

QUICKBOOKS ONLINE PLUS: A COMPLETE COURSE 2016

Chapter 5:
General
Accounting
and End-of-
Period
Procedures



Pearson

Lecture Focus

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- Complete end-of-period procedures
 - Record adjusting entries
 - Record Owner's Equity transactions
 - Investments
 - Drawing
 - Transfer Net Income into Capital account
 - Reconcile bank statement
 - Close the end of a period
- Prepare reports

Lecture Notes

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- ❑ Lecture for Chapter 5 will not match text material
- ❑ Lecture designed to illustrate key points in chapter examples and coverage may not encompass everything in the chapter
- ❑ In Chapter 5, Your Name's Beach Barkers is used to present lecture information
- ❑ Transactions shown in one section will not carry through to all sections
- ❑ Lecture for illustrative purposes only—not to be completed by students
- ❑ Do not record transactions illustrated in lecture
- ❑ Google Chrome used for Web browser

Text Training Procedures

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- Use Test Drive Company to **Drill** and practice
- Use Your Name's Beach Barkers to **Do**
 - ▣ Record and save entries
 - ▣ Enter Additional Transactions at end of chapter to reinforce
- Print, export to Excel, or submit work as instructed
- Use dates provided in text
- Use 2016 as the year
- Note: Test Drive Company has automatic date changes built into company so dates do not always match

General Accounting and End-of-Period Procedures

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- QuickBooks Online does not require special closing procedures at the end of a period
 - Automatically transfers Net Income into Retained Earnings
 - Only closing entry required is to enter and assign a closing date
 - Transaction detail viewable
 - Editing allowed after approval

General Accounting and End-of-Period Procedures

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- QBO uses accrual-basis accounting
- Certain entries required to match income and expenses to a period
 - ▣ Adjusting entries
 - Record how much of prepaid expenses are used during the period
 - ▣ Depreciation
 - Record how much equipment value depleted
 - ▣ Owner Equity adjustments
 - ▣ Bank Reconciliation

Accrual-Basis Accounting

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- ❑ Matches income and expenses of a period in order to calculate net income or net loss
- ❑ Revenue is earned at the time a service is performed or a sale is made
- ❑ Expenses are incurred at the time a bill is received or a purchase is made
- ❑ Payment dates for sales or purchases do not reflect when income earned or expense incurred

Cash-Basis Accounting

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- Payment date determines when income earned or expense incurred
- Transactions not recorded until payment received or payment made

Compare Profit or Loss Between Accrual- and Cash-Basis Accounting

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- In November, record:
 - ▣ \$1,000 Sales on account
 - ▣ \$600 insurance for one year
 - $\$600/12 \text{ months} = \50 per month
- Statement of Profit & Loss for November would show:

November	Accrual	Cash
Income	\$1,000	\$ 0
Insurance Expense	$(\$600/12) = -50$	-600
Net Profit (Loss)	Profit \$950	Loss -\$600

Adjusting Entries: Prepaid Expenses

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- Prepaid Expenses are expenses that are paid in advance
- Examples:
 - Prepaid Insurance
 - Usually pay the premium for six months to one year
 - Office Supplies
 - Supplies purchased to have on hand and use as needed

Adjusting Entries: Prepaid Expenses

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- Record Adjusting Entry for Prepaid Insurance
- Transaction:
 - ▣ Record one month's use of Prepaid Insurance. Premium paid is \$1,200 per year.
- Click **Plus** icon
- Click **Journal Entry** in the Other column
- Enter **Date**
- Enter or accept the Journal no.
- Click drop-down list arrow for ACCOUNT
 - ▣ Need to add an account for Vehicle Insurance
 - ▣ Click **+Add New**

Adjusting Entries: Prepaid Expenses

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- Complete adding account
 - ▣ Category Type: **Expenses**
 - ▣ Detail Type: **Insurance**
 - ▣ Name: **Vehicle Insurance**
 - ▣ Is sub-account: **Insurance**
 - ▣ Click **Save and close**

Account

Category Type

Expenses

* Detail Type

Cost of Labor
Dues & subscriptions
Entertainment
Entertainment Meals
Equipment Rental
Finance costs
Insurance
Interest Paid
Legal & Professional Fees

* Name

Vehicle Insurance

Description

Is sub-account

Insurance

Use **Insurance** to track insurance payments.

You may want different accounts of this type for different types of insurance (auto, general liability, and so on).

Adjusting Entries: Prepaid Expenses

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- Calculate Adjustment Amount
 - ▣ Premium $\$1,200 / 12 \text{ months} = \100 per month
- Complete entry
 - ▣ Line 1: Tab to DEBITS, Enter **\$100**
 - ▣ Tab to DESCRIPTION
Enter: **Adjusting Entry, March**
 - ▣ Line 2: Account: **Prepaid Insurance**
 - QBO enters **\$100 Credits** and Description: **Adjusting Entry, March**
- Click **Save and new**

Journal date		Journal no.				
03/01/2016		32				
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME	
1	Insurance:Vehicle Insurance	100.00		Adjusting Entry, March		
2	Prepaid Insurance		100.00	Adjusting Entry, March		
Total		100.00	100.00			

Adjusting Entries: Prepaid Expenses

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- Office Supplies purchased to have on hand is a prepaid expense
- Amount used is an expense
- Transaction:
 - ▣ Used \$125 of Office Supplies during the month
- Record adjusting entry
 - ▣ Journal Date
 - ▣ Enter or accept Journal no. shown
 - ▣ Line 1: **Office Supplies Expense, Debits: \$125, Description: Adjusting Entry, March**
 - ▣ Line 2: **Office Supplies**
 - ▣ QBO enters Credits amount and Description automatically
- Click **Save and new**

Journal date		Journal no.				
03/01/2016		33				
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME	
⋮	1 Supplies Expense:Office Supplies Expense	125.00		Adjusting Entry, March		
⋮	2 Supplies:Office Supplies		125.00	Adjusting Entry, March		
Total		125.00	125.00			

Adjusting Entries: Prepaid Expenses

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- Transaction:
 - At the end of the month Cleaning Supplies account balance is \$850.
- Calculate amount of adjusting entry for Cleaning Supplies:
 - View Account in Chart of Accounts to see current balance

Cleaning Supplies	Other Current Assets	Prepaid Expenses	925.00
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- Current Balance \$925 – Ending Balance \$850 = \$75
Transaction Amount

Adjusting Entries: Prepaid Expenses

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- Record adjusting entry
 - ▣ Date
 - ▣ Journal no.
 - ▣ Line 1: Account: **Cleaning Supplies Expense**, Debits: **\$75**,
Adjusting Entry, March
 - ▣ Line 2: Account: **Cleaning Supplies**
 - QBO enters the Credits amount and Description

Journal date		Journal no.				
03/01/2016		34				
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME	
1	Supplies Expense:Cleaning Supplies Expense	75.00		Adjusting Entry, March		
2	Supplies:Cleaning Supplies		75.00	Adjusting Entry, March		
Total		75.00	75.00			

- Click **Save and new**

Adjusting Entries: Depreciation

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- Equipment and other Fixed Assets wear out over time and need to be replaced
- Cannot see decrease in value or use—Depreciation
- Accrual-basis accounting must record the depreciation for the period
- Transaction:
 - ▣ Record one-month's depreciation of the Vehicle, \$250.

Adjusting Entries: Depreciation

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- Record transaction
 - ▣ Date
 - ▣ Enter or accept Journal no.
 - ▣ Line 1: Account: **Depreciation Expense**, Debits: **\$275**, Description: **Adjusting Entry, March**
 - ▣ Line 2: **Vehicles:Depreciation**
 - QBO enters Credits amount and Description

Journal date		Journal no.				
03/01/2016		35				
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME	
1	Depreciation Expense	275.00		Adjusting Entry, March		
2	Vehicles:Depreciation		275.00	Adjusting Entry, March		
Total		275.00	275.00			

- Click **Save and close**

Equity Accounts

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- Equity Accounts used to identify owner values in company
- When Your Name's Beach Barkers was created, all opening balance amounts were entered into Opening Balance Equity account
- To avoid confusion in earlier chapters, account name changed to Your Name, Capital
- Not all Equity Accounts added during company creation

Change Equity Account Name

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- Change Your Name, Capital to **Opening Balance Equity**
 - Open Chart of Accounts
 - Click drop-down list arrow for Your Name, Capital
 - Click **Edit**
 - Change account name to **Opening Balance Equity**
 - Click **Save and close**

Account

Category Type	Equity	* Name	Opening Balance Equity
* Detail Type	Accumulated Adjustment Common Stock Opening Balance Equity Owner's Equity Paid-In Capital or Surplus Partner Contributions Partner Distributions Partner's Equity	Description	
		<input type="checkbox"/> Is sub-account	
		Enter parent account	
		Balance	142,842.50

QuickBooks Online Plus creates this account the first time you enter an opening balance for a balance sheet account.

As you enter opening balances, QuickBooks Online Plus records the amounts in **Opening balance equity**. This ensures that you have a correct balance sheet for your company, even before you've finished entering all your company's assets and liabilities.

Add Equity Accounts

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- Click **New** at the top of the Chart of Accounts
- Add equity accounts:
 - ▣ **Category Type: Equity**
 - ▣ **Detail Type: Owner's Equity**
 - ▣ **Name: Your Name, Capital**
 - Use your actual name
 - ▣ **Click Save and new**

Account

Category Type	Equity	* Name	Your Name, Capital
* Detail Type	Accumulated Adjustment Common Stock Opening Balance Equity Owner's Equity Paid-In Capital or Surplus Partner Contributions Partner Distributions Partner's Equity	Description	
		<input type="checkbox"/> Is sub-account	
		<i>Enter parent account</i>	
		Balance	as of
			03/01/2016

S corporations use **Owner's equity** to show the cumulative net income or loss of their business as of the beginning of the fiscal year.

Add Equity Accounts

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- Next two accounts:
 - Type: Equity
 - Detail Type: Owner's Equity
 - Name:
 - Your Name, Investment
 - Your Name, Drawing
 - Subaccounts of Your Name, Capital

Your Name, Capital	Equity	Owner's Equity	0.00
Your Name, Drawing	Equity	Owner's Equity	0.00
Your Name, Investment	Equity	Owner's Equity	0.00

Transfer Opening Balance Equity into Capital Accounts

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- Determine amount of Owner's Investment
 - ▣ View Register for Opening Balance Equity
 - ▣ Note amount for 12/31/15 Deposit for Checking:
45,385.00
- Record Compound Journal Entry to:
 - ▣ Close Opening Balance Equity
 - ▣ Transfer amounts to:
 - Your Name, Investment
 - Your Name, Capital

Transfer Opening Balance Equity into Capital Accounts

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- **Open Journal Entry screen**
 - Date
 - Journal no.
 - Calculate transaction amounts:
 - Opening Balance Equity 142,362.50 – Owner's Investment 45,385.00 = Amount to transfer to Your Name Capital 96,977.50
 - Line 1: Account: **Opening Balance Equity**, Debits: **142,362.50**, Description: **Close Opening Balance Equity**
 - Line 2: Account: **Your Name, Investment**, Credits: **45,385.00**, Description: **Transfer Owner Investment**
 - Line 3: Account: **Your Name, Capital**, Credits: **96,977.50**, Description: **Close Opening Balance Equity**

Transfer Opening Balance Equity into Capital Accounts

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□ View Journal Entry

Journal date		Journal no.				
03/01/2016		4				
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME	
⋮	1 Opening Balance Equity	142,362.50		Close Opening Balance Equity		
⋮	2 Your Name, Capital:Your Name, Investment		45,385.00	Transfer Owner Investment		
⋮	3 Your Name, Capital		96,977.50	Close Opening Balance Equity		
Total		142,362.50	142,362.50			

□ Click **Save and close**

Transfer Opening Balance Equity into Capital Accounts

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- View Equity section in Chart of Accounts
 - ▣ Note balances:

Opening Balance Equity	Equity	Opening Balance Equity	0.00
Retained Earnings	Equity	Retained Earnings	0.00
Your Name, Capital	Equity	Owner's Equity	142,362.50
Your Name, Drawing	Equity	Owner's Equity	0.00
Your Name, Investment	Equity	Owner's Equity	45,385.00

Owner Withdrawals

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- In sole proprietorship
 - ▣ Owner cannot receive a paycheck
 - ▣ Must withdraw funds from company
- Use a separate account to record owner withdrawals
- Write Check for owner withdrawal
 - ▣ Click **Plus** icon
 - ▣ Click **Check** in Vendors column

Owner Withdrawals

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- Complete check
 - ▣ Payee: Leave blank
 - Owner is not a vendor, customer, or employee so leave blank
 - ▣ Account: **Checking**
 - ▣ Payment date
 - ▣ Check no.
 - ▣ Account: **Your Name, Drawing**
 - ▣ Amount
 - ▣ Memo: **Monthly Withdrawal**
 - ▣ Print, click **Save and close**

Choose a payee Checking Balance \$59,148.84 AMOUNT \$500.00

Mailing address Payment date Check no.
 Print later

▼ Account details

#	ACCOUNT	DESCRIPTION	AMOUNT	BILLABLE	CUSTOMER
1	Your Name, Capital:Your Name, Drawing		500.00		

► Item details

Memo Total \$500.00

Additional Investments by Owner

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- Owners may make investments into a business at any time
- Investments may be
 - ▣ Cash
 - ▣ Non-cash
 - Example: Equipment, Furniture, etc.
- Transactions:
 - ▣ Invest an additional \$3,000 into the business
 - ▣ Invest a new computer \$2,500 into the business

Cash Investment by Owner

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- Record a Journal Entry
 - ▣ Date
 - ▣ Journal no.
 - ▣ Line 1: Account: **Checking**, Debits: **3,000**, Description: **Additional Owner Investment**
 - ▣ Line 2: **Your Name, Investment**
 - ▣ QBO enters Credits amount and Description

Journal date		Journal no.				
03/01/2016		5				
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME	
⋮	1 Checking	3,000.00		Additional Owner Investment		
⋮	2 Your Name, Capital:Your Name, Investment		3,000.00	Additional Owner Investment		
Total		3,000.00	3,000.00			

- ▣ Click **Save and new**

Non-Cash Investment by Owner

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- Record a Journal Entry
 - ▣ Date
 - ▣ Journal no.
 - ▣ Line 1: Account: **Office Equipment:Original Cost**, Debits: **2,500**, Description: **Additional Owner Investment**
 - ▣ Line 2: **Your Name, Investment**
 - ▣ QBO completes Line 2 information

Journal date		Journal no.				
03/01/2016		6				
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME	
⋮ 1	Office Equipment:Original cost	2,500.00		Additional Owner Investment		
⋮ 2	Your Name, Capital:Your Name, Investment		2,500.00	Additional Owner Investment		
Total		2,500.00	2,500.00			

- ▣ Click **Save and close**

Journal

- ❑ Prepare Journal report to view all Owner's Equity transactions

Your Name's Beach Barkers							
JOURNAL							
March 1, 2016							
DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	DEBIT	CREDIT
03/01/2016	Journal Entry	4		Close Opening Balance Equity	Opening Balance Equity	\$142,362.50	
				Transfer Owner Investment	Your Name, Capital:Your Name, Investment		\$45,385.00
				Close Opening Balance Equity	Your Name, Capital		\$96,977.50
						\$142,362.50	\$142,362.50
03/01/2016	Check	17		Monthly Withdrawal	Checking		\$500.00
					Your Name, Capital:Your Name, Drawing	\$500.00	
						\$500.00	\$500.00
03/01/2016	Journal Entry	5		Additional Owner Investment	Checking	\$3,000.00	
				Additional Owner Investment	Your Name, Capital:Your Name, Investment		\$3,000.00
						\$3,000.00	\$3,000.00
03/01/2016	Journal Entry	6		Additional Owner Investment	Office Equipment:Original cost	\$2,500.00	
				Additional Owner Investment	Your Name, Capital:Your Name, Investment		\$2,500.00
						\$2,500.00	\$2,500.00
03/01/2016	Journal Entry	32		Adjusting Entry, March	Insurance:Vehicle Insurance	\$100.00	
				Adjusting Entry, March	Prepaid Insurance		\$100.00
						\$100.00	\$100.00
03/01/2016	Journal Entry	33		Adjusting Entry, March	Supplies Expense:Office Supplies Expense	\$125.00	
				Adjusting Entry, March	Supplies:Office Supplies		\$125.00
						\$125.00	\$125.00
03/01/2016	Journal Entry	34		Adjusting Entry, March	Supplies Expense:Cleaning Supplies Expense	\$75.00	
				Adjusting Entry, March	Supplies:Cleaning Supplies		\$75.00
						\$75.00	\$75.00
03/01/2016	Journal Entry	35		Adjusting Entry, March	Depreciation Expense	\$275.00	
				Adjusting Entry, March	Vehicles:Depreciation		\$275.00
						\$275.00	\$275.00
TOTAL						\$148,937.50	\$148,937.50

Balance Sheet

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- Prepare Balance Sheet
 - ▣ Proves: $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$
- View Equity section to see changes in Owner's Equity accounts

Equity	
Opening Balance Equity	0.00
Retained Earnings	22,200.00
Your Name, Capital	96,977.50
Your Name, Drawing	-500.00
Your Name, Investment	50,885.00
Total Your Name, Capital	147,362.50
Net Income	2,154.48
Total Equity	\$171,716.98

Bank Reconciliation

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- Checking account and bank statement should be reconciled monthly
- Bank statement will rarely have the same ending balance as checking
- Due to
 - ▣ Deposits in transit (made but not yet in bank records)
 - ▣ Outstanding checks (written but not yet cashed)
 - ▣ Bank charges
 - ▣ Interest earned on account
 - ▣ Automatic loan payments
 - ▣ Transaction errors

Bank Statement Information

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- Bank Statement shows transactions recorded in bank account

- Checks
- Deposits
- Charges
- Interest
- Automatic payments

- Must be matched to Checking account transactions

- When bank reconciliation is complete, Checking account balance will match bank statement balance

Beach Bank 350 Second Street Venice, CA 90202 310-555-9889		
Your Name's Beach Barkers 1302 Pacific Avenue Venice, CA 92091		
Account: 123-321-4566		January 22, 2016
Beginning Balance, 1/1/2016		\$45,385.00
1/12/2016 Check 1	\$20.00	45,365.00
1/15/2016 Deposit	5,640.00	51,005.00
1/15/2016 Equipment Loan Pmt.: Principal \$29.41. Interest \$8.33:	37.74	50,967.26
1/15/2016 Service Charge	8.00	50,959.26
1/15/2016 Interest	37.85	50,997.11
1/21/2016 Check 2	300.00	50,697.11
1/21/2016 Check 3	403.68	50,293.43
1/21/2016 Check 4	500.00	49,793.43
1/21/2016 Check 5	500.00	49,293.43
Ending Balance, 1/22/2016		\$49,293.43

Begin Bank Reconciliation

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- ❑ Click **Gear** icon
- ❑ Click **Reconcile** in the Tools column
- ❑ Get Reconcile screen

Reconcile Checking

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- Verify Account: **Checking**
 - ▣ Note: all Balance Sheet accounts may be reconciled
- Click **Reconcile Now** button

Reconcile

Account

Reconciliation History & Reports

Statement Ending Date	Reconciled On ▼	Ending Balance	Changes	Auto Adjustment
There is no reconciliation history for this account, since it hasn't been reconciled before.				

Start Reconciling

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- Complete Start Reconciling Screen
 - ▣ Account should be **Checking**
 - ▣ Enter Statement Ending Date
 - ▣ Enter the Ending Balance
 - ▣ Enter Service Charge
 - Make sure correct Date is shown
 - Account: **Bank Charges**
 - ▣ Enter Interest Earned
 - Make sure correct Date is shown
 - Account: **Interest Earned**
- Click **OK**

Start Reconciling

Account

1. Enter the following from your statement

Statement Ending Date	Beginning Balance	Ending Balance
<input type="text" value="01/22/2016"/>	45,385.00	<input type="text" value="49,293.43"/>

2. Enter service charges and interest earned, if any

Service Charge	Date	Account
<input type="text" value="8"/>	<input type="text" value="01/22/2016"/>	<input type="text" value="Bank Charges"/>
Interest Earned	Date	Account
<input type="text" value="37.85"/>	<input type="text" value="01/22/2016"/>	<input type="text" value="Interest Earned"/>

Begin Reconciliation

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- Verify amounts for Information from Statement
 - ▣ Shown at the bottom of the Reconcile – Checking screen

▼ Edit Information from Statement		Beginning Balance	45,385.00
		1 Checks and Payments	8.00
Service Charge	8.00	1 Deposits and Other Credits	
Interest Earned	37.85		37.85
		Statement Ending Balance	49,293.43
		Cleared Balance	45,414.85
		Difference	3,878.58

- Note the Difference of **3,878.58**
- When the reconciliation is complete Difference must be 0.00

Mark Cleared Transactions

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- ❑ Click each item shown on Reconcile – Checking screen that is also shown on Bank Statement
 - ❑ Must click check box not transaction
 - ❑ Note Difference of -37.74

Reconcile - Checking

For statement ending on: 01/22/2016 Hide transactions after the statement's end date

Checks and Payments						Deposits and Other Credits					
<input type="checkbox"/>	Date ^	Type	Num	Name	Amount	<input type="checkbox"/>	Date ^	Type	Num	Name	Amount
<input checked="" type="checkbox"/>	01/12/2016	Refund	1	Gucci, Gloria	20.00	<input checked="" type="checkbox"/>	01/15/2016	Deposit			5,640.00
<input checked="" type="checkbox"/>	01/21/2016	Bill Payment	2	Training Supplies & ...	300.00	<input type="checkbox"/>	01/17/2016	Deposit			12,575.00
<input checked="" type="checkbox"/>	01/21/2016	Bill Payment	3	Super Office	403.68	<input checked="" type="checkbox"/>	01/22/2016	Deposit	INTEREST		37.85
<input checked="" type="checkbox"/>	01/21/2016	Bill Payment	4	Bow-Wow Supplies	500.00						
<input checked="" type="checkbox"/>	01/21/2016	Bill Payment	5	Canine Supplies	500.00						
<input type="checkbox"/>	01/22/2016	Check	6	Marina Water District	175.95						
<input type="checkbox"/>	01/22/2016	Check	7	Southern California ...	189.50						
<input type="checkbox"/>	01/22/2016	Check	8	Cal Electric	89.75						
<input checked="" type="checkbox"/>	01/22/2016	Check	SVCCHRG		8.00						

Edit Information from Statement			
		Beginning Balance	45,385.00
		6 Checks and Payments	1,731.68
		2 Deposits and Other Credits	
Service Charge	8.00		
Interest Earned	37.85		5,677.85
		Statement Ending Balance	49,293.43
		Cleared Balance	49,331.17
		Difference	-37.74

Adjusting Entries: Bank Reconciliation

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- ❑ Automatic loan payment for **Equipment Loan** not recorded in QuickBooks Online Checking account
- ❑ With Reconcile-Checking still on screen click **Plus** icon then click **Check** in the Vendors column
- ❑ Record Check to **Beach Bank**
 - ❑ Payment Account: Checking
 - ❑ Payment Date
 - ❑ Click **Print later** to unmark
 - ❑ Check no.: leave blank

Adjusting Entries: Bank Reconciliation

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- Complete Check
 - ▣ Line 1: Account: **Equipment Loan**, Amount: **29.41**
 - ▣ Line 2: Account: **Interest Expense**, Amount: **8.33**
 - ▣ Memo: **Equipment Loan Payment**

Beach Bank	Checking	Balance \$60,067.73	AMOUNT \$37.74		
Mailing address		Payment date	Check no.		
Beach Bank 350 Second Street Venice, CA 90202		01/22/2016			
			<input type="checkbox"/> Print later		
▼ Account details					
#	ACCOUNT	DESCRIPTION	AMOUNT	BILLABLE	CUSTOMER
1	Loans Payable:Equipment Loan		29.41		
2	Interest Expense		8.33		
			Total		\$37.74
Memo					
Equipment Loan Payment					

- Click **Save and close** to return to Reconcile-Checking

Complete Bank Reconciliation

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- After equipment loan payment is recorded
 - ▣ Click transaction to mark the Loan Payment check
 - ▣ Verify the difference of 0.00

<input checked="" type="checkbox"/>	01/22/2016	Check	...	Beach Bank	37.74
▼	Edit Information from Statement				
				Beginning Balance	45,385.00
				7 Checks and Payments	1,769.42
				2 Deposits and Other Credits	
					5,677.85
				Statement Ending Balance	49,293.43
				Cleared Balance	49,293.43
				Difference	0.00

- Click **Finish Now**

Reconciliation Report

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- In the Reconciliation History & Reports listing, click **01/22/2016**

Reconciliation History & Reports				
Statement Ending Date	Reconciled On ▼	Ending Balance	Changes	Auto Adjustment
01/22/2016	02/08/2016	49,293.43		

- Will see Reconciliation Report
- Divided into three sections
 - ▣ **Summary**—summarizes Checking account information
 - ▣ **Details**—lists the Checks and Payments cleared and Deposits and Other Credits cleared
 - ▣ **Additional Information**—lists
 - Uncleared Checks, Payments, Deposits, and Credits as of 01/22/2016
 - Uncleared Checks, Payments, Deposits, and Other Credits after 01/22/2016

Reconciliation Report

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- View the partial report

Your Name's Beach Barkers
Reconciliation Report
Checking, Period Ending 01/22/2016

Reconciled on: | Current any changes to transactions after this date aren't reflected on this report)
 Reconciled by: | Date
 Your Name

Summary

Statement Beginning Balance	45,385.00
Service Charge	-8.00
Interest Earned	+37.85
Checks and Payments cleared	-1,761.42
Deposits and Other Credits cleared	+5,640.00
Statement Ending Balance	49,293.43
Uncleared transactions as of 01/22/2016	12,119.80
Register Balance as of 01/22/2016	61,413.23
Uncleared transactions after 01/22/2016	-1,383.24
Register Balance as of 02/08/2016	60,029.99

Details

Checks and Payments cleared

<u>Date</u>	<u>Type</u>	<u>Num</u>	<u>Name</u>	<u>Amount</u>
01/12/2016	Refund	1	Gucci, Gloria	-20.00
01/21/2016	Bill Payment	2	Training Supplies & Equipment	-300.00
01/21/2016	Bill Payment	3	Super Office	-403.68
01/21/2016	Bill Payment	4	Bow-Wow Supplies	-500.00
01/21/2016	Bill Payment	5	Canine Supplies	-500.00
01/22/2016	Check		Beach Bank	-37.74
Total				-1,761.42

Deposits and Other Credits cleared

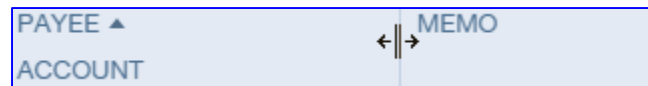
<u>Date</u>	<u>Type</u>	<u>Num</u>	<u>Name</u>	<u>Amount</u>
01/15/2016	Deposit			5,640.00
Total				5,640.00

- Click Close when finished

View Checking Account Register

46

- View Checking account register after bank reconciliation
- Open Chart of Accounts
- Click **View Register** on Checking account
- Adjust column width
 - ▣ Point to line between column headings
 - ▣ When double arrow, hold primary mouse button
 - ▣ Drag
 - Left to make smaller
 - Right to make larger



PAYEE ▲ ACCOUNT	MEMO
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View Checking Account Register

47

- Scroll through register
- Reconciled transactions marked **R**

01/22/2016	Check	Beach Bank -Split-	Equipment Loan Payment	\$37.74		R	\$61,413.23
01/22/2016	SVCCHRG Check	Bank Charges	Service Charge	\$8.00		R	\$61,450.97
01/22/2016	8 Check	Cal Electric Utilities:Electric	Monthly Electricity	\$89.75			\$61,458.97
01/22/2016	7 Check	Southern California Gas Company Utilities:Gas-Heating	Monthly Gas-Heating	\$189.50			\$61,548.72
01/22/2016	6 Check	Marina Water District Utilities:Water	Monthly Water	\$175.95			\$61,738.22
01/22/2016	INTEREST Deposit	Interest Earned	Interest Earned		\$37.85	R	\$61,914.17
01/21/2016	5 Bill Payment	Canine Supplies Accounts Payable (A/P)	Partial Payment	\$500.00		R	\$61,876.32
01/21/2016	4 Bill Payment	Bow-Wow Supplies Accounts Payable (A/P)	Partial Payment	\$500.00		R	\$62,376.32

Statement of Cash Flows

48

- Statement of Cash Flows is the report that details amount of cash flow in the business
- Click **Reports** on Navigation bar
- Report Category: **Accountant Reports**
- Click **Statement of Cash Flows**

Customize Report

49

- To customize a report
 - ▣ Click **Customize** button
 - ▣ Click **Header/Footer**
 - ▣ Click **Date Prepared** and **Time Prepared** to remove check mark
 - ▣ Click **Run Report**
 - ▣ Immediately click **Save Customizations** to permanently save changes
 - ▣ Enter Report Name
 - ▣ Click **OK** to save

Save Report Customizations

Name of custom report

Add this report to a group
A group lets you email multiple reports at the same time. [Learn more](#)

Share this report with all company users
Let every company user view this report from their own memorized report list.
(Users need proper access to run report.)

OK Cancel

View Customized Report

50

- Enter Report Dates
- Click **Run Report**
- Divided into three sections
 - ▣ **Operating Activities:** cash generated in operation of the business
 - ▣ **Investing Activities:** cash spent on your business
 - ▣ **Financing Activities:** loan financing and owner's equity
- Will see
 - ▣ Net cash increase (or decrease) for period
 - ▣ Cash at beginning of period
 - ▣ Cash at end of period

View Customized Report

51

□ View the report

Your Name's Beach Barkers	
STATEMENT OF CASH FLOWS	
January 2016	
	TOTAL
OPERATING ACTIVITIES	
Net Income	2,176.00
Adjustments to reconcile Net Income to Net Cash provided by operations:	
Accounts Receivable (A/R)	12,570.00
Prepaid Insurance	100.00
Supplies:Cleaning Supplies	-75.00
Supplies:Kennel Supplies	-189.00
Supplies:Office Supplies	-403.68
Supplies:Sales Supplies	100.00
Vehicles:Depreciation	275.00
Accounts Payable (A/P)	-1,086.00
Net cash provided by operating activities	\$13,467.32
INVESTING ACTIVITIES	
Office Equipment:Original cost	-3,685.84
Net cash provided by investing activities	\$ -3,685.84
FINANCING ACTIVITIES	
Loans Payable:Equipment Loan	-29.41
Opening Balance Equity	-142,362.50
Your Name, Capital	96,977.50
Your Name, Capital:Your Name, Drawing	-500.00
Your Name, Capital:Your Name, Investment	50,885.00
Net cash provided by financing activities	\$4,970.59
Net cash increase for period	\$14,752.07
Cash at beginning of period	45,385.00
Cash at end of period	\$60,137.07

Closing Entries

52

- Manual Accounting: four closing entries
 - Income accounts closed and total transferred to Income Summary
 - Expense accounts closed and total transferred to Income Summary
 - Drawing account closed and total transferred to Income Summary
 - Income Summary closed and transferred to Capital

Closing Entries

53

- QuickBooks Online:
 - ▣ Closing Date is used as the closing for income and expense accounts
 - ▣ Automatically enters Net Income/Net Loss into Retained Earnings
 - ▣ Leaves owner withdrawals in Drawing account
- GAAP (Generally Accepted Accounting Principles) requires a sole proprietorship's income/loss to be shown in the Owner's Capital account not Retained Earnings
- Close Drawing for the period so Owner's Capital account shows correct balance

Close Drawing

54

□ View Chart of Accounts

Your Name, Capital	Equity	Owner's Equity	147,362.50
Your Name, Drawing	Equity	Owner's Equity	-500.00
Your Name, Investment	Equity	Owner's Equity	50,885.00

□ Close Drawing into Capital

▣ Click **Plus** icon

▣ Click **Journal Entry** in **Other** column

Close Drawing

55

- Complete Journal Entry
 - ▣ Enter Date
 - ▣ Use or enter Journal number
 - ▣ Line 1: Account: **Your Name, Capital**, Debits: **500**, Description: **Close Drawing**
 - ▣ Line 2: Account: **Your Name, Drawing**
 - QuickBooks enters the Credits amount and Description

Journal date			Journal no.		
01/31/2016			7		
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	
1	Your Name, Capital	500.00		Close Drawing	
2	Your Name, Capital:Your Name, Drawing		500.00	Close Drawing	
Total		500.00	500.00		

- ▣ Click **Save and close**

View Capital Accounts After Closing Drawing

56

- After closing Drawing, the account will show balance of 0.00

Your Name, Capital	Equity	Owner's Equity	147,362.50
Your Name, Drawing	Equity	Owner's Equity	0.00
Your Name, Investment	Equity	Owner's Equity	50,885.00

Profit and Loss

57

- Once entries for the period have been recorded, prepare a Profit and Loss Report
 - ▣ Also called Income Statement
 - ▣ Shows $\text{Income} - \text{Expenses} = \text{Net Profit or Net Loss}$
- Prepare Report
 - ▣ Click **Reports** on the Navigation bar
 - ▣ Report Category: **Business Overview**
 - ▣ Report **Profit and Loss**
 - ▣ Enter Dates
 - ▣ Click **Run Report**

Profit and Loss Report

58

- View partial report
 - ▣ Note: does not match text
 - ▣ Figures are for lecture purposes only
- In example, Net Income for period is **\$3,897.78**

Your Name's Beach Barkers	
PROFIT AND LOSS	
January 1 - March 1, 2016	
TOTAL	
Income	
Gross Profit	\$13,618.20
Expenses	
Total Expenses	\$8,390.42
Net Operating Income	\$5,227.78
Other Income	
Total Other Income	\$255.50
Other Expenses	
Total Other Expenses	\$1,585.50
Net Other Income	\$ -1,330.00
Net Income	\$3,897.78

Balance Sheet

59

- Report proves fundamental accounting equation:
Assets = Liabilities + Owner's Equity
- Prepare report
 - **Click Reports**
 - **Click Balance Sheet**
 - Should still show Business Overview for Category
 - **Enter Report Dates**
 - **Click Run Report**

Balance Sheet

60

- View example partial report
- Note:
 - Total Assets: \$183,041.66
 - Total Liabilities: \$9,581.38
 - Total Equity: \$173,460.28
 - Total Liabilities and Equity: \$183,041.66
- View Net Income \$3,897.78
 - Same amount as shown on Profit and Loss
- View Retained Earnings: \$22,200.00

Your Name's Beach Barkers	
BALANCE SHEET	
As of March 1, 2016	
	TOTAL
ASSETS	
TOTAL ASSETS	<u>\$183,041.66</u>
LIABILITIES AND EQUITY	
Liabilities	
Total Liabilities	<u>\$9,581.38</u>
Equity	
Opening Balance Equity	0.00
Retained Earnings	22,200.00
Your Name, Capital	96,477.50
Your Name, Drawing	0.00
Your Name, Investment	50,885.00
Total Your Name, Capital	<u>147,362.50</u>
Net Income	3,897.78
Total Equity	<u>\$173,460.28</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$183,041.66</u></u>

Transfer Net Income

61

- At end of year, Net Income transferred into Retained Earnings by QBO
- Record Journal Entry to transfer Net Income into Capital account
- Notice \$22,200.00 balance shown in Retained Earnings
 - Due to original company creation
 - Opening Balances for Customers - Opening Balances for Vendors = Balance in Retained Earnings
 - Do the math: $\$27,500.00 - \$5,300.00 = \$22,200.00$
 - Retained Earnings Balance needs to be transferred to Capital
 - Only need to do this one time

Transfer Net Income

62

- Record Journal Entry
 - ▣ Click **Plus** icon
 - ▣ Click **Journal Entry** in **Other** column
 - ▣ Enter Journal date
 - ▣ Accept or enter Journal number

Transfer Net Income

63

- Continue Journal Entry
 - ▣ Calculate transaction amount
 - Net Income \$3,897.78 + Retained Earnings Balance \$22,200.00 = \$26,097.78
 - ▣ Line 1: Account: **Retained Earnings**, Debits: **26,097.78**, Description: **Transfer Net Income and Retained Earnings**
 - ▣ Line 2: Account: **Your Name, Capital**
 - QBO enters the Credits amount and Description

Transfer Net Income

64

□ View Journal Entry

Journal date		Journal no.				
03/01/2016		37				
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME	
⋮ 1	Retained Earnings	26,097.78		Transfer Net Income and Retained Earnings		
⋮ 2	Your Name, Capital		26,097.78	Transfer Net Income and Retained Earnings		
Total		26,097.78	26,097.78			

□ Click **Save and close**

Transfer Net Income

65

□ View Balance Sheet Equity Section

Equity	
Opening Balance Equity	0.00
Retained Earnings	-3,897.78
Your Name, Capital	122,575.28
Your Name, Drawing	0.00
Your Name, Investment	50,885.00
Total Your Name, Capital	<u>173,460.28</u>
Net Income	3,897.78
Total Equity	<u>\$173,460.28</u>

- Note Retained Earnings and Net Income
 - ▣ Amount of net income shown for both
 - ▣ Next year will not show Net Income or Retained Earnings amounts

Transfer Net Income

66

- View Balance Sheet Equity Section for beginning of the following year

- **Note:**

- Retained Earnings = 0.00
- Net Income = blank

Equity	
Opening Balance Equity	0.00
Retained Earnings	0.00
Your Name, Capital	122,575.28
Your Name, Drawing	0.00
Your Name, Investment	50,885.00
Total Your Name, Capital	173,460.28
Net Income	
Total Equity	\$173,460.28

Close the Books

67

- Assign a Closing Date to a period
 - ▣ Effectively closes income and expense accounts
 - ▣ May edit afterward if warning acknowledged
 - Must also edit the transfer of Net Income/Loss
- Record income/expense transactions for a new period after closing date
 - ▣ Used in calculation of Net Income/Net Loss for new period
 - ▣ Income and Expenses for closed period are not included in new calculation

Close the Books

68

- Click **Gear** icon
- Click **Account and Settings** or **Company Settings**
 - Text shows **Company Settings**
 - Possibility of change to **Account and Settings**
 - **Matches Test Drive Company**
 - Click the **Advanced** tab
 - Click **Pen** icon for Accounting
 - Click **Close the books** check box to select
 - Enter **Closing date**, press **Tab**
 - Accept **Allow changes after viewing a warning**

Close the Books

69

- Review closing date information

The screenshot shows the 'Account and Settings' interface. On the left is a navigation menu with categories: Company, Billing & Subscription, Sales, Expenses, Payments, and Advanced. The 'Advanced' category is selected. The main content area is titled 'Accounting' and contains the following settings:

- First month of fiscal year**: January
- First month of income tax year**: Same as fiscal year
- Accounting method**: Accrual
- Close the books**: 03/01/2016
- Closing date**: 03/01/2016
- Allow changes after viewing a warning**: Allow changes after viewing a warning

At the bottom of the form are 'Cancel' and 'Save' buttons.

- Click **Save**
- Click **Done**

Edit Closed Period Transaction

70

- If an error is discovered in a transaction for an earlier period, it may be corrected
- Transaction:
 - ▣ Cleaning Supplies used for the month was \$50 not \$75. Correct the adjusting entry
- Prepare the Journal report
 - ▣ Click **Reports**
 - ▣ Click **<All Reports**
 - ▣ Category: **Accountant Reports**
 - ▣ Click **Journal**
 - ▣ Enter Report dates
 - ▣ Click **Run Report**

Edit Closed Period Transaction

71

- Click on the transaction to open it

03/01/2016	Journal Entry	34	Adjusting Entry, March	Supplies Expense:Cleaning Supplies Expense	\$75.00	
			Adjusting Entry, March	Supplies:Cleaning Supplies		\$75.00
					\$75.00	\$75.00

- Change the transaction amounts

Journal date		Journal no.				
03/01/2016		34				
#	ACCOUNT	DEBITS	REDITS	DESCRIPTION	NAME	
⋮ 1	Supplies Expense:Cleaning Supplies Expense	50.00		Adjusting Entry, March		
⋮ 2	Supplies:Cleaning Supplies		50.00	Adjusting Entry, March		
Total		50.00	50.00			

- Click **Save and close**

Edit Closed Period Transaction

72

- Click **Yes** on the Closing date warning screen

Closing date

This transaction's date is prior to your company's closing date. This will affect your accounting. Are you sure you want to save?

- Prepare Balance Sheet
- View Equity Section in Balance Sheet
 - ▣ Decrease in expense shows an increase in Net Income
 - Note \$25 difference between Retained Earnings and Net Income
 - Do the math:
 - $\$75 - 50 = \25
 - $3,897.78 + 25.00 = 3,922.78$
 - ▣ Need to edit Journal Entry for Transfer of Net Income

Equity	
Opening Balance Equity	0.00
Retained Earnings	-3,897.78
Your Name, Capital	122,575.28
Your Name, Drawing	0.00
Your Name, Investment	50,885.00
Total Your Name, Capital	173,460.28
Net Income	3,922.78
Total Equity	\$173,485.28

Edit Closed Period Transaction

73

❑ Edit entry to transfer Net Income

❑ Click **Recent Transactions** icon 

❑ Click Transaction

Recent Transactions
Journal Entry No.37 03/01/2016

❑ Make changes

▣ Do the math: $26,097.78 + 25.00 = 26,122.78$

❑ Click **Save**
and close

❑ Click **Yes** on
warning

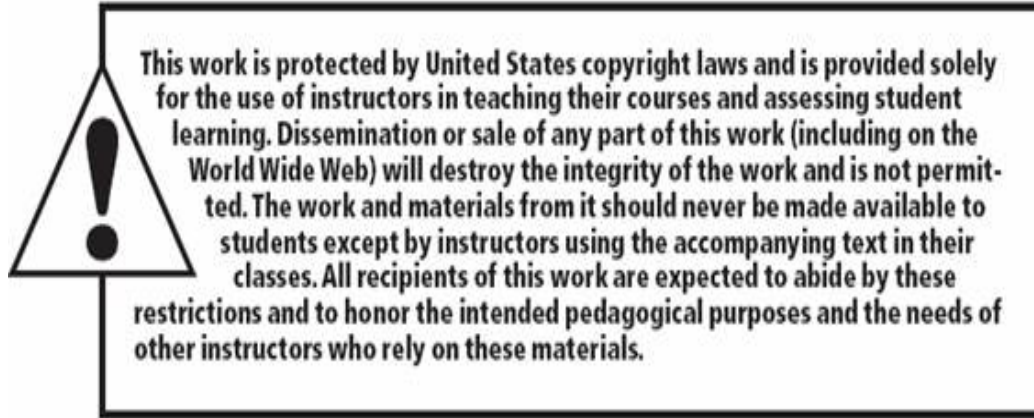
Journal date		Journal no.				
03/01/2016		37				
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME	
1	Retained Earnings	26,122.78		Transfer Net Income and Retained Earnings		
2	Your Name, Capital		26,122.78	Transfer Net Income and Retained Earnings		
Total		26,122.78	26,122.78			

View Equity Section of Balance Sheet

74

- You should return to the Balance Sheet
 - ▣ If not, prepare **Balance Sheet** report as previously instructed
- View amounts for Net Income and Retained Earnings

Equity	
Opening Balance Equity	0.00
Retained Earnings	-3,922.78
Your Name, Capital	122,600.28
Your Name, Drawing	0.00
Your Name, Investment	50,885.00
Total Your Name, Capital	<u>173,485.28</u>
Net Income	3,922.78
Total Equity	<u>\$173,485.28</u>



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