

QUICKBOOKS® CRIB SHEET

A SMALL BUSINESS CFO REFERENCE GUIDE

REPORTS

The number one goal of accounting software is to produce financial reports that inform business owners on the condition of their business and help them plan for the future. Here are some reports that are helpful:

Balance Sheet Standard	The “net worth” statement for the business. The most beneficial information is working capital: cash plus accounts receivable should always exceed accounts payable; otherwise there will be cash flow problems.
Profit & Loss Standard	Where revenue comes from and where expenses are going. If a business doesn’t have a cost of goods section on its report, then it is missing vital data.
Income by Customer Summary	This report tells which customers provide the most revenues so businesses can focus on those accounts.
Open Invoices	Provides detail on who owes money and how much. Great for helping businesses improve cash flow by indicating where payments might be found.
Sales by Item Summary	This report says which products are most profitable. See the section on setting up items below.
Unpaid Bills Detail	A type of accounts payable report. SBCFO’s preferred accounts payable report since both aging and vendor relationship can be considered when making payment decisions.
Inventory Status by Item	This report is probably the best summary of stock, its value, and what is committed for existing orders.

CONFIGURING QUICKBOOKS

User preferences

These can be found by going to the Edit menu, and then down to Preferences. The left side of the box that appears categorizes the preference area, and the right allows for either personal or company-wide preferences. Several preferences that one may wish to change:

- Turn on or off sounds / beeps are in the “general” section.
- Automatic decimal point settings: if you type 100 and meant \$100, but only get \$1.00, change it here. Also in the “general” section.
- Account numbers sort the order of the chart of accounts for those who want their financial reports sorted in a specific way. This option can be found in the “accounting” preferences section.

SBCFO

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Items

To analyze product sales, by physical goods or services, create QuickBooks items. To create them, go to the Lists menu and select Items. Below are some item types:

Service	Examples are event planning or consulting by the hour.
Non-Inventory Part	This could be used for sales of items that businesses drop ship or don't keep in inventory.
Inventory Part	For items held in inventory, either finished inventory (such as air conditioners) or components used to manufacture finished goods.
Inventory Assembly	In manufacturing environments, this would be used to show the number of components used in inventory to create the finished product. For example, if a toy manufacturer makes a wooden car with four plastic wheels, then inventory parts would be set up for the wooden body and wheels, while one inventory assembly unit would be set up as one body and four wheels.
Sales Tax	The place to configure sales tax, if necessary.

Remember that items link to the chart of accounts. For example: if a business separates product sales and service sales on the Profit & Loss Statement, then each item set up as a product should be linked to the product revenue account, and each service item should be linked to the service revenue account.

Chart of Accounts

Description and order of data on the Balance Sheet and Profit & Loss summary come from configuring the chart of accounts. These are configured by going to the "Lists" menu and clicking on "Chart of Accounts" or by using QuickBooks default accounts provided during installation. Primary types of accounts are: assets, liabilities, revenues, cost of goods, and expenses. These are fairly straightforward, though sometimes cost of goods is misunderstood.

Cost of goods is a type of expense, but specifically tied to revenues. For example, a manufacturer would include raw materials and hardware as cost of goods, because the final product could not be produced without these items. A consulting firm would list consultant's salaries under cost of goods. Office supplies, advertising costs, sales commissions, and administrative salaries would all be expenses, not cost of goods. Cost of goods is important for analyzing business performance; make sure that your QuickBooks database is properly set up with this type of account.

TWO FINAL NOTES

QuickBooks provides sample business data files so users can see how various aspects of the program are set up. *Take advantage of these samples.*

If you have any questions about QuickBooks, financial management for small businesses, or wish to provide feedback on this reference guide, *please e-mail Small Business CFO.*