

Intuit ProLine

QuickBooks 2011 Student Guide

Using Other Accounts in QuickBooks

Lesson 5

Lesson Objectives

- To introduce the other account types available in QuickBooks
- To learn how to track credit card transactions in QuickBooks
- To reconcile a credit card account
- To see how to make a credit card payment
- To discuss the different types of asset and liability accounts you can create and see how to track assets and liabilities in QuickBooks.
- To introduce the subject of equity and QuickBooks equity accounts

Notes

Other Account Types in QuickBooks

In this lesson, you'll learn about these types of QuickBooks Accounts:

- Credit card accounts—Used to track transactions you pay for with a credit card.
- Asset accounts— Used to track both current assets (those assets you're likely to convert to cash or use up within one year, such as inventory on hand) and fixed assets (such as long-term notes receivable and depreciable assets your business owns that aren't liquid, such as equipment, furniture, or a building).
- Liability accounts—Used to track both current liabilities (those liabilities scheduled to be paid within one year, such as sales tax, payroll taxes, and short-term loans) and long-term liabilities (such as loans or mortgages scheduled to be paid over terms longer than one year).
- Equity accounts—Used to track owner's equity, including capital investment, draws, and retained earnings.

Notes

Entering Credit Card Charges

QuickBooks lets you choose when you enter your credit card charges. You can enter credit card charges when you charge an item or when you receive the bill. Your choice depends on whether you like to enter information into QuickBooks incrementally or all at once. The advantage to entering charges when you charge an item is that you can keep close track of how much you owe. In addition, if the charge is for a particular job, you can keep track of how much you're spending on that job.

To enter a credit card charge:

1. From the banking menu, choose **Enter Credit Card Charges**.

Enter Credit Card Charges - CalOil Card

Previous Next Save Find Download Card Charges Journal Attach

Credit Card: CalOil Card Ending Balance: 71.02

Purchase/Charge Refund/Credit

Credit Card Purchase/Charge

Purchased From: _____ Date: 12/15/2015

Ref No.: _____

Amount: 0.00

Memo: _____

Manage your business expenses with QuickBooks Platinum Plus for Business MasterCard [Learn More](#)

Are you ready to pay a bill from this credit card company?

Expenses \$0.00 **Items** \$0.00

Account	Amount	Memo	Customer:Job	Billable?

Clear Splits Recalculate Save & Close Save & New Clear

2. In the Credit Card field, select **CalOil Card** from the drop-down list.
3. In the Purchased From field, select **Bayshore CalOil Service** from the drop-down list.
4. Click in the Amount Field, and then double-click to select the entire amount.
5. Type **30** and then press Tab.
6. Click the **Expenses** tab.

7. In the detail area, click the Account column and assign the charge to the **Automobile: Fuel** expense account.

Enter Credit Card Charges - CalOil Card

Previous Next Save Find Download Card Charges Journal Attach

Credit Card CalOil Card Ending Balance 71.02

Purchase/Charge Refund/Credit

Credit Card Purchase/Charge

Purchased From Bayshore CalOil Service Date 12/15/2015

Ref No. Amount 30.00

Memo

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Are you ready to pay a bill from this credit card company?

Expenses \$30.00 Items \$0.00

Account	Amount	Memo	Customer:Job	Billable?
Automobile:Fuel	30.00			

Clear Splits Recalculate Save & Close Save & New Clear

8. Click **Save & Close** to record the transaction and close the window.

Notes

Reconciling a Credit Card Statement

To reconcile a credit card statement:

1. From the Company menu, choose **Chart of Accounts**.
2. Click **CalOil Card** in the list once to select it.
3. Click the **Activities** menu button, and then choose **Reconcile Credit Card**.

Begin Reconciliation

Select an account to reconcile, and then enter the ending balance from your account statement.

Account: last reconciled on 11/25/2015.

Statement Date:

Beginning Balance: 135.80 [What if my beginning balance doesn't match my statement?](#)

Ending Balance:

Enter any finance charge.

Finance Charge	Date	Account
<input type="text" value="0.00"/>	<input type="text" value="08/29/2011"/>	<input type="text"/>

4. In the Statement Date field, enter **12/15/2015**.
5. In the Ending Balance field, type **101.02**.

6. Click **Continue**.

Reconcile Credit Card - CalOil Card

For period: 12/25/2015 Hide transactions after the statement's end date

Charges and Cash Advances					Payments and Credits					
✓	Date ▲	Ref #	Payee	Amount	✓	Date ▲	Ref #	Payee	Type	Amount
	12/03/2015		Bayshore ...	23.50		12/02/...		CalOil C...	CHK	135.80
	12/12/2015		Bayshore ...	47.52						
	12/15/2015		Bayshore ...	30.00						

Highlight Marked

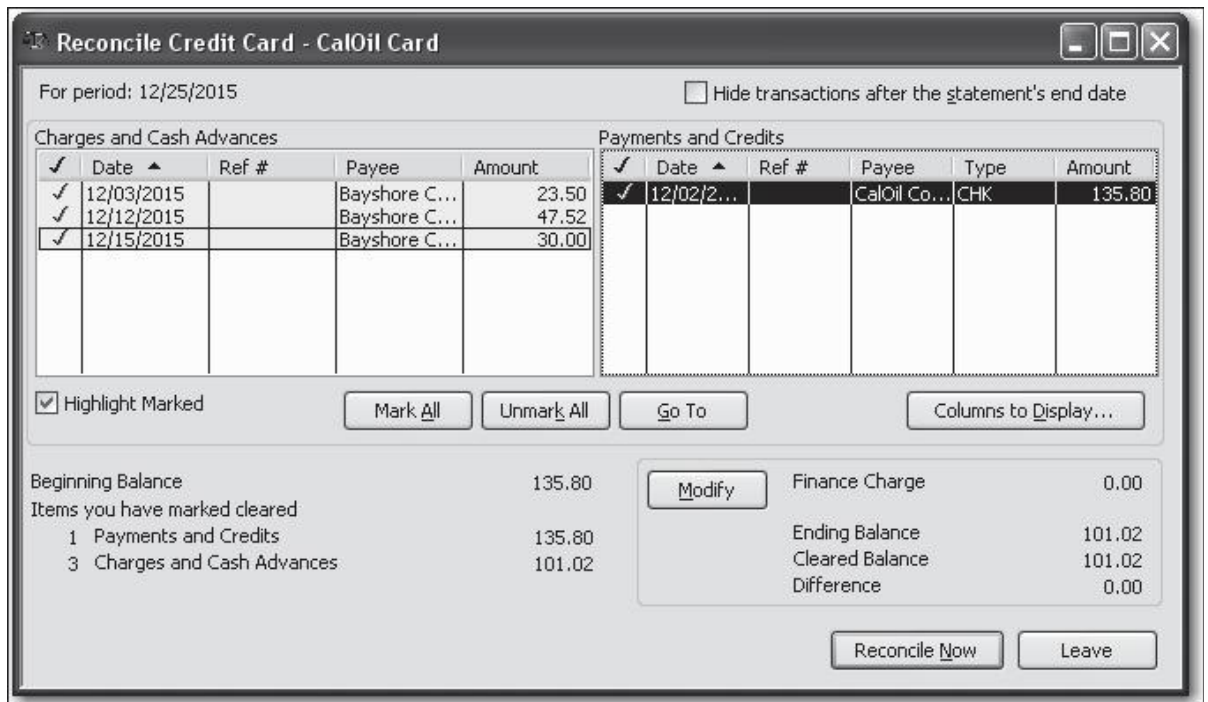
Beginning Balance	135.80	<input type="button" value="Modify"/>	Finance Charge	0.00
Items you have marked cleared			Ending Balance	101.02
0 Payments and Credits	0.00		Cleared Balance	135.80
0 Charges and Cash Advances	0.00		Difference	34.78

Notes

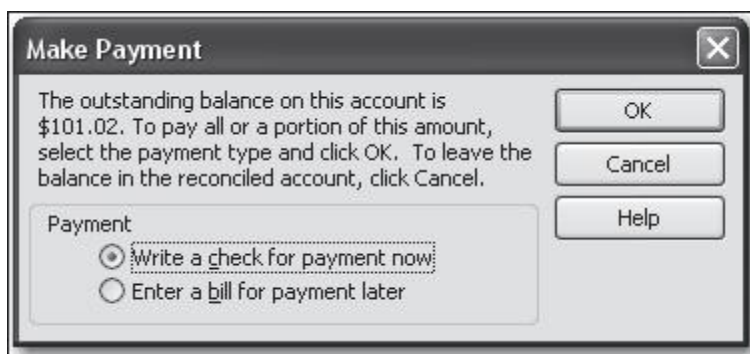
Marking Cleared Transactions

To mark the transactions as cleared:

1. In the “Charges and Cash Advances” section of the window, select all three charges.
2. In the “Payments and Credits” section of the window, select the 12/02/15 payment for \$135.80



3. Click **Reconcile Now**.



4. For this exercise, you want to write a check for payment now, so leave that option selected and click **OK**.



5. In the Select Reconciliation Report window, select **Detail** and then click **Display**.
6. Click **OK** at the message QuickBooks displays.
7. Review the report and then close it.

Notes

Paying a Credit Card Bill

To write a check for the bill now:

1. In the Write Checks window, make sure **Checking** is listed as the bank account.
2. Click in the Pay to the Order of field and select **CalOil Company** as the name of the credit card company.
3. Click the **To be printed** checkbox to select it.

Write Checks - Checking

Bank Account: Checking Ending Balance: 46,423.98

Pay to the Order of: CalOil Company

Date: 12/15/2015

To Print: \$ 101.02

One hundred one and 02/100* ***** Dollars

Address: CalOil Company
PO Box 628
Middlefield CA 94482

Memo:

Expenses: \$101.02 Items: \$0.00 Online Payment: To be printed:

Account	Amount	Memo	Customer:Job	Billable?
CalOil Card	101.02			

Buttons: Clear Splits, Recalculate, Save & Close, Save & New, Clear

Order Checks

4. Click **Save & Close** to record the transaction.
5. Close the chart of accounts.

Notes

Working with Asset Accounts

An Other Current Asset account tracks assets that are likely to be converted to cash or used up within one year. If you buy and sell inventory, the value of all your inventory on hand is usually shown in an Other Current Asset account called something like “Inventory Asset.” Other current assets might include treasury bills, certificates of deposit, prepaid expenses, prepaid deposits, reimbursable expenses, and notes receivable (if due within one year).

A Fixed Asset account tracks assets your business owns that are not likely to be converted into cash within a year. A fixed asset is usually something necessary for the operation of your business, like a truck, cash register, computer, or photocopier.

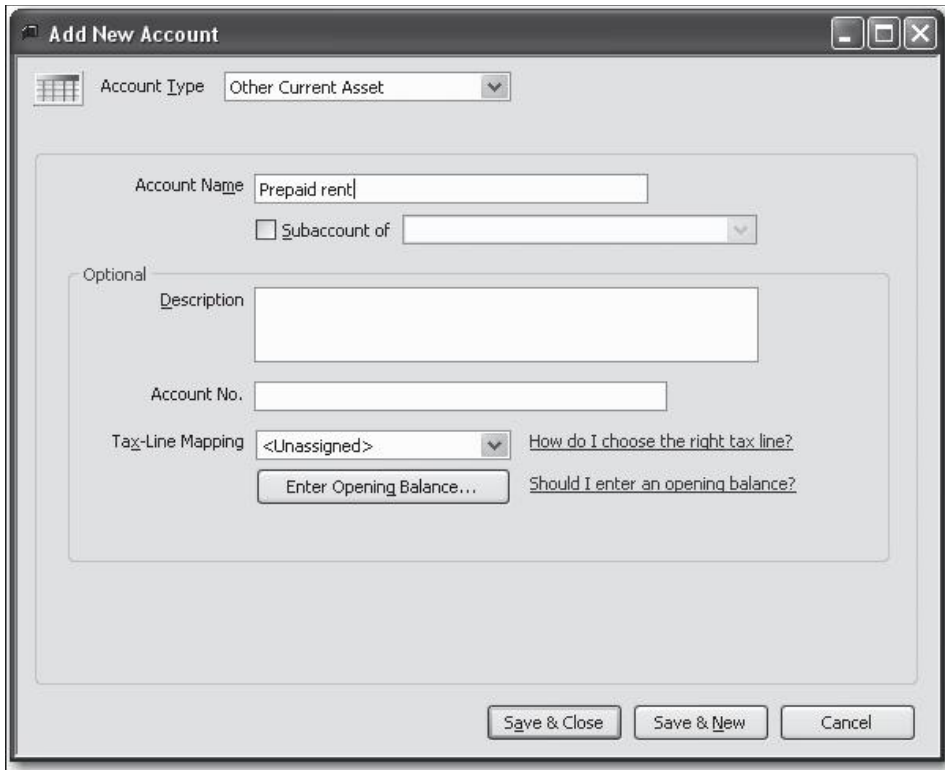
To set up an Other Current Asset account:

1. On the Home page, click Chart of Accounts.
2. Click the **Account** menu button, and then choose **New**.
3. Click **Other Account Types** and choose **Other Current Asset** from the drop-down list.

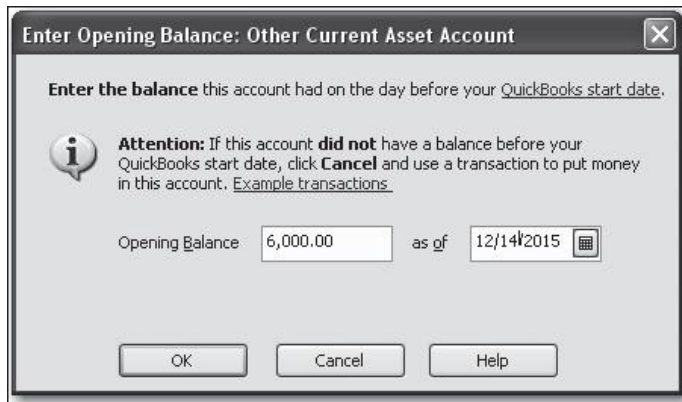


4. Click **Continue**.

5. In the Account Name field, type **Prepaid rent**.



6. Click **Enter Opening Balance**.
7. In the Opening Balance field, type **6000** and then select the date **12/14/2015**.



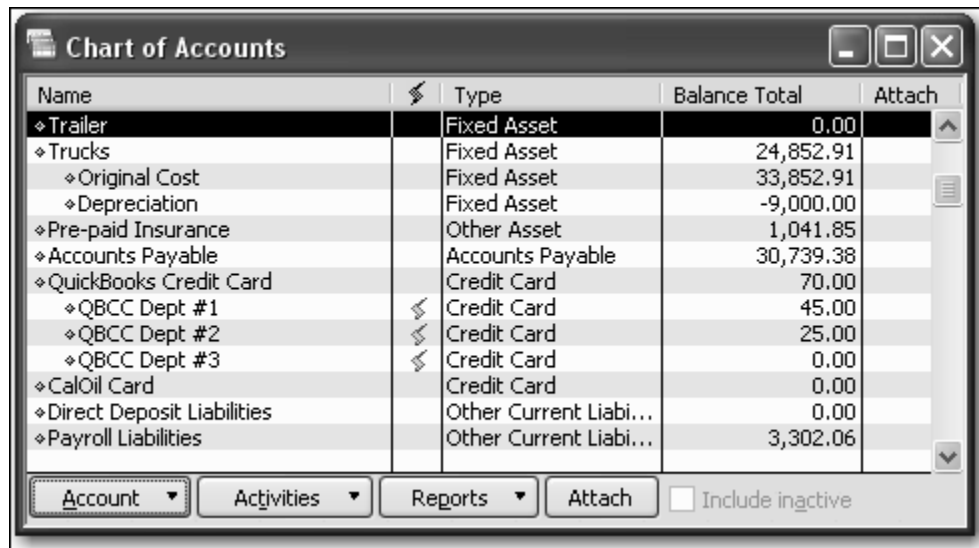
8. Click **OK**.
9. Click **Save & Close**.

Setting Up Asset Accounts to Track Depreciation

Fixed assets are equipment or property your business owns that are not for sale. Since they last a long time, you don't completely charge their cost to the year in which you buy them. Instead, you spread their cost over several years. But because fixed assets wear out or become obsolete, their value declines constantly from the day you purchase them. The amount of this decline in value is called *depreciation*.

To set up asset accounts to track depreciation on a new trailer purchased by Rock Castle Construction:

1. In the chart of accounts window, click the **Account** menu button, and then choose **New**.
2. Select **Fixed Asset** and click **Continue**.
3. In the Account Name field, type **Trailer**.
4. Click **Save & Close**.



Name	Type	Balance Total	Attach
♦Trailer	Fixed Asset	0.00	
♦Trucks	Fixed Asset	24,852.91	
♦Original Cost	Fixed Asset	33,852.91	
♦Depreciation	Fixed Asset	-9,000.00	
♦Pre-paid Insurance	Other Asset	1,041.85	
♦Accounts Payable	Accounts Payable	30,739.38	
♦QuickBooks Credit Card	Credit Card	70.00	
♦QBCC Dept #1	Credit Card	45.00	
♦QBCC Dept #2	Credit Card	25.00	
♦QBCC Dept #3	Credit Card	0.00	
♦CalOil Card	Credit Card	0.00	
♦Direct Deposit Liabilities	Other Current Liabi...	0.00	
♦Payroll Liabilities	Other Current Liabi...	3,302.06	

Notes

Setting Up Asset Accounts to Track Depreciation

To add subaccounts:

1. In the chart of accounts window, click the **Account** menu button, and then choose **New**.
2. Select **Fixed Asset** and click **Continue**.
3. In the Account Name field, type **Cost**.
4. Select the “Subaccount of” checkbox, and select **Trailer** as the parent account.
5. Leave the opening balance blank.

The screenshot shows the 'Add New Account' dialog box. At the top, there is a 'Account Type' dropdown menu set to 'Fixed Asset'. Below that is the 'Account Name' field containing 'Depreciation'. A 'Subaccount of' checkbox is checked, and a dropdown menu next to it is set to 'Trailer'. An 'Optional' section contains a 'Description' text area, a 'Note' text area, and a 'Tax-Line Mapping' dropdown menu set to '<Unassigned>'. To the right of the 'Tax-Line Mapping' dropdown are two links: 'How do I choose the right tax line?' and 'Should I enter an opening balance?'. Below the 'Tax-Line Mapping' dropdown is a button labeled 'Enter Opening Balance...'. At the bottom of the dialog box are three buttons: 'Save & Close', 'Save & New', and 'Cancel'.

6. Click **Save & New**

- Repeat steps 3, 4, and 5 to add a second subaccount to the Trailer fixed asset account. Call the subaccount Depreciation, and leave the opening balance blank.

Add New Account

Account Type: Fixed Asset

Account Name: Cost

Subaccount of: Trailer

Optional:

Description: [Empty]

Note: [Empty]

Tax-Line Mapping: <Unassigned> [How do I choose the right tax line?](#)

[Enter Opening Balance...](#) [Should I enter an opening balance?](#)

Buttons: Save & Close, Save & New, Cancel

- Click Save & Close to save the Depreciation subaccount.

Name	Type	Balance Total	Attach
Retainage	Other Current Asset	2,461.80	
Undeposited Funds	Other Current Asset	2,124.00	
Trailer	Fixed Asset	0.00	
Depreciation	Fixed Asset	0.00	
Cost	Fixed Asset	0.00	
Trucks	Fixed Asset	24,852.91	
Original Cost	Fixed Asset	33,852.91	
Depreciation	Fixed Asset	-9,000.00	
Pre-paid Insurance	Other Asset	1,041.85	
Accounts Payable	Accounts Payable	30,739.38	
QuickBooks Credit Card	Credit Card	70.00	
QBCC Dept #1	Credit Card	45.00	
QBCC Dept #2	Credit Card	25.00	

Account: Activities: Reports: Attach Include inactive

Notes

Entering Depreciation Transactions

To enter a transaction for depreciation:

1. In the chart of accounts, select the **Depreciation** subaccount for the trailer.
2. Click the **Activities** menu button, and then choose **Use Register**.
3. In the Decrease column, type **1300** and press Tab. This is the depreciation amount.
4. In the Account field, select **Depreciation Expense** from the drop-down list

The screenshot shows the 'Trailer:Depreciation' window. At the top, there are menu options: 'Go to...', 'Print...', 'Edit Transaction', and 'QuickReport'. Below this is a table with the following columns: Date, Ref, Type, Account, Payee, Memo, Decrease, Increase, and Balance. The first row contains the following data: Date: 12/15/2015, Ref: Ref, Type: GENJRNL, Account: Depreciation Expense, Payee: Payee, Memo: Memo, Decrease: 1,300.00, Increase: Increase, Balance: 0.00. Below the table, there are buttons for 'Splits', 'Record', and 'Restore'. There is also a checkbox for '1-Line' and a 'Sort by' dropdown menu set to 'Date, Type, Number/...'. The 'Ending balance' is shown as 0.00.

5. Click **Record**.
6. Close the register window.

Notes

Tracking a Loan with a Long-Term Liability Account

A Long-term Liability account tracks debts that your business is *not* likely to pay off within a year. The most common long-term liabilities are loans that you expect to pay off in more than one year.

Tracking a loan with a long-term liability account:

1. In the chart of accounts, click the **Account** menu button, and then choose **New**.
2. In the Add New Account window, select **Other Accounts Types** and then choose **Long Term Liability** from the drop-down list.
3. Click **Continue**.
4. In the Account Name field, type **Trailer Loan**.

The screenshot shows the 'Add New Account' dialog box. At the top, 'Account Type' is set to 'Long Term Liability'. The 'Account Name' field contains 'Trailer Loan'. Below it, there is a checkbox for 'Subaccount of' and a dropdown menu. An 'Optional' section contains a 'Description' text area, an 'Account No.' text field, and a 'Tax-Line Mapping' dropdown set to '<Unassigned>'. There are links for 'How do I choose the right tax line?' and 'Should I enter an opening balance?'. A button 'Enter Opening Balance...' is present. At the bottom, there are three buttons: 'Save & Close', 'Save & New', and 'Cancel'.

5. Do not enter an Opening Balance.
6. Click **Save & Close**.

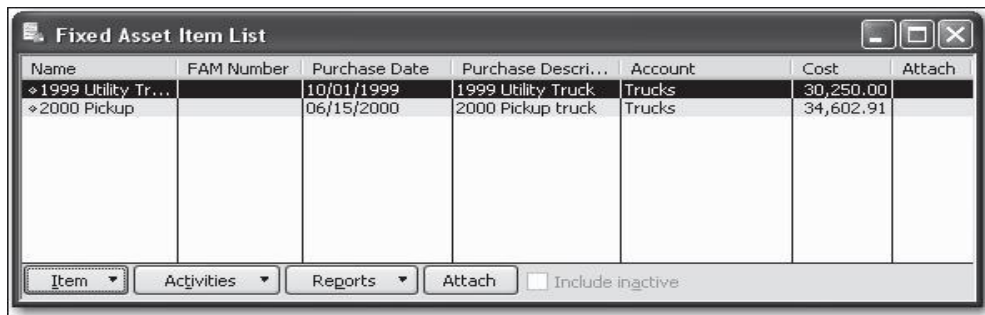
Name	Type	Balance Total	Attach
Trailer Loan	Long Term Liability	0.00	
Bank of Anycity Loan	Long Term Liability	19,932.65	
Equipment Loan	Long Term Liability	3,911.32	
Note Payable	Long Term Liability	3,440.83	
Truck Loan	Long Term Liability	5,662.38	
Opening Bal Equity	Equity	-15,321.18	
Owner's Equity	Equity	19,000.00	
Owner's Contribution	Equity	25,000.00	
Owner's Draw	Equity	-6,000.00	
Retained Earnings	Equity		
Mileage Income	Income		
Construction	Income		
Discounts given	Income		

Tracking a Loan with a Long-Term Liability Account

You can enter the Trailer on the Fixed Asset Item list. Tracking fixed assets using the Fixed Asset Item list enables you to record such information about an asset as purchase date and price, whether the asset was new or used when purchased, and the asset's sale price if you decide to sell it. You can also generate customizable reports listing all your fixed assets.

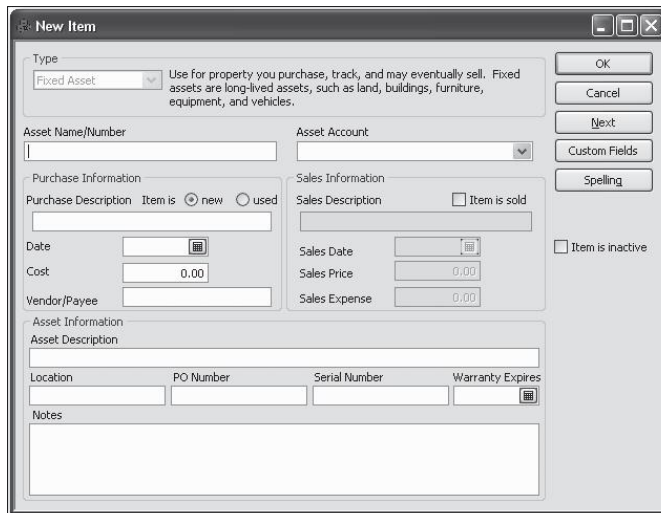
To create a fixed asset item:

1. From the Lists menu, choose **Fixed Asset Item List**.



Name	FAM Number	Purchase Date	Purchase Description	Account	Cost	Attach
1999 Utility Tr...		10/01/1999	1999 Utility Truck	Trucks	30,250.00	
2000 Pickup		06/15/2000	2000 Pickup truck	Trucks	34,602.91	

2. Click the **Item** menu button, and select **New**.



3. In the Asset Name/Number field, type **Trailer**.
4. Enter the following information to complete the Purchase Information section:
 - Item is: **New**
 - Purchase Description: **Trailer**
 - Date: **12/15/2015**
 - Cost: **30,000**
 - Vendor/Payee: **East Bayshore Auto Mall**

5. Enter the following information to complete the Asset Information section:

- Asset Description: White trailer with company logo
- Serial Number: 123456789
- Warranty Expires: 12/15/2020

Notes

6. From the Asset Account drop-down list, choose **Trailer:Cost**.

New Item

Type: Fixed Asset (Use for property you purchase, track, and may eventually sell. Fixed assets are long-lived assets, such as land, buildings, furniture, equipment, and vehicles.)

Asset Name/Number: Trailer | Asset Account: Trailer:Cost

Purchase Information
 Purchase Description: Trailer | Item is: new used
 Date: 12/15/2015 | Cost: 30,000.00 | Vendor/Payee: East Bayshore Auto Mall

Sales Information
 Sales Description: | Item is sold
 Sales Date: | Sales Price: 0.00 | Sales Expense: 0.00

Asset Information
 Asset Description: White trailer with company logo
 Location: | PO Number: | Serial Number: 123456789 | Warranty Expires: 12/15/2020
 Notes: [Empty text area]

Buttons: OK, Cancel, Next, Custom Fields, Spelling, Item is inactive

7. Click **OK**.
8. Close the Fixed Asset Item list.

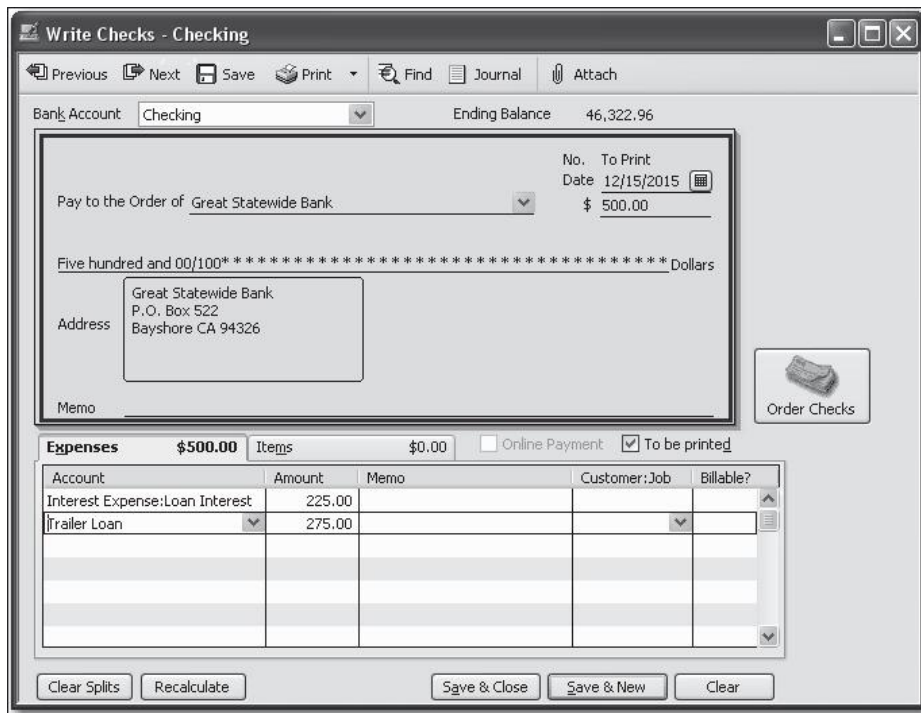
Notes

Recording a payment on a loan

When it's time to make a payment on a loan, use the Write Checks window to record a check to your lender. Assign part of the payment to a loan interest expense and the remainder to loan principal.

To record a payment on a loan:

1. From the Banking menu, choose **Write Checks**.
2. In the “Pay to the Order of” field, type **Great** and then press Tab.
3. For the dollar amount of the check, type **500.00**.
4. Click in the Account column on the Expenses tab and choose the **Interest Expense: Loan Interest** expense account from the drop-down list.
5. In the Amount column highlight the amount that QuickBooks prefilled and then type **225.00**.
6. Assign the remainder of the expense (\$275.00) to the **Trailer Loan** liability account.



7. Click **Save & Close** to record the payment.

When you record the transaction, QuickBooks automatically updates the accounts affected by this transaction:

- In your checking account, QuickBooks subtracts the amount of the check from your balance.
- In the expense account that tracks interest, QuickBooks enters the interest amount as an increase to your company's interest expense.
- In the Trailer Loan liability account, QuickBooks subtracts the principal amount from the current value of the liability (reducing the amount of your debt).

Notes

Lesson 5: Using Other Accounts in QuickBooks

Review questions

1. Accumulated depreciation is typically set up as what type of account in QuickBooks?
 - a A subaccount of a fixed asset account
 - b A subaccount of a current asset account
 - c A subaccount of a liability account
 - d An expense account
2. Equity type accounts would be used to track which of the following?
 - a Capital investments
 - b Draws
 - c Retained Earnings
 - d All of the above
3. Which of the following would likely be considered a long-term liability?
 - a Vehicle loan
 - b Accounts payable
 - c Rent
 - d Credit card account
4. Retained Earnings is defined as which of the following?
 - a The amount of money that a business retains for paying its employees
 - b The earnings from non-essential business services
 - c The amount of interest saved from paying off a loan early
 - d The accumulation of a company's net income or loss from its start date
5. Which of the following would **not** decrease the value of a company's equity?
 - a The company paying corporate dividends
 - b The company incurring a net loss for the fiscal year
 - c An owner drawing money out of the company
 - d The company taking a loan out to purchase a new asset

Review activities

Assume that the owner of Rock Castle Construction has taken out a loan and purchased a computer system for \$15,000. He wants to track the accumulated depreciation and cost of the system in two separate fixed asset accounts.

1. Create a fixed asset account called Computer System and two subaccounts—one for Cost and one for Accumulated Depreciation.
2. Create a long-term liability account to track the loan.
3. Enter the amount of the loan as an increase in the asset's Cost account. Assign the transaction to the loan liability account.

Answers to review questions

1. Accumulated depreciation is typically set up as what type of account in QuickBooks?
 - ✓ **a** *A subaccount of a fixed asset account*
 - b** A subaccount of a current asset account
 - c** A subaccount of a liability account
 - d** An expense account

2. Equity type accounts would be used to track which of the following?
 - a** Capital investments
 - b** Draws
 - c** Retained Earnings
 - ✓ **d** *All of the above*

3. Which of the following would likely be considered a long-term liability?
 - ✓ **a** *Vehicle loan*
 - b** Accounts payable
 - c** Rent
 - d** Credit card account

4. Retained Earnings is defined as which of the following?
 - a** The amount of money that a business retains for paying its employees
 - b** The earnings from non-essential business services
 - c** The amount of interest saved from paying off a loan early
 - ✓ **d** *The accumulation of a company's net income or loss from its start date*

5. Which of the following would **not** decrease the value of a company's equity?
 - a** The company paying corporate dividends
 - b** The company incurring a net loss for the fiscal year
 - c** An owner drawing money out of the company
 - ✓ **d** *The company taking a loan out to purchase a new asset*