

LEARNING MADE EASY



2nd Edition

QuickBooks® 2023

ALL-IN-ONE

for
dummies[®]
A Wiley Brand



**Stephen L. Nelson,
MBA, CPA**

Best-selling author and accounting
and tax preparation consultant

with Christian Block, CPA



QuickBooks[®] 2023

ALL-IN-ONE

**by Stephen L. Nelson, MBA, CPA, MS
in Taxation**
with Christian Block, CPA

for
dummies[®]
A Wiley Brand

QuickBooks® 2023 All-in-One For Dummies®

Published by: **John Wiley & Sons, Inc.**, 111 River Street, Hoboken, NJ 07030-5774, www.wiley.com

Copyright © 2023 by John Wiley & Sons, Inc., Hoboken, New Jersey

Published simultaneously in Canada

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise, except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the Publisher. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

Trademarks: Wiley, For Dummies, the Dummies Man logo, Dummies.com, Making Everything Easier, and related trade dress are trademarks or registered trademarks of John Wiley & Sons, Inc. and may not be used without written permission. QuickBooks is a registered trademark of Intuit, Inc. All other trademarks are the property of their respective owners. John Wiley & Sons, Inc. is not associated with any product or vendor mentioned in this book.

LIMIT OF LIABILITY/DISCLAIMER OF WARRANTY: WHILE THE PUBLISHER AND AUTHORS HAVE USED THEIR BEST EFFORTS IN PREPARING THIS WORK, THEY MAKE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE CONTENTS OF THIS WORK AND SPECIFICALLY DISCLAIM ALL WARRANTIES, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. NO WARRANTY MAY BE CREATED OR EXTENDED BY SALES REPRESENTATIVES, WRITTEN SALES MATERIALS OR PROMOTIONAL STATEMENTS FOR THIS WORK. THE FACT THAT AN ORGANIZATION, WEBSITE, OR PRODUCT IS REFERRED TO IN THIS WORK AS A CITATION AND/OR POTENTIAL SOURCE OF FURTHER INFORMATION DOES NOT MEAN THAT THE PUBLISHER AND AUTHORS ENDORSE THE INFORMATION OR SERVICES THE ORGANIZATION, WEBSITE, OR PRODUCT MAY PROVIDE OR RECOMMENDATIONS IT MAY MAKE. THIS WORK IS SOLD WITH THE UNDERSTANDING THAT THE PUBLISHER IS NOT ENGAGED IN RENDERING PROFESSIONAL SERVICES. THE ADVICE AND STRATEGIES CONTAINED HEREIN MAY NOT BE SUITABLE FOR YOUR SITUATION. YOU SHOULD CONSULT WITH A SPECIALIST WHERE APPROPRIATE. FURTHER, READERS SHOULD BE AWARE THAT WEBSITES LISTED IN THIS WORK MAY HAVE CHANGED OR DISAPPEARED BETWEEN WHEN THIS WORK WAS WRITTEN AND WHEN IT IS READ. NEITHER THE PUBLISHER NOR AUTHORS SHALL BE LIABLE FOR ANY LOSS OF PROFIT OR ANY OTHER COMMERCIAL DAMAGES, INCLUDING BUT NOT LIMITED TO SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR OTHER DAMAGES.

For general information on our other products and services, please contact our Customer Care Department within the U.S. at 877-762-2974, outside the U.S. at 317-572-3993, or fax 317-572-4002. For technical support, please visit <https://hub.wiley.com/community/support/dummies>.

Wiley publishes in a variety of print and electronic formats and by print-on-demand. Some material included with standard print versions of this book may not be included in e-books or in print-on-demand. If this book refers to media such as a CD or DVD that is not included in the version you purchased, you may download this material at <http://booksupport.wiley.com>. For more information about Wiley products, visit www.wiley.com.

Library of Congress Control Number: 2022946385

ISBN: 978-1-119-90613-1 (pbk); 978-1-119-90615-5 (ebk); 978-1-119-90614-8 (ebk)

Contents at a Glance

Introduction	1
Book 1: An Accounting Primer	7
CHAPTER 1: Principles of Accounting	9
CHAPTER 2: Double-Entry Bookkeeping	29
CHAPTER 3: Special Accounting Problems	49
Book 2: Getting Ready to Use QuickBooks	73
CHAPTER 1: Setting Up QuickBooks	75
CHAPTER 2: Loading the Master File Lists	93
CHAPTER 3: Fine-Tuning QuickBooks	117
Book 3: Bookkeeping Chores	151
CHAPTER 1: Invoicing Customers	153
CHAPTER 2: Paying Vendors	189
CHAPTER 3: Tracking Inventory and Items	209
CHAPTER 4: Managing Cash and Bank Accounts	241
CHAPTER 5: Paying Employees	273
Book 4: Accounting Chores	285
CHAPTER 1: For Accountants Only	287
CHAPTER 2: Preparing Financial Statements and Reports	303
CHAPTER 3: Preparing a Budget	325
CHAPTER 4: Using Activity-Based Costing	337
CHAPTER 5: Setting Up Project and Job Costing Systems	353
Book 5: Financial Management	365
CHAPTER 1: Ratio Analysis	367
CHAPTER 2: Economic Value Added Analysis	385
CHAPTER 3: Capital Budgeting in a Nutshell	399
Book 6: Business Plans	415
CHAPTER 1: Profit-Volume-Cost Analysis	417
CHAPTER 2: Creating a Business Plan Forecast	437
CHAPTER 3: Writing a Business Plan	475

Book 7: Care and Maintenance	489
CHAPTER 1: Administering QuickBooks	491
CHAPTER 2: Protecting Your Data	511
CHAPTER 3: Troubleshooting	529
Book 8: Appendixes	535
APPENDIX A: A Crash Course in Excel	537
APPENDIX B: Government Web Resources for Businesses	553
APPENDIX C: Glossary of Accounting and Financial Terms	571
Index	601

Table of Contents

INTRODUCTION	1
About This Book	1
Foolish Assumptions	2
Icons Used in This Book	3
Beyond the Book	4
Where to Go from Here	4
BOOK 1: AN ACCOUNTING PRIMER	7
CHAPTER 1: Principles of Accounting	9
The Purpose of Accounting	10
The big picture	10
Managers, investors, and entrepreneurs	10
External creditors	11
Government agencies	11
Business form generation	12
Reviewing the Common Financial Statements	12
The income statement	13
Balance sheet	16
Statement of cash flows	19
Other accounting statements	22
Putting it all together	23
The Philosophy of Accounting	25
Revenue principle	25
Expense principle	25
Matching principle	26
Cost principle	26
Objectivity principle	26
Continuity assumption	27
Unit-of-measure assumption	27
Separate-entity assumption	28
A Few Words about Tax Accounting	28
CHAPTER 2: Double-Entry Bookkeeping	29
The Fiddle-Faddle Method of Accounting	30
How Double-Entry Bookkeeping Works	33
The accounting model	33
Talking mechanics	35
Almost a Real-Life Example	39

Recording rent expense	39
Recording wages expense	39
Recording supplies expense	40
Recording sales revenue	40
Recording cost of goods sold.	41
Recording the payoff of accounts payable	41
Recording the payoff of a loan	42
Calculating account balance	42
Using T-account analysis results	44
A Few Words about How QuickBooks Works	46
CHAPTER 3: Special Accounting Problems	49
Working with Accounts Receivable	50
Recording a sale.	50
Recording a payment	50
Estimating bad-debt expense	51
Removing uncollectible accounts receivable.	52
Recording Accounts Payable Transactions	53
Recording a bill	54
Paying a bill.	54
Taking some other accounts payable pointers.	55
Inventory Accounting	55
Dealing with obsolete inventory	56
Disposing of obsolete inventory	57
Dealing with inventory shrinkage	58
Accounting for Fixed Assets.	59
Purchasing a fixed asset.	60
Dealing with depreciation	60
Disposing of a fixed asset.	62
Recognizing Liabilities.	63
Borrowing money	64
Making a loan payment	64
Accruing liabilities	65
Closing Out Revenue and Expense Accounts	68
The traditional close	68
The QuickBooks close.	70
One More Thing	71
BOOK 2: GETTING READY TO USE QUICKBOOKS	73
CHAPTER 1: Setting Up QuickBooks	75
Planning Your New QuickBooks System	75
What accounting does	75
What accounting systems do.	76

What QuickBooks does	76
And now for the bad news	77
Installing QuickBooks	78
Dealing with the Presetup Jitters	79
Preparing for setup	79
Seeing what happens during setup	81
Running the QuickBooks Setup Wizard	81
Getting the big welcome	81
Supplying company information	82
Customizing QuickBooks	83
Setting your start date	84
Reviewing the suggested chart of accounts	86
Adding your information to the company file	87
Identifying the Starting Trial Balance	89
A simple example to start	89
A real-life example to finish	91
CHAPTER 2: Loading the Master File Lists	93
Setting Up the Chart of Accounts List	94
Setting Up the Item List	98
Working with the Price Level List	99
Using Sales Tax Codes	100
Setting Up a Payroll Item List	100
Setting Up Classes	101
Setting Up a Customer List	103
Setting Up the Vendor List	107
Setting Up a Fixed Assets List	111
Setting Up a Price Level List	112
Setting Up a Billing Rate Level List	112
Setting Up Your Employees	113
Setting Up an Other Names List	113
Setting Up the Profile Lists	114
CHAPTER 3: Fine-Tuning QuickBooks	117
Accessing the Preferences Settings	118
Setting the Accounting Preferences	120
Using account numbers	121
Setting general accounting options	121
Setting the Bills Preferences	123
Setting the Calendar Preferences	123
Setting the Checking Preferences	123
Changing the Desktop View	126
Setting Finance Charge Calculation Rules	128
Setting General Preferences	128

Controlling Integrated Applications	131
Controlling Inventory	132
Controlling How Jobs and Estimates Work	133
Dealing with Multiple Currencies	134
Starting Integrated Payment Processing	135
Controlling How Payroll Works	135
Telling QuickBooks How Reminders Should Work	137
Specifying Reports and Graphs Preferences	139
Setting Sales and Customers Preferences	142
Specifying How Sales Are Taxed	144
Setting the Search Preferences	145
Setting the Send Forms Preferences	146
Fine-Tuning the Service Connection	147
Controlling Spell Checking	148
Controlling How 1099 Tax Reporting Works	149
Setting Time and Expenses Preferences	149

BOOK 3: BOOKKEEPING CHORES 151

CHAPTER 1: Invoicing Customers	153
Choosing an Invoice Form	153
Customizing an Invoice Form	154
Choosing a template to customize	154
Reviewing the Additional Customization options	154
Moving on to basic customization	159
Working with the Layout Designer tool	161
Working with the web-based Forms Customization tool	164
Invoicing a Customer	164
Billing for Time	170
Using a weekly time sheet	171
Timing single activities	172
Including billable time on an invoice	173
Printing Invoices	175
Emailing Invoices	176
Recording Sales Receipts	177
Recording Credit Memos	179
Receiving Customer Payments	181
Assessing Finance Charges	183
Setting up finance-charge rules	184
Calculating finance charges	185
Using Odds and Ends on the Customers Menu	186

CHAPTER 2: Paying Vendors	189
Creating a Purchase Order.....	189
Creating a real purchase order.....	190
Using some purchase order tips and tricks.....	193
Recording the Receipt of Items.....	193
Simultaneously Recording the Receipt and the Bill.....	196
Entering a Bill.....	198
If you haven't previously recorded an item receipt.....	198
If you have previously recorded an item receipt.....	200
Paying Bills.....	202
Reviewing the Other Vendor Menu Commands.....	205
Vendor Center window.....	205
Sales Tax menu commands.....	206
Inventory Activities menu commands.....	207
Print/E-file 1099s commands.....	207
Item List command.....	208
CHAPTER 3: Tracking Inventory and Items	209
Looking at Your Item List.....	210
Using the Item Code column.....	210
Using the Item List window.....	210
Using inventory reports.....	211
Adding Items to the Item List.....	212
Adding an item: Basic steps.....	213
Adding a service item.....	214
Adding an inventory part.....	215
Adding a noninventory part.....	217
Adding an other-charge item.....	217
Adding a subtotal item.....	220
Adding a group item.....	221
Adding a discount item.....	221
Adding a payment item.....	223
Adding a sales tax item.....	223
Setting up a sales tax group.....	224
Adding custom fields to items.....	226
Editing Items.....	227
Adjusting physical counts and inventory values.....	228
Adjusting prices and price levels.....	231
Using the Change Item Prices command.....	231
Using price levels.....	231
Enabling advanced pricing.....	233

Managing Inventory in a Manufacturing Firm	234
Handling manufactured inventory the simple way	235
Performing inventory accounting in QuickBooks	235
Managing multiple inventory locations	239
CHAPTER 4: Managing Cash and Bank Accounts	241
Writing Checks	242
Recording and printing a check	242
Customizing the check form	247
Making Bank Deposits	249
Transferring Money between Bank Accounts	253
Working with the Register	254
Recording register transactions	254
Using Register window commands and buttons	258
Using the Edit Menu Commands	261
Reconciling the Bank Account	266
Reviewing the Other Banking Commands	270
Order Checks & Envelopes command	270
Enter Credit Card Charges command	270
Bank Feeds command	271
Loan Manager command	272
Other Names list	272
CHAPTER 5: Paying Employees	273
Setting Up Payroll	273
Signing up for a payroll service	275
Setting up employees	275
Setting up year-to-date amounts	279
Checking your payroll setup data	280
Scheduling Payroll Runs	280
Paying Employees	280
Editing and Voiding Paychecks	282
Paying Payroll Liabilities	283
BOOK 4: ACCOUNTING CHORES	285
CHAPTER 1: For Accountants Only	287
Working with QuickBooks Journal Entries	287
Recording a journal entry	288
Reversing a journal entry	289
Editing journal entries	290
Updating Company Information	290
Working with Memorized Transactions	290
Reviewing the Accountant and Taxes Reports	291

	Creating an Accountant's Copy of the QuickBooks Data File	293
	Creating an accountant's copy	294
	Handling the accountant's copy manually	294
	Sending the accountant's copy electronically	297
	Using an accountant's copy	298
	Reusing an accountant's copy	298
	Exporting client changes	298
	Importing accountant's changes	299
	Canceling accountant's changes	300
	Troubleshooting accountant's copy transfers	301
	Using the Client Data Review Commands	301
CHAPTER 2:	Preparing Financial Statements and Reports	303
	Some Wise Words Up Front	304
	Producing a Report	304
	Working with the Report Window	305
	Working with Report window buttons	305
	Using the Report window controls	312
	Modifying a Report	314
	Using the Display tab	314
	Using the Filters tab	316
	Using the Header/Footer tab	318
	Formatting fonts and numbers	319
	Processing Multiple Reports	321
	A Few Words about Document Retention	322
CHAPTER 3:	Preparing a Budget	325
	Reviewing Common Budgeting Tactics	325
	Top-line budgeting	326
	Zero-based budgeting	326
	Benchmarking	327
	Putting it all together	328
	Taking a Practical Approach to Budgeting	329
	Using the Set Up Budgets Window	329
	Creating a new budget	329
	Working with an existing budget	331
	Managing with a Budget	333
	Some Wrap-Up Comments on Budgeting	335
CHAPTER 4:	Using Activity-Based Costing	337
	Reviewing Traditional Overhead Allocation	338
	Understanding How ABC Works	340
	The ABC product-line income statement	340
	ABC in a small firm	344

Implementing a Simple ABC System	345
Seeing How QuickBooks Supports ABC	346
Turning On Class Tracking	347
Using Classes for ABC	348
Setting up your classes	348
Classifying revenue amounts	349
Classifying expense amounts	349
Making after-the-fact classifications	351
Producing ABC reports	352
CHAPTER 5: Setting Up Project and Job Costing Systems	353
Setting Up a QuickBooks Job	353
Tracking Job or Project Costs	356
Job Cost Reporting	359
Using Job Estimates	360
Progress Billing	361
 BOOK 5: FINANCIAL MANAGEMENT	 365
CHAPTER 1: Ratio Analysis	367
Some Caveats about Ratio Analysis	368
Liquidity Ratios	369
Current ratio	369
Acid-test ratio	370
Leverage Ratios	371
Debt ratio	371
Debt equity ratio	372
Times interest earned ratio	372
Fixed-charges coverage ratio	373
Activity Ratios	375
Inventory turnover ratio	376
Days of inventory ratio	376
Average collection period ratio	377
Fixed-asset turnover ratio	378
Total-assets turnover ratio	379
Profitability Ratios	379
Gross margin percentage	380
Operating income/sales	380
Profit margin percentage	381
Return on assets	381
Return on equity	382

CHAPTER 2: Economic Value Added Analysis	385
Introducing the Logic of EVA	385
Seeing EVA in Action	386
An example of EVA	388
Another example of EVA	388
Reviewing Some Important Points about EVA	389
Using EVA When Your Business Has Debt	391
The first example of the modified EVA formula	391
Another EVA with debt example	393
Presenting Two Final Pointers	395
And Now, a Word to My Critics	396
CHAPTER 3: Capital Budgeting in a Nutshell	399
Introducing the Theory of Capital Budgeting	399
The big thing is the return	400
One little thing is maturity	400
Another little thing is risk	401
The bottom line	401
Calculating the Rate of Return on Capital	402
Calculating the investment amount	403
Estimating the net cash flows	403
Calculating the return	408
Measuring Liquidity	412
Thinking about Risk	413
What Does All This Have to Do with QuickBooks?	414
BOOK 6: BUSINESS PLANS	415
CHAPTER 1: Profit-Volume-Cost Analysis	417
Seeing How Profit-Volume-Cost Analysis Works	418
Calculating Break-Even Points	420
Using Real QuickBooks Data for Profit-Volume-Cost Analysis	422
Sales revenue	422
Gross margin percentage	422
Fixed costs	424
Recognizing the Downside of the Profit-Volume-Cost Model	424
Using the Profit-Volume-Cost Analysis Workbook	426
Collecting your inputs	426
Understanding the Break-Even Analysis Forecast	430
Understanding the Profit-Volume Forecast	431
Looking at the profit-volume-cost charts	433

CHAPTER 2: Creating a Business Plan Forecast	437
Reviewing Financial Statements and Ratios	438
Using the Business Plan Workbook	439
Understanding the Workbook Calculations	446
Forecasting inputs	446
Balance Sheet	446
Common Size Balance Sheet	454
Income Statement	455
Common Size Income Statement	459
Cash Flow Statement	460
Financial Ratios Table	467
Customizing the Starter Workbook	472
Changing the number of periods	473
Performing ratio analysis on existing financial statements	473
Calculating taxes for a current net loss before taxes	473
Combining this workbook with other workbooks	474
CHAPTER 3: Writing a Business Plan	475
What the Term “Business Plan” Means	475
A Few Words about Strategic Plans	476
Cost strategies	476
Differentiated products or services strategies	477
Focus strategies	477
Look, Ma: No Strategy	478
Two comments about tactics	479
Six final strategy pointers	479
A White-Paper Business Plan	480
A New-Venture Plan	483
Is the new venture’s product or service feasible?	483
Does the market want the product or service?	484
Can the product or service be profitably sold?	485
Is the return on the venture adequate for prospective investors?	485
Can existing management run the business?	486
Some final thoughts	487
BOOK 7: CARE AND MAINTENANCE	489
CHAPTER 1: Administering QuickBooks	491
Keeping Your Data Confidential	491
Using Windows security	492
Using QuickBooks security	492
Using QuickBooks in a Multiuser Environment	494

	Setting up additional QuickBooks users	494
	Changing user rights in Enterprise Solutions	500
	Changing user rights in QuickBooks Pro and Premier	502
	Using Audit Trails	504
	Enabling Simultaneous Multiuser Access	505
	Maintaining Good Accounting Controls	506
CHAPTER 2:	Protecting Your Data	511
	Backing Up the QuickBooks Data File	511
	Backing-up basics	512
	What about online backup?	515
	Some backup tactics	516
	Restoring a QuickBooks Data File	517
	Condensing the QuickBooks Company Files	521
	Cleanup basics	522
	Some cleanup and archiving strategies	527
CHAPTER 3:	Troubleshooting	529
	Using the QuickBooks Help File and This Book	529
	Browsing Intuit's Product-Support Website	531
	Checking Another Vendor's Product-Support Website	533
	Tapping into Intuit's Online and Expert Communities	533
	When All Else Fails	534
	BOOK 8: APPENDIXES	535
APPENDIX A:	A Crash Course in Excel	537
	Starting Excel	537
	Stopping Excel	538
	Explaining Excel's Workbooks	538
	Putting Text, Numbers, and Formulas in Cells	539
	Writing Formulas	540
	Scrolling through Big Workbooks	541
	Copying and Cutting Cell Contents	542
	Copying cell contents	542
	Moving cell contents	543
	Moving and copying formulas	543
	Formatting Cell Contents	544
	Recognizing That Functions Are Simply Formulas	546
	Saving and Opening Workbooks	549
	Saving a workbook	549
	Opening a workbook	550
	Printing Excel Workbooks	551
	One Other Thing to Know	552

APPENDIX B: Government Web Resources for Businesses	553
Bureau of Economic Analysis.	553
Finding information at the BEA website.	554
Downloading a BEA publication	554
Uncompressing a BEA publication	556
Using a BEA publication	556
Bureau of Labor Statistics	557
Finding information at the BLS website	557
Using BLS information	558
Census Bureau.	560
Finding information at the Census Bureau website.	560
Using the Census Bureau's publications	563
Using the Census Bureau's search engine.	563
Using the Census Bureau's Subjects index	563
Securities and Exchange Commission	563
Finding information through EDGAR	564
Searching the EDGAR database.	564
Federal Reserve	566
Finding information at the Federal Reserve website	566
Using the Federal Reserve website's information.	568
Government Publishing Office	568
Information available at the GPO website.	568
Searching the GPO database.	568
Internal Revenue Service	569
 APPENDIX C: Glossary of Accounting and Financial Terms	 571
 INDEX	 601

Introduction

Few people read introductions to reference books, so I'll make this 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 21 Enterprise Solutions, which is a superset of QuickBooks 2023 Premier and QuickBooks 2023 Pro. If you're using QuickBooks Self-Employed or QuickBooks Online, you shouldn't use this book. Instead, you should check out *QuickBooks Online For Dummies, 2023 Edition* by David Ringstrom.

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 2023, such as QuickBooks 2022 or QuickBooks 2021. Although this reference is about QuickBooks 2023, it also works just fine for the 2021, 2022, and probably 2024 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 2022, 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

Note that I wrote this book in 2022 for the 2023 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 2022, even though the transaction dates for my examples are in 2023. I hope you don't find this situation too confusing; there's just no way I can work around it.

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 2023.



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 2023 All-in-One For Dummies includes some extra content that you bought with your book but didn't get inside the book. This extra, premium stuff is available online:

- » The Cheat Sheet for this book is at www.dummies.com.
In the Search field, type **QuickBooks 2023 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 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 book about accounting, one about setting up the QuickBooks system, one for bookkeepers using QuickBooks, one for accountants and managers using QuickBooks, a book about small-business financial management, a book about business planning, a book about taking care of a QuickBooks accounting system, and a book of appendixes of useful information.

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 books 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 or command is good. I've 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 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

Contents at a Glance

CHAPTER 1: Principles of Accounting	9
The Purpose of Accounting	10
Reviewing the Common Financial Statements	12
The Philosophy of Accounting	25
A Few Words about Tax Accounting	28
CHAPTER 2: Double-Entry Bookkeeping	29
The Fiddle-Faddle Method of Accounting	30
How Double-Entry Bookkeeping Works	33
Almost a Real-Life Example	39
A Few Words about How QuickBooks Works	46
CHAPTER 3: Special Accounting Problems	49
Working with Accounts Receivable	50
Recording Accounts Payable Transactions	53
Inventory Accounting	55
Accounting for Fixed Assets	59
Recognizing Liabilities	63
Closing Out Revenue and Expense Accounts	68
One More Thing	71

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 manage your business better 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 two 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 ones. But if you're new to accounting and business bookkeeping, take the time to read this chapter carefully. I start 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).

External creditors

A second category of stakeholders includes outside firms that lend money to a business and credit-reporting agencies that supply information to these lenders. Banks want to know about the financial affairs and financial condition of a firm before lending money, for example. The accounting system needs to produce the financial information that a bank requires to consider a loan request.

What information do lenders want? Lenders want to know that a business is profitable and enjoys a positive cash flow. Profits and positive cash flows allow a business to repay debt easily. A bank or other lender also wants to see assets that could be liquidated, in a worst-case scenario, to pay a loan — and other debts that may represent a claim on the firm's assets.

Vendors also typically require financial information from a firm. A vendor often lends money to a firm by extending trade credit. What's noteworthy about this fact is that vendors sometimes require special accounting. One category of vendors that a company such as John Wiley & Sons, Inc., deals with is its authors. To pay an author the royalty that they're entitled to, Wiley puts in a fair amount of work to calculate royalty-per-unit amounts and then reports and remits these amounts to each author.

Other firms sometimes have similar financial reporting requirements for vendors. Franchisees (such as the person who owns and operates the local McDonald's) pay a franchise fee based on revenue. Retailers may perform special accounting and reporting to enjoy rebates and incentives from the manufacturers of the products that they sell.

Government agencies

Predictable stakeholders that require financial information from a business also include the federal and state government agencies that have jurisdiction over the firm. Every business in the United States needs to report on its revenue, expenses, and profits so that it can correctly calculate income tax due to the federal government (and often, the state government too) and then pay that tax.

Firms with employees must also report to the federal and state governments on wages paid to those employees and pay payroll taxes based on metrics, such as

number of employees, wages paid to employees, and unemployment benefits claimed by past employees.

Providing this sort of financial information to government agencies represents a key duty of a firm's accounting system.

Business form generation

In addition to the financial reporting described in the preceding paragraphs, accounting systems typically perform a key task for businesses: producing business forms. An accounting system almost always produces the checks needed to pay vendors, for example. In addition, an accounting system prepares the invoices and payroll checks. More sophisticated accounting systems, such as those used by large firms, prepare many other business forms, including purchase orders, monthly customer statements, credit memos to customers, and sales receipts.



TIP

Every accounting function that I've described so far is performed ably by each version of QuickBooks: QuickBooks Simple Start, QuickBooks Pro, QuickBooks Premier, and QuickBooks Enterprise.

Reviewing the Common Financial Statements

With the background information just provided, I'm ready to talk about some of the common financial statements or accounting reports that an accounting system like QuickBooks produces. If you understand which reports you want your accounting system to produce, you should find it much easier to collect the raw data necessary to prepare these reports.

In the following sections, I describe the three principal financial statements: the income statement, the balance sheet, and the statement of cash flows. I also briefly describe a fourth, catch-all category: accounting reports.

Don't worry — I go through this material slowly. You need to understand what financial statements your accounting systems are supposed to provide and what data these financial statements supply.