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Stephen L. Nelson,
MBA, CPA

Author of Quicken® For Dummies



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**by Stephen L. Nelson, CPA, MBA (finance),
MS (taxation)**



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About the Authors

Stephen L. Nelson, CPA, MBA (finance), MS (taxation), has a simple purpose in life: He wants to help you (and people like you) manage your business finances by using computers. Oh, sure, this personal mandate won't win him a Nobel prize or anything, but it's his own little contribution to the world.

Steve's experiences mesh nicely with his special purpose. He's a CPA in Redmond, Washington. He's an adjunct professor of taxation (S corporations and limited liability companies) at Golden Gate University graduate tax school. And, heck, he even used to work as a senior consultant and CPA with Arthur Andersen & Co. (er, yeah, *that* Arthur Andersen — but, hey, it was 20 years ago). Steve, whose books have sold more than 4 million copies in English and have been translated into 11 other languages, is also the bestselling author of *Quicken 2009 For Dummies* (Wiley).

Dedication

To the entrepreneurs and small-business people of the world. You folks create most of the new jobs.

Author's Acknowledgments

Hey, reader, lots of folks spent lots of time working on this book to make QuickBooks easier for you. You should know who these people are. You may just possibly meet one of them someday at a produce shop, squeezing cantaloupe, eating grapes, and looking for the perfect peach.

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Introduction

Running or working in 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 also 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. In 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 QuickBooks

Let me start off with a minor but useful point: QuickBooks comes in several different flavors, including QuickBooks Basic, QuickBooks Pro, QuickBooks Premier, QuickBooks Premier: Accountants Edition, and QuickBooks Enterprise.

This book, however, talks about QuickBooks Premier Edition.

Does this mean that I somehow leave you adrift if you have one of the other flavors? No way. I wouldn't do that to you. QuickBooks Premier is a superset of QuickBooks Simple Start and QuickBooks Pro, and is identical in most areas to QuickBooks Enterprise. By describing how you use QuickBooks Premier, I also tell you how to use the other flavors of QuickBooks.

What's more, for the readers of this book, there's no discernible difference between QuickBooks Premier and QuickBooks Pro. You aren't reading this book to prepare for the CPA exam, right? Right. The extra whistles and bells that make QuickBooks Premier, well, *premier* are all things that only accountants care about: remote access to QuickBooks and your QuickBooks data, reversal of general entries, extra security for general ledger closings, and so on. So I don't talk much about those things.



The bottom line? Yes, there are several flavors of QuickBooks, but if you're just trying to get started and want to use QuickBooks, this book works for QuickBooks Pro, QuickBooks Premier, and QuickBooks Enterprise.

About This Book

This book isn't meant to be read from cover to cover, like some *Harry Potter* 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 21 and the appendixes).



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 might think, and I really do think you get good value from your reading.

But you also can use this book the way you would 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, however, mention one 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 read through the first few chapters of this book to find out what you need to do first.



Hey. There's something else I should tell you. I fiddled a bit with the Windows display settings. For example, I noodled around with the font settings and most of the colors. The benefit is that the pictures in this book are easy to read. And that's good. But the cost of all this 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. Anyway, I just thought I should mention it here, up front, in case you have any questions about it.

Oh, yeah, another thing I did was remove what QuickBooks calls its *Open Window list* from the left edge of the QuickBooks program window. I did this to enlarge the windows that you work with and into which you enter data. (You turn the Open Window list off and on by choosing View⇨Open Window List.)

What You Can Safely Ignore

Sometimes I provide step-by-step descriptions of tasks. I feel very bad about having to do this, so to make things easier for you, I describe the tasks by

using bold text. That way, you know exactly what you're supposed to do. I also provide a more detailed explanation in the text that follows the step. You can skip the text that accompanies the step-by-step boldface directions if you already understand the process.

Here's an example that shows what I mean:

1. Press Enter.

Find the key that's labeled Enter. Extend your index finger so that it rests ever so gently on the Enter key. In one sure, fluid motion, press the Enter key with your index finger. Then remove your finger from the key.

Okay, that example is extreme. I never go into that much detail, but you get the idea. If you know how to press Enter, you can just do that and not read further. If you need help — maybe with the finger part or something else — just read the nitty-gritty details.



Can you skip anything else? Let me see now. . . . You can skip the Technical Stuff icons, too. The information next to these icons is intended only for those of you who like that kind of technical stuff.



For that matter, I guess that you can safely ignore the stuff next to the Tip icons, too — even if the accumulated wisdom, gleaned from long hours slaving over a hot keyboard, can save you much weeping and gnashing of teeth. If you're someone who enjoys trying to do something another way, go ahead and read the tips.



Sometimes, I use made-up examples (along with examples from my own experience) to help you understand how some topic or area of QuickBooks helps you and your business, and I mark these examples with the Case Study icon. This is just my way of continuing the giving. But sure, you can skip them.

What You Should Not Ignore (Unless You're a Masochist)



Don't skip the Warning icons. They're the ones flagged with the picture of the 19th century bomb. They describe some things that you *really* shouldn't do.

Out of respect for you, I don't put advice like "Don't smoke!" next to these icons. I figure that you're an adult, and you can make your own lifestyle decisions. So I reserve the Warning icons for more urgent and immediate dangers — things akin to "Don't smoke while you're filling your car with gasoline."



This icon is a friendly reminder to do something. Not to be too pushy, but it's probably not a good idea to ignore these babies.

Three 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 Vista, 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, QuickBooks Pro, or QuickBooks Premier for each computer on which you want to run the program.**



Personally, I use QuickBooks Premier, so this book includes some features that are unique to the Premier version of QuickBooks. If you're trying to decide which version to buy, I should tell you that QuickBooks Pro and QuickBooks Premier include networking capabilities (which I describe in Appendix C) and the capability to create estimates (which I describe in Chapter 16).



This book works for QuickBooks 2010, although in a pinch, you can probably also use it for QuickBooks 2009 or 2011. (I have to say, however, that if you have QuickBooks 2009, you may instead want to return this book and trade it in for *QuickBooks 2009 For Dummies* by yours truly, published by Wiley.)

By the way, 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 out with Microsoft Windows, peruse Chapter 1 of the *Windows User's Guide* or one of these books on your flavor of Windows: *Windows XP For Dummies*, 2nd Edition, *Windows Vista For Dummies*, or *Windows 7 For Dummies*, all by Andy Rathbone (and all published by Wiley).

How This Book Is Organized

This book is divided into six, mostly coherent parts.

Part I: Quickly into QuickBooks

Part I covers some up-front tasks that you need to take care of before you can start using QuickBooks. I promise I don't waste your time here. I just want to make sure that you get off on the right foot.

Part II: Daily Entry Tasks

The second part of this book explains how to use QuickBooks for your daily financial record keeping: preparing customer invoices, recording sales, and paying bills — that kind of stuff.

Just so you know, you'll be amazed at how much easier QuickBooks makes your life. QuickBooks is a really cool program.

Part III: Stuff You Do from Time to Time

Part III talks about the kinds of things that you should do at the end of the week, the end of the month, or the end of the year. This part explains, for example, how to print checks, explore QuickBooks online resources, do payroll, and create a business budget.

While I'm on the subject, I also want to categorically deny that Part III contains any secret messages that you can decipher by reading backward. Yllaer.

Part IV: Housekeeping Chores

Part IV talks about some of the maintenance tasks that you need (or someone needs) to perform to keep your accounting system shipshape: account reconciliations, financial report generation, job-costing mechanics, file management — and, oh yes, fixed asset accounting.

Part V: The Part of Tens

Gravity isn't just a good idea; it's a law.

By tradition, the same is true for this part of a *For Dummies* book. The Part of Tens provides a collection of lists: ten things you should do if you own a business, ten things to do when you next visit Acapulco — oops, sorry — wrong book.

Also by tradition, these ten-item lists don't need to have exactly ten items. You know the concept of a baker's dozen, right? You order a dozen doughnuts but get 13 for the same price. Well, *For Dummies* ten-item lists have *roughly* ten items. (If the Dummies Man — the bug-eyed, pale-faced guy suffering from triangle-shape-head syndrome who appears on the back cover of this book and on icons throughout these pages — were running the bakery, a 10-doughnut order might mean that you get anywhere from 8 to 13 doughnuts.) Do you believe that I'm an accountant? So exacting that it's scary.

Part VI: Appendixes

An unwritten rule says that computer books have appendixes, so I include three. Appendix A tells you how to install QuickBooks in ten easy steps. Appendix B explains small business accounting, provides a short biography of an Italian monk, and explains double-entry bookkeeping. Appendix C describes how to set up QuickBooks for use by multiple users — and for multiple users on a network. Yikes!

Conventions Used in This Book

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

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 letters. 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' 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.

While I'm on the subject of conventions, let me also mention something about QuickBooks conventions because it turns out that there's not really any 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 another little window. To move to a listed window, you click it in the Navigator pane.



You can tell QuickBooks to use windows the way that every other program does, however, by choosing View⇨Multiple Windows. (I do this throughout the book to make the figures bigger and, therefore, easier for you to read.) You can even remove the Navigator pane by choosing View⇨Open Window List.



Part I

Quickly into QuickBooks

The 5th Wave

By Rich Tennant



"You know kids - you can't buy them just any accounting software."

In this part . . .

All accounting programs — including QuickBooks — make you do a bunch of preliminary stuff. Sure, this is sort of a bummer, but getting depressed about it won't make things go any faster. So if you want to quickly get up and go with QuickBooks, peruse the chapters in this first part. I promise that I get you through this stuff as quickly as possible.

Chapter 1

QuickBooks: The Heart of Your Business

In This Chapter

- ▶ Why you truly need a tool like QuickBooks
 - ▶ What QuickBooks actually does
 - ▶ Why QuickBooks is a popular choice
 - ▶ What you need to do (in general) to get started
 - ▶ How to succeed in setting up and using QuickBooks
-

I want to start our conversation by quickly covering some basic questions concerning QuickBooks, such as “Why even use QuickBooks?” and “Where and how does a guy or gal start?” — and, most importantly, “What should I not do?”

This little orientation shouldn’t take more than a few minutes. Really. And the orientation should let 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. And you, the team player that you are, have just 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? And heck, just to be truly cynical, also ask the question “Why QuickBooks?” Why not, for example, 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 you with the two-part answer.

The first reason is that federal law requires your business to maintain an accounting system. More 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 ability to compute taxable income by using some sort of common-sense accounting system that clearly reflects income.

If you decide just 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 sort of go out on an editorial limb, but I'm going to do it anyway. My strong belief — backed by over 25 years of business experience and close-hand observations 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 should 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. For example, it has a window (you know, a Windows window that appears on your monitor's screen) that looks like a check. 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. For example, QuickBooks supplies an invoice window 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.

And 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 in order to prepare the reports that summarize your profits or losses and your financial situation.

For example, 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 from you) prepare a report that shows your profit, as shown in Table 1-1.

Table 1-1		A Profit and Loss Report	
		<i>Amount</i>	
<i>Revenue</i>		\$20,000	
Advertising		(\$4,000)	
Rent		(\$4,000)	
Supplies		(\$4,000)	
<i>Total Expenses</i>		(\$12,000)	
Profit		\$8,000	



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 preceding 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 am 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 also mention a couple of 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 or invoices by using the information you enter into those check windows and invoice windows that I mention earlier. So that's neat. And a true timesaver. (See Chapter 4.)
- ✔ **Electronic banking and billing:** QuickBooks transmits and retrieves some financial transaction information electronically. For example, QuickBooks can e-mail your invoices to customers and clients. (That 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.)

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. (Let's ignore for one moment that you 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 the data entry a breeze. Most businesspeople already know how to fill in the blanks on these forms. That means that