



QUICKBOOKS 2016 STUDENT GUIDE

Lesson 5

Using Other Accounts in QuickBooks

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5601 Headquarters Drive
Plano, TX 75024

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Table of Contents

Lesson Objectives	4
Other Account Types in QuickBooks.....	5
Entering Credit Card Charges.....	6
Reconciling a Credit Card Statement	8
Marking Cleared Transactions	9
Paying a Credit Card Bill	11
Working with Asset Accounts.....	12
Setting Up Asset Accounts to Track Depreciation	14
Tracking a Loan with a Long Term Liability Account	15
Recording a Payment on a Loan.....	19
Introduction to Equity Accounts.....	21
Using Other Accounts in QuickBooks — Review Questions	22
Review Activities.....	23
Answers to Review Questions	24

Lesson Objectives

- To introduce the other account types available in QuickBooks
- To learn how to track credit card transactions in QuickBooks
- To reconcile a credit card account
- To see how to make a credit card payment
- To discuss the different types of asset and liability accounts you can create and see how to track assets and liabilities in QuickBooks
- To introduce the subject of equity and QuickBooks equity accounts

Other Account Types in QuickBooks

In this lesson you'll learn about these types of QuickBooks accounts:

- **Credit card accounts** – Used to track transactions you pay for with a credit card
- **Asset accounts** – Used to track both current assets (those assets you're likely to convert to cash or use up within one year, such as inventory on hand) and fixed assets (such as long-term notes receivable and depreciable assets your business owns that aren't liquid, such as equipment, furniture, or a building)
- **Liability accounts** – Used to track both current liabilities (those liabilities scheduled to be paid within one year, such as sales tax, payroll taxes, and short-term loans) and long-term liabilities (such as loans or mortgages scheduled to be paid over terms longer than one year)
- **Equity accounts** – Used to track owner's equity, including capital investment, draws, and retained earnings



NOTES

Entering Credit Card Charges

QuickBooks lets you choose when you enter your credit card charges. You can enter credit card charges when you charge an item or when you receive the bill. Your choice depends on whether you like to enter information into QuickBooks incrementally or all at once. The advantage to entering charges when you charge an item is that you can keep close track of how much you owe. In addition, if the charge is for a particular job, you can keep track of how much you're spending on that job.



To enter a credit card charge:

1. From the **Banking** menu or **Home** screen, choose **Enter Credit Card Charges**.

2. In the **Credit Card** field, select the appropriate credit card account.
3. In the **Purchased From** field, enter the name of the vendor from whom you made the purchase.
4. Enter the remaining information about the charge (date, reference number, amount, memo, etc.).

5. In the detail area, click the **Account** column and assign the charge to the corresponding expense account.

Enter Credit Card Charges - QuickBooks Credit Card

Main Reports

Find New Save Delete Memorize Attach File Download Card Charges Select PO Enter Time Clear Splits Recalculate

CREDIT CARD 20500 - QuickBooks C Purchase/Charge Refund/Credit ENDING BALANCE 94.20

Credit Card Purchase/Charge

PURCHASED FROM Kershaw Computer Services DATE 12/15/2020

REF NO. 1576

AMOUNT 150.00

MEMO Server repair

Expenses \$150.00 Items \$0.00 Ready to pay a credit card bill?

ACCOUNT	AMOUNT	MEMO	CUSTOMER.J...	BILL...	CLASS
64200 - Repairs:64220 - Computer Repairs	150.00	Server repair			

Save & Close Save & New Clear

6. Click **Save & Close** to record the transaction and close the window.



NOTES

Reconciling a Credit Card Statement



To reconcile a credit card statement:

1. From the **Banking** drop-down, choose **Reconcile** or **Reconcile Credit Card**.
2. In the **Account** drop-down, choose the appropriate credit card from the list.

Begin Reconciliation

Select an account to reconcile, and then enter the ending balance from your account statement.

Account: 20600 - CalOil Credit Card

Statement Date: 12/15/2020

Beginning Balance: 436.80

Ending Balance: 412.62

What if my beginning balance doesn't match my statement?

Enter any finance charge.

Finance Charge	Date	Account	Class
0.00	11/30/2020		

Buttons: Locate Discrepancies, Undo Last Reconciliation, Continue, Cancel, Help

3. In the **Statement Date** field enter the closing date of the statement you wish to reconcile.
4. In the **Ending Balance** field enter the ending balance of the statement you wish to reconcile.
5. Click **Continue**. Proceed to next exercise.

Marking Cleared Transactions



To mark the transactions as cleared:

1. Place a checkmark in the **Hide transactions after statement's end date** to only show transactions dated up to and including the statement end date.
2. In the **Charges and Cash Advances** section of the window, match the transactions with the charges on your statement. Click a checkmark next to each transaction in QuickBooks that appears on your statement. This marks the transaction as cleared in your QuickBooks register.
3. In the Payments and **Credits** section of the window, click a checkmark next to each transaction that matches your statement to mark the payments as cleared in the register.

You can open a transaction to view it and make changes to it if necessary by double-clicking on the transaction in the reconciliation window.

4. When you are done with this process, the Difference in the bottom right corner should be zero. When this difference is zero *and only when this difference is zero*, click **Reconcile Now**.

For period: 12/15/2020

Hide transactions after the statements end date

Charges and Cash Advances				Payments and Credits				
DATE	REF #	PAYEE	AMOUNT	DATE	REF #	PAYEE	TYPE	AMOUNT
✓ 12/31/2018	Setup 17	Overhead	3,268.00	✓ 01/15/2019		Overhead	CHK	3,268.00
✓ 12/03/2020		Bayshore CalOi...	23.50	✓ 12/02/2020		Overhead	CHK	135.80
✓ 12/12/2020		Bayshore CalOi...	47.52					
✓ 12/15/2020		Bayshore CalOi...	10.60					
✓ 12/15/2020		Bayshore CalOi...	30.00					

Highlight Marked

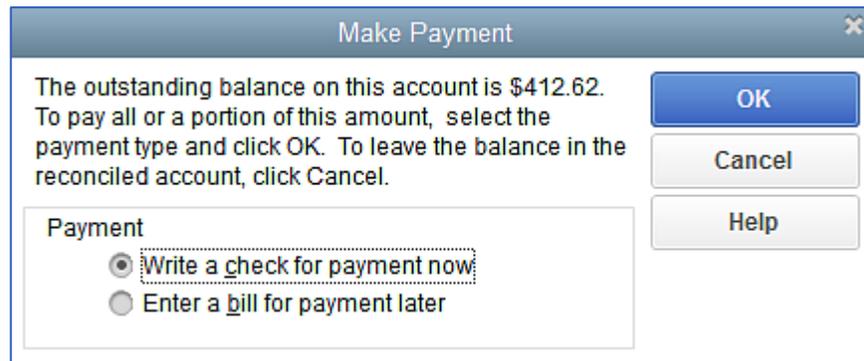
Mark All Unmark All Go To Columns to Display...

Beginning Balance	436.80	Finance Charge	0.00
Items you have marked cleared		Ending Balance	412.62
2 Payments and Credits	3,403.80	Cleared Balance	412.62
5 Charges and Cash Advances	3,379.62	Difference	0.00

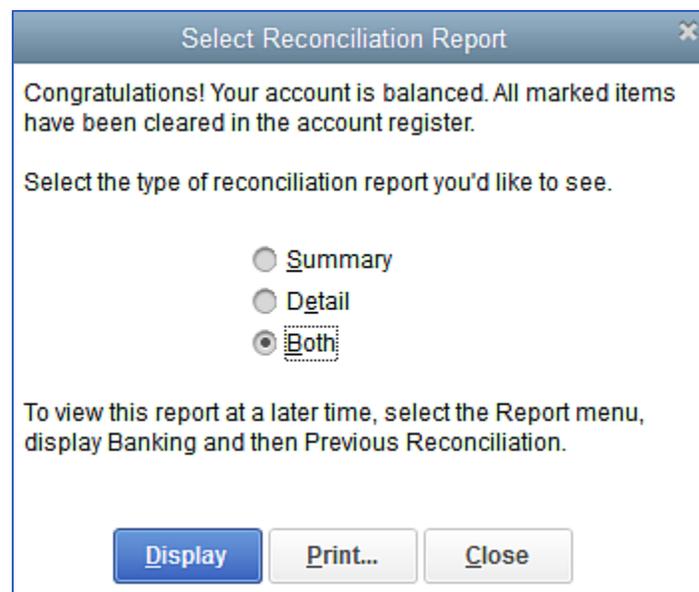
Modify

Reconcile Now Leave

- QuickBooks will ask you if you would like to enter a bill or write a check for the remaining balance on your credit card. You can choose one of these options or click **Cancel** if you would rather not do either one at this time.



- In the **Select Reconciliation Report** window you can choose to display or print your reconciliation reports. It is important to print both the Summary and Detail reports, and a best practice to save them as PDF's for future reference.



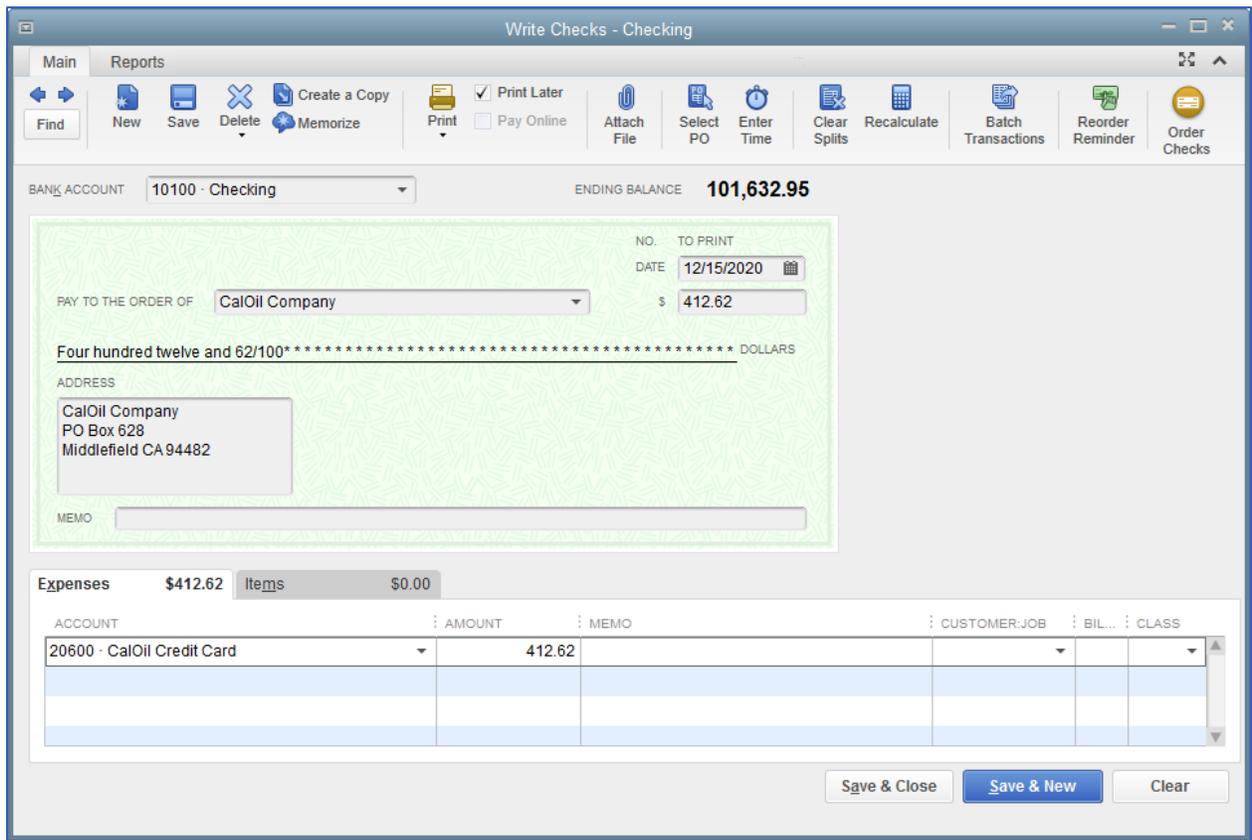
NOTES

Paying a Credit Card Bill



To write a check for the bill now (continued from the reconciliation above):

1. After reconciling, when you select **Write a check for payment now**, the Write Checks window will open. Make sure **Checking** is listed as the bank account.
2. Click in the **Pay to the Order of** field and select the name of the credit card company.
3. Notice the account is prefilled with the CalOil Credit Card account (a credit card account).



4. Click **Save & Close** to record the transaction.



NOTES

Working with Asset Accounts



IMPORTANT: *The remaining sections are somewhat advanced. It may be advisable to consult with your accountant or tax professional for assistance in dealing with these topics.*

An Other Current Asset account tracks assets that are likely to be converted to cash or used up within one year. If you buy and sell inventory, the value of your entire inventory on hand usually appears in an Other Current Asset account called something like Inventory Asset. Other current assets might include treasury bills, certificates of deposit, prepaid expenses, prepaid deposits, reimbursable expenses, and notes receivable (if due within one year).

A Fixed Asset account tracks assets your business owns that are not likely to be converted into cash within a year. A fixed asset is usually something necessary for the operation of your business, like a truck, cash register, computer or photocopier.



To set up an Other Current Asset account:

1. On the **Home** page, click **Chart of Accounts** (or use **CTRL+A** or any other method of opening the Chart of Accounts).
2. Click the **Account** menu button in the bottom left corner of the Chart of Accounts, then choose **New**.
3. Click **Other Account Types** and choose **Other Current Asset** from the drop-down list.

Add New Account: Choose Account Type

Choose one account type and click Continue.

Categorize money your business earns or spends

Income

Expense

Or, track the value of your assets and liabilities

Fixed Asset (major purchases)

Bank

Loan

Credit Card

Equity

Other Account Types **Other Current Asset**

Other Current Asset Account

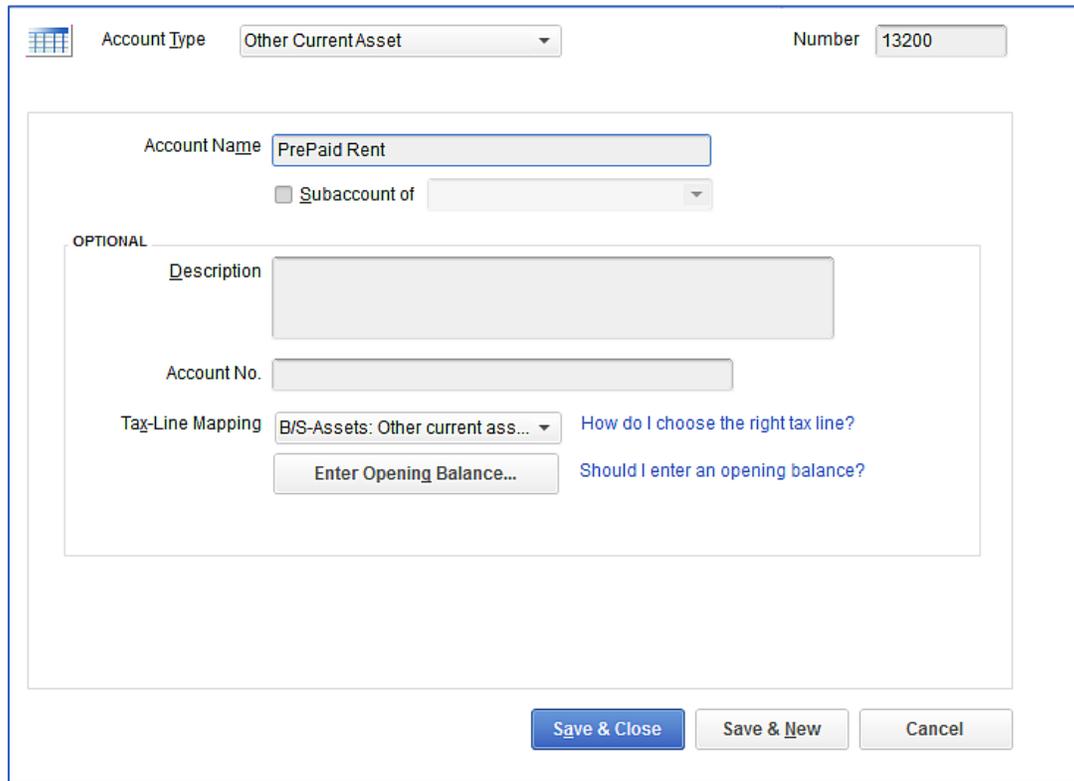
Tracks the value of things that can be converted to cash or used up within one year, such as:

- Prepaid expenses
- Employee cash advances
- Inventory
- Loans from your business

[More...](#)

[Help me choose the right account type.](#) **Continue** **Cancel**

- Click **Continue**.
- Enter the account **Number** and **Account Name** you would like to use. You may also enter a **Description** if you'd like.



The screenshot shows the 'New Account' window in QuickBooks. At the top, the 'Account Type' is set to 'Other Current Asset' and the 'Number' is '13200'. The 'Account Name' field contains 'PrePaid Rent'. Below this is a 'Subaccount of' dropdown menu. An 'OPTIONAL' section contains a 'Description' text area, an 'Account No.' text field, and a 'Tax-Line Mapping' dropdown menu set to 'B/S-Assets: Other current ass...'. To the right of the dropdown are two links: 'How do I choose the right tax line?' and 'Should I enter an opening balance?'. Below the 'Tax-Line Mapping' dropdown is a button labeled 'Enter Opening Balance...'. At the bottom of the window are three buttons: 'Save & Close', 'Save & New', and 'Cancel'.

- Click **Save & Close**.



NOTES

Setting Up Asset Accounts to Track Depreciation

Fixed assets are equipment or property your business owns that is not for sale. Since they last a long time, you don't completely charge their cost to the year in which you buy them. Instead, you spread their cost over several years. But because fixed assets wear out or become obsolete, their value declines constantly from the day you purchase them. The amount of this decline in value is called depreciation. Over time, the amount of depreciation accumulates and you can see the total decline in value at any point in time by looking at the accumulated depreciation as of that date. The accumulated depreciation account is generally set up as a fixed asset account, and is very often set up as a subaccount of a fixed asset parent account.



To set up asset accounts to track a new trailer purchased by Rock Castle Construction:

1. In the **Chart of Accounts** window, click the **Account** menu button in the bottom left corner, then choose **New**.
2. In the **Add New Account** window, select **Fixed Asset** and click **Continue**.
3. Enter the **Number** and **Account Name** you would like to use, as well as a **Description** if you'd like.
4. Do not enter an Opening Balance.
5. Click **Save & Close**.

NAME	TYPE	BALANCE TOT...	ATTACH
13200 · PrePaid Rent	Other Current Asset	0.00	
13400 · Retainage Receivable	Other Current Asset	3,703.02	
15000 · Furniture and Equipment	Fixed Asset	34,326.00	
15100 · Vehicles	Fixed Asset	78,936.91	
15150 · Trailer	Fixed Asset	0.00	
15200 · Buildings and Improvements	Fixed Asset	325,000.00	
15300 · Construction Equipment	Fixed Asset	15,300.00	
16900 · Land	Fixed Asset	90,000.00	
17000 · Accumulated Depreciation	Fixed Asset	-110,344.60	
18700 · Security Deposits	Other Asset	1,720.00	
20000 · Accounts Payable	Accounts Payable	26,636.92	
20500 · QuickBooks Credit Card	Credit Card	94.20	
20600 · CalOil Credit Card	Credit Card	0.00	

Account ▾ Activities ▾ Reports ▾ Attach Include inactive



NOTES

Tracking a Loan with a Long Term Liability Account

A Long Term Liability account tracks debts that your business is not likely to pay off within a year. The most common long-term liabilities are loans that you expect to pay off in more than one year.



Tracking a loan with a Long Term Liability account:

1. In the **Chart of Accounts**, click the **Account** menu button in the bottom left corner, then choose **New**.
2. In the **Add New Account** window, select **Other Account Types** then choose **Long Term Liability** from the drop-down list.
3. Click **Continue**.
4. Enter the **Number** and **Account Name** you would like to use, as well as a **Description** if you'd like.

Account Type: Long Term Liability Number: 23150

Account Name: Trailer Loan

Subaccount of: [dropdown]

OPTIONAL

Description: [text area]

Account No.: [text area]

Tax-Line Mapping: B/S-Liabs/Eq.: L-T Mortgage/n... [How do I choose the right tax line?](#)

 [Should I enter an opening balance?](#)

5. Do not enter an Opening Balance.

6. Click **Save & Close**.

NAME	TYPE	BALANCE TOT...	ATTACH
23150 - Trailer Loan	Long Term Liability	0.00	
23200 - Loan - Vehicles (Pickup Truck)	Long Term Liability	22,641.00	
28100 - Loan - Construction Equipment	Long Term Liability	13,911.32	
28200 - Loan - Furniture/Office Equip	Long Term Liability	21,000.00	
28700 - Note Payable - Bank of Anycity	Long Term Liability	2,693.21	
28900 - Mortgage - Office Building	Long Term Liability	296,283.00	
30000 - Opening Bal Equity	Equity	38,773.75	

Account Activities Reports Attach Include inactive

Because this is a new loan, you are either receiving money to deposit in your bank account or receiving a new asset. In this example, you received an asset (the new trailer), so you need to show an increase in the asset's Cost account.



To record an increase in the asset's Cost account:

1. In the **Chart of Accounts**, double-click the asset account that describes the asset you purchased (in this example, it would be the Trailer asset).
2. In the **Increase** field, enter the dollar amount for which the asset was purchased.
3. In the **Account** field, select the corresponding liability account that was used to purchase the asset (in this example the Trailer Loan liability account).

DATE	REF	PAYEE	DECREASE	INCREASE	BALANCE
TYPE	ACCOUNT	MEMO			
12/15/2...	Ref	Payee			
	TRANSF	23150 - Trailer Loan	Decrease	30,000.00	
ENDING BALANCE					0.00

Splits 1-Line
Sort by Date, Type, Number/Ref Record Restore

4. Click **Record**.
5. Close the register window.
6. Close the Chart of Accounts.

You can enter the trailer on the Fixed Asset Item list. Tracking fixed assets using the Fixed Asset Item list enables you to record such detailed information about an asset as the purchase date and price, whether the asset was new or used when purchased, and the asset's sale price if you decide to sell it. You can also generate customizable reports listing all your fixed assets.

Entering information on the Fixed Asset Item List does not in any way affect your general ledger, and therefore does not double-count the entry in which you purchased the asset and incurred the loan.



To create a fixed asset item:

1. From the **Lists** menu, choose **Fixed Asset Item List**.

NAME	LOCATION OF FIX...	PU...	ACCOUNT ▲	COST	COST/B...	ACCUM...	B...	S...	P...	ATT...
Desktop PC (5) - 8		05/0...	15000 · Furniture a...	13,000...	13,000.00	2,600.00	10...		0.00	
Copier/Printer - 15	Main Office	04/2...	15000 · Furniture a...	5,000.00	5,000.00	1,000.00	4...		0.00	
Chairs - 3		11/1...	15000 · Furniture a...	475.00	475.00	247.00	22...		0.00	
Conference Table - 4		11/1...	15000 · Furniture a...	3,500.00	3,500.00	1,820.00	1...		0.00	
Desks - 5		12/2...	15000 · Furniture a...	2,100.00	2,100.00	1,092.00	1...		0.00	
Desktop computer - 6	MV	10/1...	15000 · Furniture a...	2,000.00	2,000.00	1,040.00	96...		0.00	
Desktop PC - 7		10/0...	15000 · Furniture a...	5,000.00	5,000.00	2,600.00	2...		0.00	
Laser Printer - 9		10/0...	15000 · Furniture a...	2,001.00	2,001.00	1,040.52	96...		0.00	
Metal filing cabinets - 10		10/2...	15000 · Furniture a...	1,250.00	1,250.00	484.69	76...		0.00	
Server - 13		10/0...	15000 · Furniture a...	6,500.00	6,500.00	3,380.00	3...		0.00	
Lexus - 16		04/2...	15100 · Vehicles	75,000...	75,000.00	15,000...	60...		0.00	
2005 pickup - 2	Bayshore, CA	02/1...	15100 · Vehicles	28,602...	28,602.91	12,585...	16...		0.00	
2005 Van - 14		10/1...	15100 · Vehicles	26,000...	26,000.00	21,507...	4...		0.00	
Utility Truck - 1	Bayshore, CA	06/0...	15100 · Vehicles	24,334...	24,334.00	12,585...	11...		0.00	

Item Activities Reports Attach Include inactive

2. Click the **Item** menu button and select **New**.

3. In the **Asset Name/Number** field, enter the name of the asset.
4. Enter the remaining information to complete the **Purchase Information** section.
5. Enter the remaining information to complete the **Asset Information** section.
6. Choose the corresponding asset account from the **Asset Account** drop-down list.

The screenshot shows the 'New Item' dialog box in QuickBooks. The 'TYPE' dropdown is set to 'Fixed Asset'. The 'Asset Name/Number' field contains 'Trailer' and the 'Asset Account' dropdown is set to '15150 - Trailer'. The 'PURCHASE INFORMATION' section includes a 'Purchase Description' of 'Trailer', a date of '12/15/2020', a cost of '30,000.00', and a vendor of 'East Bayshore Auto Mall'. The 'SALES INFORMATION' section is mostly empty. The 'ASSET INFORMATION' section includes an 'Asset Description' of 'White Trailer with Company Logo', a 'Serial Number' of '123456789', and a 'Warranty Expires' date of '12/15/2025'. There are buttons for 'OK', 'Cancel', 'Next', 'Custom Fields', and 'Spelling' on the right side.

7. Click **OK**.
8. Close the Fixed Asset Item list.



NOTES

Recording a Payment on a Loan

When it's time to make a payment on a loan, use the Write Checks window to record a check to your lender. Assign part of the payment to loan interest expense and the remainder to loan principal.



To record a payment on a loan:

1. From the **Banking** menu choose **Write Checks**.
2. In the **Pay to the Order of** field enter the name of the lender.
3. Enter the dollar amount of the payment in the **Amount** field.
4. Click in the **Account** column on the **Expenses** tab and enter the liability account you are paying against. You can use multiple accounts/lines here to account for principal payment vs interest expense.

Write Checks - Checking

Main Reports

Find New Save Delete Memorize Create a Copy Print Pay Online Attach File Select PO Enter Time Clear Splits Recalculate Batch Transactions Reorder Reminder Order Checks

BANK ACCOUNT: 10100 - Checking ENDING BALANCE: 101,220.33

NO. TO PRINT: DATE: 01/16/2021

PAY TO THE ORDER OF: Great Statewide Bank \$ 500.00

Five hundred and 00/100***** DOLLARS

ADDRESS: Great Statewide Bank, P.O. Box 522, Bayshore CA 94326

MEMO: monthly payment on the trailer loan - includes both principal and interest

ACCOUNT	AMOUNT	MEMO	CUSTOMER JOB	BIL...	CLASS
62400 - Interest Expense: 62420 - Loan Interest	225.00	This is the principal component of this payment			
15150 - Trailer	275.00	This is the interest component of this payment			

Expenses \$500.00 Items \$0.00

Save & Close Save & New Clear

5. Click **Save & Close** to record the payment.
6. The split between principal and interest as they comprise the total payment will change from payment to payment, in accordance with the loan amortization schedule.

When you record the transaction, QuickBooks automatically updates the accounts affected by this transaction:

- In your checking account, QuickBooks subtracts the amount of the check from your balance
- In the expense account that tracks interest, QuickBooks enters the interest amount as an increase to your company's interest expense
- In the Trailer Loan liability account, QuickBooks subtracts the principal amount from the current value of the liability (reducing the amount of your debt)



NOTES

Introduction to Equity Accounts

Equity on your company's balance sheet is defined as the company's net worth. The total of assets less total liabilities equals the equity.

Equity is comprised of the company's Retained Earnings (or Owner's Equity if it is not an incorporated company) since the company's inception (incremented each year by that year's Net Income if it is positive, or reduced by that year's Net Income if it is negative or a loss), adjusted for, if they exist:

- Dividends paid out or Owner's draw (these reduce equity)
- Common or preferred shares (these increase equity)
- Contributed or paid-in capital

Using Other Accounts in QuickBooks — Review Questions

1. Accumulated depreciation is typically set up as what type of account in QuickBooks?
 - a. A subaccount of a fixed asset account
 - b. A subaccount of a current asset account
 - c. A subaccount of a liability account
 - d. An expense account
2. Equity type accounts would be used to track which of the following?
 - a. Capital investments
 - b. Draws
 - c. Retained earnings
 - d. All of the above
3. Which of the following would likely be considered a long-term liability?
 - a. Vehicle loan
 - b. Accounts payable
 - c. Rent
 - d. Credit card account
4. Retained earnings is defined as which of the following?
 - a. The amount of money that a business retains for paying its employees
 - b. The earnings from non-essential business services
 - c. The amount of interest saved from paying off a loan early
 - d. The accumulation of a company's net income or loss from its start date
5. Which of the following would not decrease the value of a company's equity?
 - a. The company paying corporate dividends
 - b. The company incurring a net loss for the fiscal year
 - c. An owner drawing money out of the company
 - d. The company taking a loan out to purchase a new asset

Review Activities

Assume that the owner of Rock Castle Construction has taken out a loan and purchased a computer system for \$15,000. He wants to track the accumulated depreciation and cost of the system in two separate fixed asset accounts.

1. Create a fixed asset account called *Computer System*.
2. Create a long-term liability account to track the loan.
3. Enter the amount of the loan as an increase in the asset's account. Assign the transaction to the loan liability account.

Answers to Review Questions

1. Accumulated depreciation is typically set up as what type of account in QuickBooks?
 - a. ✓ A subaccount of a fixed asset account
 - b. A subaccount of a current asset account
 - c. A subaccount of a liability account
 - d. An expense account
2. Equity type accounts would be used to track which of the following?
 - a. Capital investments
 - b. Draws
 - c. Retained Earnings
 - d. ✓ All of the above
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