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for  
**dummies**<sup>®</sup>  
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Organize and manage  
your finances

Monitor transactions and  
keep up with inventory

Record sales receipts, create  
invoices, and pay bills

**Stephen L. Nelson**

Best-selling author and accounting  
and tax preparation consultant



# QuickBooks® 2021

for  
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# QuickBooks<sup>®</sup> 2021

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

for  
**dummies**<sup>®</sup>  
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## QuickBooks® 2021 For Dummies®

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# Introduction

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**R**unning a small business is one of the coolest things a person can do. Really. I mean it. Sure, sometimes the environment is dangerous — kind of like the Old West — but it's an environment in which you have the opportunity to make tons of money. And it's also an environment in which you can build a company or a job that fits you perfectly.

By comparison, many brothers and sisters working in big-company corporate America are furiously trying to fit their round pegs into painfully square holes. Yuck.

You're wondering, of course, what any of this has to do with this book or with QuickBooks. Quite a lot, actually. The whole purpose of this book is to make it easier for you to run (or work in) a small business by using QuickBooks.

## About This Book

---

As you start your reading, though, I want to tell you a couple of things about this book.

First off, know that I fiddled a bit with the Windows and QuickBooks display settings. I noodled around with the font settings and some of the colors, for example. The benefit is that the pictures of the QuickBooks windows and dialog boxes in this book are easier to read. And that's good. But the cost is that my pictures look a little bit different from what you see on your screen. And that's not good. In the end, however, what the publisher found is that people are happier with increased readability.

Next point: To make the best use of your time and energy, you should know about the conventions that I use in this book. Those conventions are as follows:

- » When I want you to type something, such as **With a stupid grin, Martin watched the tall blonde strut into the bar and order grappa**, it's in bold type. When I want you to type something that's short and uncomplicated, such as **Jennifer**, it still appears in boldface type.

- » Except for passwords, you don't have to worry about the case of the letters you type in QuickBooks. If I tell you to type **Jennifer**, you can type **JENNIFER** or 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, commands, and dialog-box elements with the mouse. Just click the thing you want.
- » When I provide step-by-step descriptions of tasks — something I do regularly within the pages of this tome — I describe the tasks by using bold text and then, below the boldfacing, give a more detailed explanation. You can skip the text that accompanies the step-by-step boldface directions if you already understand the process.

## Foolish Assumptions

I make three assumptions about you:

- » You have a PC running Microsoft Windows. (I took pictures of the QuickBooks windows and dialog boxes while using 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 for each computer on which you want to run the program.



TIP

This book works for QuickBooks 2021 (and with the equivalent version of QuickBooks Enterprise Solutions), although in a pinch, you can probably use it for QuickBooks 2019 or 2020 too. (I have to say, however, that if you have QuickBooks 2019, you may want to return this book and trade it in for *QuickBooks 2019 For Dummies* by yours truly. Furthermore, even though I'm no fortune-teller, I'm willing to predict that you'll be able to buy a *QuickBooks 2022 For Dummies* book when QuickBooks 2022 comes out.)

# Icons Used in This Book



TIP

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



REMEMBER

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



TECHNICAL  
STUFF

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



WARNING

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

# Beyond the Book

This book is packed with information about using and benefiting from QuickBooks. But you'll be glad to know, I'm sure, that you can find additional relevant content at the <https://www.dummies.com> website. Type **QuickBooks 2021** in the Search field on the site to see a list of relevant articles.

There's also an online Cheat Sheet, which is a handy reference that you'll use over and over, and you can refer to it when you don't have the book handy. Just type **QuickBooks 2021 For Dummies Cheat Sheet** in the Search field at <https://www.dummies.com>.

# Where to Go from Here

This book isn't meant to be read from cover to cover like some James Patterson page-turner. Instead, it's organized into tiny, no-sweat descriptions of how you do the things you need to do. If you're the sort of person who just doesn't feel right not reading a book from cover to cover, you can (of course) go ahead and read this thing from front to back. You can start reading Chapter 1 and continue all the way to the end (which means through Chapter 20 and the appendixes).



TIP

I don't think this from-start-to-finish approach is bad, because I tell you a bunch of stuff (tips and tricks, for example) along the way. I tried to write the book in such a way that the experience isn't as rough as you may think, and I really do think you get good value from your reading.

But you also can use this book the way you'd use an encyclopedia. If you want to know about a subject, you can look it up in the table of contents or the index; then you can flip to the correct chapter or page and read as much as you need or enjoy. No muss, no fuss.

I should mention one thing, however: 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 read the first few chapters of this book to find out what you need to do first.

Finally, if you haven't already installed QuickBooks and need help, jump to Appendix A, which tells you how to install QuickBooks in ten easy steps. And if you're just starting with Microsoft Windows, peruse Chapter 1 of the *Windows User's Guide* or one of these books on your flavor of Windows: *Windows 7 For Dummies*, *Windows 8.1 For Dummies*, or *Windows 10 For Dummies*, all by Andy Rathbone (and all from John Wiley & Sons, Inc.).

# 1

## **Quickly into QuickBooks**

## **IN THIS PART . . .**

Understand the big-picture stuff about *why*, *how*, and *when* you install the QuickBooks accounting software.

Get practical stratagems and common-sense tactics for getting your accounting system up and running quickly.

Load the QuickBooks master files with startup information so you're productive and efficient from day one.

#### IN THIS CHAPTER

- » Benefiting from a tool like QuickBooks
- » Discovering what QuickBooks actually does
- » Understanding why QuickBooks is a popular choice
- » Getting started (in general) with QuickBooks
- » Succeeding in setup and use of QuickBooks

## Chapter **1**

# QuickBooks: The Heart of Your Business

I want to start this conversation by quickly covering some basic questions concerning QuickBooks, such as these: Why even use QuickBooks? Where and how does a guy or gal start? And, most important, what should I *not* do?

This little orientation shouldn't take more than a few minutes. Really. And the orientation lets you understand the *really* big picture concerning QuickBooks.

## Why QuickBooks?

Okay, I know you know that you need an accounting system. Somebody (maybe your accountant or spouse) has convinced you of this fact. And you, being the team player that you are, have accepted this conventional viewpoint as the truth.

But just between you and me, why do you *really* need QuickBooks? And what does QuickBooks do that you really, truly need done? Heck, just to be truly cynical, also ask “Why QuickBooks?” Why not use some other accounting software program?

## Why you need an accounting system

Start with the most basic question: Why do you even need an accounting system like QuickBooks? It’s a fair question, so let me supply the two-part answer.

The first reason is that federal law requires your business to maintain an accounting system. Specifically, Section 446 (General Rule for Methods of Accounting) of Title 26 (Internal Revenue Code) of the United States Code requires that you have the capability to compute taxable income by using some sort of common-sense accounting system that clearly reflects income.

If you decide to blow off this requirement — after all, you got into business so that you could throw off the shackles of bureaucracy — you might get away with your omission. But if the Internal Revenue Service (IRS) examines your return, and you ignored Section 446, the IRS gets to do your accounting the way *it* wants. And the IRS way means that you pay more in taxes and that you also pay taxes earlier than you would have otherwise.

Here’s the second reason for maintaining an accounting system. I’m sort of going out on an editorial limb here, but I’m going to do it anyway. My strong belief — backed by more than three decades of business experience and close observation of several hundred business clients — is that you can’t successfully manage your business without a decent accounting system. Success requires accurately measuring profits or losses and reasonably estimating your financial condition.

This second reason makes sense, right? If your friend Kenneth doesn’t know when he’s making money, which products or services are profitable, and which customers are worth keeping (and which aren’t), does he really have a chance?

I don’t think he does.

To summarize, your business must have a decent accounting system, no matter how you feel about accounting and regardless of how time-consuming and expensive such a system is (or becomes). The law requires you to have such an accounting system. And successful business management depends on such an accounting system.



# What QuickBooks does

Go on to the next question that you and I need to discuss: What does QuickBooks do to help you maintain an accounting system that measures profits and losses and other stuff like that?

QuickBooks truly makes business accounting easy by providing windows that you use to record common business transactions. QuickBooks has a window (you know, a Windows window that appears on your monitor's screen) that looks like a check, for example. To record a check you write, you fill in the blanks of the window with bits of information, such as the date, amount, and person or business you're paying.

QuickBooks also has a handful of other windows that you use in a similar fashion. It supplies an invoice window, for example, that looks like an invoice you might use to bill a customer or client. You fill in the invoice window's blanks by recording invoice information, such as the name of the client or customer, invoice amount, and date by which you want to be paid.

Here's the neat thing about these check and invoice windows: When you record business transactions by filling in the blanks shown onscreen, you collect the information that QuickBooks needs to prepare the reports that summarize your profits or losses and your financial situation.

If you record two invoices (for \$10,000 each) to show amounts that you billed your customers, and then you record three checks (for \$4,000 each) to record your advertising, rent, and supplies expenses, QuickBooks can (with two or three mouse clicks by you) prepare a report that shows your profit, as shown in Table 1-1.

**TABLE 1-1**

## A Profit and Loss Report

	Amount
Revenue	\$20,000
Advertising	(\$4,000)
Rent	(\$4,000)
Supplies	(\$4,000)
Total expenses	(\$12,000)
Profit	\$8,000



REMEMBER

The parentheses, by the way, indicate negative amounts. That's an accounting thing . . . but back to the real point of my little narrative.

Your accounting with QuickBooks can be just as simple as I describe in the previous paragraphs. In other words, if you record just a handful of business transactions by using the correct QuickBooks windows, you can begin to prepare reports like the one shown in Table 1-1. Such reports can be used to calculate profits or (ugh) losses for last week, last month, or last year. Such reports can also be used to calculate profits and losses for particular customers and products.

I know I'm kind of harsh in the first part of this chapter — bringing up that stuff about the IRS and business failure — but this accounting stuff is neat! (For the record, that's the only exclamation point I use in this chapter.) Good accounting gives you a way to manage your business for profitability. And obviously, all sorts of good and wonderful things stem from operating your business profitably: a materially comfortable life for you and your employees; financial cushioning to get you through the tough patches; and profits that can be reinvested in your business, in other businesses, and in community charities.

Let me mention a couple other darn handy things that QuickBooks (and other accounting systems, too) do for you, the overworked business owner or bookkeeper:

- » **Forms:** QuickBooks produces, or prints, forms such as checks and invoices by using the information you enter in those check windows and invoice windows that I mention earlier. So that's neat, and a true time-saver. (See Chapter 4.)
- » **Electronic banking and billing:** QuickBooks transmits and retrieves some financial transaction information electronically. It can email your invoices to customers and clients, for example, which can save you both time and money. And QuickBooks can share bank accounting information with most major banks, making it easy to make payments and transfer funds electronically. (See Chapter 13.)

## Why not QuickBooks online?

Now for an awkward question: Should you be using the desktop version of QuickBooks, or do you need to get with the program and use the online version of QuickBooks? Good question.

My suggestion is that you work with the desktop version of QuickBooks — the subject of this book. I base this suggestion on two factors:

- » The desktop version probably becomes significantly more economical over the years you use QuickBooks. I've blogged about this topic (not in a bitter, grumpy-old-man way, I hope) at our CPA firm's website, <https://evergreen-smallbusiness.com>. The problem with these subscription-type pricing models is that you pay — over time — way, way more for an item. And I believe that this is true with QuickBooks.
- » At least currently, the desktop version of QuickBooks provides more functionality and a richer feature set. I'm not going to list what's included in the desktop version and what's missing in the online version, but I see holes. (I'm happy to stipulate that at some point, Intuit will surely plug these holes. But in the meantime, why pay more for less?)

Can I point out one scenario in which the online version *does* make sense in spite of its greater cost and lesser functionality? If you need to have people in different locations (across town, across the country, around the globe, and so on) share QuickBooks, the online version of QuickBooks rocks. It *really* rocks.

*Note:* If your CPA can support your use of QuickBooks simply because you're using the online version, that may justify the extra cost and lighter feature set.

## What Explains QuickBooks' Popularity?

No question about it — you need a good accounting system if you're in business. But you know what? That fact doesn't explain why QuickBooks is so popular or why you should use QuickBooks. (I ignore for one moment the fact that you've probably already purchased QuickBooks.) Therefore, let me suggest to you three reasons why QuickBooks is an excellent choice to use as the foundation of your accounting system:

- » **Ease of use:** QuickBooks historically has been the easiest (or one of the easiest) accounting software programs to use. Why? The whole just-enter-transaction-information-into-windows-that-resemble-forms thing (which I talk about earlier) makes data entry a breeze. Most businesspeople already know how to fill in the blanks in these forms. That means that most people — probably including you — know almost everything they need to know to collect the information that they need to do their books with QuickBooks. Over time, other software programs have tended to become more QuickBooks-like in their ease of use. The folks at Intuit have truly figured out how to make and keep accounting easy.



WARNING

I should tell you, because I'm an accountant, that the ease-of-use quality of QuickBooks isn't all good. Part of the reason why QuickBooks is easy to use is that it doesn't possess all the built-in internal control mechanisms that some more traditional accounting systems have. Those internal control mechanisms make your financial data more secure, of course, but they also make the accounting software more complicated to use.

- » **Expense:** QuickBooks, especially compared with the hard-core accounting packages that accountants love, is pretty darn inexpensive. Different versions have different prices, but for a ballpark figure, you can get an excellent accounting software solution for a few hundred bucks. Not to go all grandfatherly on you or anything, but when I was a young CPA, inexpensive accounting software packages often cost several thousand dollars, and it was easy to spend tens of thousands of dollars.
- » **Ubiquity:** The ubiquity issue relates to the ease of use of QuickBooks and the cheap price that Intuit charges for QuickBooks. Oddly enough, the ubiquity of QuickBooks becomes its own benefit, too. You'll find it very easy to find a bookkeeper who knows QuickBooks, for example. And if you can't, you can hire someone who doesn't know QuickBooks and then send that person to a QuickBooks class at the local community college (because that class will be easy to find). You'll also find it very easy to find a CPA who knows QuickBooks.

Now, you might choose to use some other, very good piece of accounting software. Almost assuredly, however, what you'll discover is that it's tougher to find people who know the software, tougher to find classes for the software, tougher to find CPAs who know the software, and even tougher to find books about the software.

## What's Next, Dude?

At this point, presumably, you know why you need accounting software and why QuickBooks is probably a reasonable and maybe even an excellent choice. In other words, you swallowed my line about QuickBooks hook, line, and sinker. That decision on your part leaves the question of what you should do next. Let me say this. In a nutshell, before you can begin working with QuickBooks, you need to do the following:

1. **Install the QuickBooks software, as I describe in Appendix A.**
2. **Run through the QuickBooks Setup process, which I describe in Chapter 2.**
3. **Load the master files, as I describe in Chapter 3.**

If you're thinking "Whoa, cowboy, that seems like a bit more work than what's involved in installing spreadsheet software or a new word processor," you're right. You may as well hear from me the ugly truth about accounting software: Accounting software, all of it, requires quite a bit of setup work to get things running smoothly. You need to build a list of expense categories (accounts) to use for tracking expenses, for example. You also need to set up a list of the customers you invoice.

Rest assured, however, that none of the setup work is overly complex; it's just time-consuming. Also know from the very start that QuickBooks provides a tremendous amount of hand-holding to help you step through the setup process. Remember, too, that you have your new friend — that's me — to help you whenever setup gets a little gnarly.

## How to Succeed with QuickBooks

Before I wrap up the little why, what, and how discussion of this chapter, I ought to provide a handful of ideas about how to make your experience with QuickBooks a successful one.

### Budget wisely, Grasshopper

Here's my first suggestion: Please plan on spending at least a few hours to get the QuickBooks software installed, set up, and running. I know you don't really want to do that. You have a business to run, a family to take care of, a dog to walk, and so on.

But here's the reality sandwich you probably need to take a big bite of: It takes half an hour just to get the software installed on your computer. (This installation isn't complicated, of course. You'll mostly just sit there, sipping coffee or whatever.)

But after the QuickBooks software is installed, unfortunately, you still have to run through the QuickBooks Setup process. Again, this work isn't difficult, but it does take time. Setting up QuickBooks for a very simple service business probably takes at least an hour. If your business owns inventory, or if you're a contractor with some serious job-costing requirements, the process can take several hours.

Therefore, do yourself a favor: Give yourself adequate time for the job at hand.

## Don't focus on features

Now let me share another little tip about getting going with QuickBooks. At the point where you install the QuickBooks software and start the program, you'll be in shock about the number of commands, whistles, bells, and buttons that the QuickBooks window provides. But you know what? You can't focus on the QuickBooks features.

Your job is simply to figure out how to record a handful — probably a small handful — of transactions with QuickBooks. Therefore, what you want to do is focus on the transactions that need to be recorded for you to keep your books.

Suppose that you're a one-person consulting business. In that case, you may need to figure out how to record only the following three transactions:

- » Invoices
- » Payments from customers (because you invoiced them)
- » Payments to vendors (because they sent you bills)

So all you need to do is discover how to record invoices (see Chapter 4), record customer payments (see Chapter 5), and record checks (see Chapter 6). You don't need to worry about much else except maybe how to print reports, but that's easy. (See Chapter 15 for the click-by-click.)

"Oh, Steve," you're saying, "you just intentionally picked an easy business. I'm a retailer with a much more complicated situation."

Okay, well, you're right that I picked an easy business for my first example, but I stand by the same advice for retailers. If you're a retailer, you probably need to figure out how to record only four transactions:

- » Sales receipts
- » Bills from your suppliers
- » Payments to your vendors
- » Employee payroll checks

In this example, then, all you need to do is find out how to record sales receipts — probably a separate sales receipt for each bank deposit you make (see Chapter 5) — how to record bills from vendors, how to record checks to pay your bills (see Chapter 6), and how to handle employee payroll (see Chapter 11).