IB

IRVINE BOOKKEEPING

THE BEGINNER'S GUIDE TO LEARN QUICKBOOKS

"An efficient business process starts with effective accounting"

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INTRODUCTION

We understand the importance of accounting to any business, and using Quickbooks software to support accounting tasks is common today. So we publish a Quickbooks eBook to support small businesses that can easily comprehend this software. This is an eBook that summarizes information about Quickbooks software as well as related knowledge about Quickbooks written and compiled by Irvine Bookkeeping.

Developed by Intuit, Quickbooks is a product accounting software that provides online and desktop accounting applications as well as cloud-based to help handle business create bills and payments. However, there are many functions in Quickbooks that you will not be able to easily use without understanding, especially issues such as create inventory item, write off an invoice, track fixed assets, etc. In this ebook, we take you from QuickBooks newbie to confident QuickBooks user. This is the perfect grounding if you are looking to learn QuickBooks.

About Irvine Bookkeeping

WELCOME.
I'M TAMMY HOANG

I'm Bookkeeping Manager. We understand that for business, time is money. At Irvine Bookkeeping, we are working to save your time and money. Once you are free from financial troubles, you have more opportunities to grow your business bigger and stronger.

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OUR BOOKKEEPERS

Bookkeepers hired by Irvine Bookkeeping go through a process of training whether it is outsourced or not. The training process ensures that each bookkeeper agent hired by us is reliable by making each client's account and/or book accurate using Quickbooks or Sage. This effectively ensures clients to be stress-free from bookkeeping while only worrying about growing their business.

Tammy Hoang

What is Quickbooks?

QuickBooks is an accounting software package developed and marketed by Intuit. QuickBooks products are geared mainly toward small and medium-sized businesses and offer on-premises accounting applications as well as cloud-based versions that accept business payments, manage and pay bills, and payroll functions.

QUICKBOOKS ONLINE
VERSUS
QUICKBOOKS DESKTOP

Choosing the right accounting software might be a fundamental decision having drastic effects on your company's accounting processes for years to come. With so many applications available, it is irrefutable that QuickBooks Online (QBO) and Desktop applications offer distinct features that are beneficial in their own way. It is important for businesses to evaluate these features to see which application will work best for them. Thus, what are the differences between QuickBooks Online and QuickBooks Desktop? This is a loaded question as both of them have their own distinct advantages and disadvantages.

7 KEY DIFFERENCES
BETWEEN DESKTOP & QBO

1

Initial Fee
QBO offers a free 30-day trial so there is no initial fee to try it while QuickBooks desktop requires the purchase of the software up front.

2

Monthly Fee
Pro Desktop is a one-time payment or you can get Pro Plus for an annual payment. On the other hand, QBO requires a monthly subscription.

3

Internet Connection
Because it is cloud-based, an Internet connection is required to use QBO. QuickBooks Desktop can only be accessed from the computer, but it is installed on regardless of Internet connection.

4

Automation Functions
With Desktop, transactions (invoice, receipt, reports, etc.) must be processed manually. QBO has several automated features for things such as customer billing, email reports.

5

Remote Access
Since QBO is cloud-based, users can access QuickBooks reports wherever they have Internet access and from multiple devices, wheares the Desktop version can only be accessed on-site.

6

Customized Features
The QuickBooks Desktop version allows more freedom to customize forms than QBO, because it has several features unavailable in the online version, like the ability to prepare 1099s and budget, or track mileage and expenses.

7

Support
The basic QuickBooks Desktop version does not come with support although you can pay for support by getting the Pro Plus edition, but QBO has free support.

CHOOSING THE RIGHT
QUICKBOOKS VERSION

Understanding the very discrepancies between the desktop and online versions allows business owners to make an informed decision about what is right for their business. In general:

QuickBooks Online

- ☑ Remote access the books
- ☑ Multiple people may access the books at the same time
- ☑ A monthly fee and the additional support
- ☑ Cloud computing with an Internet connection
- ☑ Explore automation

QuickBooks Desktop

- ☑ A fixed office location
- ☑ A small number of people needing access
- ☑ No recurring monthly charge
- ☑ No accessible online
- ☑ Explore customized features such as the ability to track budget, spending, etc.

Each version of QuickBooks has its merits and demerits. All owners should carefully review the differences before deciding which is the best solution for their business.

#02

FEATURES OF QUICKBOOKS DESKTOP ENTERPRISE FOR *MANUFACTURING & WHOLESALE*

Quickbooks (QB) Enterprise is the most flexible QB product, designed for businesses managing more complexity, typically with multiple users or locations, inventory-intensive workflows or large list sizes or transactions.

It includes all the features of QB Pro and Premier editions, plus:

- More customizable reporting tools
- A whole new level of user controls
- Sophisticated inventory and pricing capabilities
- Subscription plan benefits including unlimited support, complimentary upgrades, online backup, data protection and training material

Let's find out its amazing features when applying for manufacturing & wholesale businesses

1. THE SMART CHOICE FOR BUSINESS
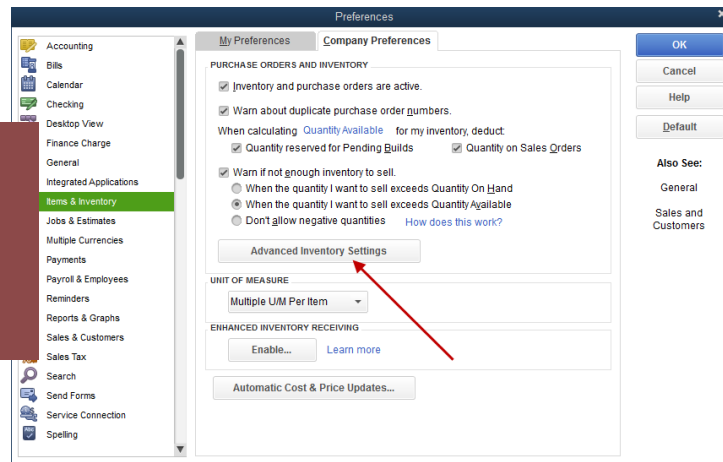
Integrated inventory management

No more complicated workarounds. The Advanced Inventory Add-On lets users seamlessly manage inventory right.

Expanded user access

Increase productivity and accomplish essential tasks faster with simultaneous access for between 5 and 30 users. Hosting Service allows users to access their files from anywhere, anytime.

Superior data crunching

QB Enterprise handles supersized data files with ease and allow you to work in two company files at once.

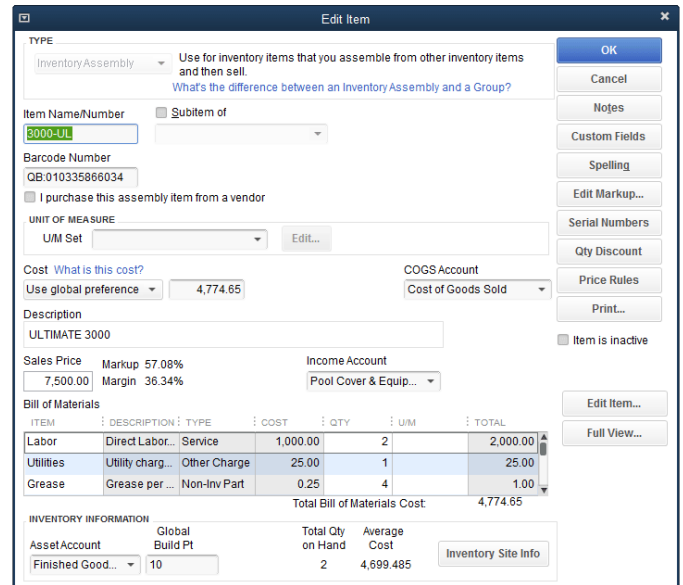### Technical expertise not required

Subscription includes access to Canadian-based product experts to help you all along the way.

2. SPECIAL FEATURES
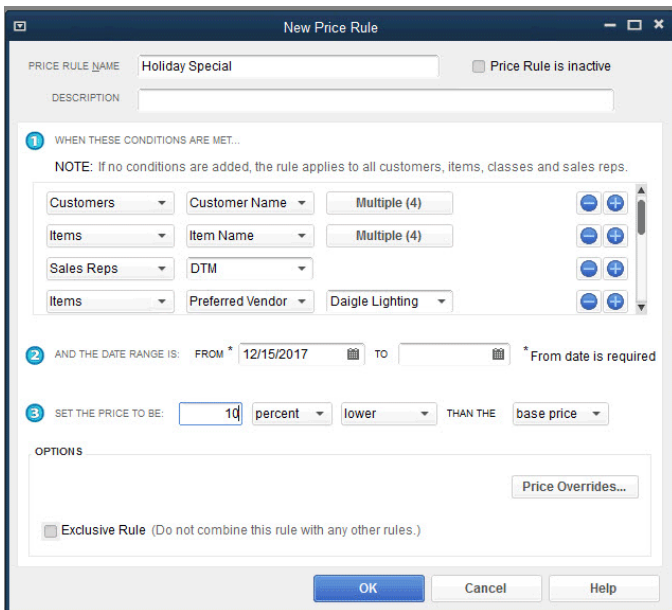
Improved Assemblies Management

Build all subassemblies automatically with a final build, instead of building each subassembly individually. See where-used information for assembly components and subassemblies and avoid opening every assembly to see where the component is used.

Available to Promise

Get all important inventory data on one screen. See details on which customers have ordered a product, or view open purchase orders placed with vendors.

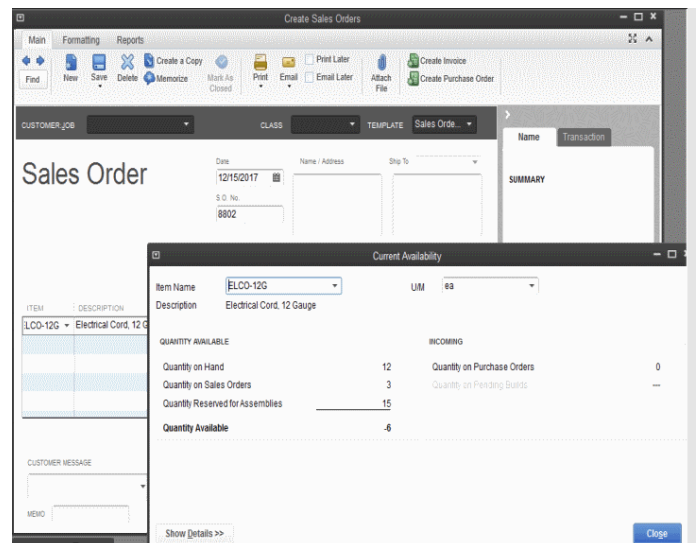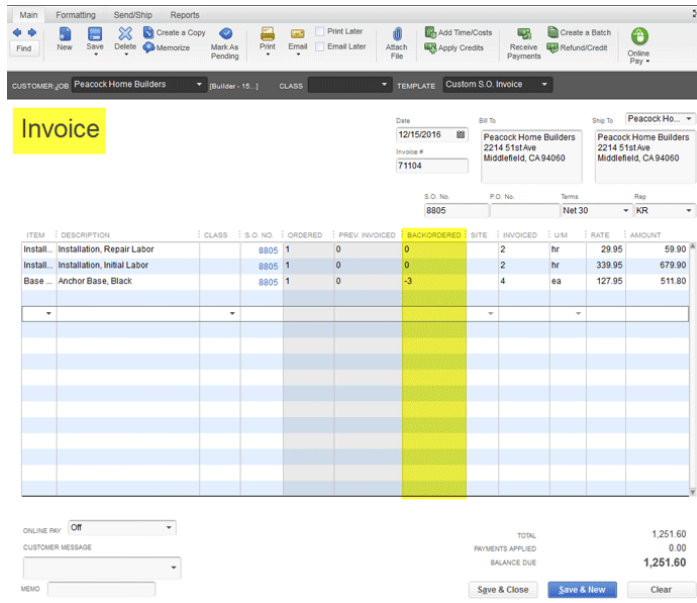## Advanced Pricing Add-On

Create thousands of sophisticated price rules with the Advanced Pricing Add-On. Additional purchase required.

Customized Chart of Accounts

Get immediate access to important information like work in progress, overages and shortages, labor, materials, and more.

Create Sales Orders

Easily track the status of an order and see whether it's been shipped. View all open sales orders by customer or item. Instantly turn sales orders into work orders, purchase orders, pick lists, or packing slips.

Backorder Tracking

On sales orders and invoices, the Backordered column shows exactly which items still need to be shipped. On purchase orders, the Backordered column shows what's still expected from vendors.
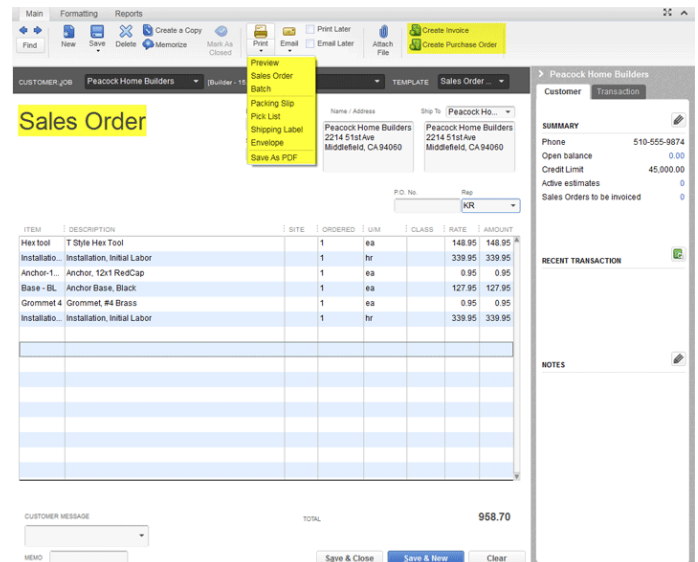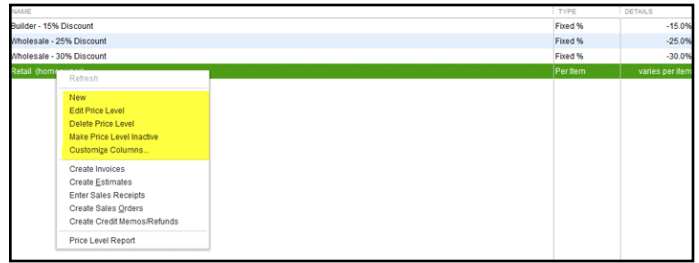
Sales Order Fulfillment

See all open sales orders on one screen. Sort by date, by shippable dollar amount, or by customer. Allow partial or complete order shipment. Batch print pick lists, packing slips, or invoices for the orders selected.

Customize Price Levels

Define different prices for different types of customers, such as high-volume, wholesale, retail, or preferred customers. You can create up to 750 customized price levels for your item using a fixed percentage or dollar amount.

Multiple Customer Shipping Addresses

Can store an unlimited number of shipping addresses per customer; the addresses are selectable from a dropdown list.
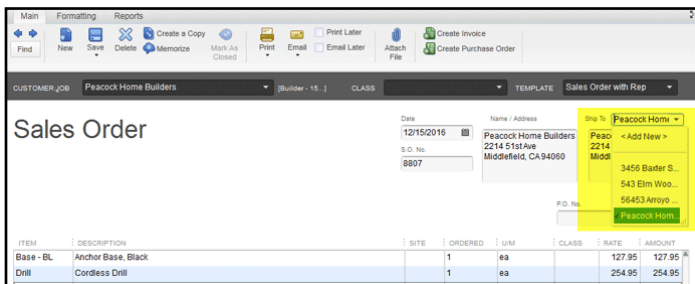
3. KEY REPORTS

The Manufacturing & Wholesale functionality includes critical reports made with your business in mind, so you can see which products, customers, and jobs are profitable and which aren't.

- ❯ Sales by Rep Detail
- ❯ Open Sales Orders
- ❯ Open Purchase Orders
- ❯ Physical Inventory Worksheet
- ❯ Sales Return Transaction Detail Report
- ❯ Profitability by Product Report
- ❯ Inventory Reorder Report by Vendor

#03
ACCOUNTS RECEIVABLE
VS
ACCOUNTS PAYABLE
IN QUICKBOOKS?

Have you ever use the functions of creating invoices or bills either in Quickbooks? At the moment we created the invoices and bills, Account Receivable and Account Payable are created simultaneously

ACCOUNTS RECEIVABLE (A/R)

We use Accounts Receivable (A/R) to keeps track of money that customers owe to us. A/R aging is a great report that lists unpaid customer invoices and unused credit memos by specific date ranges. As a result, we can utilize A/R to show us the cash expected to be received in the future. As business owners selling a good or service to our customers, oftentimes, we need to send the Estimates or Quotes. As customers agreed with the Estimates or Quotes, we will create the Invoices and send them to customers. for keeping track of the asset, record the amount as a receivable in your accounting books. Accounts Receivable will increase that will help us to record the payment in the future like current Assets. When the Invoices will be paid, so you will use receive payment function from QuickBooks to decrease accounts receivable. The amount will move to "Undeposited Fund". Finally, we will move the amount from "Undeposited Fund" to the Bank as we physically deposited the fund to our business bank and the transaction recorded on our bank.

ACCOUNTS PAYABLE (A/P)

Accounts Payable (A/P) is an account that helps us to record the amount need to be paid via bill and Bill Payments. A/P helps us keeps track of money that we owe to any vendors.   For example, we purchase a good or service, we receive an invoice from our vendor. The invoice tells us how much money we owe, or our accounts payable. And then, we will enter it into QuickBooks via the Bills to keep track of the liability, record the amount as a payable in our accounting books. Accounts Payable are increased. When you pay off Bills, the amount will be decreased on accounts payable.

In Summary, running a business and setting up stronger accounting books is essential. A/R and A/P are two important key accounts to assist business owners in analyzing and determining our business cash flow. Knowing how much payment we are going to receive and how much money we need to outflow today will give a business owner a sense of control.

#04
QUICKBOOKS
EXPENSES VS ITEMS

When using QuickBooks, one area that often leads to confusion is whether to use Expenses or Items when entering data into the program. These items are closely related, but items may be more appropriate for some types of businesses. Because you have a choice to use an Items or Expenses tab when entering transactions in QuickBooks, many people often use the Expenses tab – but it may not always be the correct choice.

EXPENSE

Anything that your company spends money on that keeps it up and running. An Expense is rent, phone bills, website hosting fees, office supplies, accountant fees, trash service, janitorial fees, etc. These things do not generate any income for your business, but they do keep your business running.

When you enter the costs associated with these things you enter them under the Expenses tab.

ITEM

Anything that your company buys, sells, or resells in the course of your business. An Item could be products, goods, services that you purchase from others, such as an Estimate, an Invoice, a Sales Order, or even a Purchase Order.Those things are your Items, they live in the QuickBooks Items List and they help you to complete these types of forms.

When you add something to the Items List in QuickBooks you can set it up so that it can capture not only the money you pay to purchase it but the money that you receive when you sell it. This is especially important if you want or need to do any sort of Job Costing. It is only natural that when you pay for these things that you enter their costs under the Items tab.
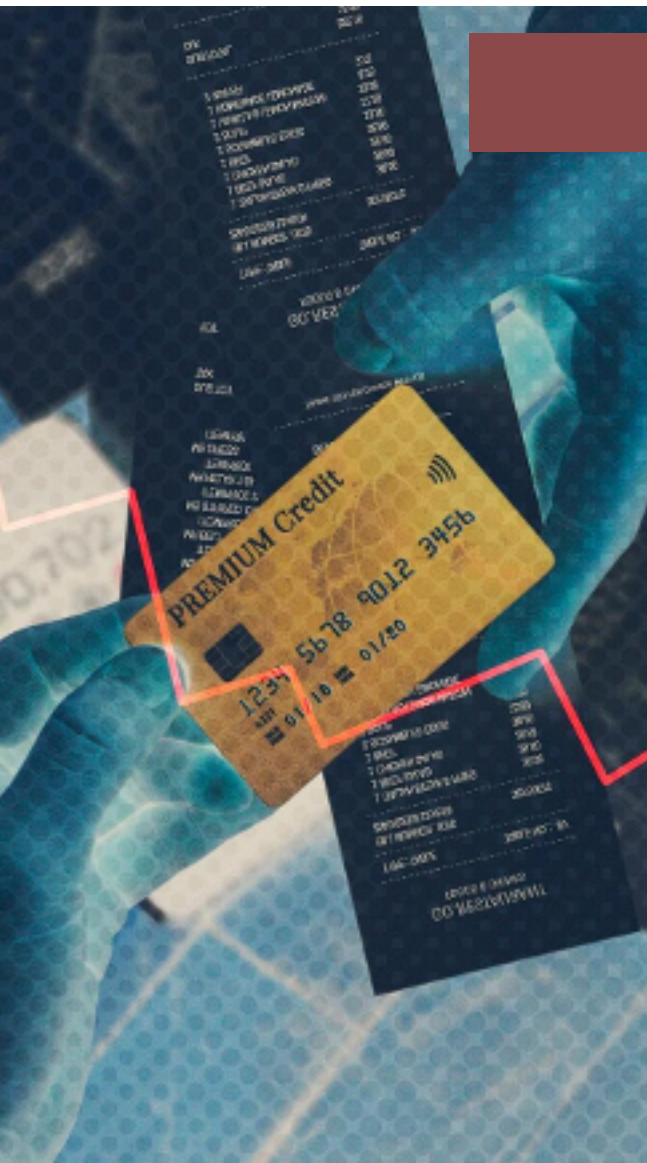
Job Costing

One of the key differences between Expenses and Items in QuickBooks is how they can be used for job costing. If you are a contractor, it may help your record keeping to be able to engage in job costing and to keep records for each individual job.

When you enter an expense for a job into Items, it allows you to job cost that expense. When the cost is entered into Expenses, it cannot be job costed.

Items Linked to Accounts

When you choose to use Items in QuickBooks, the items you enter will be linked to specific accounts. These accounts are visible by looking at the Chart of Accounts in your QuickBooks interface. If you have multiple items that need to be attached to a single job, it is possible to do so with QuickBooks. Simply link the item to the appropriate account when you enter it in. Then all of the items for that job will be visible when you run a report.

CONSIDERATIONS

When using QuickBooks, you have the option of entering business costs as **Expenses** or as **Items**. When you click on the **Items** menu, you have the ability to enter more information. If you choose to enter an item in **Expenses**, you simply enter the cost of the item. At first glance, it may appear to be two different ways to complete the same task. However, when you enter costs into **Expenses**, it gives you limited capabilities in regards to using that information later.

So, the next time you sit down to enter a bunch of bills, write checks, or enter credit card charges – ask yourself this question:

Is the money I'm spending on this associated with a job, a sale, a client, or a customer?

If the answer is **Yes** – use the **Items** tab.

If the answer is **No** – use the **Expenses** tab.

WHY IS
QUICKBOOKS ONLINE BALANCE
DIFFERENT FROM
ACTUAL BANK BALANCE?
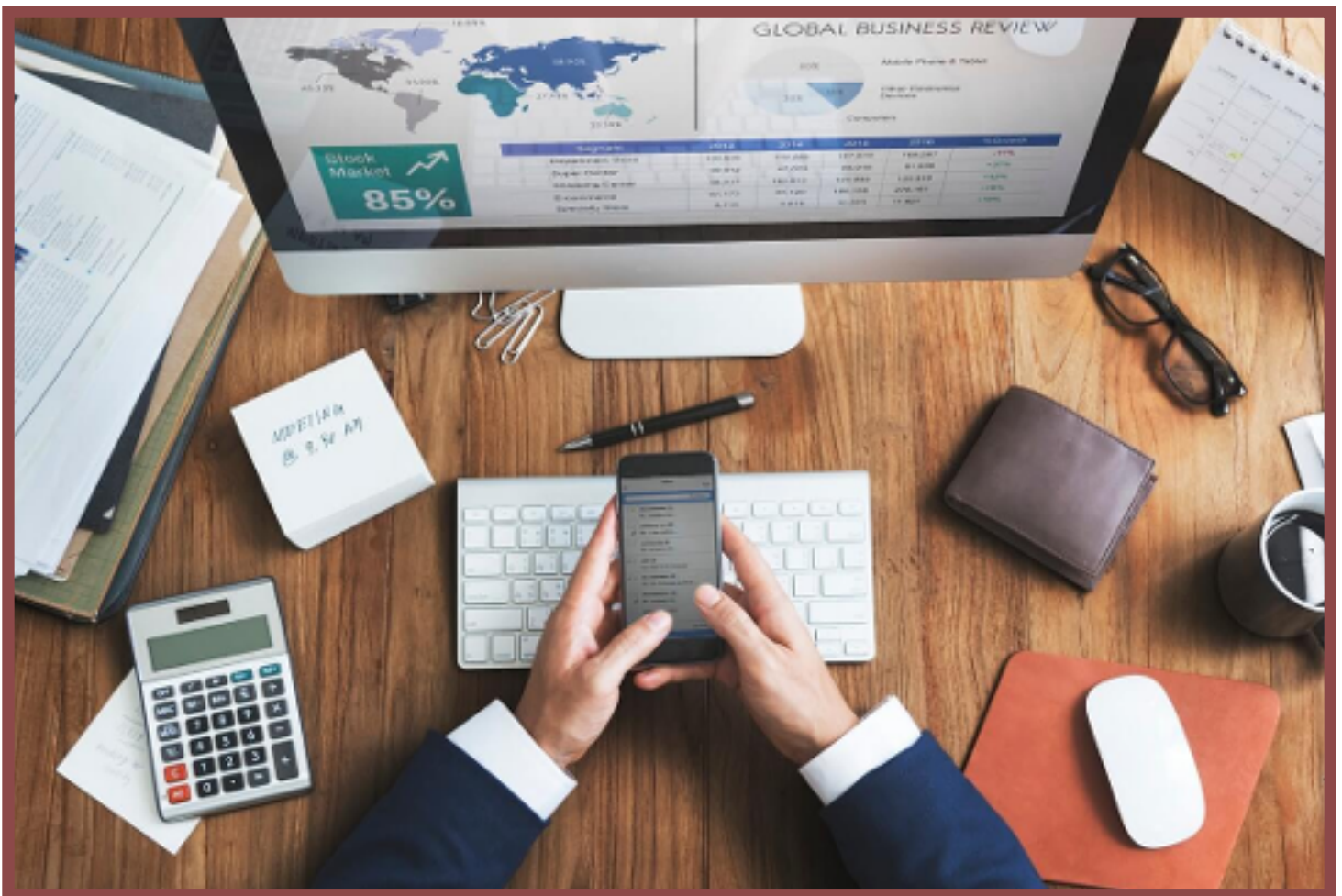
If your **QuickBooks Online register balance** and your **actual Bank balance** don't match in QuickBooks Online, don't worry! There are several reasons that the balance in QuickBooks Online could vary from the bank balance

1 New transactions for a connected account

If QuickBooks Online is connected to your bank to download transactions, any transactions that are in New Transactions tab and have not been added are not included in the balance on the regiser in QuickBooks Online but are reflected in the actual bank balance. As long as they remain in the New Transactions tab they will not affect in your QuickBooks Online balance.

Adding them to the register will update the balance in QuickBooks Online, but this does not apply to transactions that have been entered on the register and need to be matched.

2 Duplicate transactions

Transactions may have been incorrectly added to the register instead of being matched to a current transaction already entered.

An easy way to check for duplicates is to customize your register and sort it by amount instead of date. This will place transactions of the same amount next to each other and make finding any possible duplicates much easier.

If the you added a transaction but should have matched, you can undo the acceptance and then match the transaction instead. See Assigning, categorizing, editing, and adding your downloaded banking transactions.

Outstanding checks

The relationship between QuickBooks Online and your bank is a real-time picture. What this means is that your bank balance and the balance in QuickBooks Online will only match if you don't have any outstanding checks.

Think of the QuickBooks Online balance as the balance that would be in your checkbook register. When you write a check from your checkbook, you deduct it from your register balance even though it hasn't actually cleared the bank yet. This process causes your register balance to be different from your actual bank balance.

For example, if your bank balance is $1000 but you have an outstanding check for $100, QuickBooks Online will enter the check in the register causing it to look as though it has already cleared the bank and will reduce your balance by $100, which means the balance in the register of QuickBooks Online will be $900. The bank balance, however, will continue to read $1000 until the outstanding check/cheque has cleared.

Credit card and liability accounts

These types of accounts have the opposite accounting affect on your books than bank (or asset) accounts do. Because of this the Bank Balance column for these accounts will normally be negative. What you want to look at is the Balance column and make sure that is correct (positive).

If the Balance column is negative, you need to recheck your record transactions and reconcilation to troubleshoot a credit card balance. If using downloaded transactions, have you added the payment from the bank account and then matched it from the credit card side (or vice versa) or did you use Transfer? If not, you may have added it from both the bank and the credit card or liability account, causing duplicate transactions. To fix, undo one of the added transactions and then match it.

Editing or deleting transactions

Editing or deleting transactions already in your register can cause discrepancies between the bank balance and the balance in QuickBooks Online.

#06
HOW TO SET UP AND CREATE
AN INVENTORY ITEM
IN QUICKBOOKS ENTERPRISE?

Inventory control and usage may become actually complex, so depending on the needs of the company, other more sophisticated inventory programs need to be utilized. The beauty of QuickBooks (QB) Enterprise is that items are tied to the financial accounts, freeing the end user from the knots of accounting.

QB inventory costing:

❯ Works on "Average cost" basis

❯ NOT LIFO (last-in-first out costs) or

❯ FIFO (first in-first out)

In QB, Inventory is a special type of Item – used when buying items now and sell, or use them later, but don't use for construction work in progress.

To set up and create an inventory item in QB, please see the following steps:

STEP 1: TURN ON THE INVENTORY FUNCTIONALITY IN QB BY THE ADMINISTRATOR

Go to "**Edit/ Preferences/ Items & Inventory/ Company Preferences**"

Select "**Inventory and purchase orders are active**" check box

Click "**OK**"

STEP 2: ADD INVENTORY TRACKING ACCOUNTS TO THE CHART OF ACCOUNTS (COA)

Three accounts on the COA are critical for getting effective reporting and accurate financial results that many inventory items will tie to:

❯ **An Inventory Asset account**

Tracks the current value of your inventory

Reports on the balance sheet

Is created as the first inventory item created

❯ **An Income account**

Tracks the income from the resale of inventory items

Reports on the income statement

❯ A Cost of Goods Sold - (COGS) account

Tracks the cost of the items sold

Reports on the Profit & Loss

QB subtracts the total cost of goods sold from the total income

Provides the gross profit before expenses

Is created as the first inventory item created

STEP 3: SETUP INVENTORY ITEMS

Choose "**List/ Item List**" on the top of the toolbar

At the bottom of the box, click on "**Item/ New**"

In the **New Item** window, select the **inventory item type** from the drop down of the "**TYPE**" box

Fill in the information on the inventory item, including the **On Hand Quantity**

Assign each inventory item to three bellow accounts:
① **Inventory Asset** – where inventory cost "sits" when you buy it
② **Cost (COGS)** – when you sell, the cost comes out of inventory
③ **Income** – when you sell, the income is shown in this accountaccount
Other info and decisions – "surface" exposure – covered in detailed Inventory workshop:
④ **Types of Items, including:** Service, Inventory part, Non-inventory part, Other charge, Subtotal, Group, Discount, Payment.
⑤ **Name** – important for locating and entry
⑥ **Subitem of** – important for organization and entry
⑦ **Manufacturer's Part Number** – important for lookups and POs
⑧ **Sales Price** – can be left at $0 but this is "default" for Estimates, Invoices, etc.
Note: Additional options available are not always needed when setting up your items, such as entering the manufacturer number for the item or the Unit of Measure amounts because they depend on characteristics of operation management in each company. To read more, click *HERE*

#07
HOW TO TRACK
FIXED ASSETS
IN QUICKBOOKS?

It is necessary for your business to track fixed assets cautiously and properly. In this blog, we would like to explain what fixed assets are, why you need to track them, and how to do that in QuickBooks.

WHAT ARE FIXED ASSETS?

A fixed asset is a long-term tangible piece of property or equipment that a firm owns and uses to generate income. Fixed assets are basically large purchase that offers some incentive to the business over a long period of time, typically over a year. Fixed assets appear on the **Balance Sheet** under property, plant, and equipment (PPE) including equipment, furniture, vehicles, machine, etc. Sometimes, big repairs or improvements to your office are considered fixed assets.

WHAT REASON DO YOU NEED TO TRACK FIXED ASSETS?

Obviously, you do not want to expense your $2,500 standing desk all at once.

If you expense a large purchase all at once, it could hit your profit or loss statements for that time period. It can significantly distort your financial health. Instead, you can determine the lifetime of the assets and expense the cost of that assets over the lifetime. This way spreads out the costs over the entire time and could assist you to calculate the remaining value at the end of its lifetime.

HOW TO TRACK FIXED ASSETS IN QUICKBOOKS?

Based on your own business as well as the assets you are purchasing, you will have a particular process. However, when tracking fixed assets in the **QuickBooks** system, you should follow some listed basics:

Regardless of whether you purchase the fixed assets by paying for them with cash or a loan, you need a **fixed asset account** in QuickBooks when you purchase.

In case you borrowed money to buy that asset, you also need to create a l**ong-term liability account** to record the total loan amount. Rather than expensing the purchase to a normal expense category, choose the **fixed asset account**.

Throughout its long lifetime, you will log the **depreciation expense**. You can also set up a schedule or manually enter depreciation expenses depending on your needs. You also need an account called **depreciation expense account**, which appears on the **Profit and Loss statement**, to expense the asset. It could show the reduction in the asset value whenever the depreciation occurs.

#08
PAYCHECK PROTECTION PROGRAM (PPP FUNDS)
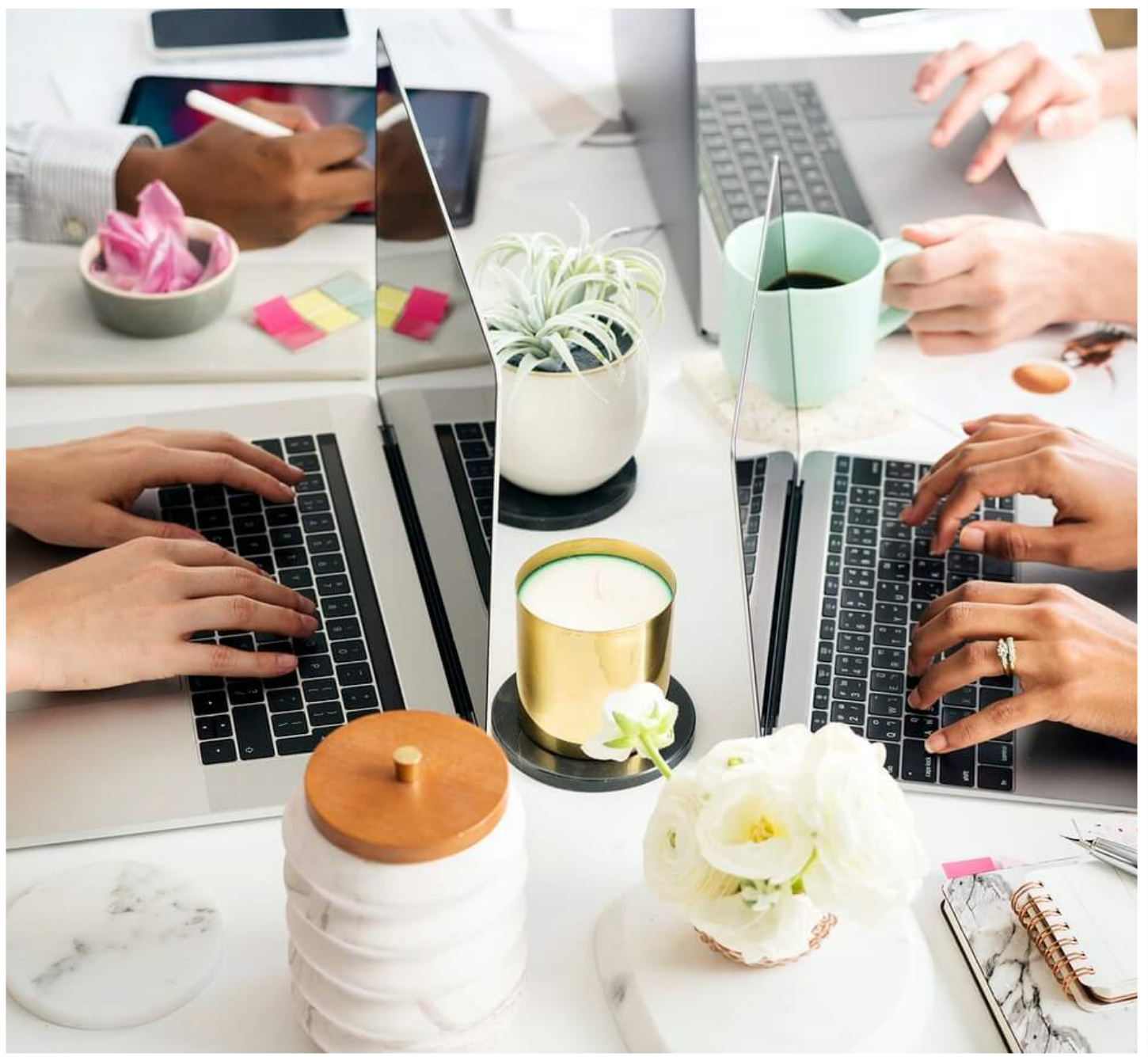
WHICH WAY TO RECORD PROPERLY IN QUICKBOOKS SOFTWARE

Now, we hope that you have received PPP funds to support the business. It is time to think about what you should do after receiving the money. In this article, we will not go over who is eligible for this loan or how to apply this. Instead, we investigate the method of tracking the PPP funds in the QuickBooks Software.

Before dealing with the amount, make sure you get the nature of the PPP fund. Paycheck Protection Program is a loan designed by SBA to support small businesses to keep their workers being paid. In short, it should be considered and recorded as a Payable liability. However, this is a loan that could be forgiven in the future if it can pass requirements. Under GAAP, this amount could be derecognized when you have the official notice of the forgiveness for this loan from your lender. At that time, we can derecognize this amount as income.

In this article, we deal with 3 methods. With the same scenario but in different ways including setting up a new separate bank account for PPP loan, or not. Let's go through both situations.

Scenario: Your company has received $100,000 under the PPP funds. The amount was gone into the main checking account. Now, you would like to find a way to track this amount in their QuickBooks software.

METHOD 1: SETTING UP A NEW BANKING ACCOUNT FOR PPP FUNDS ONLY

This method does not require you to open a real separate bank account. So, do not consider about bank fees for your new bank account. In case you want to track your loan by this method, follow the instruction below:

STEP
1
Set up a loan account as PPP Loan. This is a payable loan, so make sure you create a current or long-term liability account.

STEP
2
Create a bank account and renamed as "PPP Fund" for easy tracking.

STEP 3 Update your company data file with the "PPP amount" that goes to the new liability account. The PPP amount will be shown in your Balance Sheet when you are done.

Whenever you make an expense, do 2 transactions:

STEP 4

- The first transaction is the transfer from your main account to PPP fun account.
- The second one is to record the money out for PPP expenses.

Example: You need to pay a utility bill during the covered period for $152.89. First, go ahead and deposit $152.89 from the main account to PPP account. Then, write a check to pay $152.89, the account for this amount now can be Utility.

Reporting: the total PPP amount will be in your Balance Sheet and under your liability. In the meanwhile, all expenses will be in your Profit and Loss and categorized separately into suitable accounts.

METHOD 2: USING THE CLASS FEATURE IN QUICKBOOKS

We are so glad to say that you can use the Class feature in QuickBooks to track all transactions relating to PPP loans. Let's go through the steps below:

STEP 1 Make sure you have set up a liability account for PPP loan and record the PPP fund into this account. In case you do not remember how to deal with this, review the previous method.

STEP 2

When using this method, you track all expenses in the main account (the one that received the PPP loan). Therefore, it is necessary to separate transactions. To use the Class feature, make sure you turn on the Class feature. Navigate the List menu then choose the Preference to open the Preference menu. Turn on the Class Feature if needed.

STEP 3 After checking the Class feature, create a class as PPP loan.

STEP 4

Whenever record the transactions that could be paid by PPP fund, just need to choose the Class column as PPP Loan.

Reporting: You can generate both Balance Sheet and Profit and Loss reports by Class to see all your transactions which were classified in PPP Loan Class.

METHOD 3: MAKE GENERAL ENTRIES RECORD ALL YOUR EXPENSES THAT WERE PAID BY PPP LOAN

In this method, you do not need to either set up a bank account or check your Class feature. In case you would like to track your expenses by this method, follow the instruction below:

STEP
1

The first step of every method should be creating a new liability account to record the PPP loan amount.

STEP
2

During the eight weeks, all expenses were paid and should be recorded into your data file.

STEP
3

Open the company file, then choose the Company, then select "Make General Journal Entries".

STEP
4

Fill in all required field:

- Bank account: the account that is received the PPP loan.
- The first line, the account could be your new "PPP Loan" account and enter the amount of the loan in the Credit column.
- Other lines are used to record the money OUT, choose the suitable expense account and fill in the figure under the Debit column.

STEP
5

After the period, hopefully, the balance in your general entries is equal.

Now, when your loan amount is accepted as a forgiven loan, what should you do next? When you have received the official notice of forgiveness, open your book and derecognize your loan amount. You can generate your Balance Sheet to see your liability account and the PPP loan amount. Then, go ahead and change the account from the Liability account to the Income account.

When you have done this step, congratulate that you go over this specifically difficult period and maintain your business.
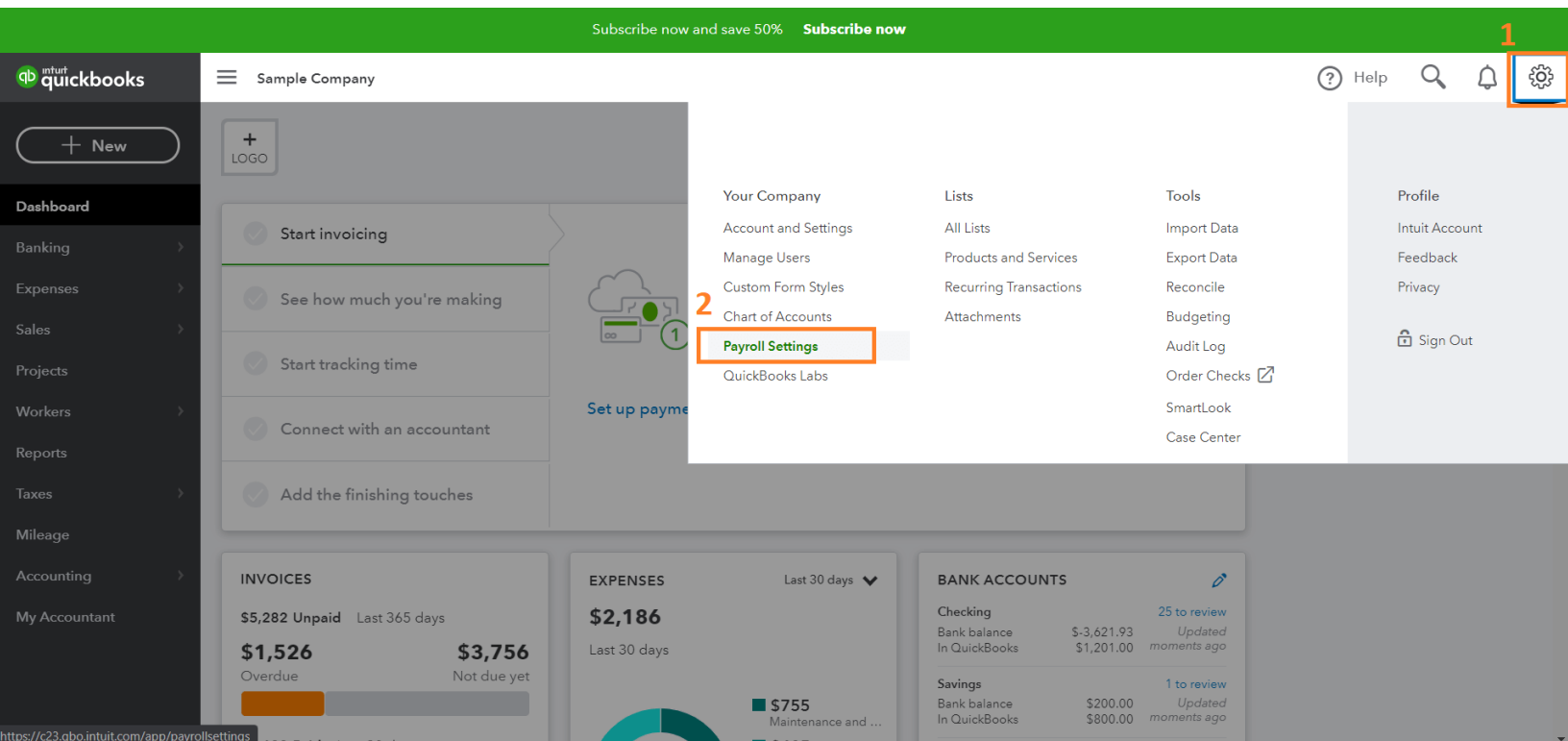
Conclusion

In this difficult time, things are changing daily, and it is really hard to stay above all the news. Before finishing reading, there are some points that you should put a note and make attention on:

● PPP Funds must be spent within 8 weeks since the date you received the amount.

● If the fund is not spent for proper costs or over the portion, you need to pay back the over amount.

● Even if you have not received the PPP loan, it is important to keep track of all your expenses during the period of coronavirus as well as the cost for your business. It could be helpful when you apply for other loan programs.

We hope that you find these suggestions and ideas useful. In case you are not confident about tracking this amount, stay alert to additional guidance, and get someone professional to help you.

#09 HOW TO WRITE OFF
AN INVOICE IN QUICKBOOKS?

As a business owner, you might face with this unfortunate reality – uncollectible invoices. No matter how much effort you put on retrieve the money, but in vain, the customer cannot pay at all or even refuse to pay. When this happens, it is essential for you to write off the uncollectible invoices. There are a number of ways to remove the uncollectible invoices amounts from your accounting systems. In this blog, I will look at some reasons to write off invoices.

WHY DO YOU WRITE OFF INVOICES IN QUICKBOOKS?

There are many reasons leading to this decision. Below are some common causes to write off an invoice:

Underpayment: This is the situation when the customer has made the payment on your invoice, but not in full. This happens due to a clerical error on the customer's end. For example, the customer decided to pay $236 instead of $239. The balance due is just $3. In these cases, the balance often too small – even only pennies – to constantly reach out to the customer for the remaining payment.

Bad Debts: The customer is unable to pay your invoice due to their financial circumstances beyond their control. Less common but still happen is that the customer decides not to pay. In either case, you might realize that it is time to write off their invoice in your accounting book.

WHY DO YOU MIGHT PREFER WRITING OFF INVOICES TO DELETING THEM?

You might think of deleting the uncollectible invoices as the simplest way to write off an invoice. Doing so could result in several errors and can affect your accounting system:

You could lose important information: If you write off an invoice due to bad debt, you will retain this information. Therefore, you can decide to provide products/ services to this customer or not in the future. If you choose to delete the invoice, you will miss this information. Moreover, the writing off method could show you the percentage of the invoice written off. As the result, you could manage your business more efficiently and profitably.

You might have unapplied payment: Deleting the invoice might be a good idea for a 100% open invoice, but a partially paid invoice. This could lead to a disorganized accounting book as well as make confusion and clutter in your book.

— #10 —

HOW TO WRITE OFF INVOICE IN QUICKBOOKS
DESKTOP & ONLINE

The best way to write off an invoice in QuickBooks systems – whether you are using QuickBooks Desktop or QuickBooks Online – is to use the credit memo feature. However, there are some additional steps to work in **QuickBooks Desktop**:

STEP 1

Checking Account Receivables Reports for invoices that would be written off

1. Open **Reports** menu
2. Find **Customers & Receivables**, then **A/R Aging Detail**
3. Look for which outstanding accounts receivables should be written off.

STEP 2

Prepare Accounts Allowances for Doubtful Accounts

1. Navigate to **List**, then choose **Chart of Accounts**
2. Press **Ctrl+N** to open the **Add New Accounts** window
3. Choose **Type** as Account Receivables, **rename** the account and put it as a **subaccount** of Accounts Receivable

STEP 3

Prepare Bad Debt Expense Account and Bad Debt Item

1. Open **Chart of Accounts** again, then press **Ctrl+N** to open the **Add New Accounts** window
2. Add the **Bad Debt** as an expense account, which will appear on P & L report
3. Choose **List**, then **Item List**
4. Click on **Item**, then **New** to add Bad Debt Item

STEP 4

Move the invoice from Account Receivable account to Allowance for Doubtful Accounts

1. Open the invoice, on the head of the invoice, choose the **Allowance for Doubtful Account**
2. In case the invoice was paid partially, continue open its payment and move to Allowance for Doubtful Account. This could help you remain your invoice as partially paid and not create unapplied payment.

STEP 5

Create a credit memo with the written off amount

1. Choose Customers, then Create Credit Memos/ Refunds
2. Use the Bad Debt Item with the written off amount
3. The Account is still Allowance for Doubtful Account

STEP 6 — Check the reports for all necessary transactions

1. Open Reports Menu, navigate to Company & Financial, then Balance Sheet Standard.

2. Customized the date range, then double click to open the Account Receivable, which includes the Allowance for Doubtful Account.

3. You will have

An invoice with the total amount of $1,000

A payment with the amount of $500 and waits for being deposited

A credit memo with the amount of $500 as a bad debt

STEP 7 — Applied the credit memo to close the invoice

1. Open the credit memo just created, click on Use Credit to apply invoice

2. Find the suitable invoice, then Save & Close.

3. When you successfully apply the credit memo, the invoice will be marked as PAID by 2 transactions – a payment and a credit memo.

STEP 8 — Check the Bad Debt Expense account on the P&L report:

1. Open Reports Menu, navigate to Company & Financial, then choose Profit & Loss Standard.

2. Choose the date range and you will find both Income (by the invoice) and the bad debt expense.

QuickBooks Online – on the other hand – will not allow you to use the Allowance for Doubtful Account. Therefore, you will work under the same steps as **QuickBooks Desktop**, but not change the account.

STEP 1

Checking Account Receivables Reports for invoices that would be written off

1. Open **Reports** menu

2. In the **Find** report by name field, type **"Accounts Receivable Aging Detail."**

3. Look for which outstanding accounts receivables should be written off.

STEP 2

Prepare Bad Debt Expense Account and Bad Debt Item

Bad Debt Expense Account

1. From **Settings icon**, select **Chart of Accounts**.

2. Click on **New** and in the Account Type drop-down, you have to choose **Expenses**.

3. Select **Bad Debts** from Detail Type drop-down before entering Bad Debts in the Name field.

4. Click on **Save** and then Close.

Bad Debt Item

1. Open **Lists** from **Settings icon** and choose **Products and Services**.

2. Into the upper right section, select **New** and then **Non-inventory**.

3. Type Bad Debts in **Name field**.

4. Also, from **Income account** drop-down, choose **Bad Debts**.

5. Click on **Save** and then Close.

STEP 3

Create a credit memo with the written off amount

1. Hit on + **New button** and choose **Credit Memo**.

2. Select the customer from whom you want to write off the invoice in QuickBooks.

3. Choose **Bad Debts in the Product/Service**

4. Enter the amount you want to write off in the **Amount** column.

5. Type in Bad Debt into message displayed on Statement box.

6. Click on Save and Close.

Applied the credit memo to close the invoice

1. Hit on + *New button.*
2. Choose *Receive Payments* under Customers drop-down list.
3. Select appropriate customer with the use of Customer drop-down list.
4. From the Outstanding Transactions section, *select the invoice.*
5. Click on *Credit memo* in the Credits section.
6. Finally, select *Save and Close*

Check all transactions on Balance Sheet and P&L report

On Balance Sheet, when successfully apply the credit memo, you will find the list of transactions as below:

An invoice with the total amount of $50,000.00

A payment with the amount of $25,000 and waits for being deposited

A credit memo with the amount of $25,000 as a bad debt

Another payment to show the application of the credit memo on the invoice with the amount = $0.00

TRANSACTION REPORT
June 2020

DATE	TRANSACTION TYPE	NUM	NAME	ACCOUNT	SPLIT	DEBIT	CREDIT	BALANCE
▾ Accounts Receivable (A/R)								
06/01/2020	Invoice	1013	Customer - B	Accounts Receivable (A/R)	Services	$50,000.00		50,000.00
06/05/2020	Payment		Customer - B	Accounts Receivable (A/R)	Undeposited Funds		$25,000.00	25,000.00
06/06/2020	Credit Memo	1014	Customer - B	Accounts Receivable (A/R)	Bad Debts		$25,000.00	0.00
06/08/2020	Payment		Customer - B	Accounts Receivable (A/R)	-Split-	$0.00		0.00
Total for Accounts Receivable (A/R)						$50,000.00	$50,000.00	
TOTAL						$50,000.00	$50,000.00	

On Profit and Loss report, you will find both Income (by the invoice) and the bad debt expense.

Important Note when writing off invoice

When creating an invoice, the revenue on your Profit and Loss report increases by the amount of the invoice, even you have a bad debt and apply a credit memo. However, there will be an offsetting amount in the bad debt expense account, which will deduct your net income.

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