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**Stephen L. Nelson, MBA,
CPA, MS in Taxation**

Author of QuickBooks 2020 For Dummies

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by Stephen Nelson, MBA, CPA, MS
in Taxation

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QuickBooks® 2020 All-in-One For Dummies®

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Introduction

Few people read introductions to reference books, so I'll make this very brief. I just want to tell you which versions of QuickBooks this book works for, what's in the reference, what it assumes about your existing skills, and what conventions I use.

About This Book

The desktop version of QuickBooks comes in several flavors, including QuickBooks Pro, QuickBooks Premier, and QuickBooks Enterprise Solutions. This reference talks about QuickBooks 20 Enterprise Solutions, which is a superset of QuickBooks 2020 Premier and QuickBooks 2020 Pro. If you're using QuickBooks Self-Employed or QuickBooks Online, you shouldn't use this book. Sorry.

On the other hand, even though this book is written for QuickBooks Enterprise Solutions, if you're using QuickBooks Premier or QuickBooks Pro, don't worry. You're just fine with this book. And don't freak out if you're using some version of QuickBooks that's very similar to QuickBooks 2020, such as QuickBooks 2019 or QuickBooks 2021. Although this reference is about QuickBooks 2020, it also works just fine for the 2018, 2019, and probably 2021 versions of QuickBooks because QuickBooks is a very mature product at this point. The changes from one year to the next are modest. This means that if you're using QuickBooks 2019, stuff may look a little different if you closely compare the images in this book with what you see on your screen, but the information in this reference will still apply to your situation.

Note, too, that specialty versions of QuickBooks, such as QuickBooks Accountant's Edition and QuickBooks Contractor, also work almost identically to QuickBooks Premier.



TIP

If you use QuickBooks Pro and see some whistle or bell that you really want to use but that isn't available in your version of QuickBooks, you'll know that you should upgrade to the Premier or Enterprise Solutions version of QuickBooks.



REMEMBER

The bottom line? Yes, QuickBooks comes in several flavors. Yes, Intuit publishes new editions of its QuickBooks products every year. But you can use this book for any recent version of QuickBooks Pro, Premier, or Enterprise Solutions.

To make the best use of your time and energy, you should know about the conventions I use in this book:

- » When I want you to type something such as **Jennifer**, it's in bold letters.
- » By the way, except for passwords, you don't have to worry about the case of the stuff you type in QuickBooks. If I tell you to type Jennifer, you can type **JENNIFER**. Or you can follow poet e e cummings's lead and type **jennifer**.
- » Whenever I tell you to choose a command from a menu, I say something like Choose Lists ⇨ Items, which simply means to first choose the Lists menu and then choose Items. The ⇨ separates one part of the command from the next part.
- » You can choose menus and commands and select dialog-box elements with the mouse. Just click the thing that you want to select.
- » While I'm on the subject of conventions, let me also mention something about QuickBooks conventions, because it turns out that there's really no good place to point this out. QuickBooks doesn't use document windows the same way that other Windows programs do. Instead, it locks the active window into place and then displays a list of windows in its Navigator pane, which is like another little window. To move to a listed window, you click it.



TIP

You can tell QuickBooks to use windows like every other program does, however, by choosing View ⇨ Multiple Windows. You can even remove the Navigator pane by choosing View ⇨ Open Window List.

Foolish Assumptions

I'm making only three assumptions about your QuickBooks and accounting skills:

- » You have a PC with Windows 7, Windows 8, or Windows 10. (I took pictures of the QuickBooks windows and dialog boxes in Windows 10, in case you're interested.)
- » You know a little bit about how to work with your computer.

- » You have, or will buy, a copy of QuickBooks Pro, QuickBooks Premier, or QuickBooks Enterprise Solutions for each computer on which you want to run the program.

In other words, I don't assume that you're a computer genius or an MBA, or that you're super-experienced in the arcane rules of accounting. I assume that QuickBooks and accounting are new subjects to you. But I also assume that you want to understand the subjects because you need to do so for your job or your business.



TIP

Please note that I wrote this book in 2019 for the 2020 version of QuickBooks. QuickBooks automatically adds a time stamp of the date on which I enter transactions into the system. Consequently, in some screen shots, you can see that I entered the transactions into QuickBooks in 2019, even though the transaction dates for my examples are in 2020. I hope you don't find this too confusing; there's just no way I can work around this.

Icons Used in This Book

Like many computer books, this book uses icons, or little pictures, to flag things that don't quite fit into the flow of things.



WARNING

The Warning icon tells you to watch out! It marks important information that may save you headaches when using QuickBooks 2020.



REMEMBER

Remember icons mark the information that's especially important to know. To siphon off the most important information in each chapter, skim these icons.



TIP

The Tip icon marks tips (duh!) and shortcuts that you can use to make QuickBooks easier.



TECHNICAL
STUFF

The Technical Stuff icon marks information of a highly technical nature that you normally can skip.

Beyond the Book

QuickBooks 2020 All-in-One For Dummies includes some extra content that you bought with your book but didn't get inside the book. Okay, I know that sounds bad at first blush. But don't worry. This extra, premium stuff is available online:

- » The Cheat Sheet for this book is at <https://www.dummies.com>.
In the Search field, type **QuickBooks 2020 All-in-One For Dummies Cheat Sheet** to find the Cheat sheet for this book.
- » Updates to this book, if there are any, are also at <https://www.dummies.com>. Search for the book's title to find the associated updates.

Where to Go from Here

This reference combines eight short books, including a minibook about accounting, one about setting up the QuickBooks system, one for bookkeepers using QuickBooks, one for accountants and managers using QuickBooks, a minibook about small-business financial management, a minibook about business planning, a minibook about taking care of a QuickBooks accounting system, and a minibook of appendixes of further useful information.

I'm not going to go into more detail here about what's available in the book. If you have a specific question about what's covered or where some topic is covered, refer to the table of contents in the front of this reference. Also remember that the book provides an index to help you find just the pages that have the information you need.

While I'm on the subject of what's in this book and how to find information, let me make four tangential points:

- » You'll never read this book from cover to cover unless you're someone who has an obsessive-compulsive personality (like me) and many hours to devote to reading. But that's okay. This reference isn't meant to be read from cover to cover like some Val McDermid page-turner. Instead, chapters within the eight minibooks are organized into largely self-contained descriptions of how you do the things that you need to do. You just read the paragraph, page, or chapter that provides the information you want.

- »» I haven't discussed in any detail how to use the QuickBooks Premier and QuickBooks Enterprise Solutions features for business planning. The wizard-based approach that QuickBooks Premier and QuickBooks Enterprise Solutions provide for business planning is not, in my humble opinion, the right way. Instead, I discuss in detail alternative, superior approaches to business planning and budgeting (using spreadsheets) in Book 6. (Just so you know: The approach I describe and recommend here is the same one that any business school teaches its students.)
- »» At a few points in the book, you'll find me saying things like "Well, I really don't think you should use this part of the product." I just want to explain here, up front, where I'm coming from. First, know that I think QuickBooks is an outstanding product, but not every feature and every command is good. I've already mentioned that the new business planning tools aren't ones that I can recommend. And payroll, very frankly, is another pain-in-the-butt feature that most businesses should avoid. (I do briefly discuss payroll in Book 3, Chapter 5.) So if I think that a particular feature is one that you shouldn't use, I don't take up page space (or much page space) describing the feature. I'd rather use that space to describe other stuff that I believe is going to be valuable to you and other readers.
- »» I should also mention one final thing: Accounting software programs require you to do a certain amount of preparation before you can use them to get real work done. If you haven't started to use QuickBooks yet, I recommend that you skim Book 1 and then read Book 2 to find out what you need to do first.

1

An Accounting Primer

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IN THIS CHAPTER

- » Figuring out the purpose of accounting
- » Taking a look at common financial statements
- » Understanding the philosophy of accounting
- » Discovering income tax accounting and reporting

Chapter 1

Principles of Accounting

Any discussion of how to use QuickBooks to better manage your business begins with a discussion of the basics of accounting. For this reason, in this chapter and the next two, I attempt to provide the same information that you'd receive in an introductory college accounting course. I tailor the entire discussion, of course, to QuickBooks and the small-business environment. What you'll read about here and in the next chapters of this book pretty much describes how accounting works in a small-business setting when you're using QuickBooks.

If you've had some experience with accounting, if you know how to read an income statement and balance sheet, or if you know how to construct a journal entry, you don't need to read this chapter or the next. But if you're new to accounting and business bookkeeping, take the time to read this chapter carefully. I start the chapter by giving you a high-level overview of the purpose of accounting. Then I review the common financial statements that any accounting system worth its salt produces. I also discuss some of the important principles of accounting and the philosophy of accounting. Finally, I talk a little bit about income tax law and tax accounting.

The Purpose of Accounting

In the movie *Creator*, Peter O'Toole plays an eccentric professor. At one point, O'Toole's character attempts to talk a young student into working as an unpaid research assistant. When the student protests, noting that he needs 15 credit

hours, O'Toole creates a special 15-credit independent-study course named "Introduction to the Big Picture." In the next section, I describe the "big picture" of accounting. At its core, accounting makes perfect, logical sense.

The big picture

The most important thing to understand about accounting is that it provides financial information to stakeholders. *Stakeholders* are the people who do business with or interact with a firm; they include managers, employees, investors, banks, vendors, government authorities, and agencies that may tax a firm. Stakeholders and their information requirements deserve a bit more discussion. Why? Because the information needs of these stakeholders determine what an accounting system must do.

Managers, investors, and entrepreneurs

The first category of stakeholders includes the firm's managers, investors, and entrepreneurs. This group needs financial information to determine whether a business is making money. This group also wants any information that gives insight into whether a business is growing or contracting and how healthy or sick it is. To fulfill its obligations and duties, this group often needs detailed information. A manager or entrepreneur may want to know which customers are particularly profitable — or unprofitable. An active investor may want to know which product lines are growing or contracting.

A related set of information requirements concerns asset and liability record keeping. An *asset* is something that the firm owns, such as cash, inventory, or equipment. A *liability* is some debt or obligation that the firm owes, such as bank loans and accounts payable.

Obviously, someone at a firm — perhaps a manager, bookkeeper, or accountant — needs to have very detailed records of the amount of cash that the firm has in its bank accounts, the inventory that the firm has in its warehouse or on its shelves, and the equipment that the firm owns and uses in its operations.

If you look over the preceding two or three paragraphs, nothing I've said is particularly surprising. It makes sense, right? Someone who works in a business, manages a business, or actively invests in a business needs good general information about the financial affairs of the firm and, in many cases, very detailed information about important assets (such as cash) and liabilities (such as bank loans).