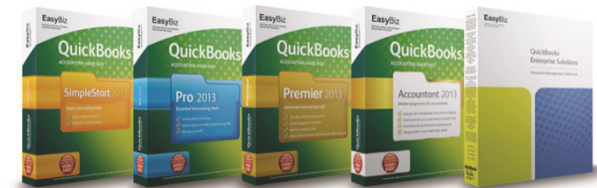


SETTING UP ITEMS CORRECTLY

Setting Up Items In QuickBooks

When setting up “Items” in QuickBooks, please check for the following common mistakes:

- If you buy and sell the same “item,” have you set it up to show the expense / cost of goods account for purchase information and the income account for sales information?
- If this is not done, your expenses will be in your income or your income will be in your expenses. Your income figure in your profit and loss will not balance with your sales.
- This applies mainly to your Service and non stock part items.
- They must be set up as follows:



SETTING UP ITEMS CORRECTLY

Type: Service (Use for services you charge for or purchase, like specialised labour, consulting hours, or professional fees.)

Item Name/Number: CONSULTING (Subitem of:)

Unit of Measure: Enable...

This service is used in assemblies or is performed by a subcontractor or partner

Item is inactive

Amt's Inc VAT

Purchase Information

Description on Purchase Transactions: Consulting

Cost: 200.00

Purch VAT Code: S

Expense Account: Cost of Goods Sold

Preferred Supplier:

Sales Information

Description on Sales Transactions: Consulting

Sales Price: 300.00

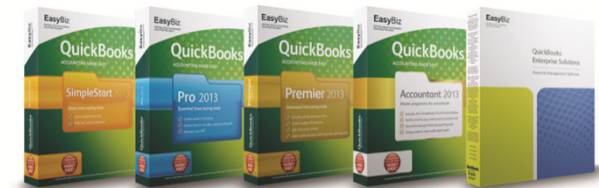
Sales VAT Code: S

Income Account: Sales

[How can I set rates by customers or employees?](#)

1. Make sure you tick “this service is used in assemblies or is performed by a subcontractor or partner.
2. Insert description, cost and expense account or Cost of Goods sold account for purchase transactions (purchase orders).
3. Insert description, selling price and income account for sales transactions (invoices).

Remember that the item links to the Income or Expense Account in your General Ledger.



SETTING UP ITEMS CORRECTLY

An example of what happens when you use the item:

Previous Next Find History Journal

Bill Credit Bill Received

Supplier ABC Date 06/02/2011

Address ABC Ref. No.

Amount Due 2,280.00

Terms Bill Due 16/02/2011

Memo

Expenses	R0.00	Items	R2,000.00			
Item	Description	Qty	Cost	VAT	Amount	Customer:Jc
CONSULTING	Consulting	10	200.00	S	2,000.00	

Customer:Job

DEF

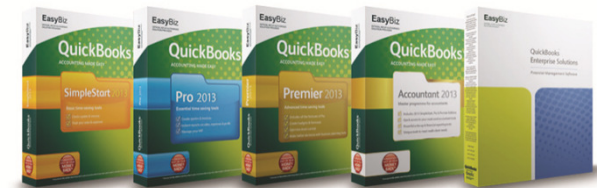
Invoice

Invoice To

DEF

Qty	Item	Description	Rate	Amount	VAT
10	CONSULTING	Consulting	300.00	3,000.00	S

1. In Bills, it usually picks up your item from your purchase order, or you use the item tab in your enter bill screen.
2. You will always use items in any invoice transactions.



SETTING UP ITEMS CORRECTLY

What your Profit & Loss is reflecting after your transactions
and what your Sales reports are reflecting:

Profit & Loss

1 - 6 February 2011

	◇ 1 - 6 Feb 11 ◇
Ordinary Income/Expense	
Income	
Sales	▶ <u>3,000.00</u> ◀
Total Income	<u>3,000.00</u>
Cost of Goods Sold	
Cost of Goods Sold	<u>2,000.00</u>
Total COGS	<u>2,000.00</u>
Gross Profit	<u>1,000.00</u>
Net Ordinary Income	<u>1,000.00</u>
Profit for the Year	<u><u>1,000.00</u></u>

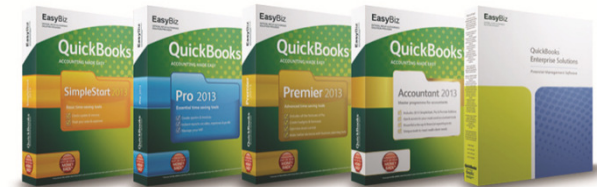
Sales by Customer Summary

1 - 6 February 2011

	◇ 1 - 6 Feb 11 ◇
DEF	▶ <u>3,000.00</u> ◀
TOTAL	<u>3,000.00</u>

You need to ensure that the sales in your Profit & Loss balance with the sales as reflected in your customer summary. If they don't balance, then your items are incorrect.

QuickBooks does allow you to fix items and it will correct all previous transactions. Go into your item and correct the expense / income account allocations.



SETTING UP ITEMS CORRECTLY

Example of an Item going to Sales

Type
Service Use for services you charge for or purchase, like specialised labour, consulting hours, or professional fees.

Item Name/Number
TRAINING Subitem of

Unit of Measure
Enable...

This service is used in assemblies or is performed by a subcontractor or partner

Description
TRAINING

Rate
200.00

Sales VAT Code
S

Account
Sales

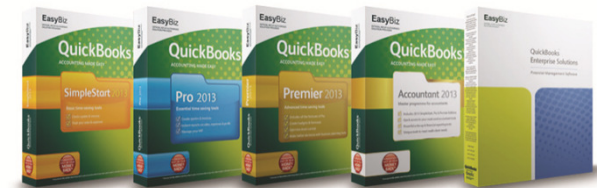
OK
Cancel
Custom Fields
Spelling

Item is inactive

Amt's Inc VAT

[How can I set rates by customers or employees?](#)

When setting up items like this, all transactions will go to sales, even purchase transactions. You will notice the block “this service is used in assemblies.....” is not ticked.



CHECKING ITEMS ARE CORRECT

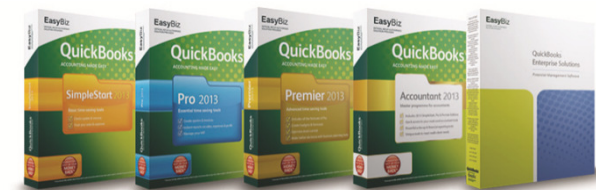
An example of what happens if an item is incorrect – look at the effect on the General Ledger of “Sales”:

Profit & Loss Detail

1 February 2011

Type	Date	Num	Adj	Name	Memo	Clr	Split	Debit	Credit	Balance
Ordinary Income/Expense										
Income										
Sales										
Bill	01/02/2011			ABC	TRAINING		Accounts Payable	1,000.00		-1,000.00
Invoice	01/02/2011	2		DEF	TRAINING		Accounts Recei..		2,000.00	1,000.00
Total Sales								1,000.00	2,000.00	1,000.00
Total Income								1,000.00	2,000.00	1,000.00
Gross Profit								1,000.00	2,000.00	1,000.00
Net Ordinary Income								1,000.00	2,000.00	1,000.00
Profit for the Year								1,000.00	2,000.00	1,000.00

You will notice the purchase transaction and sales transaction in one account. The expense is not going to cost of sales, it just reduces the sales account.



SETTING UP ITEMS CORRECTLY

Example of what happens if an item is incorrect – notice the effect it has on the Profit & Loss and Sales Summary reports:

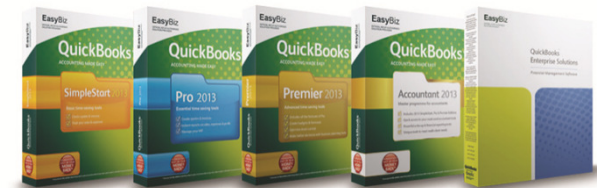
Profit & Loss	
1 February 2011	
◇ 1 Feb 11 ◇	
Ordinary Income/Expense	
Income	
Sales	▶ 1,000.00 ◀
Total Income	1,000.00
Gross Profit	1,000.00
Net Ordinary Income	1,000.00
Profit for the Year	1,000.00

Sales by Customer Summary

1 February 2011	
◇ 1 Feb 11 ◇	
DEF	▶ 2,000.00 ◀
TOTAL	2,000.00

Profit and loss is showing R1000.00 sales and no cost of sales. Sales summary is showing R2000.00. This is because the income and expense is in “sales”.

Sometimes you may be slightly out if you have done journals to A / P or A / R or you are not showing your discount allowed as an earning.



SETTING UP ITEMS CORRECTLY

Tips on other reasons as to why your Sales by Customer might not balance with your Income in your Profit & Loss Report:

- You have done journals to Accounts Receivable such as the bad debt transaction.
- You are not showing your discount allowed as an earning. In QuickBooks, it is best to have your discount allowed as an income, it will however show up as a negative on your profit and loss.

Profit & Loss

1 - 8 February 2011

◇ 1 - 8 Feb 11 ◇

Ordinary Income/Expense

Income

Sales

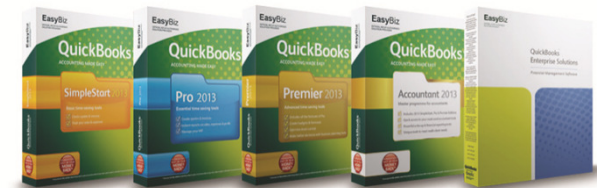
▶ 4,300.00 ◀

Sales Discounts

-50.00

Total Income

4,250.00



SETTING UP ITEMS CORRECTLY

Tips on other reasons as to why your Sales by Customer might not balance with your Income in your Profit & Loss Report:

- You don't record your sales as invoices, you only do journals or make deposits.
- You are not doing your settlement discounts correctly. In QuickBooks it is best to show your settlement discounts as credit notes.

The screenshot shows the 'Edit Item' dialog box in QuickBooks. The 'Type' dropdown menu is set to 'Other Charge', which is circled in red. Below it, the 'Item Name/Number' field contains 'Discount allowed'. The 'Description' field contains 'Settlement Discounts'. The 'Amount or %' field is set to '0.00' and the 'Sales VAT Code' is 'S'. The 'Account' dropdown menu is set to 'Sales Discounts', which is also circled in red. On the right side of the dialog, there are buttons for 'OK', 'Cancel', 'Custom Fields', and 'Spelling', along with checkboxes for 'Item is inactive' and 'Amts Inc VAT'.

1. Set up Discount Allowed as an “other charge”.
2. Allocate to Sales Discounts – an income account.

