the drop-down list.
5. In the Item Name/Number field, type **Cab 2015** (2015 is the style number).
6. Select the "Subitem of" checkbox, and then choose **Cabinets** from the drop-down list.
7. In the "Description on Purchase Transactions" field, type **Kitchen Cabinet #2015**, and then press Tab to move to the Cost field.
8. In the Cost field, type **169**.

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## Entering Products into Inventory

9. In the Preferred Vendor field, choose **Thomas Kitchen and Bath** from the drop-down list.
10. In the Sales Price field, type **225**.
11. Leave the Tax Code setting as is.
12. In the Income Account field, choose **Construction: Materials**.
13. Press Tab to move to the Asset Account field.
14. In the Reorder Point field, type **15**.
15. In the On Hand field, type **20**, and then press Tab to move to the Total Value field.

The screenshot shows the 'New Item' dialog box with the following details:

- Type:** Inventory Part (Use for goods you purchase, track as inventory, and resell.)
- Item Name/Number:** CAB2015
- Subitem of:** Cabinets
- Manufacturer's Part Number:** (empty)
- Unit of Measure:** Enable...
- Purchase Information:**
  - Description on Purchase Transactions: Kitchen Cabinet #2015
  - Cost: 169.00
  - COGS Account: Cost of Goods Sold
  - Preferred Vendor: Thomas Kitchen & Bath
- Sales Information:**
  - Description on Sales Transactions: Kitchen Cabinet #2015
  - Sales Price: 225.00
  - Tax Code: Tax
  - Income Account: Construction:Materials
- Inventory Information:**

Asset Account	Reorder Point	On Hand	Total Value	As of
Inventory Asset	15	20	3,380.00	12/15/2015
- Buttons:** OK, Cancel, Next, Custom Fields, Spelling
- Item is inactive:** (unchecked)

16. Click **OK** to close the New Item window.
17. Close the Item list.

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## Notes

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# Creating Purchase Orders

Once you enter your current products and vendors into the Item and Vendor lists, you'll need to order products to keep your inventory stocked.

When you order items from a vendor, you create a purchase order.

## To order a product using a purchase order:

1. From the Vendors menu, choose **Create Purchase Orders**.
2. In the Vendor field, choose **Perry Windows & Doors** from the drop-down list.
3. In the Item column, select **Frames: Exterior Frame** from the drop-down list.
4. In the QTY field, type **10**.
5. In the Vendor Message field of the purchase order, type **Please rush ship this order**.

**Create Purchase Orders**

Vendor: Perry Windows & Doors

Drop Ship To: [ ]

Template: [ ]

Print Preview

**Purchase Order**

Vendor: Perry Windows & Doors  
P.O. Box 5033  
Bayshore CA 94326

DATE: 12/15/2015

P.O. NO.: 40

SHIP TO: Rock Castle Construction  
1735 County Road  
Bayshore, CA 94326

ITEM	DESCRIPTION	QTY	RATE	CUSTOMER	AMOUNT
Frames:Exterior...	Standard exterior door frames	10	20.00		200.00
Total					200.00

Vendor Message: Please rush ship this order

To be printed  To be e-mailed

Memo: [ ]

Buttons: Save & Close, Save & New, Clear

**Perry Windows & Doors**

Summary

Phone: 415-555-5933

Open balance: 9,985.00

POs to be received: 2

Recent Transactions

Date	Description	Amount
12/15/15	Bill Pmt -Check	6,935.75
12/11/15	Bill	130.00
12/04/15	Bill	2,400.00
12/02/15	Bill	50.00
11/28/15	Item Receipt	3,280.00

Notes: [ ]

6. Click **Save & Close** to record the purchase order.

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## Notes

# Getting a Report of Purchase Orders

To get a chronologically ordered report of all the purchase orders you have written:

1. From the Lists menu, choose **Chart of Accounts**.
2. In the chart of accounts, click **Purchase Orders** once to select it.
3. Click the **Reports** menu button and choose **QuickReport: Purchase Orders**.

**Account QuickReport**

Modify Report... Memorize... Print... E-mail Export... Hide Header Refresh

Dates: This Fiscal Year-to-date From 10/01/2015 To 12/15/2015 Sort By Default

10:12 AM  
12/15/15

**Rock Castle Construction**  
**Account QuickReport**  
As of December 15, 2015

Accrual Basis

Type	Date	Num	Name	Memo	Split	Amount
<b>Purchase Orders</b>						
Purchase Order	10/01/2015	13	McClain Appliances	Jacobsen K...	-SPLIT-	-2,100.00
Purchase Order	10/01/2015	14	McClain Appliances	Cook Kitchen	-SPLIT-	-1,780.00
Purchase Order	10/05/2015	15	Perry Windows & ...		-SPLIT-	-1,800.00
Purchase Order	10/06/2015	16	Larson Flooring	Pretell-155 W...	Subcontractors	-6,400.00
Purchase Order	10/10/2015	17	Timberloft Lumber	Carpenter 2...	-SPLIT-	-14,790.00
Purchase Order	10/17/2015	18	Wheeler's Tile Etc.		Materials	-286.00
Purchase Order	10/17/2015	20	McClain Appliances		-SPLIT-	-3,065.00
Purchase Order	10/17/2015	21	Daigle Lighting		Job Materials	-163.25
Purchase Order	10/17/2015	19	Thomas Kitchen & ...		Materials	-1,897.00
Purchase Order	10/17/2015	22	Perry Windows & ...		-SPLIT-	-180.75
Purchase Order	10/20/2015	23	Thomas Kitchen & ...	Abercrombie...	-SPLIT-	-2,320.00
Purchase Order	10/22/2015	24	Perry Windows & ...		-SPLIT-	-3,530.00
Purchase Order	10/24/2015	25	Perry Windows & ...		Inventory As...	-810.00
Purchase Order	11/06/2015	26	Timberloft Lumber	Pretell- 75 S...	-SPLIT-	-6,075.00
Purchase Order	11/18/2015	27	Perry Windows & ...	Pretell 75 Su...	-SPLIT-	-7,820.00
Purchase Order	11/18/2015	28	Perry Windows & ...		-SPLIT-	-2,325.00
Purchase Order	11/26/2015	31	Perry Windows & ...	playhouse	Job Materials	-50.00
Purchase Order	11/26/2015	30	Larson Flooring	playhouse	Materials	-40.00
Purchase Order	11/26/2015	32	Timberloft Lumber	playhouse	-SPLIT-	-80.50
Purchase Order	11/26/2015	29	Patton Hardware S...		-SPLIT-	-13,695.00
Purchase Order	11/28/2015	33	Perry Windows & ...		Inventory As...	-2,400.00
Purchase Order	11/30/2015	34	Patton Hardware S...		-SPLIT-	-3,459.20
Purchase Order	12/01/2015	35	Daigle Lighting		Job Materials	-571.32
Purchase Order	12/03/2015	36	Larson Flooring		-SPLIT-	-4,750.00
Purchase Order	12/09/2015	37	Wheeler's Tile Etc.		Materials	-188.40
Purchase Order	12/12/2015	38	Low Plumbing		Job Materials	-403.40
Purchase Order	12/15/2015	39	Daigle Lighting		Job Materials	-65.00
Purchase Order	12/15/2015	40	Perry Windows & ...		Inventory As...	-200.00
Total Purchase Orders						<u>-81,244.82</u>
<b>TOTAL</b>						<b><u>-81,244.82</u></b>

4. Close the QuickReport.
5. Close the chart of accounts.

## Notes

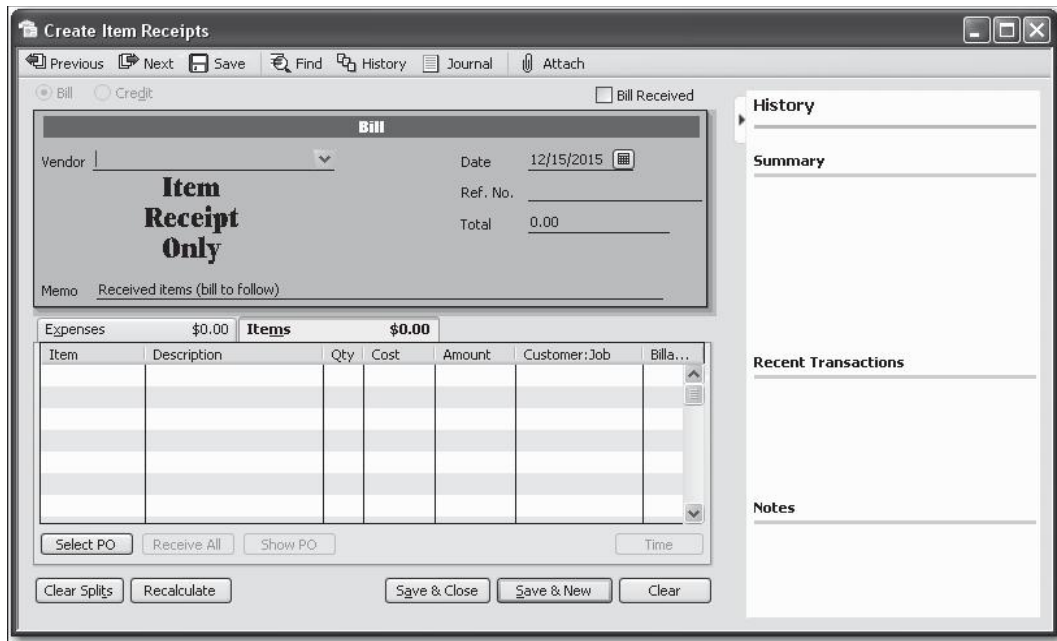
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# Receiving Inventory

When you receive the items you have ordered with your purchase order, you have to enter the items into inventory. You can receive items with a bill or without a bill. This exercise shows you how to enter into QuickBooks inventory items you've received when the bill for those items will follow later.

## To receive inventory without a bill attached:

1. From the Vendors menu, choose **Receive Items**.



2. In the Vendor field, choose **Perry Windows & Doors** from the drop-down list and press Tab.
3. Click **Yes**.
4. Click the third purchase order (#40, dated 12/15/2015) to select it.
5. Click **OK** to move the information to the item receipt.
6. Click **Save & Close** to process the receipt.

QuickBooks processes the items and adds them to your inventory. If you display the Item list, you'll see that you now have 10 additional door frames on hand.

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## Notes

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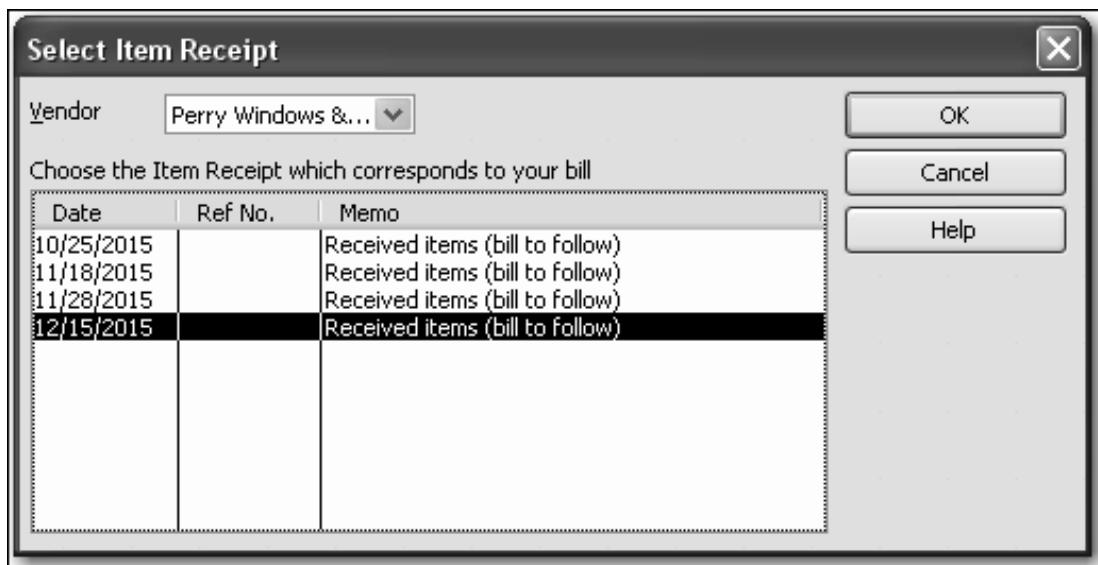
## Entering a Bill for Inventory

If you've entered an item receipt for inventory, but the bill hasn't arrived yet, you can still record the bill amount in QuickBooks. Entering the bill as shown in this exercise records the amount in your accounts payable account so you can track how much you owe.

When the bill comes, you pay the bill just like you would pay any other bill in QuickBooks (from the Pay Bills window).

### To enter the bill:

1. From the Vendors menu, choose **Enter Bill for Received Items**.
2. In the Vendor field, select **Perry Windows & Doors** in the drop-down list and press Tab.
3. Select **Received items (bill to follow)**, dated 12/15/2015.



4. Click **OK**.
5. Click **Save & Close**.
6. Click **Yes** if another dialog box appears.

QuickBooks changes the item receipt to a bill in the Accounts Payable account and lists the bill in the Pay Bills window. If you look at the Accounts Payable, you'll see that the balance increased by \$200.00, based on the bill entered for Perry Windows & Doors.

Because you must have inventory on hand before you can enter a sale for inventory parts, we recommend that you enter your item receipts before entering sales.

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## Notes

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# Manually Adjusting Inventory

When you have spoilage or send out samples of your products, you can adjust your inventory manually.

## To adjust the inventory manually:

1. On the Home page, click the arrow next to Inventory Activities and choose Adjust Quantity on Hand.

QuickBooks displays the Adjust Quantity/Value on Hand window..

Item	Description	Qty on Hand	New Quantity	Qty Difference

2. In the Adjustment Account field, type **Inventory Adjustment** and press Tab.
3. Click **Set Up** in the window telling you that Inventory Adjustment is not in the account list.

4. In the Account Type field, choose **Expense** from the drop-down list, if it is not selected already.

The screenshot shows a dialog box titled "Add New Account". At the top, there is a "Account Type" dropdown menu with "Expense" selected. Below this is the "Account Name" field containing "Inventory Adjustment". There is a "Subaccount of" checkbox which is unchecked, followed by a dropdown menu. An "Optional" section is enclosed in a rounded rectangle and contains a "Description" text area, a "Note" text area, and a "Tax-Line Mapping" dropdown menu set to "<Unassigned>". A link "How do I choose the right tax line?" is located to the right of the dropdown. At the bottom right of the dialog are two buttons: "Save & Close" and "Cancel".

5. Click **Save & Close** to close the Add New Account window.
6. Click in the Item column and select Wood Door: Interior.
7. In the Qty Difference column for Wood Door: Interior wood door, type **-2** (the number of damaged doors), and then press Tab.
8. Click **Save & Close**.

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## Notes

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## Tracking Finished Goods

You must be using QuickBooks: Premier or higher to follow the exercises in this section.

Inventory assembly items allow you to create an item that contains assembled material units (finished goods) you buy or produce, track as inventory, and resell.

Note that inventory assembly items in QuickBooks are appropriate for indicating “light” assembled items on sales forms and in reports. QuickBooks does not track inventory throughout a manufacturing process.

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### Notes

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## Setting a Default Markup

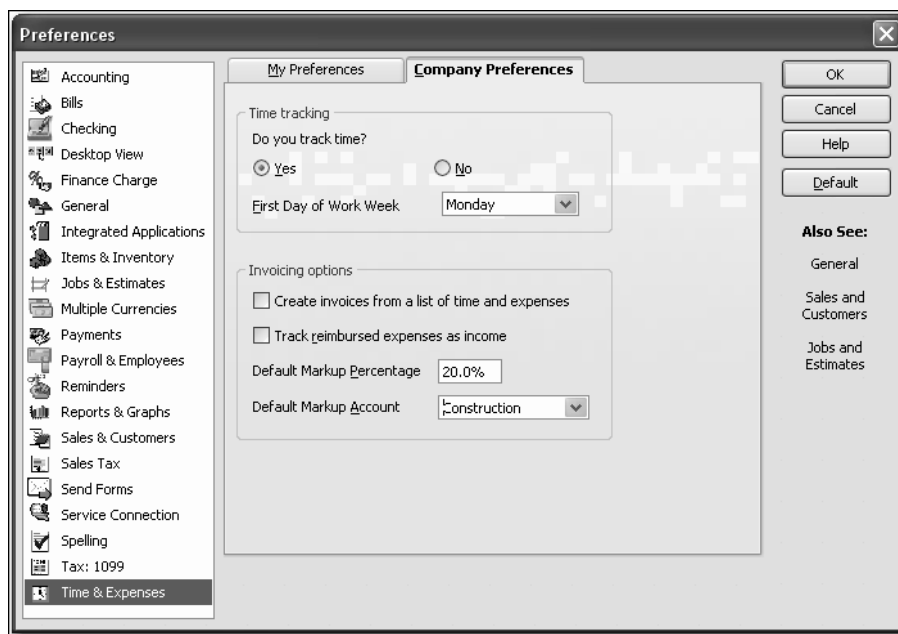
With QuickBooks, you can add a markup to your basic costs by entering a default markup percentage. QuickBooks uses this percentage to calculate the sales price of items that have both a cost and a sales price.

You'll see the effect of the default markup percentage when you create inventory part, non-inventory part, service, and other charge items. When you enter the item's cost, QuickBooks calculates the sales price and enters it in the Sales Price field. For example, entering a cost of \$10.00 when the markup is 25% causes QuickBooks to fill in the sales price as \$12.50. If you don't want to use the default markup for an item, you can change the sales price that QuickBooks fills in.

### To set the default markup percentage:

1. From the Edit menu, choose **Preferences**.
2. Click **Time & Expenses** in the left panel.
3. Click the **Company Preferences** tab.
4. In the Default Markup Percentage field, type **20** and press Tab.
5. In the Default Markup Account field, choose Construction.

Your screen should look like this.



6. Click **OK**.

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## Notes

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## Adding a Labor Item to Use in Assemblies

Suppose you have plans to sell all the items needed for installing a door as a kit. You'll also need to account for the labor needed to assemble the kit. To do this, you'll create an "Assembly Labor" item.

### To create a labor item to use in assemblies:

1. From the Lists menu, choose **Item List**.
2. Click the **Item** menu button and select **New**.
3. In the Type field, select **Service**.
4. In the Item Name/Number field, type **Assembly labor**.
5. Click the checkbox for **This service is used in assemblies or is performed by a subcontractor or partner**.

The screenshot shows the 'New Item' dialog box with the following fields and values:

- Type: Service
- Item Name/Number: Assembly Labor
- Unit of Measure: (empty)
- Unit of Measure button: Enable...
- Subitem of: (empty)
- Checkbox:  This service is used in assemblies or is performed by a subcontractor or partner
- Item is inactive:
- Purchase Information:
  - Description on Purchase Transactions: (empty)
  - Cost: 0.00
  - Expense Account: (empty)
  - Preferred Vendor: (empty)
- Sales Information:
  - Description on Sales Transactions: (empty)
  - Sales Price: 0.00
  - Tax Code: Tax
  - Income Account: (empty)

6. In the Description on Purchase Transactions field, type **Direct Labor**, and then press Tab.
7. In the Cost field, type **20**, and then press Tab.

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## Notes

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## Adding a Labor Item to Use in Assemblies

8. From the Expense Account drop-down list, choose **Payroll Expenses**.
9. From the Tax Code drop-down list, choose **Non-taxable Labor**.
10. From the Income Account drop-down list, choose **Construction:Labor**.

**New Item**

Type: Service (Use for services you charge for or purchase, like specialized labor, consulting hours, or professional fees.)

Item Name/Number: Assembly Labor (Subitem of: )

Unit of Measure: Enable...

This service is used in assemblies or is performed by a subcontractor or partner  Item is inactive

**Purchase Information**

Description on Purchase Transactions: Direct Labor

Cost: 20.00

Expense Account: Payroll Expenses

Preferred Vendor:

**Sales Information**

Description on Sales Transactions: Direct Labor

Sales Price: 24.00

Tax Code: LBR

Income Account: Construction:Labor

[How can I set rates by customers or employees?](#)

Buttons: OK, Cancel, Next, Custom Fields, Spelling

11. Click **OK**.

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## Notes

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## Creating Inventory Assembly Items

Creating assembly items in QuickBooks is a two-part process: first you define an assembly item, and then you build the assembly. Assembly item units are not added to inventory and assembly components (inventory parts or other assemblies) are not deducted from inventory until you build the assembly.

Inventory assembly items can include inventory part and other assembly items. You can also include the costs associated with building the assembly item by adding non-inventory part items, service items, and other charge items to the Bill of Materials.

All items included in an inventory assembly item must be defined in the Item list. You can define them before you create the inventory assembly item, or as you create the assembly item.

### To create an inventory assembly item:

1. In the Item List, click the Item menu button and select **New**.
2. In the Type field, select **Inventory Assembly**.
3. In the Item Name/Number field, type **Exterior Door Kit**.
4. Type **199** in the Cost field, and then press Tab twice.
5. In the Description field, type **Complete exterior door kit** and press Tab.
6. In the Income Account field, select **Construction:Materials** from the drop-down list.
7. In the Bill of Materials section, click in the Item column.
8. In the Item drop-down list, select **Frames:Exterior Frame**, and then press Tab.

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### Notes

# Creating Inventory Assembly Items

9. In the Qty field, type **1**, and then press Tab.
10. In the Item drop-down list, select **Hardware: Doorknobs Locking Exterior**, and then press Tab.
11. In the Qty field, type **1**, and then press Tab.
12. In the Item drop-down list, select **Hardware: Brass Hinges**, and then press Tab.
13. In the Qty field, type **3**, and then press Tab.
14. In the Item drop-down list, select **Wood Door: Exterior**, and then press Tab.
15. In the Qty field, type **1**.
16. In the Item drop-down list, select **Assembly labor**, and then press Tab.
17. In the Qty field, type **1**, and then press Tab.

**New Item**

Type: **Inventory Assembly** Use for inventory items that you assemble from other inventory items and then sell.  
What's the difference between an Inventory Assembly and a Group?

Item Name/Number: **Exterior Door Kit**  Subitem of

I purchase this assembly item from a vendor

Unit of Measure: **Enable...**

Cost What is this cost?: **199.00** COGS Account: **Cost of Goods Sold**

Description: **Complete exterior door kit**

Sales Price: **238.80** Tax Code: **Tax** Income Account: **Construction:Mat...**

Bill of Materials

Item	Description	Type	Cost	Qty	Total
Hardware:Br...	Standard brass ...	Inv Part	3.00	3	9.00
Wood Door:E...	Exterior wood d...	Inv Part	105.00	1	105.00
Assembly Labor	Direct Labor	Service	20.00	1	20.00
Total Bill of Materials Cost:					199.00

Inventory Information

Asset Account	Build Point	On Hand	Total Value	As of
<b>Inventory Asset</b>		<b>0.00</b>	<b>0.00</b>	<b>12/15/2015</b>

## Notes

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# Creating Inventory Assembly Items

You can have QuickBooks remind you to build this assembly when your inventory quantity reaches a certain level. (Assembly Items to Build must be turned on in the Company Preferences reminders.) QuickBooks will remind you to build when the combined value of the quantity on hand and the quantity on order (from a purchase order) falls below the value displayed in the Build Point field. Reminders appear in the Reminders window. In QuickBooks Premier or Enterprise Solutions editions, you can rebuild directly from the Reminders list in any of these windows.

## To enter the build point:

1. In the Build Point field, type **5**.
2. Leave the On Hand and Total Value fields as they are.

**New Item**

Type:  Use for inventory items that you assemble from other inventory items and then sell.  
[What's the difference between an Inventory Assembly and a Group?](#)

Item Name/Number:   Subitem of

I purchase this assembly item from a vendor

Unit of Measure:

Cost:  [What is this cost?](#) COGS Account:

Description:

Sales Price:  Tax Code:  Income Account:

Bill of Materials

Item	Description	Type	Cost	Qty	Total
Hardware:Br...	Standard brass ...	Inv Part	3.00	3	9.00
Wood Door:E...	Exterior wood d...	Inv Part	105.00	1	105.00
Assembly Labor	Direct Labor	Service	20.00	1	20.00
					Total Bill of Materials Cost: 199.00

Inventory Information

Asset Account	Build Point	On Hand	Total Value	As of
<input type="text" value="Inventory Asset"/>	<input type="text" value="5"/>	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	<input type="text" value="12/15/2015"/>

3. Click **OK**.
4. Close the Item List.

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## Notes

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# Building Finished Goods

**To build an inventory assembly:**

- From the Vendors menu, choose **Inventory Activities**, and then choose **Build Assemblies** from the submenu.
- In the Assembly Item field, select **Exterior Door Kit** from the drop-down list.
- In the Quantity to Build field, type **2**.

**Build Assemblies**

Assembly Item: Exterior Door Kit

**Build Assembly**

Date: 12/15/2015 Build Ref. No.: 1

Quantity on Hand: 0 Build Point: 5  
Quantity on Sales Order: 0  
Quantity Reserved for Other Assemblies: 0  
Quantity Available: 0

Components Needed to Build Exterior Door Kit

Item	Description	Type	Qty O...	Qty Needed
Frames:Exterio...	Standard exterior door frames	Inv Part	12	0
Hardware:Door...	Standard exterior doorknobs	Inv Part	50	0
Hardware:Bras...	Standard brass hinge	Inv Part	475	0
Wood Door:Ext...	Exterior wood door	Inv Part	3	0
Assembly Labor	Direct Labor	Service		0

Maximum number you can build from the quantity on hand: 3

Quantity to Build: 2

Memo:

Build & Close Build & New Clear

QuickBooks warns you when you do not have sufficient inventory items on hand to complete a build. If you choose to build an assembly and do not have enough components in inventory to build the number of assemblies you have specified, you can postpone the build by marking it pending. If you don't mark the build as pending, you have to reduce the number of assemblies or you won't be able to save the build.

You have enough inventory to build two assemblies, so you can proceed with the build.

- Click **Build & Close**.

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## Notes

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## Using Units of Measure

Using units of measure can show what quantities, prices, rates, and costs are based on. You set up the units of measure and assign them to Service, Inventory Part, Non-inventory Part, Inventory Assembly, and Group items. Some businesses need to track transactions using only a single unit of measure. For example, a business buys inventory by the gallon and sells by the gallon. Service businesses also may track by only one unit of measure, such as by the hour. Other product-based businesses buy, sell, and stock inventory items in multiple units of measure. A business may receive inventory in one unit, store it in another, and sell and ship the items in a third unit of measure. Service businesses might also use multiple units of measure, for example if they bill by the hour and by the day.

QuickBooks provides two different ways or modes for assigning units of measure to items: single unit of measure per item and multiple unit of measure per item. The following editions of QuickBooks support only the Single U/M Per Item mode:

- QuickBooks: Premier
- QuickBooks: Premier Non-Profit
- QuickBooks: Premier Professional Services

The following editions of QuickBooks support both the Single U/M Per Item and Multiple U/M Per Item modes:

- QuickBooks: Premier Accountant
- QuickBooks: Premier Contractor
- QuickBooks: Premier Manufacturing & Wholesale
- QuickBooks: Enterprise Solutions (all editions except Retail)

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## Notes

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# Setting Up Single Unit of Measure Mode

Note: You must be using one of the editions of QuickBooks Premier or QuickBooks Enterprise Solutions that supports single units of measure to follow the exercises in this section.

In Single mode you can assign different units of measure to different items, but each item can have only one unit of measure assigned to it. If you buy, stock, and sell each item by the same unit of measure, set up single unit of measure mode. For example, choose this mode if you buy an item by the foot, keep track of it in inventory by the foot, and sell it by the foot.

### To set up single units of measure:

1. On the Home page, click **Items & Services** to open the Item List.
2. Select the non-inventory part item called **Lumber:Decking**.
3. Click the Item menu button and select **Edit Item**.

The screenshot shows the 'Edit Item' dialog box with the following details:

- Type:** Non-inventory Part (Use for goods you buy but don't track, like office supplies, or materials for a specific job that you charge back to the customer.)
- Item Name/Number:** Decking
- Subitem of:** Lumber
- Manufacturer's Part Number:** (Empty)
- Unit of Measure:** Enable...
- Item is inactive
- This item is used in assemblies or is purchased for a specific customer:job
- Purchase Information:**
  - Description on Purchase Transactions: Decking lumber
  - Cost: 1.00
  - Expense Account: Job Expenses:Job M...
  - Preferred Vendor: Timberloft Lumber
- Sales Information:**
  - Description on Sales Transactions: Decking lumber
  - Sales Price: 2.00
  - Tax Code: Tax
  - Income Account: Construction:Materials
- Buttons: OK, Cancel, Custom Fields, Spelling

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## Notes

4. To turn on the unit of measure feature, click Enable.

This starts the unit of measure wizard where you set up the base unit.

Choosing single units of measure lets you define a base unit. Rock Castle buys and sells the decking lumber by the foot.

5. Select Single U/M Per Item.
6. Make sure “Begin defining units of measure” is selected and click Next.

You’ll next select the type or category of measure units.

7. Since Rock Castle will buy and sell by the foot, select Length as the unit of measure type.
8. Click Next.
9. Select Foot as the base unit.

The base unit should be the smallest unit of measure used for an item when purchasing it, tracking it in inventory, and selling it. In QuickBooks, the base units of items are used to count inventory, generate most inventory reports, and perform quantity-related calculations.

10. Click Finish.
11. Click OK in the Edit Item window and close the Item List.

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## Notes

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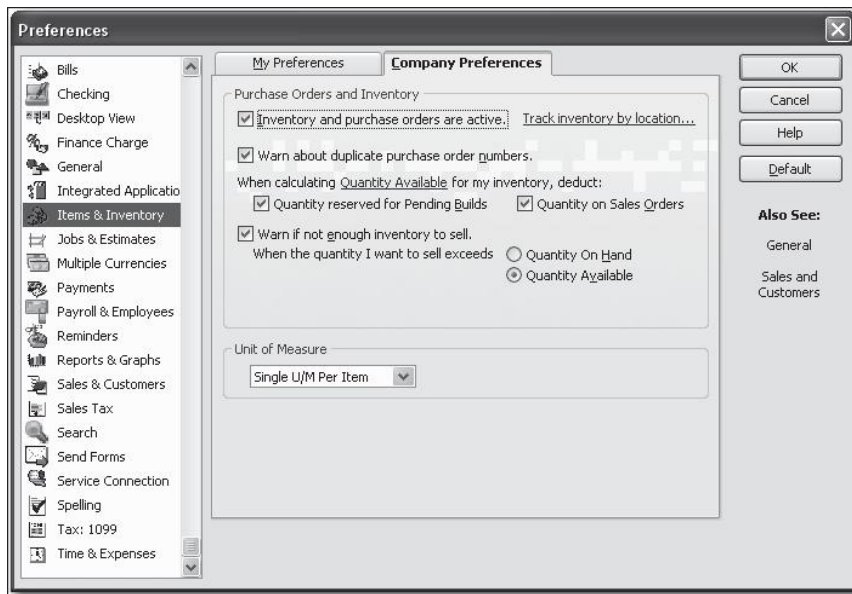
# Setting Up Multiple Units of Measure

If you buy, stock, or sell items in different units, set up multiple units of measure. For example, choose this mode if you buy an inventory item by the gallon and sell it by the ounce, or if you sell consulting services by both the hour and the day.

If you choose Multiple mode, you define unit of measure sets that you can assign to items. A unit of measure set consists of a base unit (usually the smallest unit used to track a certain type of item) and any number of related units (defined as containing a certain number of base units). For example, you could create a unit of measure set called “Length by the inch” with a base unit of inch and related units of foot (containing 12 inches) and yard (containing 36 inches).

## To switch from single to multiple units of measure:

1. From the Edit menu, choose Preferences.
2. Click Items & Inventory, and then click the Company Preferences tab.



3. From the U/M drop-down menu, choose Multiple U/M Per Item.
4. Click OK.
5. Click OK at the message that appears to notify you that QuickBooks must close all open windows to switch to multiple units of measure.
6. Continue with the procedure in “Assigning units of measure to items on page 312.

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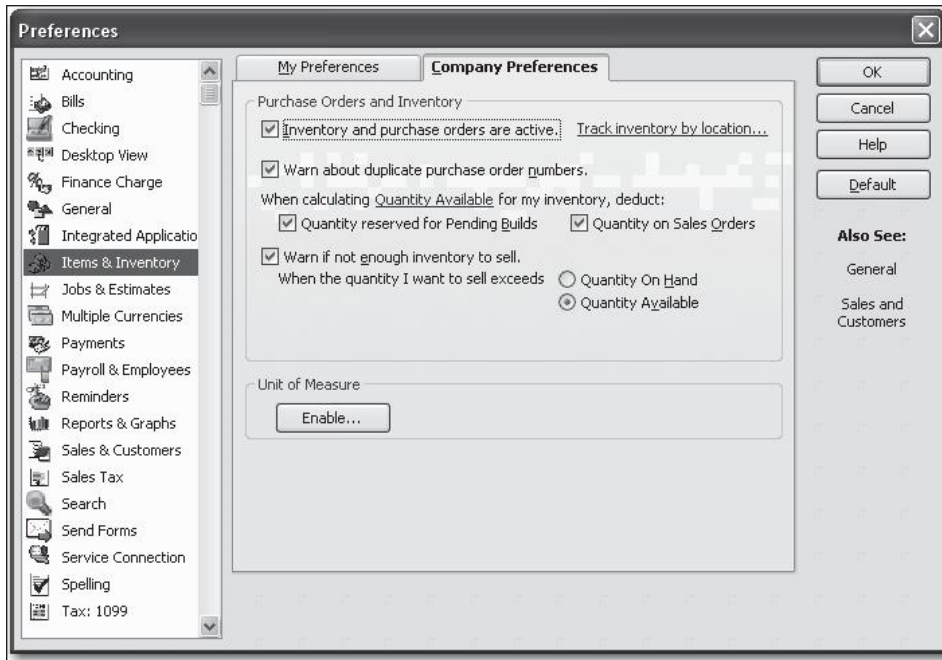
## Notes

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# Setting Up Multiple Units of Measure

**To turn on multiple units of measure in a company file for the first time:**

1. From the Edit menu, choose Preferences.
2. Click **Items & Inventory**, and then click the Company Preferences tab.



3. In the U/M section, click **Enable**.
4. Select **Multiple U/M Per Item**.
5. Click **Finish**.
6. In the Preferences window, click **OK**.

QuickBooks must close all open windows to switch to multiple units of measure.

7. Click **OK** if a message appears to notify you that QuickBooks must close all open windows to switch to multiple units of measure.

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## Notes

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## Assigning Units of Measure to Items

Rock Castle sells countertops that can be customized according to a customer's wishes. One customer who is remodeling a kitchen wants Italian marble for the countertop. Rock Castle has a non-inventory part item called Counter for materials they purchase on behalf of a customer but that they don't normally carry in stock. Rock Castle purchases the marble in square meters, but charges the customer by the square foot. To track the different units of measure, you'll assign units of measure to items.

### To assign multiple units of measure to items:

1. Click **Home** on the icon bar to open the Home page.
2. On the Home page, click **Items & Services** to open the Item List.
3. Select the non-inventory part item called **Counter**.
4. Click the Item menu button and select **Edit Item**.

The screenshot shows the 'Edit Item' dialog box with the following details:

- Type:** Non-inventory Part (dropdown)
- Item Name/Number:** Counter
- Unit of Measure:** Enable... (button)
- Purchase Information:**
  - Description on Purchase Transactions: Custom made counter top
  - Cost: 20.00
  - Expense Account: Job Expenses:Job M...
  - Preferred Vendor: Thomas Kitchen & Bath
- Sales Information:**
  - Description on Sales Transactions: Custom made counter top
  - Sales Price: 35.00
  - Tax Code: Tax
  - Income Account: Construction:Materials
- Buttons:** OK, Cancel, Custom Fields, Spelling
- Item is inactive:** (checkbox)

5. In the Unit of Measure section, click **Enable**.
6. For U/M Set, enter **Area** and click Tab.
7. Click Set Up.

This starts the unit of measure wizard where you set up the base unit and any related units.

Choosing multiple units of measure lets you define a base unit and multiples of that base unit. Since Rock Castle buys the marble countertop in square meters and sells the countertop in square feet, you define a measure set for area.

## Assigning Units of Measure to Items

8. Select **Area** as the unit of measure type.
9. Click **Next**.
10. Select **Square foot (sqft)** as the base unit.

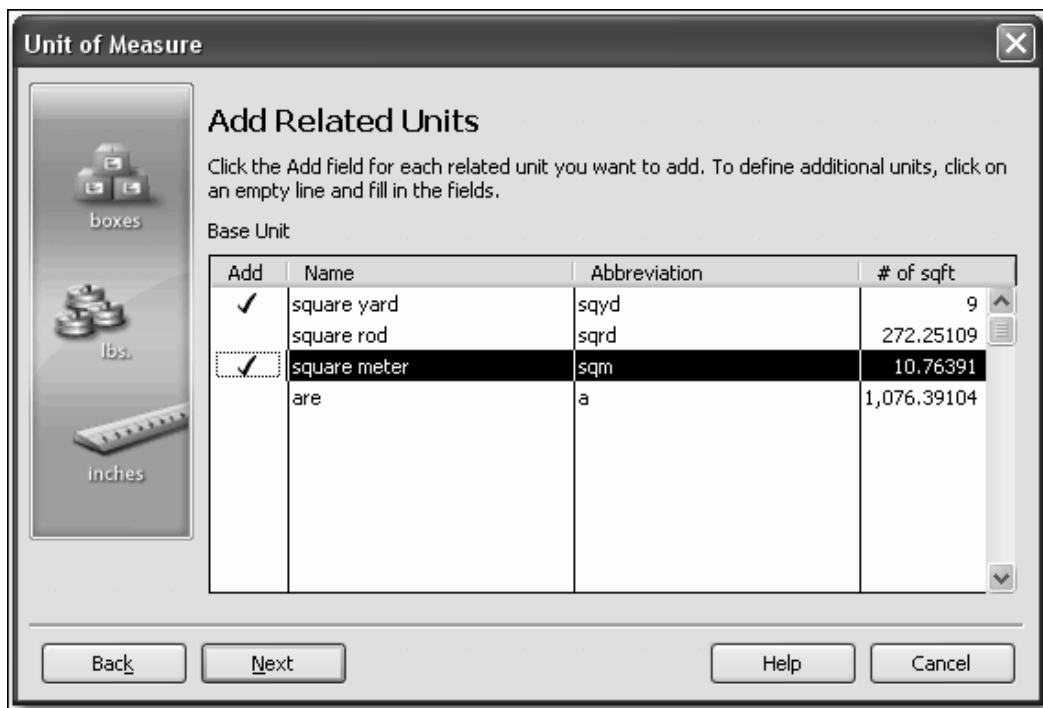
The base unit should be the smallest unit of measure used for an item when purchasing it, tracking it in inventory, and selling it. In QuickBooks, the base units of items are used to count inventory, generate most inventory reports, and perform quantity-related calculations.

11. Click **Next**.

QuickBooks displays the window where you define the units related to the base unit. Related units make it possible to show quantities of the same item in different measurements in different places in QuickBooks.

12. Click in the Add column for Square Yard and Square Meter.

Notice that QuickBooks has already calculated the number of base units the related unit contains in the # of sqft column.



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## Assigning Units of Measure to Items

13. Click **Next**.

Next, you'll select the default unit of measure to use when buying this item and when selling and shipping this item.

14. From the Purchase drop-down menu, select **square meter**.

Since Rock Castle buys by the square meter, that's what you want to appear by default on purchase orders for this item.

15. Leave the Sales default as square foot and leave the Shipping default blank.

16. Click **Next**.

17. Click **Finish** to use the name Area.

The screenshot shows the 'Edit Item' dialog box. The 'Type' dropdown is set to 'Non-inventory Part'. The 'Item Name/Number' field contains 'Counter'. The 'Unit of Measure' section shows 'U/M Set' as 'Area by the square foot...' with an 'Edit...' button. The 'Purchase Information' section has a description of 'Custom made counter top' and a cost of '20.00 per sqft'. The 'Sales Information' section has a description of 'Custom made counter top' and a sales price of '35.00 per sqft'. Other fields include 'Expense Account' (Job Expenses:Job M...), 'Preferred Vendor' (Thomas Kitchen & Bath), 'Tax Code' (Tax), and 'Income Account' (Construction:Materials). The 'Item is inactive' checkbox is unchecked. Buttons for 'OK', 'Cancel', 'Custom Fields', and 'Spelling' are on the right.

18. Click **OK** in the Edit Item window.

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## Notes

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# Assigning Measure Sets

You can create several measure sets for your company that you can assign to items. You just created a measure set for area for Rock Castle. Since Rock Castle buys and sells other items using different measurements, you could create a measure set for count (each, pair, dozen, and so on) and another one for length (inch, foot, yard, and so on). The number of measure sets you create will depend on your business needs.

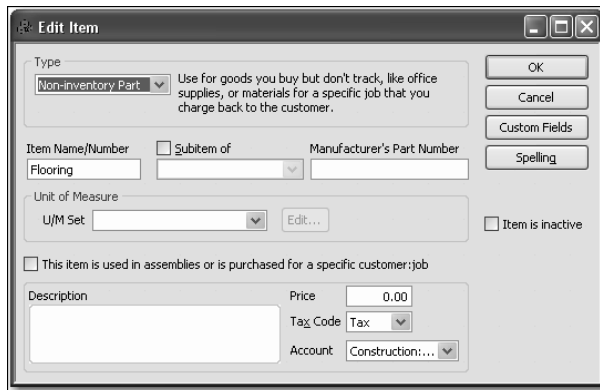
After creating the measure sets, you'll need to go through the items in your Item List and assign the unit of measure set to use for each item.

## To assign a unit of measure set to an item:

1. In the Item List, select the non-inventory part item called **Flooring**.

Rock Castle also buys and sells flooring by area, so you can assign the Area measure set to this item.

2. Click the Item menu button and select **Edit Item**.



3. Select **Area:sqft** from the U/M Set drop-down menu.
4. Click **OK** in the Edit Item window.
5. Close the Item List.

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## Notes

# Using Units of Measure on Sales Forms

Rock Castle needs to order the marble for the kitchen remodel. In this exercise, you order the marble using a purchase order, and see how you could easily convert from one unit of measure to another unit within the same measure set.

## To convert units of measure on sales forms:

1. In the Vendors area of the Home page, click **Purchase Orders**.
2. On the purchase order, select **Custom Kitchens of Bayshore**.
3. Click in the Item column and select **Counter**.
4. In the Quantity column, type **10**.

The screenshot shows the 'Create Purchase Orders' window. The Vendor is 'Custom Kitchens of Bayshore'. The Ship To is 'Rock Castle Construction'. The Purchase Order is dated 12/15/2015 with P.O. NO. 41. The item is 'Counter' with a quantity of 10 and a unit of measure of 'sqm'. The U/M dropdown menu is open, showing options for '10 sqm', '10 sqft', '10 sqm', and '10 sqyd'. The total amount is 215.28.

ITEM	DESCRIPTION	QTY	U/M	RATE	CUSTOMER	AMOUNT
Counter	Custom made counter top	10	sqm	215.2782		215.28
		10	sqft			
		10	sqm			
		10	sqyd			
Total						215.28

5. Click the down arrow in the U/M column to open the conversion menu.
6. Click **Save & Close**.

Once you've created a unit of measure set and assigned it to an item, you can easily convert to other units of measure within the set when you add the item to a transaction.

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## Lesson 10: Setting Up Inventory

### Review questions

1. True or false: The Purchase Orders account does not affect the balance sheet or income statement.
  - a True
  - b False
2. You placed an order with a vendor for inventory parts. The items have arrived, but you have not received the bill yet. Which option should you choose from the Vendors menu?
  - a Enter bills
  - b Receive items and enter bill
  - c Receive items
  - d Enter bills for items received
3. True or false: You must have inventory items on hand before you can enter a sale for them.
  - a True
  - b False
4. You complete a physical inventory and discover that you have five more of a particular item than show in QuickBooks. How do you update the inventory records in QuickBooks?
  - a Complete the physical inventory worksheet
  - b Enter an item receipt
  - c Adjust the quantity using the Adjust Quantity/Value on Hand window
  - d None of the above
5. Which of the following provide you with a list of all purchase orders created in a file?
  - a QuickReport on the Purchase Orders account
  - b Purchase Orders list report
  - c Open Purchase Orders
  - d All of the above

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## Review activities

1. Enter a new inventory item using the following information.
  - Item Name/Number: Kitchen counter
  - Purchase Description: Kitchen counter
  - Cost: 280.00
  - COGS Account: Cost of Goods Sold
  - Preferred Vendor: Patton Hardware Supplies
  - Sales Description: Same as Purchase Description
  - Sales Price: 340.00
  - Income Account: Construction:materials
  - Asset Account: Inventory Asset
  - Reorder Point: 5
  - Qty on Hand: 6
2. Create a purchase order for 20 Standard doorknobs.
3. Receive the 20 Standard doorknobs into inventory and record the bill for the doorknobs.
4. Process the bill and pay for the 20 Standard doorknobs.

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## Answers to review questions

1. True or false: The Purchase Orders account does not affect the balance sheet or income statement.  
 **a** *True*  
 **b** False
2. You placed an order with a vendor for inventory parts. The items have arrived, but you have not received the bill yet. Which option should you choose from the Vendors menu?  
 **a** Enter bills  
 **b** Receive items and enter bill  
 **c** *Receive items*  
 **d** Enter bills for items received
3. True or false: You must have inventory items on hand before you can enter a sale for them.  
 **a** *True*  
 **b** False
4. You complete a physical inventory and discover that you have five more of a particular item than show in QuickBooks. How do you update the inventory records in QuickBooks?  
 **a** Complete the physical inventory worksheet  
 **b** Enter an item receipt  
 **c** *Adjust the quantity using the Adjust Quantity/Value on Hand window*  
 **d** None of the above
5. Which of the following provide you with a list of all purchase orders created in a file?  
 **a** *QuickReport on the Purchase Orders account*  
 **b** Purchase Orders list report  
 **c** Open Purchase Orders  
 **d** All of the above