



QUICKBOOKS ONLINE ADVANCED CERTIFICATION COURSE

Supplemental Guide

Module 3: Special Transactions

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About the Author



Heather D. Satterley, EA

www.satterleyconsulting.com



Heather has been helping users learn and use QuickBooks since the late 1990s. Her passion is helping others improve their business accounting processes through the use of QuickBooks and related apps, and spreading her knowledge and experience with others through blog articles, live events and webinars.

As owner and founder of Satterley Training & Consulting, LLC, Heather works with accounting professionals to create accounting systems and procedures using QuickBooks and related applications that simplify and streamline their day to day workflows.

She is Advanced Certified in QuickBooks Desktop and Online as well as POS Desktop and QuickBooks Enterprise. In addition to QuickBooks related services, Heather is also an Enrolled Agent licensed to practice before the IRS and works with clients to resolve tax issues.

Heather was named a Top 100 ProAdvisor by Insightful Accountant in 2014, 2015 and 2016. She is a member of Intuit Trainer/Writer Network.

About the Team

It does take a village to complete a project of this magnitude. My heartfelt thanks goes out to the following team members and fellow ProAdvisors as well as Intuit employees, Lindsay Ransom and Trudie Folsom for all their long hours and dedication.



Michelle L. Long, CPA, MBA

Long for Success, LLC
QB Power Hour



Michelle's been providing QuickBooks training since 1999. She is an International Trainer for Intuit and speaker at many conferences. She is co-host of QB Power Hour (free bi-weekly webinar).

Michelle is the owner of Long for Success, LLC specializing in QuickBooks training and consulting. Plus, she consults with developers regarding feedback and input on app development, understanding and reaching the market and more.

She is co-author of the Advanced Certifications for QuickBooks (both QuickBooks Online and desktop) and author of numerous courses for Intuit's Accountant University.

Michelle is the author of five Books: *How to Start a Home-Based Bookkeeping Business*, *QuickBooks Practice Set*, *QuickBooks Online Practice Set*, *QuickBooks 2014: on Demand*, and *Successful QuickBooks Consulting* – all are available on Amazon.

Michelle's recognition includes: CPA Practice Advisor Most Powerful Women, Top 10 ProAdvisor for Trainer/Writer and Social Media, Top 100 ProAdvisor, Small Business Influencer Champion, Stevie Gold Winner for Women in Business and more.



MB Raimondi, CPA.CITP

mb@mbraimondicpa.com

[Visit MB on Facebook](#)



MB (Mary Beth) Raimondi, CPA, CITP, MS Taxation is an Advanced QuickBooks Certified ProAdvisor in both QuickBooks Desktop and QuickBooks Online as well as being certified in Enterprise and Point of Sale.

She has been teaching QuickBooks nationally to both end users and accountants/consultants since 1999. She is a charter member of the Intuit Trainer/Writer Network.

The focus of her practice in CT is mainly QuickBooks consulting and training, specializing in strategizing, researching and installing third-party add-ons and conversions to QuickBooks from other accounting software.

She's part of the Intuit Premier Reseller program, getting great deals on Intuit products and services.

MB was named the Top QuickBooks Online ProAdvisor, 2015 by Insightful Accountant and has been in the Top 100 ProAdvisors for 2014-2016.



Laura Redmond

[Redmond Accounting Inc.](#)

[Aero Workflow](#)



Laura Redmond is a financial controller and IT manager turned cloud accounting advocate and app designer. She is a QuickBooks Online power user, Advanced Certified QuickBooks ProAdvisor, member of the Intuit Trainer/Writer Network, and co-author of QuickBooks Online training and certification courses. Laura has been awarded Top 100 ProAdvisor and Leading QuickBooks Online Practice.

Laura runs Redmond Accounting Inc., a boutique cloud accounting and consulting firm selected by Intuit as a Top 20 Firm of the Future. Their service delivery is centered solely on QuickBooks Online and its eco-system of apps. Laura co-created the AERO Workflow app used by accounting firms to manage their knowledge capital and service delivery. The Aero Library includes step-by-step instructions and procedures for many of today's most popular apps in the QuickBooks Online eco-system.

Supplemental Guide Overview

PURPOSE OF THIS GUIDE

The basic certification program outlined entering transactions in the normal course of business. In this advanced module, we will cover special transactions that may be helpful for some clients. Each of the workflows presented in this guide is intended to help you understand how to utilize special transactions in QuickBooks Online.

Product Update Notification!

QuickBooks Online and QuickBooks Online Accountant are constantly being improved:

- When you log in to qbo.intuit.com, it may look different from the screenshots originally taken for this supplemental guide
- Where to go to learn about the latest product updates:
 - <https://www.firmofthefuture.com/product-industry-news/product-updates//>
 - <http://quickbooks.intuit.com/blog>

GOOGLE CHROME

NOTE: Screenshots and instructions included in this guide use Google Chrome as the browser.

LEARNING OBJECTIVES

- Determine when to utilize special transactions
- Recognize the steps to create special transactions
- Determine when to utilize complex workflows
- Recognize the steps to create complex workflows

TRAINING AT A GLANCE

Use this as a guide to select specific workflows you want to cover.

TOPIC	STEP-BY-STEP WORKFLOWS	LEARNING OBJECTIVES
SPECIAL TRANSACTIONS	<ul style="list-style-type: none">• Sales Summaries• Outside Payroll• Zero-dollar Checks• Writing off Invoices• Negative Deposit	<ul style="list-style-type: none">• Determine when to utilize special transactions• Recognize the steps to create special transactions
COMPLEX WORKFLOWS	<ul style="list-style-type: none">• Bounced Checks• Barter Transactions• Allocating Overhead• Tracking Commissions• Tracking Retainers and Prepayments• Tracking Prepaid Multiple Session Sales Bar	<ul style="list-style-type: none">• Determine when to utilize complex workflows• Recognize the steps to create complex workflows

QUICKBOOKS ONLINE ACCOUNTANT TEST DRIVE

GUIDES

Exercises contained inside this guide can be completed using the QuickBooks Online Sample Company, Craig's Design and Landscaping Services.

- Open the Sample Company by logging into your QBOA → gear icon → Your Company section → Sample Company
- While you are working in the Sample Company, your work will be saved
- Upon closing the sample company file, QuickBooks Online automatically restores its settings and data. If you log out and log in again, the Sample Company will reset (your work is *not* saved).
- By default, the Sample Company will sign out if inactive for one hour. You will lose any data and settings, since this sample company resets each time you log in. Give yourself enough time to complete the assignment.
- To increase the maximum hours of inactivity allowed before timing out, in the Sample Company → gear icon → Your Company section → Account and Settings → Advanced Settings → Other preferences → Sign me out if inactive for and select two hours or three hours.

NOTE: *The QuickBooks Online Accountant test drive company contains some features that are not available in QuickBooks Online Simple Start, Essentials or Plus. (You may wish to share the QuickBooks Online test drive file with your clients for them to practice without seeing Accountant-only features: <https://QuickBooksOnline.intuit.com/redirect/testdrive>.) In addition, some features (such as in-product Help) are not enabled in this test drive file. This is subject to change.*

Topic 1: Special Transactions

SALES SUMMARIES

Situation

QuickBooks is designed to record sales using an invoice or sales receipt for each customer. However, there may be situations where it isn't practical or desirable to enter individual sales transactions for each customer.

You can use sales summary transactions for clients who need to record a summary of sales (daily, weekly or monthly) from another source like a cash register, an app or shopping cart that doesn't offer integration into QuickBooks. This is useful for clients like restaurants, retailers, ecommerce merchants, medical service providers and many other industries. Any time sales are recorded in a third party program, you may want to use a sales summary.

The details for sales (and sometimes inventory) are already tracked using the third party system, so it is usually not necessary to capture these details in QuickBooks too. By using a sales summary transaction, you record only the information necessary to generate accurate financial reports and manage sales tax. For example, many restaurant POS systems track different categories of sales and provide detailed reports that give the client useful management information. It is not efficient to have the client enter the same detail information into QuickBooks. Additionally, restaurants or other food service companies do not usually track perpetual inventory and use a periodic inventory system (i.e., no need to track inventory details).

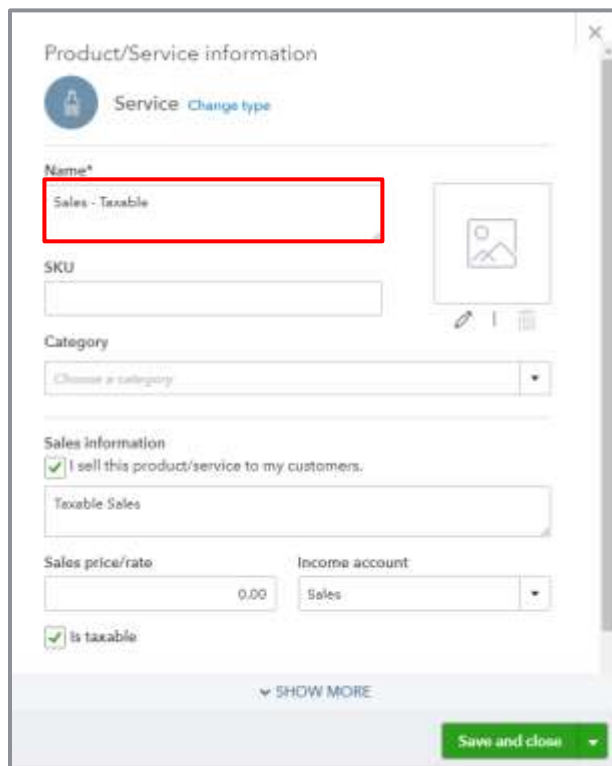
Setup

The daily sales summary is a zero sales receipt which records your income and funds collected on one form – like a register z-tape. The sales amounts are recorded as positive numbers using service items mapped to income accounts and the funds collected are recorded using service items recorded as negative entries and mapped to the Undeposited Funds or bank asset accounts. When you record the sales receipt transactions, the appropriate revenue accounts are increased (credit) and the Undeposited Funds or bank accounts are increased (debit). Other service items are often used to record things like cash payouts, gift certificates sold or redeemed and other adjustments such as cash over/short.

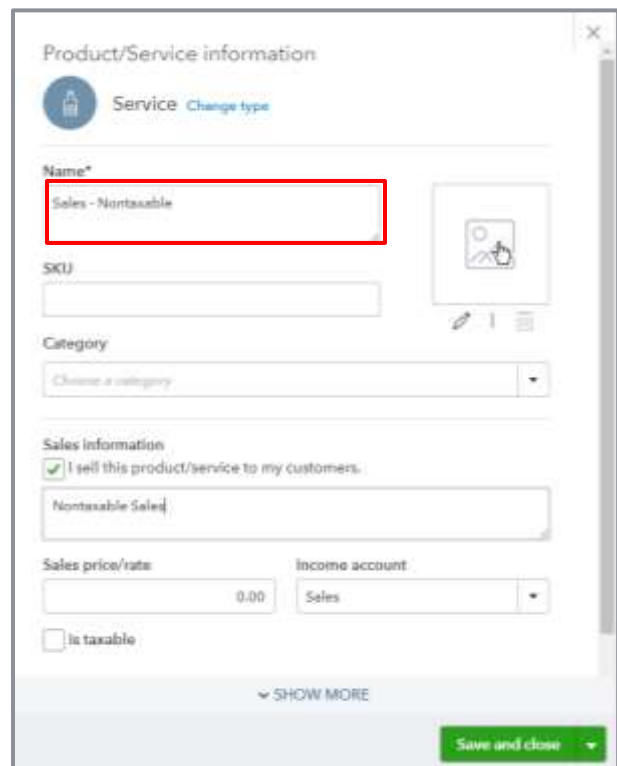
Items for Sales

The first step is to set up the service type items that will be used for the sales amounts on the sales summary, then set up the accounts and service items that will be used to capture the sales totals. A separate service item must be created for each account you want displayed on the Profit & Loss. Many businesses create only two service items (Sales - Taxable and Sales - Non-Taxable). Since the sales detail is maintained in the POS system, it is usually not necessary to capture every sales category in QuickBooks.

Set up other items based on the client's workflow, such as certificates or pre-payments (coded to a liability account), cash/over short (coded to an expense account) or paid outs.



The screenshot shows the 'Product/Service information' window for a 'Service' type item. The 'Name*' field is highlighted with a red box and contains the text 'Sales - Taxable'. Below the name field, there are fields for 'SKU', 'Category' (with a dropdown menu), and 'Sales information'. The 'Sales information' section includes a checked checkbox 'I sell this product/service to my customers.', a text field for 'Taxable Sales', a 'Sales price/rate' field set to '0.00', and an 'Income account' dropdown menu set to 'Sales'. At the bottom, there is a checked checkbox 'is taxable' and a 'SHOW MORE' link. A green 'Save and close' button is at the bottom right.



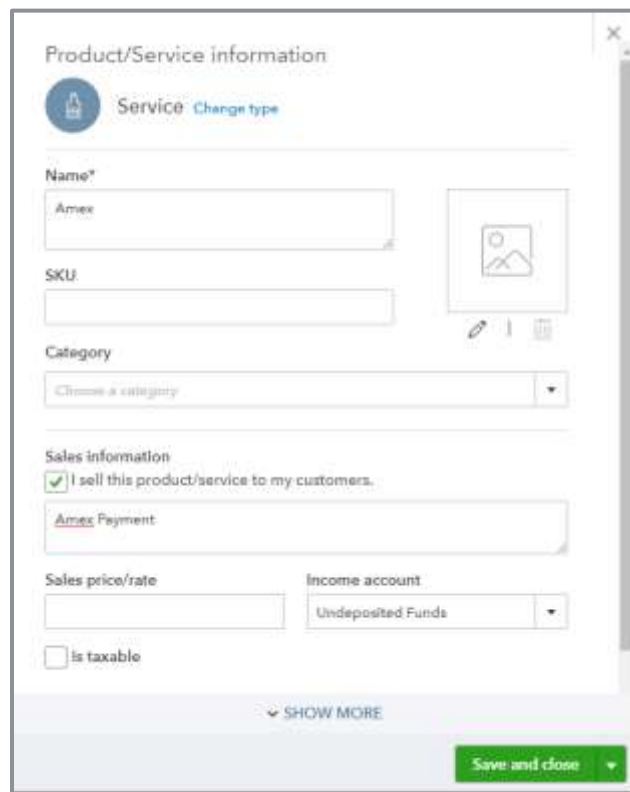
The screenshot shows the 'Product/Service information' window for a 'Service' type item. The 'Name*' field is highlighted with a red box and contains the text 'Sales - Nontaxable'. Below the name field, there are fields for 'SKU', 'Category' (with a dropdown menu), and 'Sales information'. The 'Sales information' section includes a checked checkbox 'I sell this product/service to my customers.', a text field for 'Nontaxable Sales', a 'Sales price/rate' field set to '0.00', and an 'Income account' dropdown menu set to 'Sales'. At the bottom, there is an unchecked checkbox 'is taxable' and a 'SHOW MORE' link. A green 'Save and close' button is at the bottom right.

Items for Payment Methods

Find out the payment methods accepted by the client and how they are deposited to the bank (daily deposits, every few days, etc.), to determine the service items to set up and the appropriate account mapping. For example, if cash and checks from multiple days are deposited together, use Undeposited Funds as the income account for the items. Undeposited Funds will be increased each time the items are used on a sales summary transaction and will be decreased when they are selected to be included on a deposit transaction.

Here are a few examples of the service items you need to set up:

- Cash/checks
- Visa
- MasterCard
- American Express
- Gift cards (may require additional setup of gift card liability accounts)

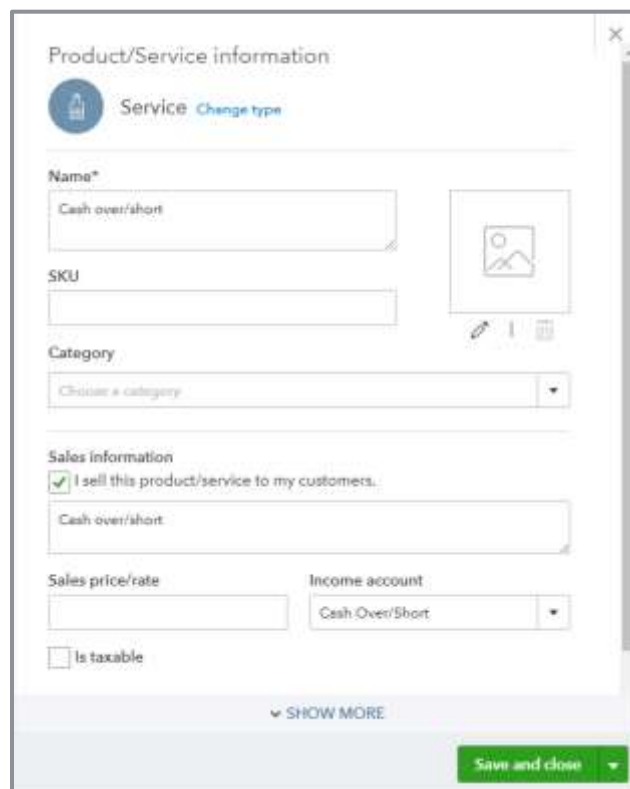


The screenshot shows a 'Product/Service information' window. At the top, there is a 'Service' icon and a 'Change type' link. Below this, there are several input fields: 'Name*' with the value 'Amex', 'SKU', and 'Category' with a dropdown menu showing 'Choose a category'. To the right of the 'Name*' field is an image upload icon. Under 'Sales information', there is a checked checkbox 'I sell this product/service to my customers.' and a text field containing 'Amex Payment'. Below this are two more fields: 'Sales price/rate' and 'Income account' with a dropdown menu showing 'Undeposited Funds'. At the bottom left, there is an unchecked checkbox 'is taxable'. At the bottom center, there is a 'SHOW MORE' link. At the bottom right, there is a green 'Save and close' button.

NOTE: Some ProAdvisors use a clearing account, such as Cash on Hand, as the income account for all payment items. With this method, all deposits are coded to the Cash on Hand account either manually or from the bank feed. The idea is that the debits and credits will zero the clearing account, but it's a best practice to reconcile frequently to identify deposits that may have been received from other sources (such as proceeds from a loan or capital contributions).

Other Items

Set up other items based on the client's workflow, such as gift certificates or pre-payments (coded to a liability account), cash/over short (coded to an expense account) or paid outs.



Product/Service information

Service [Change type](#)

Name*
Cash over/short

SKU

Category
Choose a category

Sales information

I sell this product/service to my customers.

Cash over/short

Sales price/rate

Income account
Cash Over/Short

Is taxable

[SHOW MORE](#)

[Save and close](#)



TIP: Set up a bank type account called Sales Summary Register to use as the Deposit to account on the sales receipt. This will create a bank register that lists all the sales summary transactions in QuickBooks. This is also a good way to identify errors as the balance of the account should always be zero.

Enter the Sales Receipt

Create an unscheduled Recurring Sales Receipt to record each day's sales. The customer name may be Daily Sales, Monthly Sales or whatever makes sense for the client. You may even want to set up a customer for each day the business is open (Monday, Tuesday, etc.). This would give you an extra level of reporting that could be useful to your client.

Next you enter the sales items you are tracking/entering from your z-tape or other third party reports. These sales values will be entered as positive values on the sales receipts.

Your payment method items will be listed next, but they will be recorded as negative values. Because these payment items are mapped to bank or asset type accounts, entering them as a negative on the sales receipt debits (increases) those accounts. You may need to add an item for cash over/short if you use the sales receipt to balance the cash register.

The sales receipt should equal zero once completed, as the total amount of sales and tax collected should equal the funds collected plus cash over/short.

Sales Tax

Use the Sales Tax Center to track sales tax owed, or you may want to consider setting up service items to record sales tax if tax is collected for multiple agencies or is very complicated. If you use service items to track sales tax, enter the amounts as a positive amount on the Sales Receipt.

Daily Sales Summary - Recording

ABC Retail Store		Register #1
3/7/2016		
Z-Tape		
Sales – Taxable	\$253.00	
Sales – Non-taxable	\$100.00	
Total Sales	\$353.00	
Sales Tax 5%	\$ 12.65	
Grand Total	\$365.65	
Payment Detail		
Cash	\$175.65	
Check	\$ 0.00	
Visa/MC	\$50.00	
AMEX	\$40.00	
Gift Card Redeem.	\$100.00	
Total Collected	\$365.65	

You can watch the recording for this module to see a demonstration of the setup and recording of a sales summary transaction.

OUTSIDE PAYROLL

Situation

Some clients may not want to use the integrated QuickBooks payroll services available in QuickBooks Online. They may be concerned that users will be able to view sensitive payroll information or there may be some other business reason that it isn't a good fit. This creates the need to manually record payroll into the books.

Create a journal entry for each payroll period to record the expenses, liabilities and deductions from the bank account.

Setup

Payroll Expense Accounts

You must have the proper expense accounts set up for payroll processing fees, wages and expenses. The breakdown of these accounts will depend on the detail your client would like to see on their Profit & Loss reports. For example, you could have something as simple as a single Salaries & Wages account used for all types of wages paid, or you can use multiple accounts to track different kinds of labor, such as direct labor, marketing or administrative salaries.

Similarly, payroll tax expenses can be captured in a single account or multiple accounts. Many companies use sub-accounts to break out payroll taxes by type, this can make it easy to reconcile payroll tax returns to the account balances.

Other accounts may also be needed for contributions or deductions like health insurance, 401K plans, child support and garnishments.

Chart of Accounts	Reconcile
Office Supplies	Expenses
Payroll Expenses	Expenses
FUTA Expense	Expenses
Gross Wages	Expenses
Payroll Taxes	Expenses
SUTA Expense	Expenses
Taxes	Expenses
Wages	Expenses
Regular Pay	Expenses
Salary	Expenses
Postage	Expenses
Printing and Reproduction	Expenses
Professional Fees	Expenses

Payroll Liability Accounts

Usually there is no need for payroll liability accounts. Most payroll companies impound payroll taxes, meaning the funds are included in the amount deducted from the bank account each pay period, so there is no accruing liability on the books of the company.

However, if the client pays the payroll taxes directly to the agency, then you would need to set up payroll tax liability accounts to correspond with the payroll taxes related to the company. In this situation, your journal entry would include extra lines to post amounts to the liability accounts with each payroll.

Chart of Accounts	Reconcile
Due to Owner	Other Current Liabilit...
Payroll Liabilities	Other Current Liabilit...
AEIC Payable	Other Current Liabilit...
CA PIT / SDI	Other Current Liabilit...
CA SUI / ETT	Other Current Liabilit...
CT Income Tax	Other Current Liabilit...
CT Unemployment Tax	Other Current Liabilit...
Direct Deposit Liabilities	Other Current Liabilit...
Emp. Health Ins Payable	Other Current Liabilit...
Federal Taxes (941/944)	Other Current Liabilit...
Federal Unemployment (940)	Other Current Liabilit...
Federal Withholding	Other Current Liabilit...
FICA Payable	Other Current Liabilit...

Other Considerations

You should also consider if there is a need to allocate payroll by class, location or customer as this will be a factor in training your client to record the journal going forward.

Recording

Once the proper accounts have been set up, design a journal entry and mark it as recurring for simple entry.



Step-by-Step: Set up a Recurring Payroll Journal Entry

The client uses a third party payroll company to process their bi-weekly payroll. The wages and taxes are impounded each pay period and remitted by the payroll company. The employees participate in a 401K plan and have amounts deducted from their paychecks. These amounts are remitted to the brokerage by the client.

Below is a payroll report provided from the outside payroll service that will be used to enter the information into the recurring template.

For this example, we will use one account for Salaries & Wages and one account for Payroll Tax Expense. You will also need to set up a liability account for the 401K payable and a Payroll Service Fee expense account.

Payroll Register									
Employee	Gross Wages	401K W/H	FWT	Social Security	Medicare	SWT	Net Pay	Check Num	
Michelle Long	\$800.00	24.00	175.00	49.60	11.60	45.00	494.80	1234	
Laura Redmond	\$800.00	24.00	135.00	49.60	11.60	45.00	534.80	DC	
MB Riamondi	\$800.00	24.00	120.00	49.60	11.60	45.00	549.80	DC	
Heather Satterley	\$800.00	24.00	135.00	49.60	11.60	45.00	534.80	DC	
Total Payroll	\$3,200.00	\$96.00	\$565.00	\$198.40	\$46.40	\$180.00	\$2,114.20		
Employer Taxes									
Social Security	198.40								
Medicare	46.40								
Total Employer Taxes	244.80								
Payroll Service Fees	42.50	Checking account xxxxxxx1234							
Taxes									
Employee Withholding	969.80								
Employer Taxes	244.80								
Total Deducted for Tax Obligations	1234.60	Checking account xxxxxxx1234							
Total Direct Deposit	1619.40	Checking account xxxxxxx1234							
Total Negotiable Checks	494.80	Check 1234 Checking account xxxxxxx1234							
Total Cash Requirement	3391.30								

1. Set up accounts as needed to record the payroll expenses and payments: gear → Chart of Account → New Account.
2. Quick Create → Journal Entry. Adjust the journal entry as needed to match the bank account activity. If individual checks come out of the bank account, then you need to enter the credit for each net check instead of a total amount withdrawn from the bank account. There is no need to enter all the paycheck details (the payroll service has the details) just enter the net check amount.
3. Click Save.

Journal Entry #2

Journal date: 05/04/2017 Journal no.: 2 Is Adjusting Journal Entry?

#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME
1	Payroll Expenses:Gross Wages	3,200.00		To record payroll w/e 4/28/17.	
2	401K Payable		96.00	401K Withheld from Employees' wages	
3	Payroll Expenses:Payroll Taxes	244.80		To record payroll w/e 4/28/17.	
4	Payroll Processing Fees	42.50		To record payroll w/e 4/28/17.	
5	Checking		42.50	Payroll Processing Fees	
6	Checking		1,234.60	Withdrawal for payroll taxes	
7	Checking		1,619.40	Withdrawal for direct deposit	
8	Checking		494.80	Check # 1234	
9					

Cancel Clear Make recurring Save Save and new

You can watch the recording for this module to see a demonstration of the setup and recording of this outside payroll journal entry.

NOTE: You can set this up as a recurring transaction and receive automated reminders, then train the client to fill in the journal entry with the appropriate amounts from the payroll journals.

ZERO DOLLAR EXPENSE

There are some things you cannot adjust using a journal entry, such as items or billable expenses. In these situations, use a zero-dollar expense transaction (the expense transaction amount is zero), which allows you to make the adjustment because you can enter items on a check and make things billable too.

There isn't anything special to set up to enter a zero-dollar expense. The *debit* part of the entry should be entered on the check as usual for an account or item. The *credit* part of the entry (to offset so the expense totals zero) should be entered as a negative amount to an account or item.

Expense

Clearing Account: Clearing Account Balance: \$0.00

AMOUNT: \$0.00

Payment date: 04/04/2017 Payment method: Credit Card Ref no.:

Account details

#	ACCOUNT	DESCRIPTION	AMOUNT (USD)	BELIABLE	TAX	CUSTOMER	CLASS
1	Job Expenses		250.00	✓		Lo, David	Design
2	Job Expenses		250.00				
3							

Add lines Clear all lines

Item details

#	PRODUCT/SERVICE	DESCRIPTION	QTY	RATE	AMOUNT (USD)	BELIABLE	TAX	CUSTOMER	CLASS

Cancel Clear Make recurring Save Save and new



Tip: You can set up a Clearing Account (bank type) for these types of transactions so they don't clutter the bank register and show in the Bank Reconciliation screen of the regular bank accounts.

WRITE OFF INVOICES

Situation

Periodically you will need to write off bad debts that are uncollectible and remove them from accounts receivable. There is a Write Off Invoices tool in QuickBooks Online Accountant. However, you must use caution when using this tool.

The write-off tool uses a discount item to write off the open invoice and applies the discount to the invoice as of the original date of the invoice. This may cause prior period balances to change thus changing prior period retained earnings. This tool should only be used to write off invoices in the current period to avoid this situation.

While there are different methods to write off an invoice, if there is sales tax on the invoice, it is important to adjust the sales tax liability account as well. If that's the case, the following method is recommended.

Write Off Invoices

Select invoices to write off:

Set criteria for invoices to consider for batch write-off:

Age: 120 days To Date: 12/06/2016 Balance Due less than: Refresh

<input type="checkbox"/>	Date	Age	Num	Name	Original Amount	Balance Due
<input type="checkbox"/>	12/02/2016	124	1103	Bolinski, Rafael 2nd story addition	1,600.00	1,600.00
<input type="checkbox"/>	10/01/2016	188	1011	Lamb, Brad Room Addition	11,221.82	49.22
Total Selected:						0.00

**Use the Write Off Invoices tool to identify invoices that should be written off.
But don't use the tool to write off invoices dated in a prior period or that charged sales tax.**

Write Off Account: Bad Debt-1 Review and Write Off



Step-by-Step: Write Off Invoices Dated in a Prior Period or that Charged Sales Tax

1. Identify invoices to be written off. The Write Off Invoices tool can help you prepare this list as it allows you to filter invoices based on age and amount.
2. Set up a service item called Bad Debt posted to the Bad Debt expense account (or a contra income account since it is not deductible on cash basis). If you have both taxable and non-taxable items, you should set up two service items: Bad Debt - Taxable and Bad Debt - Non Taxable.
3. In Company Settings → Advanced → Automation, turn off Automatically Apply Credits to ensure the credit is applied to the invoice to be written off.
4. Enter a Credit Memo using the Bad Debt items and enter the amounts for taxable and non-taxable as appropriate. This will adjust the sales tax liability account for the write off.
5. Open Receive Payments, select the customer and click to apply the credit memo entered to the invoice to be written off.

NEGATIVE DEPOSIT

Situation

If your client uses a third party merchant service provider instead of QuickBooks Payments, you may have a situation where total refunds for the day exceed the total payments. This will result in a withdrawal from the bank account instead of deposit. If you are using QuickBooks Payments, this issue is resolved automatically for you by QuickBooks, but if you or your client is using another merchant service provider, you'll need to resolve it another way.

In this case, you have payments in the Undeposited Funds account that need to be credited and you need to record the deduction from your bank account. QuickBooks won't allow you to create a negative deposit!

Solution

There is no setup required to create this transaction. Create a new line in the Add new deposits section of the Deposit screen coded to the same bank account you are depositing to. This will offset the total negative payments and make the total of the deposit zero. This will also create a deduction in the bank register for the proper amount and clear the balance in the Undeposited Funds account.



Step-by-Step: Record a Negative Deposit

1. Record a customer refund using the Refund Receipt screen, use Undeposited Funds as the Deposit to account.
2. Open the Bank Deposits screen, select the payments and refund included in the bank draft. This will cause a negative amount to be displayed.
3. Select the bank account from the Account field drop-down list, and enter the amount of the total selected payments as a positive number in the Add New Deposit grid on the Deposit screen. Make sure the total amount of the deposit is zero.
4. Click Save and close.

The screenshot shows the 'Deposit' screen in Intuit QuickBooks Online. At the top, the account is set to 'Checking' with a balance of \$1,201.00 and a date of 03/10/2017. A red arrow points to the 'Total amount should be zero' message and the '\$0.00' amount.

Select Existing Payments

RECEIVED FROM	DATE	TYPE	PAYMENT METHOD	MEMO	REF NO.	AMOUNT
<input checked="" type="checkbox"/> Cool Cars	03/10/2017	Payment	Visa			1678.52
<input checked="" type="checkbox"/> Freeman Sporting Goods:0909 Ocean View Road	03/10/2017	Payment	MasterCard			387.00
<input checked="" type="checkbox"/> Any's Bird Sanctuary	03/10/2017	Refund	Visa		1028	-2500.00

1 - 3 of 3 results
Select all Clear all

Total: -1437.48
Selected Payments Total: -1437.48

Add New Deposits

#	RECEIVED FROM	ACCOUNT	DESCRIPTION	PAYMENT METHOD	REF NO.	AMOUNT	ACTION
1		Checking	Negative Deposit	Visa		1,437.48	
2							
3							

Buttons: Cancel, Clear, Print, Make recurring, Save and new

Red annotations: 'Total amount should be zero' with an arrow pointing to '\$0.00'. 'Enter the total amount of negative payments as a positive number' with an arrow pointing to the '1,437.48' amount in the 'Add New Deposits' table.

Topic 2: Complex Workflows

BOUNCED CHECKS

Situation

Sometimes customers pay with a check that bounces. When this occurs, a few things need to happen in QuickBooks to correctly reflect the failed transaction in the books:

- The deduction for the returned check and bank fee must be recorded in the bank register
- The accounts receivable balance must be increased
- The customer must be invoiced for the bank charge assessed, plus any handling fee
- The aging on the original invoice must be restored because the payment was returned

Setup

Create a Bounced Check service item mapped to the checking account involved. If you have multiple checking accounts, you will need to set up a separate service item for each one. Create a Bounced Check Fee service item mapped to an income account or to the Bank Fees expense account (to offset the fees charged by your bank).

The screenshot shows a 'Product/Service information' form. The 'Name*' field is highlighted with a red box and contains the text 'Bounced Check'. Below this, there are fields for 'SKU', 'Category' (with a dropdown menu), 'Sales information' (including a checked checkbox 'I sell this product/service to my customers...' and a description field containing 'Bounced Check'), 'Sales price/rate', and 'Income account' (with a dropdown menu set to 'Checking'). There is also an unchecked checkbox for 'Is taxable' and a 'Purchasing information' section with an unchecked checkbox 'I purchase this product/service from a vendor.'. A green 'Save and close' button is at the bottom right.

The screenshot shows a 'Product/Service information' form. The 'Name*' field is highlighted with a red box and contains the text 'Bounced Check Fee'. Below this, there are fields for 'SKU', 'Category' (with a dropdown menu), 'Sales information' (including a checked checkbox 'I sell this product/service to my customers...' and a description field containing 'Description on sales forms'), 'Sales price/rate', and 'Income account' (with a dropdown menu set to 'Bank Charges'). There is also an unchecked checkbox for 'Is taxable' and a 'Purchasing information' section with an unchecked checkbox 'I purchase this product/service from a vendor.'. A green 'Save and save' button is at the bottom right.



Step-by-Step: Record the Bounced Check

1. Create an invoice for the customer that includes the Bounced Check item and the amount of the check that bounced as well as the Bounced Check Fee item and the amount you're charging them for the bounced check.

The screenshot shows an 'Invoice' window with the following details:

- Billing address:** Mr. Adam Bradley, Adam's Candy Shop, 132E Hwy Bang Bang St., Fudge, CA 94505
- Terms:** Net 30
- Invoice date:** 04/05/2017
- Due date:** 05/05/2017
- Shipping address:** Mr. Adam Bradley, Adam's Candy Shop, Adam's Candy Shop, Adam Bradley, 132E Hwy Bang Bang St.

#	PRODUCT/SERVICE	DESCRIPTION	QTY	RATE	AMOUNT USD	TAX	CLASS
1	Bounced Check	Bounced Check #1234	1	100	100.00		
2	Bounced Check Fee	Fee for Bounced Check	1	25	25.00		
3							
4							

Summary:

- Subtotal: 125.00
- Taxable subtotal: 50.00
- County: San Thomas, 6.5% tax rate, 3.25 tax amount
- Shipping: 0.00
- Total: 125.00

Buttons: Add lines, Clear all lines, Add subtotal, Message displayed on invoice, Statement memo, Cancel, Clear, Print or Preview, Make recurring, Customize, Save, Save and send.

2. Enter the bank service charge as an expense or check, with the date the check bounced and the NSF fee charged by the bank, posted to the Bank Fees expense account.
3. Open the original payment that was received from the customer (the one that bounced) and unselect the invoice it paid then select the invoice you created in Step 1. This will restore the aging of the original invoice.
4. When payment is received for the bounced check, use Receive Payment to post the payment against the open invoice.

ALLOCATE OVERHEAD

Situation

Many businesses allocate overhead or payroll expenses to a class, location or customer to create segmented financial reports that give better insight into the operations of a business. The allocation is made by creating a journal entry that balances with a zero-dollar effect on the accounts involved. There are two methods businesses commonly use to allocate expense and both methods work essentially the same way, but vary in the use of accounts verses classes to capture the transactions that need to be allocated.

In the first method, the expenses to be allocated are coded to an overhead expense account. The second method uses the regular expense accounts (such as supplies, job expenses, etc.) but is coded to an overhead class. Both methods will only work in QuickBooks Online Plus subscription level companies.

In both methods, you'll create a journal entry to allocate the amounts to each class, location or customer. For each account, debit the account by the amount to be allocated to each segment, then credit the expense account for the total allocated.

Method 1 - Overhead Allocation Account

This method requires you to capture all the transactions that need to be allocated in one account then allocate them using the same account to each class.



Step-by-Step: Overhead Allocation Account

1. Set up an Overhead Allocation account as an Other Expense type.
2. Make a journal entry. Debit the Overhead Allocation expense account and indicate the name of the class, location or customer. Add additional lines for each class, location or customer as needed.
3. On the last line enter a credit for the total to the Overhead Allocation expense account with *no* class, location or customer. However, if you have set up an Admin or Overhead class, location or customer, then you would use it on the last line for the credit.

Journal Entry #1
?
X

Journal date

Journal no.

Is Adjusting Journal Entry?

#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME	LOCATION	CLASS
1	Overhead	100.00		To allocate overhead to location		North	
2	Overhead	200.00		To allocate overhead to location		South	
3	Overhead		300.00	To allocate overhead to location			
4							
5							
6							
7							

Cancel
Clear
Make recurring
Save
Save and new

Method 2 - Overhead Allocation Class

The class method doesn't use a special account to collect the transactions that need to be allocated. Instead, each transaction would be posted to the normal expense account (e.g., Utilities, Advertising, etc.) and classed to the Overhead Allocation class when recorded. The allocation journal entry would include lines for each expense account that includes transactions assigned to this class.

Companies allocate overhead costs using different methods. Some common methods include allocating by percentage of sales, gross profit, square footage or some other factor. To determine the allocation percentage, divide the sales, GP, etc. of the segment by the total sales, GP, etc. for the period. The example in the training video allocates overhead by percentage of sales for Event Photography, Portrait Sales and Commercial Sales.

Below is the spreadsheet used in the example demonstrated in the video for this module. The percentages are calculated by dividing the sales for each segment by the total sales for the period (\$100,000). The total of each expense is multiplied by the allocation percentage for each segment to determine how much should be allocated.

Satterley Studios Overhead Allocation

	TOTAL	EVENT PHOTOGRAPHY	PORTRAIT SALES	COMMERCIAL SALES
SALES	\$100,000.00	\$55,000.00	\$25,000.00	\$20,000.00
PERCENTAGE OF SALES	100%	55%	25%	20%
EXPENSES				
INSURANCE	\$1,000.00	\$550.00	\$250.00	\$200.00
RENT	\$12,000.00	\$6,600.00	\$3,000.00	\$2,400.00
SUPPLIES	\$35,000.00	\$19,250.00	\$8,750.00	\$7,000.00
UTILITIES	\$1,500.00	\$825.00	\$375.00	\$300.00



Step-by-Step: Overhead Allocation Class

1. Set up an Overhead Allocation class.
2. Make a journal entry. Debit the appropriate account (e.g., Utilities, Advertising, etc.) and indicate the name of the class, location or customer. Add additional lines for each class, location or customer as needed.
3. For each account line debited, enter a credit for the same account and use the Overhead Allocation class and the same location or customer as the debit line.

Journal Entry #2

Journal date

Journal no.

Is Adjusting Journal Entry?

#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME	LOCATION	CLASS
<input type="checkbox"/>	1 Insurance	550.00		To allocate overhead expenses			Event Photography
<input type="checkbox"/>	2 Insurance	250.00		To allocate overhead expenses			Portrait Sales
<input type="checkbox"/>	3 Insurance	200.00		To allocate overhead expenses			Commercial Sales
<input type="checkbox"/>	4 Insurance		1,000.00	To allocate overhead expenses			Overhead
<input type="checkbox"/>	5						
<input type="checkbox"/>	6						
<input type="checkbox"/>	7						

Cancel
Clear
Make recurring
Save
Save and new

NOTE: There isn't a financial impact from this allocation journal entry, thus this method can be used to allocate an owner's time (a sole proprietor) to a class, location or customer too.

BARTER TRANSACTIONS

Situation

Small businesses may enter into barter transactions where they trade goods or services with other small businesses. It is important to make sure earned income is reported regardless of how payment is received. Recording barter transactions ensures revenues and expenses are recognized in the proper period; it is especially important when inventory is affected. Some examples of barter transactions may be a web designer exchanging design services for mechanical work, or a photographer trading services for landscaping.

Setup

To track bartering in QuickBooks, set up a Barter bank type account to track the exchange of goods and services. Record the sales and expense transactions normally, but instead of depositing money or paying bills out of the regular bank account, record these transactions using the Barter account. Any amounts due to or from the trading partner that exceeds the bartered amount will be paid or received normally using regular bank accounts.



Step-by-Step: Track Barter Transactions in QuickBooks

1. Create a new bank type account called Barter Clearing account.
2. Enter the sale as normal via a sales receipt or invoice and receive payment. Post it to the Barter Clearing account as the bank account.

The screenshot shows a QuickBooks Sales Receipt form. The form is titled 'Sales Receipt' and includes the following fields and information:

- Customer:** A Website Designer
- Amount:** \$1,500.00
- Billing address:** A Website Designer
- Sales receipt date:** 04/05/2017
- Payment method:** Enter later
- Deposit to:** Barter Clearing Account (highlighted with a red box)
- Table:** A table with columns: #, PRODUCT/SERVICE, DESCRIPTION, QTY, RATE, AMOUNT, TAX. The table contains one row: 1, Design:Design, Landscape Design, 1, 1,500, 1,500.00.
- Subtotal:** \$1,500.00
- Buttons:** Cancel, Clear, Print or Preview, Make recurring, Customize, Save, Save and send.

- Enter the purchase as a normal purchase via a check, expense or enter and pay a bill for the services or items received. For the payment method use the Barter Clearing account as the bank account.

The screenshot shows the 'Expense #Barter 1' entry screen in QuickBooks Online. At the top, the account is set to 'A Website Designer' and the payment account is 'Barter Clearing Account', which is highlighted with a red box. The balance is \$0.00 and the total amount is \$1,500.00. The payment date is 04/05/2017 and the payment method is 'Enter bill'. The reference number is 'Barter 1'. Below the form, there is an 'Account details' table with one line item: Advertising (Website Design) for 1,500.00. At the bottom, there are buttons for 'Cancel', 'Clear', 'Make recurring', 'Save', and 'Save and new'.

#	ACCOUNT	DESCRIPTION	AMOUNT	BILLABLE	TAX	CUSTOMER
1	Advertising	Website Design	1,500.00			
2						

This method allows the user to treat the barter transactions the same as cash transactions. All the transactions can be found in one register and you can implement procedures to reconcile the Barter Clearing account, which can help the client avoid errors in record keeping.

NOTE: You could use a journal entry to record the bartered portion of a transaction because you can have multiple Accounts Receivable and Accounts Payable lines in a single journal entry in QuickBooks Online. However, there are advantages to using the method described in this training, such as: consistency of workflow because the transactions are recorded in the usual sales and expense transaction screens, and the Barter Clearing account provides a register where you can view all barter transactions.

CLIENT RETAINERS AND DEPOSITS

Situation

Many businesses collect deposits or retainers from their customers; accountants may collect a retainer before beginning a big project, attorneys commonly require retainers from their clients, and other business may require deposits on goods or services they sell. These payments may be called a retainer, deposit, down payment or similar term, but we'll refer to them as retainers during this training. We are discussing money received as payment in advance of the services or work being performed, in other words, unearned income. We are *not* discussing security deposits received from tenants (that is always recorded as a liability when received).

Law firms might also use trust accounts to hold client funds. The difference is with trust accounts, you must set up a separate bank account to hold your client's funds. Be sure to always follow the rules of your state regarding the professional and ethical conduct for handling client funds. Failure to abide by those rules and practices could result in administrative, civil or criminal sanctions.

This section discusses three options for handling client retainers:

- Using the Deposit feature in QuickBooks
- Credit balance in AR and reclassify
- Unearned income method

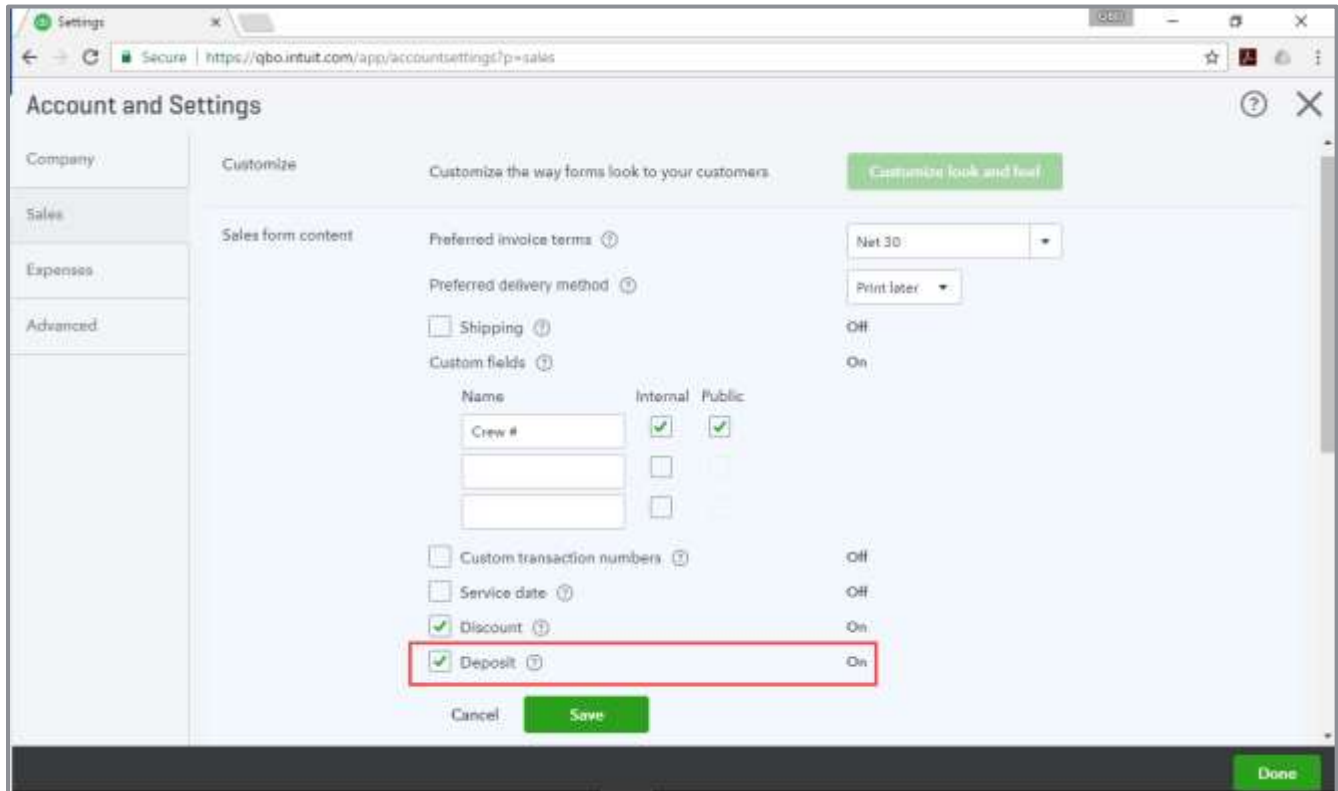
Determining which one is right for a client will vary depending on a variety of factors such as:

- Sales tax - Does the client need to assess sales tax on the retainer? (Check the laws for your state or locality.)
- Financial reporting - Are financial statements provided to outside parties?
- Materiality - How often does the client receive retainers and for how much?
- Client capability - Is the client capable of handling the workflow?

Option 1: Deposit Feature in QuickBooks Online

Setup

The Deposit feature in QuickBooks Online allows deposits to be recorded in the same form as the sales transaction. To turn on the Deposit feature, navigate to Company Settings → Sales → Sales Form Content then check the box to turn on the Deposit feature. When creating the invoice, enter the retainer amount in the Deposit field.



Recording

To record the deposit, create an invoice with the retainer amount in the Deposit field. When you use this feature, the income is recorded based on the items billed on the invoice and the retainer is posted to Undeposited Funds. The remaining balance due on the invoice is posted to accounts receivable.

This method may be acceptable when a retainer is received occasionally because we're recording the revenue as of the date of the invoice even if there hasn't been an exchange of goods or services. This method doesn't conform to generally accepted accounting principles because we're not using an unearned income liability account. Another drawback of this method is that it's not easy create a report of the retainers you have on hand. But if it's a situation where the client is receiving a down payment or deposit and it's *nonrefundable*, then this method could be acceptable.

Invoice

Payment method: Check | Reference no.: 1234 | Deposit to: Undeposited Funds

#	PRODUCT/SERVICE	DESCRIPTION	QTY	RATE	AMOUNT	TAX
1	Design/Design	Custom Design	5	750	3,750.00	€
2						

Subtotal: \$3,750.00
Taxable subtotal: \$0.00
Tax: California 8% = 0.00
Discount percent: 0.00
Total: \$3,750.00
Deposit: 1,000.00
Balance due: \$2,750.00

Message displayed on invoice: Thank you for your business and have a great day!

Statement memo:

Buttons: Cancel, Clear, Print or Preview, Make recurring, Customize, Save, Save and send

Here is what the general ledger entry looks like for this type of transaction:

Craig's Design and Landscaping Services							
JOURNAL							
All Dates							
DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	DEBIT	CREDIT
04/05/20...	Invoice	1038	Amy's Bird Sanctu...		Accounts Receivable (A...	\$2,750.00	
				Custom Design	Design income		\$3,750.00
				Deposit	Undeposited Funds	\$1,000.00	
						\$3,750.00	\$3,750.00
TOTAL						\$3,750.00	\$3,750.00

Wednesday, April 5 2017 04:29 PM GMT-04:00

Option 2: Credit Accounts Receivable and Reclassify at Year End

Option 2 requires no setup. This method follows the normal workflow, which may be easier for some clients who enter the transactions as opposed to the accountant or bookkeeper doing it.

This option may be acceptable if the small business uses reports for management purposes only (i.e., not provided to a third party) or when the total amount of retainers is not a material amount. Make sure to check the sales tax requirements of your client's state to make sure sales tax does not need to be collected on the retainer.

When using this option, the retainer is entered via Receive Payment creating a credit in the customer's account (i.e., negative amount in accounts receivable). If you selected the automation setting Automatically apply credits, the open retainer will automatically be applied to the invoice once you create it. If not, when the retainer needs to be applied to the invoice, you can use the Receive Payments button to apply the credit to the invoice on the date the income becomes earned revenue. At year-end, the accountant should make a journal entry to reclassify the credit balance for retainers from accounts receivable to an unearned income liability account. Then a reversing journal entry should be entered on the first day of the new year.



TIP: Make sure to apply the deposit to the final invoice before sending it to the customer so the correct amount due displays on the invoice.

Option 3: Unearned Income Method

You may decide the best option is to track retainers using an unearned income liability account. This option follows GAAP and is recommended if financial statements are provided to outside parties or if retainers are a normal course of business or a material amount.

Setup

Create a liability account for Client Retainers. Then create a service item for Client Retainers with the Income account field mapped to the liability account created.

The screenshot shows a 'Product/Service information' form. The 'Name*' field contains 'Client Retainers'. The 'SKU' field is empty. The 'Category' dropdown is set to 'Choose a category'. Under 'Sales information', the checkbox 'I sell this product/service to my customers.' is checked. The 'Retainer on Job' field is empty. The 'Sales price/rate' field is empty. The 'Income account' dropdown menu is highlighted with a red box and set to 'Client Retainers'. The 'Is taxable' checkbox is unchecked. At the bottom, there is a 'SHOW MORE' link and a 'Save and close' button.



Step-by-Step: Track Retainers Using the Unearned Income Method

1. Create a sales receipt (or invoice and payment) to record receipt of the retainer from the customer, using the Client Retainers item you created, using QTY of 1 and Rate equal to the amount of the retainer.
2. Once the work is performed, create another invoice or sales receipt for the appropriate items based on the services rendered or products sold.
 - a. On the next line after all the products and services sold, enter the Client Retainers item using a QTY of -1 and Rate equal to the original retainer amount (or the appropriate amount if it was not for the full amount of the retainer) that you are applying).
 - b. The retainers can be broken down and applied to multiple invoices if desired. This removes the amount from the liability account and recognizes the income earned. This also allows the user to record sales tax correctly for each item.

Invoice

Amy's Bird Sanctuary | Birds@Intuit.com

BALANCE DUE
\$3,000.00

Send later | [Go Back](#)

Billing address
Amy Lauterbach
Amy's Bird Sanctuary
4561 Finch St
Bayshore, CA, 94326

Terms: Net 30 | **Invoice date**: 04/05/2017 | **Due date**: 05/05/2017

Crew #

#	PRODUCT/SERVICE	DESCRIPTION	QTY	RATE	AMOUNT	TAX
1	Design:Design	Custom Design	1	4,000	4,000.00	
2	Client Retainers	Retainer on Job	-1	1,000	-1,000.00	
3						
4						

Subtotal: \$3,000.00
Taxable subtotal: \$0.00

Buttons: Add lines, Clear all lines, Add subtotal, Cancel, Clear, Print or Preview, Make recurring, Customize, Save, Save and send

TRACK COMMISSIONS

Situation

Lots of small business track and pay commissions to their sales reps or service contractors and need a way to track the amounts owed on sales. The client needs to record the commission expense with each sale as well as the liability owed to the sales rep. While there is no built-in calculator in QuickBooks Online to track commissions, you can use Bundle type items to calculate and record the accrual for commissions payable.



Step by Step: Set up QuickBooks to Track Commissions

1. Create a Sales Rep field to include on sales forms. Open Account and Settings → Sales → Sales form content → Custom fields and enter *Sales Rep* in one of the three Name boxes.

Account and Settings

Company

Sales

Expenses

Advanced

Customize Customize look and feel

Customize the way forms look to your customers

Sales form content

Preferred invoice terms ? Net 30 ▼

Preferred delivery method ? Print later ▼

Shipping ? Off

Custom fields ? On

Name	Internal	Public
<input type="text" value="Sales Reps"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>

Custom transaction numbers ? Off

Service date ? Off

Discount ? On

Deposit ? On

Cancel Save

Products and services

Show Product/Service column on sales forms On

Show SKU column Off


2. Create accounts for Commission Expense *and* Commission Owed (other current liability type).
3. Create two service items for Commission Expense and Commission Owed and map them to the appropriate accounts.

The screenshot shows the 'Product/Service information' form for a service item named 'Commission Expense'. The 'Name*' field is highlighted with a red box. The 'Income account' dropdown menu is set to 'Commission Expense'. The 'Sales information' section is checked, and the 'Commission' field is empty. The 'Is taxable' checkbox is unchecked. The 'Business information' section is collapsed, and the 'Save and close' button is visible at the bottom right.

The screenshot shows the 'Product/Service information' form for a service item named 'Commission Owed'. The 'Name*' field is highlighted with a red box. The 'Income account' dropdown menu is set to 'Commission Owed'. The 'Sales information' section is checked, and the 'Commission Owed to Rep(s)' field is empty. The 'Is taxable' checkbox is unchecked. The 'Business information' section is collapsed, and the 'Save and close' button is visible at the bottom right.


4. Create a Bundle item called *10% Commission*. Leave the Sales information field blank and make sure the box *Display bundle components when printing or sending transactions* is unchecked. Select any Product/Service item as the first component part in the bundle (this will change each time we use it, so it doesn't matter which one is included here). The other two components will be the *Commission Expense* and *Commission Owed* items. Enter a QTY of *-.10* for the *Commission Expense* and a QTY of *.10* for *Commission Owed*.

Product/Service information

 **Bundle** [Change type](#)

Name*

SKU






✎ | 🗑️

Sales information

Products/services included in the bundle

Display bundle components when printing or sending transactions

	PRODUCT/SERVICE	QTY	
⋮	 Design Custom Design	1	🗑️
⋮	 Commission Expense Commission	-0.10	🗑️
⋮	 Commission Owed Commission Owed to Reps	0.10	🗑️

▼ SHOW MORE

Save and close ▼



Step-by-Step: Track Commissions on Sales Forms

1. Create a sales transaction, such as an invoice or sales receipt and use the 10% Commission item on the form.
2. Select the down arrow next to the first component item (the placeholder) and select the item you are selling; edit the QTY and Rate as necessary.
3. Copy the description of the item and paste it onto the Description field of the Bundle item. (This will be displayed on the printed sales form.)
4. Enter the Amount of the Bundle item into the Rate field for both the Commission Expense and Commission Owed lines. The line amounts should zero out, leaving the Amount of the Bundle item unchanged.

PRODUCT/SERVICE	DESCRIPTION	QTY	RATE	AMOUNT	TAX
10% Commission	Installation of landscape design <small>This amount will be 10% of the total net sales.</small>	1	750	750.00	
Landscaping Installation	Installation of landscape design	15	50		
Commission Expense	Commission	-0.1	750		
Commission Owed	Commission Owed to Reps	0.1	750		

Use the Bundle item for each product/service being sold on the sales form, each time selecting the product/service you are selling as the first component item. Below is the transaction journal behind this sales receipt where you can see that the Commission Expense account was debited and Commission Owed liability account was credited.

Craig's Design and Landscaping Services							
JOURNAL							
All Dates							
DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	DEBIT	CREDIT
04/05/2017	Sales Receipt	1039	Amy's Bird Sanctua...		Undeposited Funds	\$750.00	
				Installation of landscape d..			
				Installation of landscape d..	Landscaping Services:Labor:L..		\$750.00
				Commission	Commission Expense	\$75.00	
				Commission Owed to Reps	Commission Owed		\$75.00
						\$825.00	\$825.00
TOTAL						\$825.00	\$825.00

Wednesday, April 5 2017 05:35 PM GMT-04:00

NOTE: Keep in mind that while this workflow will work for basic commission tracking, your client may have more complex needs. In that case, they should look for a third party app on apps.com to handle the commission tracking.



Step-by-Step: Create a Commission Earned by Sales Rep Report

You can create a report that shows how much commission was earned by each sales rep for a period.

1. From the Report Center, run a Sales by Product/Service Detail report.
2. Edit header and change the name to *Commission Earned by Sales Rep*.
3. Click Customize. Under Rows/Columns, change the Group by to Sales Rep by clicking the down arrow.
4. Click Change columns and select the Sales Rep and A/R Paid fields to display them on the report.
5. Click Filter, select Product/Service and choose Commission Owed from the drop-down. Then click Run Report.

L, H and M Squared Landscaping

COMMISSIONS EARNED BY SALES REP
All Dates

DATE	TRANSACTION TYPE	NUM	CUSTOMER	MEMO/DESCRIPTION	QTY	SALES PRICE	AMOUNT	BALANCE	A/R PAID
▼ HS									
03/08/2017	Invoice	158	Adam's Candy Sh...	Commission Owed	0.10	66.00	6.60	6.60	Paid
03/08/2017	Invoice	158	Adam's Candy Sh...	Commission Owed	0.10	1,200.00	120.00	126.60	Paid
Total for HS					0.20		\$126.60		
▼ ML									
03/08/2017	Invoice	156	Adam's Candy Sh...	Commission Owed	0.10	66.00	6.60	6.60	Paid
03/08/2017	Invoice	157	Adam's Candy Sh...	Commission Owed	0.10	66.00	6.60	13.20	Paid
Total for ML					0.20		\$13.20		
▼ Not Specified									
03/22/2017	Invoice	155	Adam's Candy Sh...	Commission Owed	0.10	66.00	6.60	6.60	Paid
Total for Not Specified					0.10		\$6.60		
TOTAL					0.50		\$146.40		



TIP: If the client pays commission on paid invoices only, change the accounting method on the report to cash and this will filter the report to only display paid invoices and sales receipts. Click Save customization to save the report to the My Custom Reports tab so you can run it on demand.

TRACK PREPAID MULTIPLE SESSION SALES

Many service-based businesses sell multi-session packages to their customers. Examples could be a massage therapist, personal trainer, chiropractor or even a sports complex. In fact, a ProAdvisor could use this workflow to track prepaid training packages. In these cases, the business owner needs to know how many sessions have been used and how many are still available. You can set up and track these types of transactions in QuickBooks Online and even automate future transactions so your financial statements are accurate. This method works well for an accrual-basis business, meaning the revenue isn't recorded until the session is used by the customer. It will not reflect the correct revenue on a cash basis.

Because this workflow involves multiple steps and attention to detail to maintain it correctly, you may want to consider looking at a third party app if your client has lots of sales like this. We included this workflow in your training, in part to illustrate how an Advanced Certified ProAdvisor employs multiple features in QuickBooks to solve complex workflows for their clients.

Setup


To set up this workflow, create an unearned liability account and service item that is mapped to it, just like we did in Option 3 in the client retainers workflow. To use this workflow, we also need to set up a bundle item to track the sale of the multiple sessions. The component items of the bundle will be the ones mapped to the liability account. Our cash-basis reports won't be accurate because initial sale of the package credits the liability account, not revenue.

For this method to work, we'll need an income account and a liability account to track the unearned income. In this case, we set up a liability account called Unearned Revenue.


Next we'll set up the service items we'll use in this workflow. We need to set up three items:

- Service item used to record revenue - This item should be mapped to the income account (This item can also be used when the business sells an individual mowing service or includes it in another package)
- Service item used to track the unused prepaid services - This item is mapped to the Unearned Revenue liability account we created

Product/Service information ✕


 Service [Change type](#)

Name*

Prepaid Mowing 


SKU

Category


Choose a category 

Sales information

I sell this product/service to my customers.

Prepaid Mowing 


Sales price/rate

Income account Unearned Revenue 

Is taxable

Purchasing information

I purchase this product/service from a vendor.

[Save and close](#) 

- Bundle item used when selling the package to the customer - The component item in this bundle will be the prepaid mowing item we created that is mapped to the liability account

Product/Service information

Bundle

Name*
6 Lawn Mowings

SKU

Sales information
Package of 6 Lawn Mowings

Products/services included in the bundle

Display bundle components when printing or sending transactions

PRODUCT/SERVICE	QTY
Prepaid Mowing Prepaid Mowing	6

→ Add lines

Save and close

Do not check the box Display bundle components when printing or sending transactions; the customer doesn't need to see the component parts.



Step-by-Step: Record and Track Prepaid Multiple Session Sales

1. Create an invoice or sales receipt to sell the package to the customer. Use the Bundle item on the invoice and record the other required details about the transaction. This will credit the Unearned Revenue account. Save the transaction.

Invoice

To: Amy's Bird Sanctuary | From: Email@Innuit.com

BALANCE DUE: **\$150.00**

Send later [Outbox](#)

Billing address: Amy Lauterbach, Amy's Bird Sanctuary, 4381 Finch St, Bayshore, CA 94026

Terms: Net 30 | **Invoice date:** 04/05/2017 | **Due date:** 05/05/2017

Sales Rep: [Empty field]

#	PRODUCT/SERVICE	DESCRIPTION	QTY	RATE	AMOUNT	TAX
1	6 Lawn Mowings	Package of 6 Lawn Mowings <small>Your invoice will list one of the items in this bundle.</small>	1	130	130.00	
	Prepaid Mowing	Prepaid Mowing	0	20		

Buttons: Add lines, Clear all lines, Add subtotal

Subtotal: \$150.00

Taxable subtotal: \$0.00

Tax: California, 8% = \$0.00

Discount percent: [Empty field] = \$0.00

Message displayed on invoice: Thank you for your business and have a great day!

Buttons: Cancel, Clear, Print or Preview, Make recurring, Customize, Save, Save and email

2. Create a Delayed Charge for each of the six sessions using both the liability service item and the revenue service item. The next amount of the delayed charge will be zero. *Keep in mind that Delayed Charges are non-posting transactions and will not be reflected on the general ledger until they are added to an invoice.*

Delayed Charge
? X

Amy's Bird Sanctuary

AMOUNT
\$0.00

Delayed Charge Date

04/05/2017

#	PRODUCT/SERVICE	DESCRIPTION	QTY	RATE	AMOUNT	TAX	
1	Mowing	Lawn Mowing	1	25	25.00		
2	Prepaid Mowing	Prepaid Mowing	-1	25	-25.00		
3							

Add lines
Clear all lines

Memo

Total **\$0.00**

Attachments Maximum size: 25MB

Drag/Drop files here or click the icon

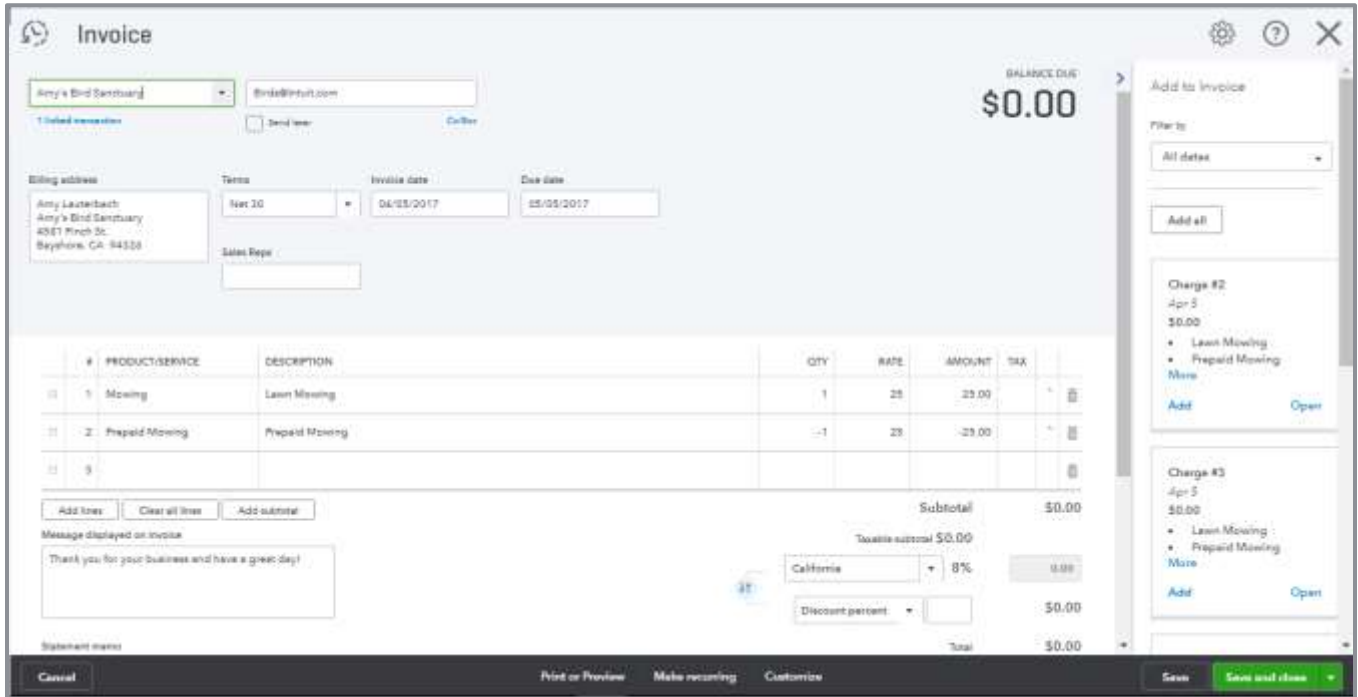
Show existing

Cancel
Clear
Make recurring
Save and new



Tip: After you save the first delayed charge, click More → Copy on the bottom of the Delayed Charge screen to create the remaining five transactions.

- When the customer redeems a session, create an Invoice and add the delayed charge to the invoice from the drawer. This will create a zero invoice and create the entry to debit the Unearned Liability account and credit revenue.



- Click More → Transaction journal to view the entry behind the transaction.

Sort ▾ Add notes Edit header

Craig's Design and Landscaping Services
JOURNAL
All Dates

DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	DEBIT	CREDIT
04/05/2017	Invoice	1041	Amy's Bird Sanctua...		Accounts Receivable (A...	\$0.00	
				Lawn Mowing	Services		\$25.00
				Prepaid Mowing	Unearned Revenue	\$25.00	
						\$25.00	\$25.00
TOTAL						\$25.00	\$25.00

Wednesday, April 5 2017 06:02 PM GMT-04:00



Step-by-Step: Create a Report to Track Unused Prepaid Sessions

You can create a customized report to show all unused package sessions by customer. This report should tie out to the balance in the Unearned Revenue account as of the report date.

1. From the Report Center, click Reports → All Reports → Review Sales → Unbilled Charges.
2. Click Customize.
3. Filter by Product/Service then choose the service item mapped to the Unearned Revenue account, in this example Prepaid Mowing.





The screenshot shows the 'Accountant' interface with a report titled 'Craig's Design and Landscaping Serv' and 'UNBILLED CHARGES'. A 'Customize report' dialog box is open on the right. In the 'Filter' section, the 'Product/Service' checkbox is checked and set to 'Prepaid Mowing'. Other filter options like Transaction Type, Distribution Account, Customer, Vendor, Employee, Amount, and Memo are visible but not selected.

DATE	TRANSACTION TYPE	AMOUNT	POSTING	MEMO/DESCRIPTION
▼ Arny's Best Services				
04/05/2017	Charge	2	Yes	Lawn Mowing
04/05/2017	Charge	2	No	Prepaid Mowing
04/05/2017	Charge	3	No	Prepaid Mowing
04/05/2017	Charge	3	Yes	Lawn Mowing
04/05/2017	Charge	4	No	Lawn Mowing
04/05/2017	Charge	4	No	Prepaid Mowing
04/05/2017	Charge	3	No	Lawn Mowing
04/05/2017	Charge	3	No	Prepaid Mowing
04/05/2017	Charge	0	No	Lawn Mowing
04/05/2017	Charge	0	No	Prepaid Mowing
Total for Arny's Best Services				
▼ Other - Service by Carl				



TIP: Rename the report to something meaningful to you and/or your client then click Save customizations to add the report to My Custom Reports in the Report Center.

Filters: Product/Service X

Sort Add notes Edit header    

Craig's Design and Landscaping Services

PREPAID MOWINGS OUTSTANDING

All Dates

DATE	TRANSACTION TYPE	NUM	POSTING	MEMO/DESCRIPTION	AMOUNT	BALANCE
▼ Amy's Bird Sanctuary						
04/05/2017	Charge	2	No	Prepaid Mowing	-25.00	-25.00
04/05/2017	Charge	3	No	Prepaid Mowing	-25.00	-50.00
04/05/2017	Charge	4	No	Prepaid Mowing	-25.00	-75.00
04/05/2017	Charge	5	No	Prepaid Mowing	-25.00	-100.00
04/05/2017	Charge	6	No	Prepaid Mowing	-25.00	-125.00
Total for Amy's Bird Sanctuary					\$ -125.00	
TOTAL					\$ -125.00	

Wednesday, April 5 2017 06:09 PM GMT-04:00

This new report should agree to the balance in the Unearned Revenue account on the Trial Balance.

Guide Conclusion

You have just completed *Module 3: Special Transactions*. This Supplemental Guide, in tandem with its recorded module, has been provided to help prepare you for the QuickBooks Online Advanced Certification Exam. Continue on to the remaining modules and their related guides then proceed to the certification exam.

By completing this module, you should be able to:

- Determine when to utilize special transactions
- Recognize the steps to create special transactions
- Determine when to utilize complex workflows
- Recognize the steps to create complex workflows