

# Intuit ProLine

## **QuickBooks 2011 Student Guide**

### **Setting Up**

#### Lesson 2

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## Lesson Objectives

- 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 for a QuickBooks company

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## Notes

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## Creating a QuickBooks Company

A QuickBooks company contains all the financial records for a single business. Before you can use QuickBooks, you need to tell QuickBooks about your business so that it can set up your company file.

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

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## Notes

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# Starting the EasyStep Interview

## To begin adding a new company:

1. Start QuickBooks.
2. Click the “Start your new company file now” button, or choose New Company from the File menu.
3. Click Yes if you are prompted to confirm.

QuickBooks displays the EasyStep Interview window.



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## Notes

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## Entering Company Information

### To create a new QuickBooks company file:

1. At the first Welcome window for the EasyStep interview, click **Start Interview**.  
The “Enter Your Company Information” window appears.
2. In the Company Name field, type **Lockhart Design** and press Tab.  
When you press Tab, QuickBooks automatically enters the same name you typed into the Legal Name field. QuickBooks uses the company name on all reports.
3. Press Tab again and type **94-1234567** as the Tax ID number.

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### Notes

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# Entering Company Information

4. Type the following information in the Street 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**  
Web site: **lockhart\_design@samplename.com**

Your screen should resemble the following.

The screenshot shows a window titled "EasyStep Interview" with a close button in the top right. On the left side, there is a vertical sidebar with the text "EasyStep Interview" and a progress bar labeled "Interview Progress". Below the progress bar, there is a "Need help setting up?" section with links for "Find A Local QuickBooks Expert (fees may apply)" and a "QuickBooks ProAdvisor" logo. The main area of the window is titled "Enter your company information" and contains a "Get answers" link. Below the title, there is a paragraph: "QuickBooks uses this information on your tax forms and forms you use to communicate with your customers and vendors." The form fields are as follows: "Company name" (required field) with "Lockhart Design"; "Legal name" with "Lockhart Design" and a note: "The name you use on your tax and legal forms. Unless you use a DBA name, this will probably be the same as the company name. Explain"; "Tax ID" with "94-1234567" and a note: "Your Federal Employer Identification Number (EIN) or Social Security Number. Used only on tax forms."; "Street address" with "1239 Bayshore Road"; "City" with "Middlefield", "State" with a dropdown menu showing "CA", and "Zip" with "94432"; "Country" with a dropdown menu showing "U.S."; "Phone" with "650-555-1234" and "Fax" with "650-555-5678" and a note: "Use the format you would like displayed on your forms, e.g. (555) 555-1212"; "E-mail address" with "margaret@samplename.com"; and "Web site" with "www.lockhart\_design.com". At the bottom, there is a note: "\* required field" and a link: "What if I have more than one business?". There are three buttons at the bottom: "Leave...", "< Back", and "Next >".

7. Click **Next**.

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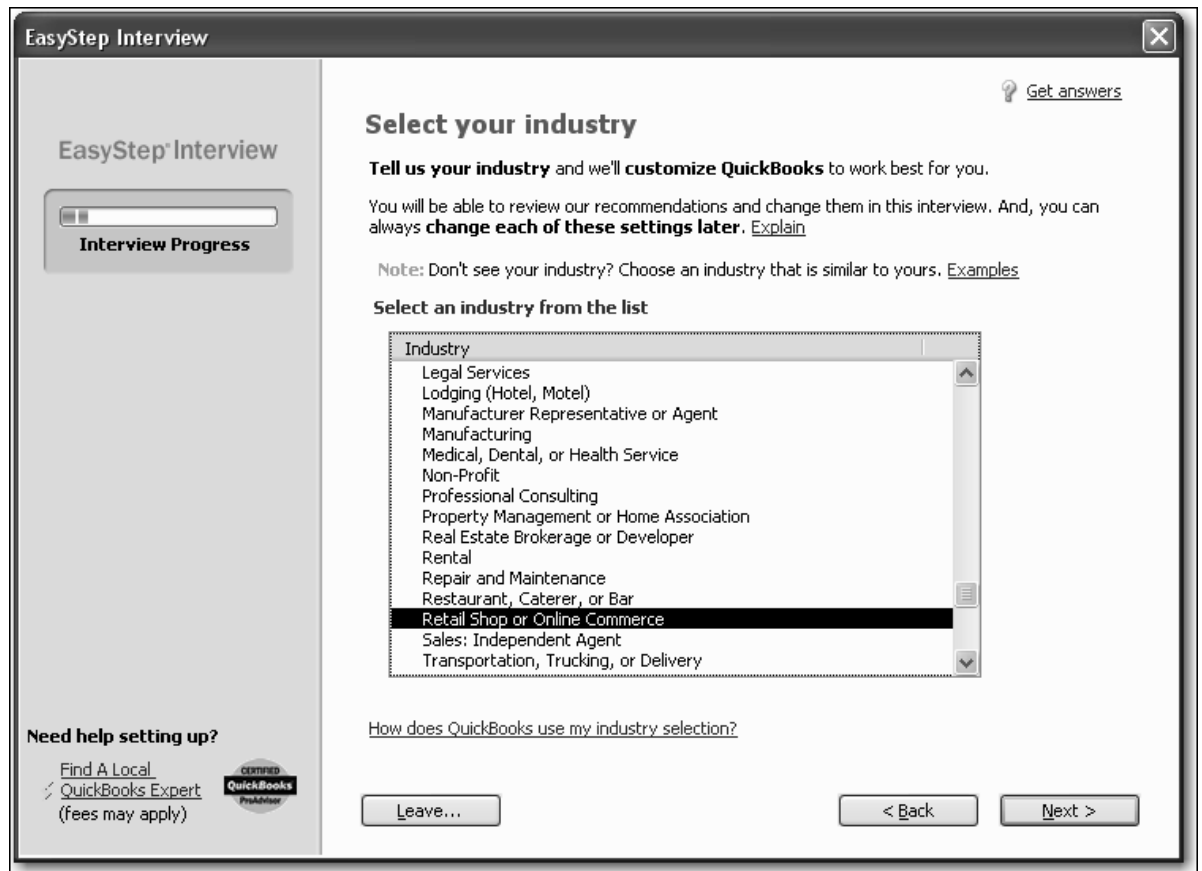
## Notes

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# Choosing your Company Industry

To choose your company industry to create a chart of accounts:

1. In the “Select your industry” window, scroll down the list and select **Retail Shop or Online Commerce** and select it.



2. Click **Next**.

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## Notes

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# Selecting How Your Company Is Organized

To select your company organization:

1. Click **Sole Proprietorship** to select it.

EasyStep Interview

EasyStep Interview

Interview Progress

Need help setting up?  
Find A Local  
QuickBooks Expert  
(fees may apply)

CERTIFIED  
QuickBooks  
ProAdvisor

How is your company organized?

Get answers

Your selection will help QuickBooks create the correct accounts for your business entity and assign tax form lines to those accounts.

**Sole Proprietorship**  
An unincorporated business with one owner (FORM 1040)

**Partnership or LLP**  
An unincorporated business owned by two or more partners (FORM 1065)

**LLC**  
A formal business entity that provides limited liability to its owners  
Single-member LLC (Form 1040)

**Corporation (also known as Regular or C Corporation)**  
A formal business entity with one or more shareholders. (FORM 1120)

**S Corporation**  
A corporation that has elected to pass tax liability to its shareholder(s) (FORM 1120-S)

**Non-Profit**  
A not-for-profit organization exempt from paying taxes (FORM 990)

**Other/None**

Which business entity should I choose?

Leave... < Back Next >

2. Click **Next**.  
QuickBooks needs to know the starting month of your fiscal year.
3. Since Lockhart Design’s fiscal year started in January, leave January selected and click **Next**.
4. In the Set up administrator password window, click **Next**.
5. Click **Next** to save the company file.
6. In the “Filename for New Company window, make sure that QuickBooks is set to save the file in the QBTrain folder you set up in the first lesson.
7. Click **Save** to accept the default filename of “Lockhart Design.”

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## Notes

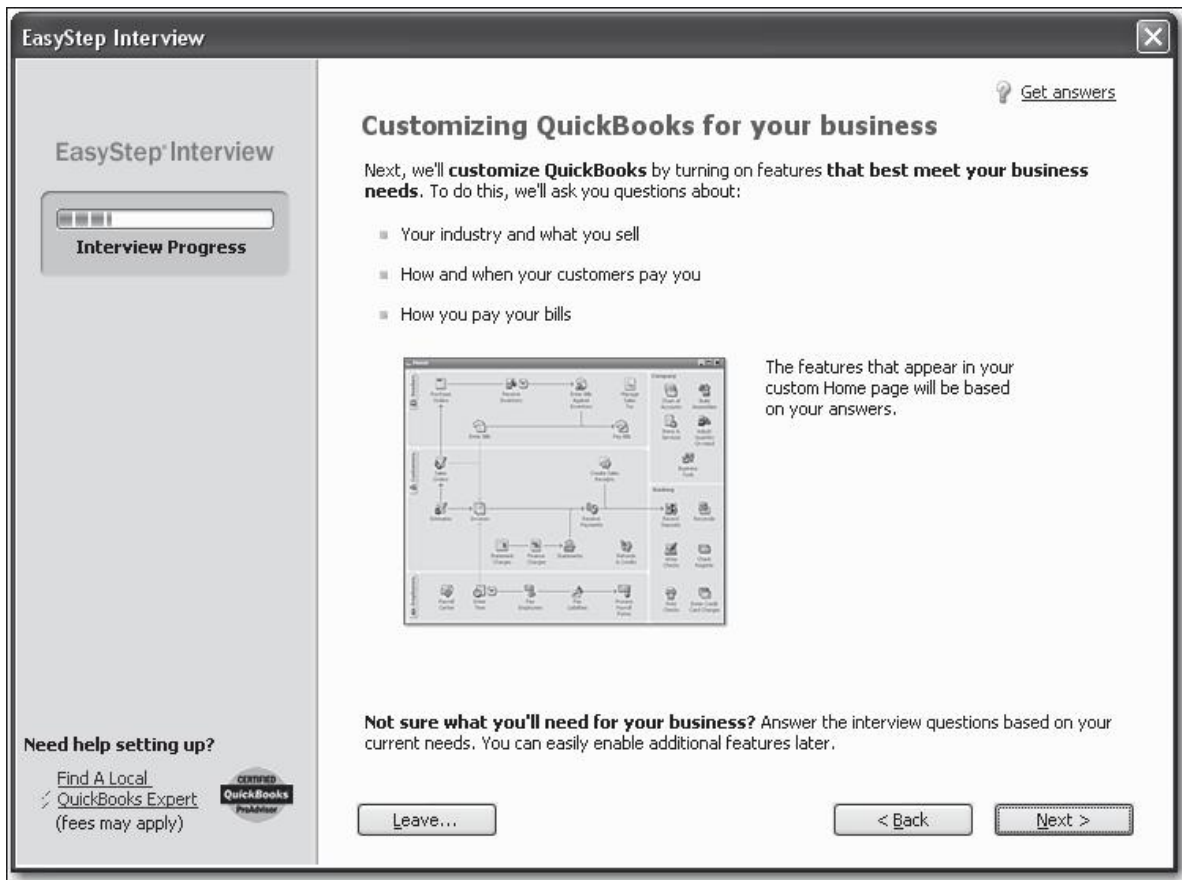
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# Customizing QuickBooks for your business

The customization section of the EasyStep Interview is where you indicate:

- What you sell
- How and when your customers pay you
- How you pay your bills

Based on your answers, QuickBooks sets preferences for the company file. The preferences enable certain features of the QuickBooks program.



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## Notes

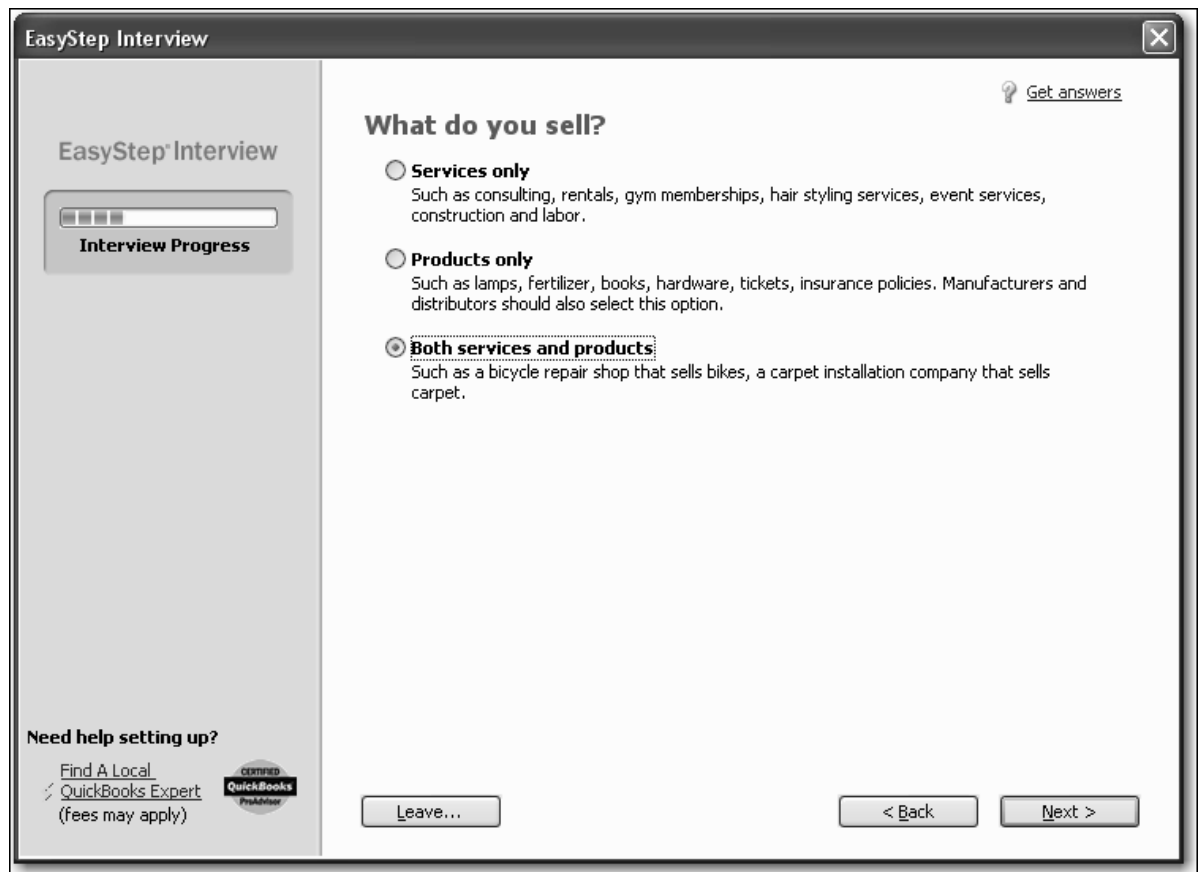
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# Indicating What You Sell

You need to indicate what your business sells. In general, businesses either sell products or services, or both. Margaret Lockhart provides consulting services as well as selling products, such as fabrics.

## To indicate what you sell:

1. Click **Next** to move to the “What do you sell?” window.
2. Click **Both services and products** to select it.



3. Click **Next**.

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## Notes

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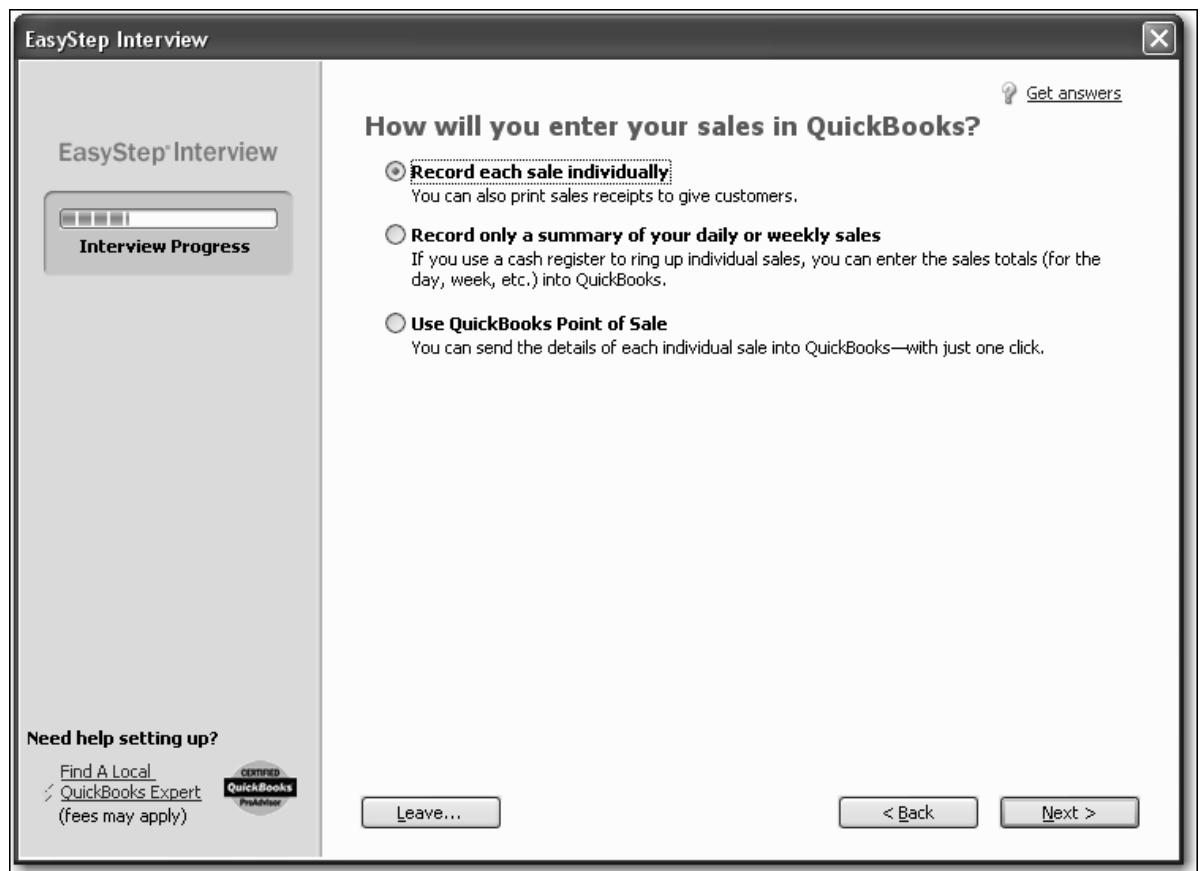
# Entering Sales Information

For retail companies, you need to indicate how you want to enter sales. QuickBooks uses this information to set recommendations for a retail-type business. Margaret Lockhart does not do retail sales on a daily basis, so she will record her sales as they occur.

## To indicate how you enter sales:

1. On the “How will you enter your sales in QuickBooks?” window, click **Record each sale individually**.

Your screen should look like this.



2. Click **Next**.

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## Notes

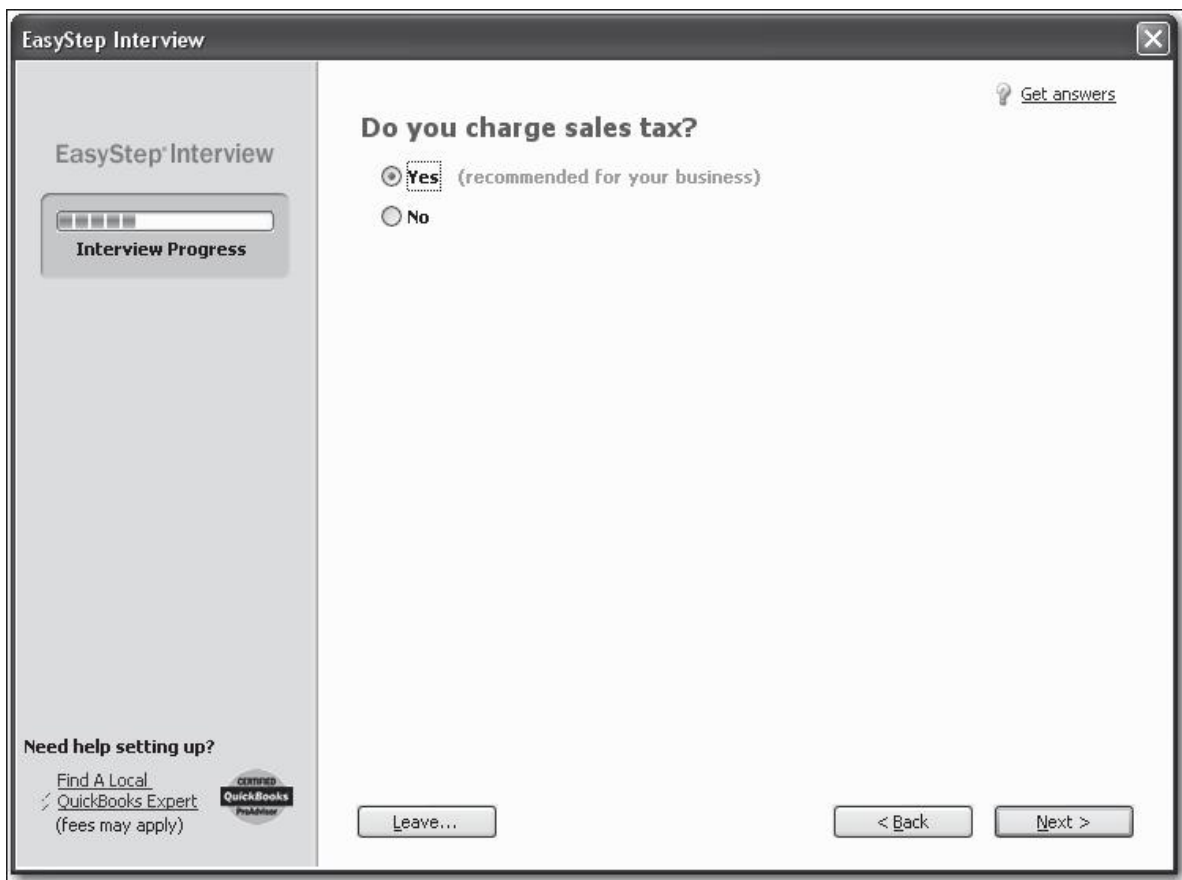
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# Entering Sales Tax Information

This part of the EasyStep Interview asks whether you charge sales tax. You should turn the sales tax setting off only if you never charge sales tax. Margaret Lockhart typically charges sales tax, so we'll turn on sales tax in her company file.

## To set up QuickBooks to track sales tax:

1. Click Yes in the “Do you charge sales tax?” window.



2. Click Next.

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## Notes

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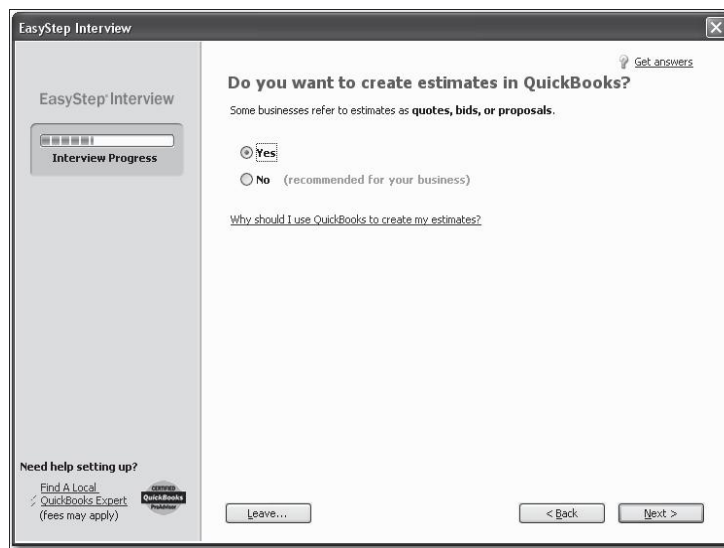
# Creating Estimates

If you provide any type of estimate or bid—even a verbal quote—there are many reasons to use estimates in QuickBooks.

- Prepare professional-looking itemized estimates, bids, quotes, or proposals for your customers.
- Create an invoice from the estimate with just one click. QuickBooks then creates an invoice using information from your estimate.
- Create reports that compare your estimated costs and revenue against your actual costs and revenue.
- Compare your actual costs against what you estimated.
- Track which estimates are still active and easily update each estimate as you continue to negotiate with your customers.

## To create estimates for your business:

1. On the “Do you want to create estimates in QuickBooks?” window, click Yes.



2. Click Next.

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## Notes

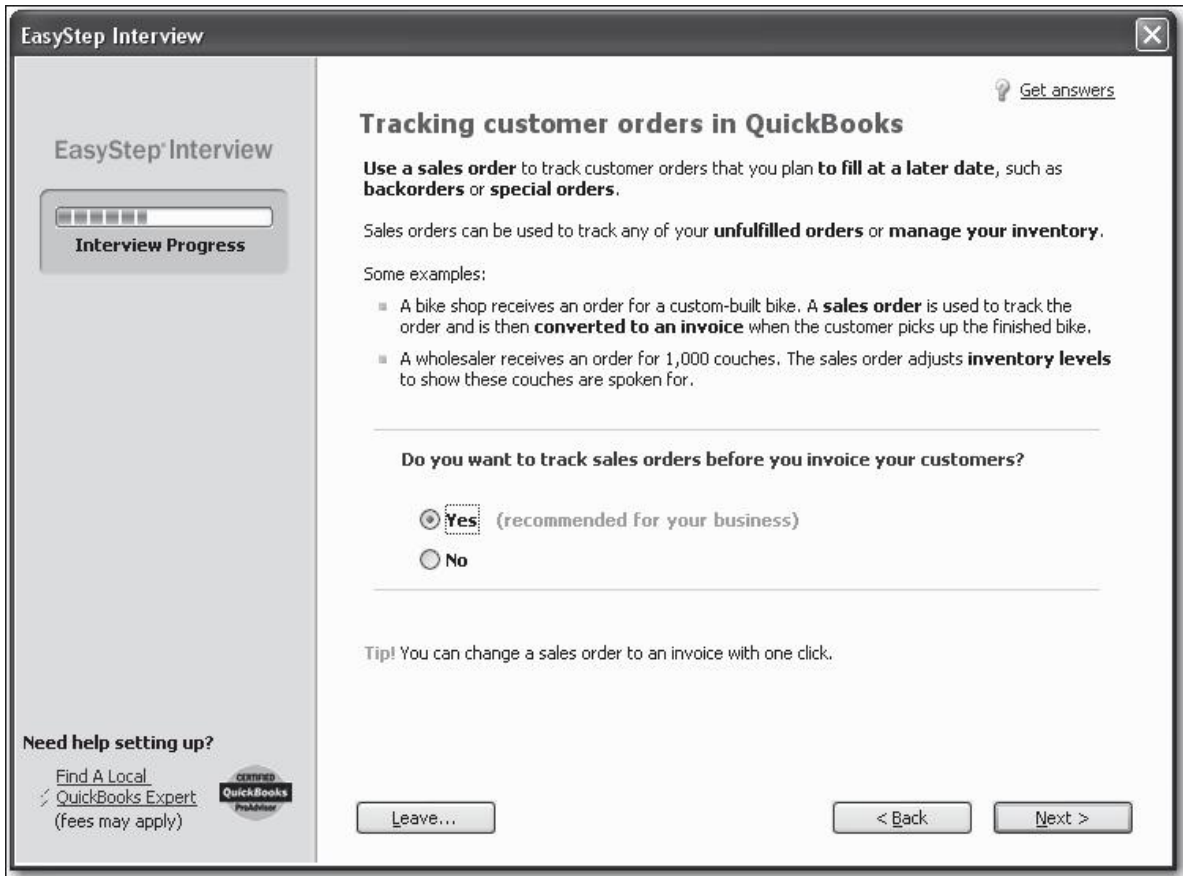
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# Using sales orders

If your customers sometimes place orders for items that you don't have in stock or are not yet ready to invoice for, use a sales order in QuickBooks to track the sale.

## To set up sales orders:

1. On the “Tracking customer orders in QuickBooks” window, click **Yes**.



2. Click **Next**.

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## Notes

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## Choosing Remaining Preferences

The next series of windows ask “yes or no” questions that enable or disable different QuickBooks features, based on your company needs. Simply click Yes or No, then click Next to move forward in the Interview. For Lockhart Design, complete the preferences by giving the following responses:

<b>For this item...</b>	<b>Select...</b>
Billing statements	No
Progress invoicing	Yes
Bill tracking	Yes
Inventory	No
Track time	Yes
Employees	No

You can always change preference settings later, after the EasyStep Interview. From the Edit menu, choose Preferences, and then select the preference type in the left panel.

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## Notes

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# Choosing a Start Date

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. On the “Using Accounts in QuickBooks” window, click **Next**.
2. Select “Use today’s date or the first day of the quarter or month,” and then enter 12/31/2010.

EasyStep Interview

Get answers

### Select a date to start tracking your finances

The date you select will be your **start date** in QuickBooks.

- Beginning of this fiscal year: 01/01/2010**
  - In order to complete this year's tax returns, you'll need to enter transactions from the beginning of this fiscal year to today.
- Use today's date or the first day of the quarter or month.**
  - You'll need to enter transactions from this date forward.

12/31/2010

[What date should I choose?](#)

Need help setting up?  
Find A Local  
QuickBooks Expert  
(fees may apply)

Leave... < Back Next >

3. Click **Next**.

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## Notes

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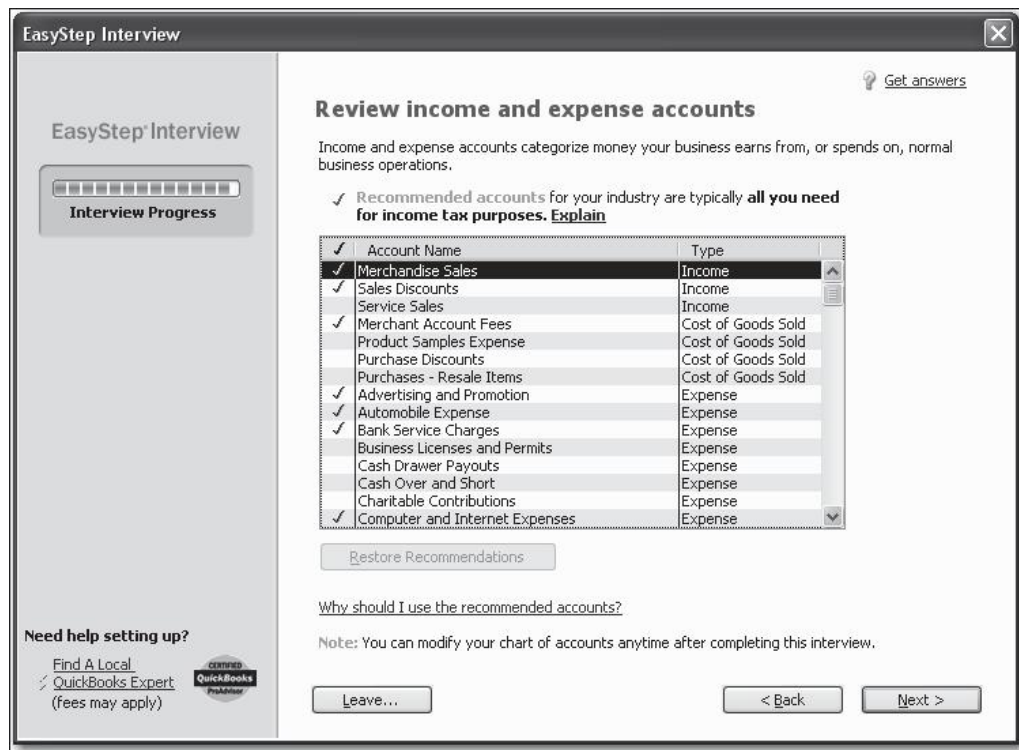
# Reviewing the Chart of Accounts

The chart of accounts is made up of five types of accounts common to all businesses—the income and expense accounts used by the Profit and Loss Statement, and the asset, liability, and equity accounts used by the Balance Sheet. Each time you enter a transaction, QuickBooks will prompt you to categorize it into one of these five types of accounts.

Because you chose an industry from the list earlier in the Interview, QuickBooks has already created income and expense accounts for your company.

## To review the chart of accounts:

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



2. Click **Next** to go to the next window.

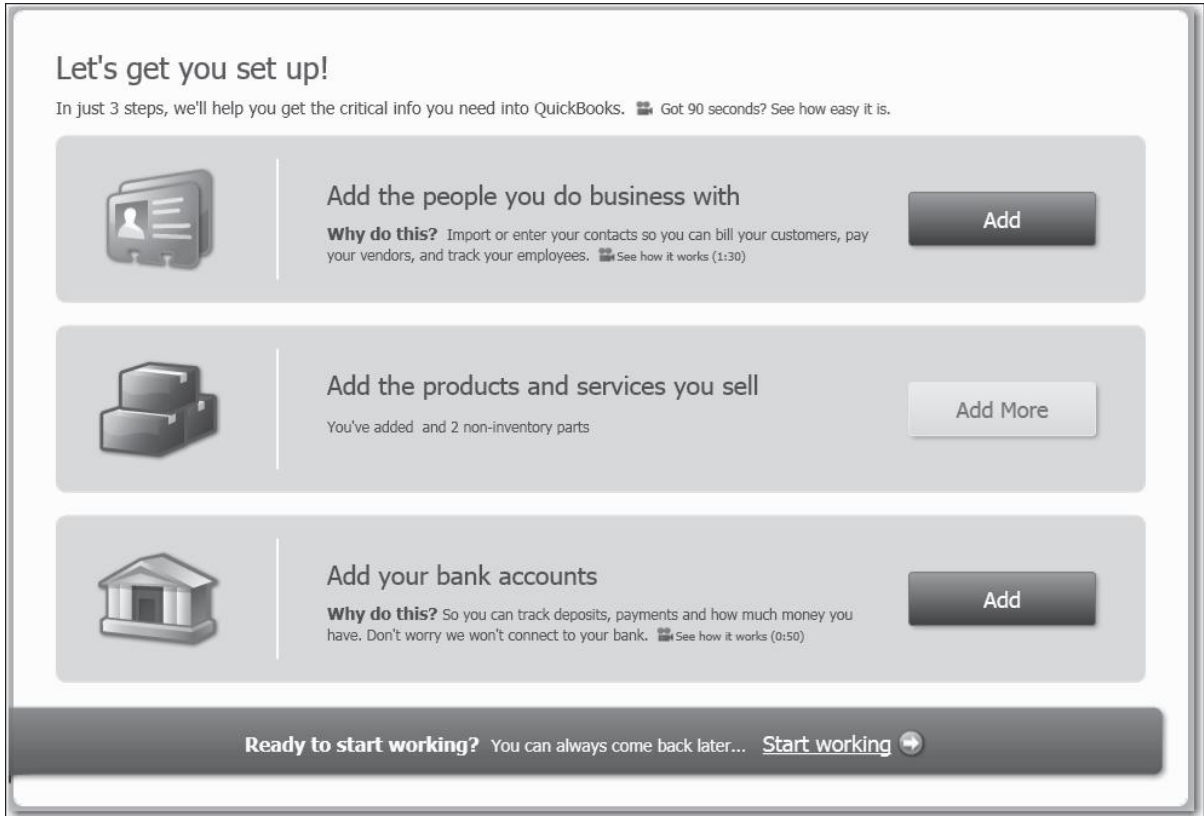
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## Notes

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3. Click Go to Setup.

The QuickBooks setup screen appears.



After you have completed the EasyStep Interview, use the information in the help options described later in this chapter to help you make changes and adjustments to your company file.

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## Notes

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## Entering bank accounts and opening balances

The balance sheet accounts in the QuickBooks chart of accounts start with an opening balance of zero. Before you begin working in QuickBooks, you need to enter an opening balance for each balance sheet account as of your start date.

### To enter bank account information:

1. On the “Add your bank account” section of QuickBooks Setup, click Add.
2. Type Checking as the Account Name.
3. For Opening Balance, type 8359.00.
4. For Opening Balance Date enter 12/28/2010.

The screenshot shows a dialog box titled "Add your bank accounts". At the top right, there are two radio buttons: "Enter accounts" (selected) and "Choose options". Below the title bar, there is a message: "You can add as many bank accounts as you'd like. The only required info is the account name. We won't actually connect to your bank, we'll just create a register so you can track income and expenses." Below this message is a table with the following data:

Account name	Account number	Opening balance	Opening balance date
Checking		8,359.00	12/28/2010

At the bottom of the dialog, there are two buttons: "Cancel" and "Continue".

5. Click Continue.
6. In the Order Checks screen, select No Thanks and click Continue.
7. Click Start Working.

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## Notes

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## Completing Company File Setup

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 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

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## Notes

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# Adding 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. 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.
4. 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.  
You want the list to show last names first.
5. Press Tab in the Opening Balance field to leave this field blank.

The Opening Balance field tells you how much each customer owes you on your start date so that when you enter the rest of your transactions from your start date

to today, all balances since your start date will be accurate.

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**.
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 the Copy button to copy the address to the Ship To field. Click OK in the Add Shipping Address Information window.

You can have and use more than one Ship To address per customer or job, but Lee Smith uses only one address.

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## Notes

12. Click OK to add this customer.

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

Note: 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.

It is sometimes also referred to as simply the Customer list.

## Notes

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## Adding a Job

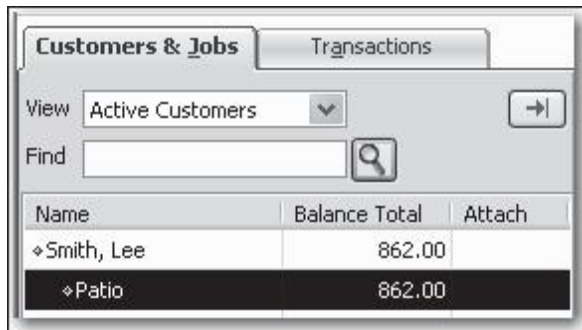
You do not need to add jobs to the Customers & Jobs list if your company never does more than one job or project per customer. Jobs in QuickBooks are optional. If you often perform multiple jobs for the same customer, you can use jobs in QuickBooks to track the activity for each job separately.

Lockhart Design wants to track jobs for Lee Smith.

### 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.
5. Click the Job Info tab and choose “In Progress” from the Job Status drop-down list.
6. For the Start Date, type **12/15/10** and press Tab.
7. In the Projected End date, type **3/15/11** and press Tab.
8. Click OK.
9. If you see a message about a past or future transaction, click Yes to save the transaction.

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



10. Close the Customer Center.

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## Notes

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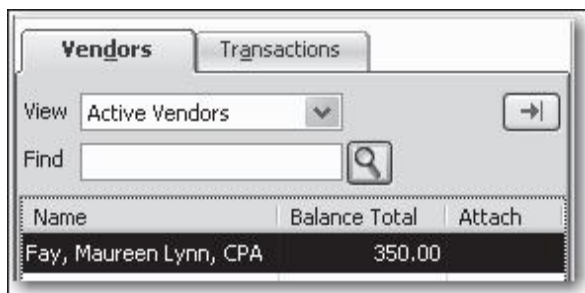
## Adding Vendors

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

### To add a vendor:

1. Click **Vendor Center** in the icon bar.
2. Click the **New Vendor** button, and then choose **New Vendor**.
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.
5. In the As Of field, enter **12/31/10**.
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 to save the transaction.

The new vendor appears on the Vendor list.



14. Close the Vendor Center.

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## Notes

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## Setting Up Additional Accounts

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
- 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.

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### Notes

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# Setting Up Additional Accounts

## 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**.

The screenshot shows the 'Add New Account' dialog box with the following fields and options:

- Account Type:** Income
- Account Name:** Consulting
- Subaccount of:** (checkbox)  (dropdown menu)
- Optional:**
  - Description:** (text area)
  - Note:** (text area)
  - Tax-Line Mapping:** Schedule C: Other busines... (dropdown menu)
- Buttons:** Save & Close, Save & New, Cancel

6. Click **Save & Close**, and then close the Chart of Accounts.

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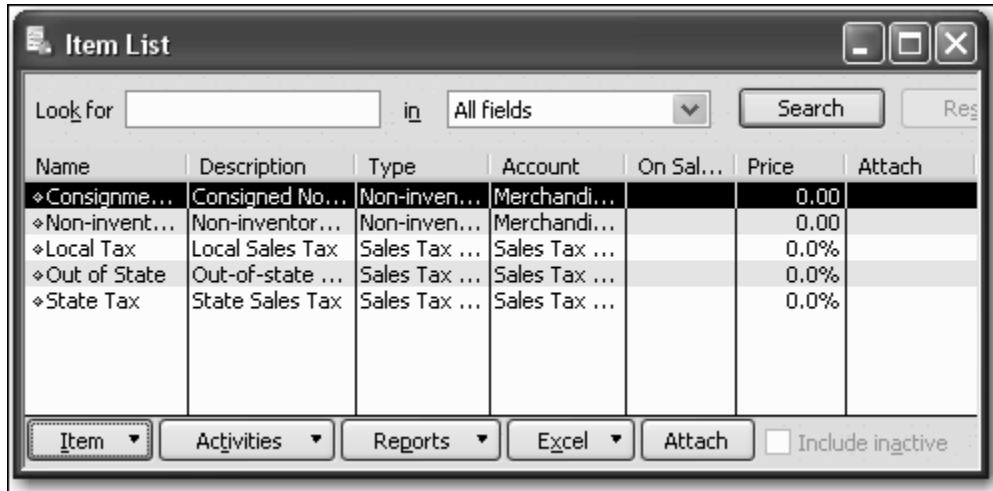
## Notes

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# Adding Items

## 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**.

QuickBooks displays the Item List.

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## Notes

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## Adding Items

- Click in the Rate field, and type **40**.
- In the Tax Code field, choose **Non-Taxable Sales** from the drop-down list.
- In the Account field, choose **Consulting**.

**New Item**

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

Item Name/Number: Initial Design Con...  Subitem of

Unit of Measure: Enable...

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

Description: Initial Design consulting

Rate: 40.00

Tax Code: Non

Account: Consulting

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

Item is inactive

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

- Click **OK** to add the new item to the Item List.

**Item List**

Look for: in All fields Search Res

Name	Description	Type	Account	On Sal...	Price	Attach
Initial Desig...	Initial Design ...	Service	Consulting		40.00	
Consignme...	Consigned No...	Non-inven...	Merchandi...		0.00	
Non-invent...	Non-inventor...	Non-inven...	Merchandi...		0.00	
Local Tax	Local Sales Tax	Sales Tax ...	Sales Tax ...		0.0%	
Out of State	Out-of-state ...	Sales Tax ...	Sales Tax ...		0.0%	
State Tax	State Sales Tax	Sales Tax ...	Sales Tax ...		0.0%	

Buttons: Item, Activities, Reports, Excel, Attach, Include inactive

- Close the Item List.

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## Notes

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## Entering Historical Transactions

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

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## Notes

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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

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## Review activities

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

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## Answers to 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