Intuit®

Getting Started
with Quicken® Premier Home & Business

Quicken®
2004

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Contents

1 Getting started and adding accounts

This chapter shows how to customize your standard Quicken data file and accounts to track business-related finances. After adding accounts, you'll learn how to enter transactions using categories and classes, which give Quicken its powerful reporting, tracking, and analysis capabilities. Use them to manage your business wisely and gain insights into your finances. You'll also learn how to avoid common record keeping mistakes.

If you need to learn more about account setup and basic Quicken functionality, see the other user manual that comes with Quicken Premier Home & Business—*Getting Started with Quicken.* You can find an electronic copy on your computer hard drive (choose Help menu > User Manuals).

How good record keeping benefits your business

Most small business owners go into business because they have a product or service that fills a niche, not because they like record keeping. The reality, though, is that good record keeping is essential to the long-term viability of your business. Here's why:

- The best business decisions are based on solid information, not guesses. Accurate record keeping gives you real-world data and insights about your company's strengths and weaknesses.

- Any time you communicate with bankers, partners, advisors, or potential lenders, you need to provide complete and accurate records.

- The best way to avoid an Internal Revenue Service (IRS) audit, is to maintain accurate records and make informed tax-related decisions. With Quicken, you can pull together your tax information quickly and easily to help make sure you don't underpay or overpay your taxes.

How Quicken helps

Quicken is easy to learn and doesn't take time away from running your business. After a brief setup, you get the following benefits.

- Instant overview of cash flow
Track checking and credit card expenses, plus accounts receivable (customer invoices), accounts payable (bills), and reimbursable expenses.

- Less time bidding and invoicing
Quicken remembers invoice elements—customers, projects, invoice items, charges per item or per hour, even sales tax rates. Just click items to include. When you get the job, click again to convert the estimate into an invoice.

- Customized invoices
Design invoices with just the information you need, in a customized layout, with your company logo.

- Job tracking for multiple customers and projects
The Project/Job List gives you an overview of each customer's job, broken down by estimates, invoices, and receivables, with job status and totals.

- Powerful graphs and reports
Your Quicken data helps you manage your business and communicate with lenders and partners. Create balance sheets, P&L statements, and cash flow reports with the click of a button. Track profitability and calculate equity. (Quicken supports cash- and accrual-basis reporting.)

- Simplified business taxes
The preset Schedule C categories make it easy to track tax-related business expenses. You can even track tax-deductible mileage.

Which bookkeeping method should you use?

Start off by choosing a bookkeeping method—cash or accrual basis.

Your bookkeeping method determines how you report income and expenses on tax forms. You must choose a bookkeeping method when you file the first tax return for your business. After that, if you want to change your bookkeeping method, you need permission from the IRS.

If all or part of your income depends on maintaining an inventory—for example, you manufacture products or buy products for resale—the IRS generally requires you to use the accrual method. (Exception: If you own a farming business, you can usually choose either cash or accrual.) For most other businesses, the IRS doesn't require a specific method. Whichever method you choose, you need to clearly show your sources of income, deductions, credits, and so on.

For more information, see the small business and self-employment pages of the IRS Web site at http://www.irs.gov or talk to your accountant.

Cash-basis bookkeeping

Cash-basis bookkeeping means you record income when you receive an actual payment and record expenses when you pay bills. If you record customers' payments but do not count the money they still owe, then you're using cash-basis bookkeeping. Likewise, you record an expense when you pay it, rather than when you receive the bill. If yours is a service-based business (consultant, lawyer, or electrician), the cash-basis method is usually easier.

Accrual-basis bookkeeping

For accrual-basis bookkeeping, you record income at the time of the sale, not when you receive the actual payment. Likewise, you record an expense when you receive the bill, not when you pay it.

Change your settings

Quicken defaults to cash-basis reporting but supports either method. To check your settings, choose Edit menu > Preferences > Quicken Program. In the Quicken Preferences dialog, click Reports and Graphs. To run cash-basis reports, make sure there is a check mark next to the box labeled "Cash-basis reporting if applicable." To run accrual-basis reports, clear the check box.

Which chapters should you read?

Quicken Premier Home & Business is designed to help you track almost all aspects of small business cash flow and profitability. The features you use depend on your business and the level of detail you want to track.

For information about this:	Refer to this chapter:
The standard cash flow features do most of the heavy lifting for tracking income and expenses. To get started, just set up accounts and categories relevant to your business. If your business needs are simple, you could read just this first chapter.	"Which accounts will you need?" on page 5 and "Setting up business categories" on page 8 in this chapter
Accounts receivable (invoices) are all about income. The biggest challenge for many small businesses is creating realistic estimates, tracking jobs, and following through with invoices to ensure timely payment.	Chapter 2, *Managing accounts receivable (invoices)*
If you use accrual-basis bookkeeping, you also need to track accounts payable (A/P, or bills) as they are received. Even if you use cash-basis bookkeeping, an A/P account can help you track cash flow and forecast expenses.	Chapter 3, *Managing accounts payable (bills)*
Business-related cash flow features help you make prudent day-to-day decisions. You can track cash flow, see income and expenses broken down by product or job, make forecasts, and more.	Chapter 4, *Managing cash flow (income and expenses)*
Tracking profitability or calculating equity is easy with the Quicken balance sheet report and the profit and loss (P&L) statement. You can also depreciate capital equipment and track loans.	Chapter 5, *Tracking profitability and calculating equity*
Find the right tools to help you track payroll, manage contact information, write a business plan, find expert advice, or manage a company that has outgrown Quicken.	Chapter 6, *Resources for growing your business*

Which accounts will you need?

Accounts and categories in Quicken are equivalent to the traditional chart of accounts used for tracking income, expenses, assets, and liabilities. Set up a Quicken account for each real-world account your business uses, such as a checking or credit card account. Quicken also uses accounts receivable (invoices), accounts payable (bills), fixed assets, and loans.

You will probably need some combination of the following accounts.

To track this:	Add this Quicken account type:
Income and expenses	Add a Quicken account for each real-world checking account or credit card. See "Add business and personal accounts in one data file" on page 6.
	When you enter income or expense transactions, use Quicken categories to get the most from reporting, tracking, and analysis tools. See "Setting up business categories" on page 8.
Accounts receivable (invoices for payments from customers)	Add one invoice/receivables account for each business you track in this data file. See Chapter 2, *Managing accounts receivable (invoices)*.
	You can also set up an invoice item for any product or service you include on your invoices. See "Setting up items to include on invoices" on page 18.
Accounts payable (bills you pay)	Add one bills/payables account for each business you track in this data file. See Chapter 3, *Managing accounts payable (bills)*.
Sales tax	Quicken adds a sales tax account for you the first time you enter an invoice item for which you charge sales tax. If you do business in more than one tax district, you may need to add more. See "Tracking and paying sales tax" on page 29.
Assets and liabilities	Add an asset account for capital equipment you intend to depreciate. See "Tracking fixed assets and depreciation" on page 61. Add an amortized loan to track the principal, interest, and payment schedule for money you owe (see "Recording a new loan" on page 64).

Keeping business and personal data separate

Think about how you want to track your finances, especially your checking and credit card accounts. The IRS advises business owners to keep business transactions completely separate from personal transactions. You can handle this three different ways in Quicken:

- Add personal and business accounts in one data file, and then track both home and business finances in the same file. Be sure that your business checking, credit card, and other accounts are used solely for your business. This lets you track all your finances in one place and do tax planning for both employment and self-employment income. Use the preset business categories to track business-related transactions.

- Set up separate Quicken data files for your home and for your business. The drawback is that you can't see the overview of your finances in one place.

- Mix business with personal data in the same checking account. Use both categories and classes to distinguish between business and personal transactions. (This is not recommended, for tax reasons.)

Add business and personal accounts in one data file

Quicken Premier Home & Business was designed to help you see how self-employment income contributes to your overall financial picture. To take advantage of this ability, use the same data file for both business and personal finances—just be sure to add separate checking and credit card accounts in Quicken, used specifically for business income and expenses (do this at your financial institution, too). Deposit all business income into a business-only account, and pay all business-related expenses from a business-only account.

Note: As an extra safeguard, and to get the most out of reporting, tracking, and planning tools, be sure to assign business-related categories whenever you enter or download transactions into your accounts. For more information, see "Setting up business categories" on page 8.

To add a business account in Quicken, follow these steps:

1 In the Account Bar, on the left side of your Quicken window, click the **Business Center** tab.

   Quicken opens the Business Center.

2 Click the **My Data** tab, if it is not already open.

   Quicken displays the data view, including any accounts you have already added.

3   Scroll down to the appropriate section, and then click **Add Account**.

   Business Accounts: Accounts receivable (invoices) or accounts payable (bills).

   Business Spending & Savings Accounts: Checking, savings, or cash accounts.

   Business Credit Card Accounts: Credit card accounts.

   Business Property & Debt Accounts: Fixed assets, capital equipment, liabilities, and loans.

4   Follow the on-screen instructions. Click **Help** if you need more information.

Click the Business Center tab for an overview of your business finances.

Click My Data if it is not already open, and then scroll down to the appropriate section. Click Add Account.
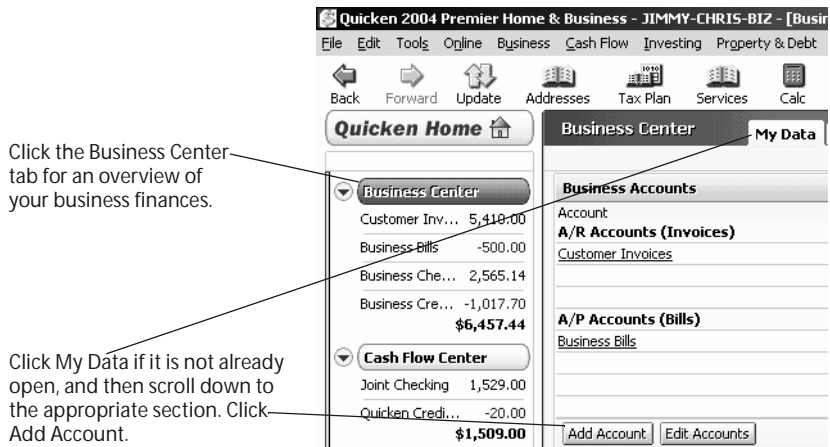
Avoid common record keeping mistakes

Many entrepreneurs have creative ideas and marketing skills to make their business successful, but little knowledge of record keeping. The IRS has found that sole proprietors commonly make the following mistakes:

- Writing checks from a personal checking account that are later claimed as business expenses
- Making business-related credit card purchases on a personal credit card
- Writing business checks payable to cash
- Depositing business receipts directly into a personal checking account

If the IRS ever needs to see your records, you must be able to document all of your income sources and deductions. When you deposit all business receipts in a separate bank account and make payments by check, you can use your bank statement and canceled checks to back up your records.

Setting up business categories

Quicken Premier Home & Business comes with preset business-related categories and subcategories. To get meaningful data from tracking, reporting, and analysis tools, assign a category when you enter transactions.

Customize the default list

Generally, all the income and expense transactions for your small business are tax related. Don't miss a deduction! Quicken can track the tax-related transactions and assign the tax form line item for you. This vastly simplifies your tax planning and reporting.

The preset Category List already includes most of the tax form line item assignments you need for your business—all you do is assign a category when you enter a transaction. Then just run a tax schedule report at the end of the year. (Keep in mind, you still need to save receipts.)

To see the preset list, choose Tools menu > Category List. The business categories are each assigned to a line item from the Schedule C tax form.

Note: To make it easier to find the category you want when you are in the checking account register, set up a parent category with a brief but descriptive name such as "Biz" or "Rentals." Then put all your business-related categories underneath it, using them as subcategories. To learn more about demoting or promoting subcategories under a parent category, choose Help menu > Contents, click the Index tab, enter *categories*, and select *editing*.
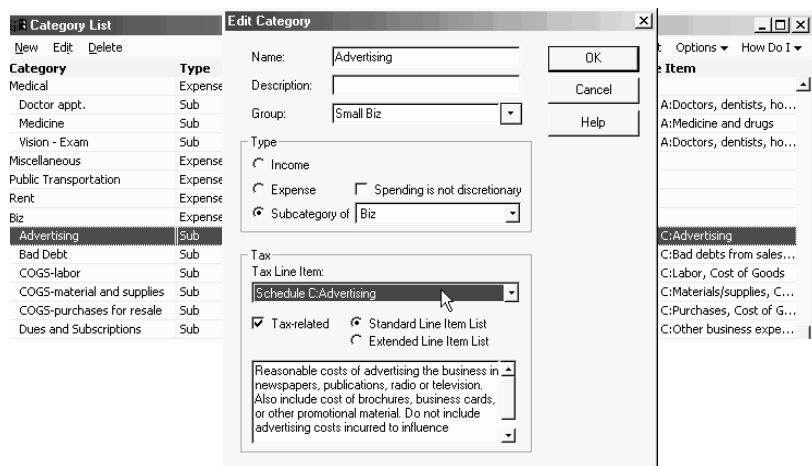
The default business categories

If you need to reload your categories for any reason, follow these steps:

1 Choose **Tools menu > Category List**.

   Quicken displays the Category List.

2 Click the **Options** button, and then from the drop-down menu, choose **Add Categories**.

   Quicken displays the Add Categories dialog.

3 In the Add Categories dialog, in the **Available Categories** list, choose **Business**.

   Quicken displays business categories in the list on the left.

4 In the list of business categories, click in the left column to select the ones you want to add, or click **Mark All** to select them all.

   Quicken displays a check mark next to each category you select.

5 Click the **Add** button in the middle of the dialog.

   Quicken moves your selected categories to the Categories to Add list, on the right side of the dialog.

6 Click **OK**.

   Quicken adds your selected categories to the Quicken Category List.

Adding more preloaded business categories

If you want to add more business categories, with the correct tax form already assigned, or if you need more information about whether you are eligible for certain deductions, follow these steps:

1 Choose **Tax menu > Deduction Finder**.

2 In the **Choose a Deduction Type** list, choose **Self-Employed**, and then follow the on-screen instructions.

| To learn about...	Search the Help Index for...
categorizing transactions	categories, overview of
the Category List	lists, Category List
using the preset Quicken categories or adding new ones	categories, preset categories

To learn about...	Search the Help Index for...
entering a transaction with multiple categories	split transactions, entering

Adding tax information to an existing category

The preset Quicken Category List probably includes most of the tax information you will need for tracking your business's tax-related transactions. If you need more, though, you can manually add a new category or edit an existing one to include tax information specific to your business.

1 Choose **Tax menu > Tax Line Item Assignment**.

   Quicken displays the Category List, with the Tax Line Item Assignment dialog open at the bottom.

2 In the Category List, select the category for which you want to assign a tax form line item.

   Quicken displays its current assignment, if any, in the Tax Line Item Assignment at the bottom of the window.

3 In the Tax Line Item Assignment window, click in the **Tax Item** field and choose a tax form line item from the list. Use the scroll bar to move up or down the list.

   Quicken displays a brief description of each tax form line item on the right, including eligibility requirements for specific tax deductions.

4 When you have found the correct item, click **Apply** to assign it to the category you selected.
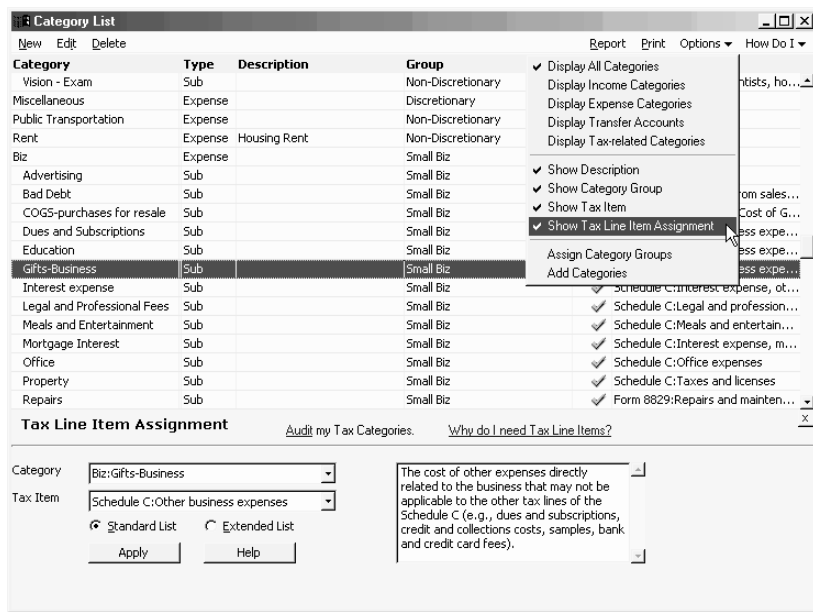
Creating your own categories

You can customize your categories to track tax-related income and expenses for different kinds of businesses. The next two sections describe how.

Categories for rental property owners

If you followed Quicken Guided Setup after you installed Quicken, then you were prompted for whether you own rental property. If you clicked Yes, then Quicken added rental property categories for you. You can set up more at any time from the Category List.

1 Choose **Tools menu** > **Category List**.

2 In the Category List window, click **New**.

3 In the Set Up Category dialog, enter a name and indicate whether you will use it for income or expense transactions.

(Examples are Rents Received, Cleaning and Maintenance, Commissions, Insurance, Management Fees, Mortgage Interest, Supplies, Taxes, Utilities.)

4   In the **Tax Line Item** list, select the appropriate Schedule E tax line
    assignment for the category you are adding, and then click **OK**.

Categories for farm finances

Repeat the steps in the preceding section, but in the Set Up Category dialog,
click to display the Extended Line Item List. When you do, Quicken adds
Schedule F tax line items to the list. (You can add categories here for Cost of
Resale Livestock or Items, Sales Proceeds from Livestock or Items, Agricultural
Programs Payments, Insurance, Crop Insurance Proceeds Received, Feed,
Fertilizer, Freight, Rent, Seed, Storage, Taxes, Utilities, Veterinarian Expenses,
and more.)

Note: Always confirm your choices by consulting with your accountant or tax
professional. For more information, see the small business and self-employment pages
on Quicken.com and the IRS Web site:

•   http://www.quicken.com/taxes
•   http://www.irs.gov

To learn about...	Search the Help Index for...
tracking tax-related expenses and assigning tax schedule information to categories	categories, tax-related transactions
double-checking the tax form information you assigned to categories	Tax Category Audit

To learn about...	Search the Help Index for...
handling transfers between farm enterprises	farm finances

Using categories when you enter transactions

To get meaningful data from the tracking, reporting, and analysis tools, assign a category to every income or expense transaction you enter. You can assign a single category to a transaction or divide up the transaction among multiple categories (this is called a "split" transaction).

A transaction with a single category

A transfer transaction

A transaction with multiple categories

Click the Split button and then enter multiple categories in the Split Transaction dialog.

Note: To learn more about entering transactions and assigning categories, see the other user manual that comes with Quicken Premier Home & Business, *Getting Started with Quicken*, or find the electronic version on your computer hard drive. (Choose Help menu > User Manuals.) For information about changing category options, choose Help menu > Contents, click the Index tab, and enter *classes, overview of*.

Setting up classes

Categories help identify your business's income and expenses. But what if you have several customers, each of whom is a source of income in the Gross Sales income category—which one is the most lucrative customer over the course of a year? Or what if you have several projects with the same expense category, say, Materials and Supplies—which has the highest startup cost?

Use classes if you need to:

- Track the same income or expense category for multiple jobs, clients, or projects.
- Track the same income or expense category for multiple product lines.

Set up your classes based on the type of reporting you want to do. For example, if you work on multiple projects at one time, set up a class for each project. If you work with multiple clients, set up a class for each client. Keep class names short, because they need to fit next to the category in the Category field.

Business type	Examples of Quicken classes
Consultant or contractor with several clients	Rogers job Ellis job
Rental property owner	Oak St. Market St. Condo

Tracking multiple product lines or farm enterprises

You can also use classes to track multiple product lines of a single business, or to track the profitability of several farm enterprises on a single farm (this is called "enterprise accounting"). To see the profitability for each type of product or enterprise but still keep consolidated numbers for your tax return, you would use Quicken classes. Here are some examples.

Business	Examples of classes tracking a product line or farm enterprise
Carpenter or crafts person with several product lines	Furniture Toys
Farmer	Corn Soybeans
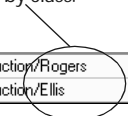
Note: For more information about classes, see "Tracking expenses—should you use classes or projects?" on page 26 and "Tracking projects/jobs" on page 20. For more information about tracking farm enterprises, choose Help menu > Contents, click the Index tab, and enter *farm finances*.

Using classes when you enter transactions

When you enter a transaction for any of the products lines, jobs, or clients for which you have set up a class, simply enter the transaction as usual in the account register, but after you enter the category, follow it with a slash (/) and then type the name of the appropriate class.

When you make a payment or deposit income that applies to more than one product line or job, you can split the transaction the same way you do with categories. For example, if you write a check for printing services for both the Rogers project and the Ellis project, the split would look like this:

Identify the amount spent for
each job by class.

| 1. | Production/Rogers | printing | E | 45 | 50 |
| 2. | Production/Ellis | binding | E | 54 | 00 |

To learn more about entering classes, choose Help menu > Contents, click the Index tab, enter *classes*, and select *overview of.* See also "Using classes for more detail" on page 51 and "Tracking expenses—should you use classes or projects?" on page 26.

2 Managing accounts receivable (invoices)

You can use Quicken to track estimates, invoices, and payments—you don't need a separate program. You can also customize these documents for your business.

If you use accrual-basis bookkeeping, you must track your accounts receivable (invoices) and payments in a Quicken invoice account. Invoices are considered an asset even if you haven't received the funds yet, because they represent monies owed to your company.

Even if you use cash-basis bookkeeping, an invoices/receivables account can help you track cash flow and forecast income.

Use an invoices/receivables account to help you track amounts your customers owe you. The process works like this:

- Add a new Quicken invoices/receivables account.
- Set up invoice items for the products and services you sell.
- Set up the projects you want to track.
- Create estimates in the Estimates dialog.
- Create invoices in the Invoices dialog.
- Record customer payments.
  Quicken matches payments to the corresponding project/job or invoice.

Adding an invoices/receivables account

Before you can create invoices, you'll need a Quicken invoices/receivables account in which to track accounts receivable.

1 On the left side of your Quicken window, in the Account Bar, click the **Business Center** tab.

2 Click the **My Data** tab, if it is not already open.

3 In the **Business Accounts** section, click **Add Account**.

4 Select **Invoices/Receivables**, and then click **Next**.

5 Enter a name for the account, click **Next**, and then click **Done**.

Note: After adding your new invoices/receivables account, you can enter any previously issued but unpaid invoices that you want to track. Follow the steps in "Creating an invoice" on page 23, but remember to predate the invoice.

Setting up items to include on invoices

What kinds of products or services do you include on invoices to customers? Set up invoice items to reduce data entry and simplify your bidding and invoicing process. Set up an item for any of the following:

- Products you sell
- Hourly rate for services you provide (set up an item for each service, such as consulting, writing, or research)
- Discount rates and special charges, such as surcharges or finance charges
- Subtotals

To set up a new item, choose Business menu > Invoices and Estimates > Invoice Items.

Invoice items can include products or services.

You can also set up discount items that are used to calculate discounts on invoice items.
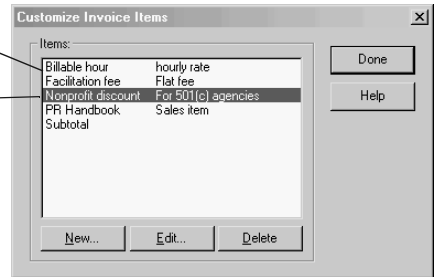
An invoice item is any product or service that you sell at a per item or hourly rate. It can also be one-time charge. For example, a consultant might have a Consulting Fee item for their hourly billing rate, plus a Marketing Manual item for a product they sell. An auto body shop might have a Labor item for their hourly billing rate, plus several items for auto parts or products they sell.

When you set up a new item, enter a name, description, and the amount you charge. For services, enter your hourly billing rate as a Per Item Rate. For example, if the item is an hour of Design Consulting, you could enter a Per Item Rate of $45.00.

When you're ready to create an estimate or invoice, much of your work is already done. Just choose items from your item list and enter the quantity—Quicken calculates the totals for you.

If you sell dozens of products or parts, just set up a few major item types, and then edit the item price when you enter it on the invoice. (If you need to track an extensive inventory, consider upgrading to QuickBooks. See "When should I upgrade to QuickBooks?" on page 71.)

Discounts, special charges, and subtotals

A discount or special charge is one that adds a positive or negative percentage on the item that immediately precedes it. To set up a discount, in the New Item dialog, create a new item called "Discount." Then select the Percentage check box and enter a negative percent in the Per Item Rate field. The next time you want to discount any item, enter the item as usual in the Invoice dialog, and then add the Discount item in the line immediately following. Quicken calculates the discount. (Follow the same steps for a surcharge or finance charge, but enter a positive number for the Per Item Rate.)

A subtotal item adds up the amounts of all the items above it. To set up a subtotal item, in the New Item dialog create an item called Subtotal and then select the Subtotal of the Preceding Items check box.

To apply a discount or special charge to several items, enter the subtotal item before you enter the discount or special charge on the invoice. To learn more about creating new items or creating an item list, choose Help menu > Contents, click the Index tab, enter *invoices*, and select *items on an invoice*.

Tracking projects/jobs

The Quicken *project/job* feature helps you track multiple jobs for a given customer. For example, a freelance writer can use projects/jobs to invoice his client for consecutive writing assignments, or a plumbing subcontractor can use them to track jobs for a general contractor. A single project/job may have a history that includes an estimate and several invoices, plus payments and possibly bills for reimbursable expenses. Here are more examples of when you might use projects/jobs:

* If you manage several apartment buildings, set up the building addresses as customers and the individual apartments as projects/jobs.

* If you invoice against purchase orders, set up each purchase order number as a project/job.

* If you have a practice or organization that sends one statement to a family to cover individual members of the family, set up the family as the customer and family members as projects/jobs.

Quicken tracks your projects/jobs using the Project/Job List, which includes the job status, important dates, and ending balance of invoices and payments. To see the List, choose Business menu > Business Lists > Project/Job List.

Project/Job List screen

Customer	Project/Job	Status	Start Date	Proj. End	Actual End	Description	Total
AnyTown Pasta J...	Publicize Grand Ope...	In Progress	12/1/2003	12/31/2003		new manageme...	4,500.00
	Estimate 101						---
	Invoice 101						7,040.00
	Payment 101						-1,000.00
	Payment 102						-2,440.00
	Invoice 105						900.00
	Write Promo Materials	Closed	9/1/2003	11/30/2003	11/30/2003	for potential inv...	20,800.00
	Estimate 102						---
	Invoice 102						5,200.00
	Payment						-5,200.00

You can also create a summary report of your income and expenses, broken down by payee and project. See "Summarizing all projects/jobs" on page 51.

Create a project/job

To create a new project/job:

1 Choose **Business menu** > **Customers** > **Create Project/Job**.

2 In the **Customer** field, select a customer from the drop-down list or type in a new one. For more information about managing customer contact information, choose Help menu > Contents, click the Index tab, enter *Address Book*, and select *overview of*.

3 From the **Status** drop-down list, select a status for your project/job. If the status you want is not in the list, click New/Edit to create your own status flag or change an existing one.

4 (Optional) Add a description of the project/job.

5 Set important dates for your project/job.

6 Click **OK**.

If you create a new invoice or estimate before creating a new project/job, Quicken will open the New Project/Job dialog and you can fill it in as described above.

Creating an estimate

When a customer asks you to bid on a project, use Quicken to create an estimate that itemizes the products or services the customer wants. You can then either print and send the estimate to the customer, or e-mail it. If your customer accepts your estimate you can convert it to an invoice when it comes time to send the bill. Quicken tracks your estimates in an Estimate List.

Note that estimates, unlike invoices, do not affect your financial statement, because there is no guarantee that the transaction will actually take place. They do appear on the Project/Job List, so you should assign an estimate to its specific project/job; when you convert the estimate to an invoice it will be added to the list for that project/job.

To create a new estimate, choose Business menu > Invoices and Estimates > Create Estimate. Quicken displays the Estimate dialog.

Here's an example of a completed estimate:

Choose a customer and project from the drop-down menus.

Quicken fills in the customer information from your Customer List.

Enter invoice items here. You can also create a new one—just type a new name and follow the instructions.

Converting an estimate to an invoice

When a customer accepts your estimate, you can easily make any necessary modifications to it before converting it to an invoice. The invoice appears in the invoice account you choose, with the next sequential invoice number. You can choose to either delete the estimate from the Estimate List or save it for reuse.

1   Choose **Business menu > Business Lists > Estimate List**.

2   Select the estimate you'd like to convert and click **Convert** on the toolbar.

3   From the **Convert it to the following account** drop-down list, select an existing invoice account.

4   Indicate whether you want to save this estimate for later use or delete it. For example, if you will be providing the same services to a customer on a monthly basis, you can select **Save this estimate for later use**, then simply convert it to a new invoice each month.

5   Click **OK** to convert the estimate to an invoice.

Here's an example of a completed Convert Estimate to Invoice dialog.

Select the account in which you want the invoice to appear.

Indicate whether you want to save this estimate for later use or delete it from the Estimate List.

```
Convert Estimate to Invoice                              [x]

   Customer:    AnyTown Downtown            [  OK   ]
   Project/Job:                             [ Cancel ]
   Estimate #:  101                         [  Help  ]

   Convert it to the following account:
   [Customer Invoices                    [v]]

   ┌─ After conversion ──────────────────────┐
   │  (•) Save this estimate for later use    │
   │                                          │
   │  ( ) Delete this estimate from the list  │
   └──────────────────────────────────────────┘
```

Note: Quicken tracks your estimates in the Estimate List and your accounts receivable in the invoices account register.

Creating an invoice

When a customer owes you money, you can create a Quicken invoice that itemizes the products or services they bought from you. You can then either print the invoice to send to the customer, or e-mail the invoice. Quicken updates your invoices/receivables register to show the increase.

To create a new invoice, choose Business menu > Invoices and Estimates > Create Invoice. Quicken displays the Invoice dialog. (If you have more than one invoices/receivables account, Quicken will prompt you for which one you want to use to track this invoice.)

Here's an example of a completed invoice using the preset format.

In the Item field, choose an existing item from your invoice items list, or create a new one.

This Quicken user applied a nonprofit discount for her services. She entered her fees, followed by a subtotal item, followed by her discount item (see "Discounts, special charges, and subtotals" on page 19).

Invoice - Customer Invoices							
Customer: AnyTown Downtown Trust		Project/Job: Fundraiser			Layout: Invoice Default		

Invoice

		DATE 4/30/2003	INVOICE # 101

BILL TO
AnyTown Downtown Trust
123 Center Street
AnyTown, OH 43085

SHIP TO
same

DUE DATE 5/30/2003   P.O. NUMBER 123456

	ITEM	Category	DESCRIPTION	QTY	RATE	AMOUNT	T
1.	Billable hour	Business:Cons...	hourly rate	24	75 00	1,800 00	
2.	Facilitation fee	Business:Other ...	board retreat	1	200 00	200 00	
3.	Subtotal					2,000 00	
4.	Nonprofit disc...		For 501(c) agencies		-15 00	-300 00	
5.	PR Handbook	Business:Gross...	Sales item	3	35 00	105 00	T
6.							
7.							
8.		Next Edit					
9.							
10.							

Customer Message:
It's been a pleasure working with you!

Subtotal 1,805.00
Tax: 7.750% 8.14
Total 1,813.14

Memo: Tax Account: *Sales Tax*   Balance Due: 1,813.14

Save and Done
Save and New
Cancel
Help
Receive Pmt...
Payment History...
Expenses...
Print...
E-mail/Clipboard...

Items following the discount item are full price. This item is taxable.

You can use the Forms Designer described on page 30 to design the invoice to include only the fields and columns you need. You can also rename or resize the fields and columns, reposition the fields and your company logo, and display your company address. To open the Forms Designer from the Invoice dialog, choose Customize from the Layout list.

Filling out estimates and invoices

Because you convert estimates directly to invoices, the two forms look very similar and require you to fill in much the same information, such as the customer, date, and billing address. You also enter details about the products and services you sell. These are called "invoice items" in Quicken. For more information about invoice items, see "Setting up items to include on invoices" on page 18.

If you have set up invoice items ahead of time, Quicken helps you fill in the invoice. When you create an estimate or invoice and begin typing the name of a product or service in the Item column, Quicken checks to see if the item already exists. If it does, Quicken fills in all the item information for you, including category, rate, description, and whether or not the item is taxable. If the item does not already exist, Quicken asks if you want to create a new one and helps you set it up.

Assign an income category to product sales. Be sure to use a category with the correct tax form line item assigned to it, in this case, Schedule C Gross Receipts or Sales (see "Setting up business categories" on page 8).

When you add taxable items such as products to an invoice, Quicken prompts you for your local sales tax rate and adds a sales tax account for you.

New Item		×
Item Name/Number:	The Volunteer's PR Handbook	OK
Category/Class:	Business:Gross Sales ▾	Cancel
Description:	in-house publication nonprofit edition	Help
	☐ Subtotal of the Preceding Items	
	☐ Print Extra Blank Line	
Per Item Rate:	80.00 📅 ☑ Taxable ☐ Percentage	☐ Inactive

In addition to using items to fill out estimates and invoices more quickly, Quicken uses items to track customer charges—and your income—in more detail. Use the item column to add this detail rather than adding numerous income categories. For example, because Pat's interior design business sells too many products to add each one to her Category List, she could have one income category called Design Services, and another called Product Sales. She could assign all of the items she sells to customers (pillows, display shelves, mirrors, and so on) to the Product Sales income category, and assign the services she provides (design consulting, sketches, and so on) to the Design Services category. When she later creates a profit and loss statement, Quicken reports the income from Product Sales separately from the income from Design Services.

Keep sales tax reporting in mind when you set up categories. Figure out which information you need to report to your sales tax authority so that you'll get the information you need from the Quicken reports you create.

To learn about...	Search the Help Index for...
tracking accounts receivable	accounts receivable, overview of
how to create an estimate or invoice	invoices, creating
how to change an invoice or estimate	invoices, editing
how to use a sales tax account	sales tax, account

Scheduling future invoices

By arranging to handle transactions ahead of time, you can have Quicken remind you before they're due or record them for you. Set up future transactions by adding them to the Scheduled Transaction List or to the Financial Calendar. For example, you can schedule recurring transactions that you request payment for at the same time every month, such as payment from renters.

1 Choose **Cash Flow menu > Scheduled Transaction List**.

2 Click **Create New**, and then choose **Invoice**.

3 From the **Account to use** drop-down list, select an existing invoice account.

4 Enter the invoice details.

5 Click **OK** to set up the scheduled invoice.

For more information about scheduling transactions, choose Help menu > Contents, click the Index tab, enter *invoices*, and select *scheduling*.

Tracking expenses—should you use classes or projects?

When you bill expenses to clients, Quicken can help you track actual costs versus estimates, segregate income and expenses (for example, by rental property), and track expenses by job, project, or department. This makes Quicken valuable to medical, legal, consulting, and other professional service firms, as well as to property management, job-shop manufacturing, construction, and similar businesses.

You can track expenses with the Project/Job List or by using classes:

- Using the Project/Job List takes the least time, but gives you less information in your reports. You need to assign bills to the corresponding project/job to see your expenses for that project/job in the Project/Job List and the project/job by project report. For more information about creating projects/ jobs, see "Tracking projects/jobs" on page 20.

- Using classes takes more time, but it gives you more information in your reports. You need to assign classes to all your expense transactions and, to get a complete picture of a particular project/job, you should assign classes to all your income transactions as well. For more information about using classes to create detailed Quicken reports, see "Using classes for more detail" on page 51. To learn about assigning classes to transactions, see "Setting up classes" on page 13.
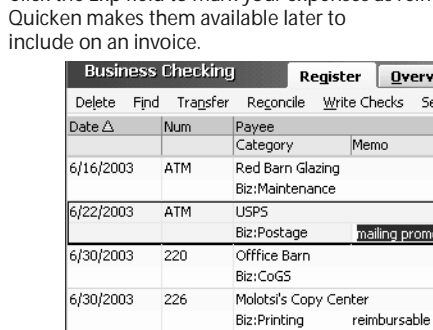
Invoicing a customer for reimbursable expenses

Many business owners (especially consultants) incur expenses on behalf of customers while working on projects. These expenses—items such as delivery fees and travel expenses—are called reimbursable expenses. You can select these expenses as reimbursable when you enter them in Quicken. Then, when you invoice a customer, you can have Quicken display a list of reimbursable expenses and you can select which ones you want to include on the invoice.

Whenever you enter a reimbursable expense in Quicken (for example, in your Quicken checking account register, credit card account register, or bills register), you can click the Exp field to identify that transaction as a reimbursable expense. If only part of the transaction is reimbursable, you can identify the appropriate line in the Split Transaction dialog or the Bill dialog. Quicken displays an E to show that this is an expense for which you plan to invoice a customer.

You can also enter a description of the expense in the Memo field. This is then used as the description on the invoice.

Click the Exp field to mark your expenses as reimbursable.
Quicken makes them available later to
include on an invoice.

When you're ready to invoice the customer, display the Create Invoices dialog (choose Business menu > Invoices and Estimates > Create Invoice) and click Expenses. Quicken shows you a list of reimbursable expenses not yet invoiced. To include an expense on the invoice, click the Use field next to the reimbursable expense and click OK. If you add a markup, change the amount on the invoice.

For cash-basis reporting, reimbursable expenses are recorded as income when you receive payment for expenses. For accrual-basis reporting, income is recognized when you bill the customer.

These expenses have not yet been invoiced.

Select this check box to combine two or more expenses.

Select this check box if the expense is for a taxable item.

Choose Reimbursable Expenses

Use	Date	Payee	Memo	Amount	Hide
	6/22/2003	USPS	mailing promo	50.00	
	6/30/2003	Molotsi's Copy Center	reimbursable expenses	300.00	
	5/14/2003	Molotsi's Copy Center	PR collateral	300.00	
			Total:	0.00	

OK
Cancel
Help

☑ Print selected expenses as one invoice item
☑ Selected expenses are taxable

To learn about...	Search the Help Index for...
tracking reimbursable expenses	reimbursable expenses
applying markup	markup item on invoices

Tracking items bought for resale

When you buy items or materials that become the products you sell, you're usually in one of three general situations:

- You invoice customers for items or materials purchased on their behalf. You buy for a particular customer or job, and you invoice for those items, with or without markup or sales tax. For example, an interior designer may buy furniture at wholesale and sell it to the client at retail. For this situation, see "Invoicing a customer for reimbursable expenses" on page 27.

- You neither maintain inventory nor invoice customers for specific items purchased on their behalf. You buy items or materials for resale in the immediate future. If you buy items for a particular customer or job, you don't invoice for those items separately from other charges. For example, a caterer may buy food for an event but invoice for a general price per person, without separating food costs from labor. Or a custom furniture maker may buy wood for a commissioned job, but sell the finished piece for a price that includes materials and labor.

  If this is your situation, you can use one or more expense accounts for the items and materials you buy for resale. When you enter a bill (or credit card or check) in Quicken for the purchase of resale goods, simply choose the appropriate expense category in the Category field. Make sure you include shipping charges and any sales tax you pay in the amount of the transaction. Those charges are part of your cost of resale goods.

- You maintain inventory. You buy items or materials and hold them in inventory until they sell. If this is your situation, you should purchase QuickBooks. QuickBooks tracks the value of your inventory and keeps an up-to-date count of the number of items in stock. For details, see Chapter 6, *Resources for growing your business.*

Tracking and paying sales tax

If you sell products, you probably collect sales taxes from customers, which you must later pay to a government agency. Quicken lets you add the appropriate sales tax directly to your customer invoices, and it records the taxes you've collected in a liability account called Sales Tax. (Quicken adds this account when you add an invoices/receivables account.)

If you pay a single tax rate to a single government agency, the Sales Tax liability account is all you need. If you handle more than one tax rate, you need to add a separate liability account for each rate. Here's an example. Let's say you collect sales tax from two counties in California: San Bernadino and Sonoma. For San Bernadino County, the sales tax rate is 7.75 percent; you would set up a Sales Tax liability account with that rate.

Tax breakdown	Tax rate
San Bernadino	0.50%
State of California	7.25%
	7.75% (Total sales tax percentage)

The sales tax rate for Placerville County breaks down this way:

Tax breakdown	Tax rate
Sonoma County	0.25%
State of California	7.25%
	7.50% (Total sales tax percentage)

You would add another Sales Tax liability account for Sonoma County with a rate of 7.50 percent. (You add all the city, county, and state rates together.) When it's time to pay the sales taxes you've collected, open the Sales Tax account register and view the balance—that is the amount you need to pay

the tax agency. When you write a check from your checking account to pay the taxes, assign the transaction to your Sales Tax account. Quicken reduces the balance of your checking account by the amount of the tax payment, and reduces the liability in your Sales Tax account by the same amount.

To learn about...	Search the Help Index for...
entering sales tax on an invoice	sales tax, applying
adding new liability accounts	liability accounts

Customizing estimates, invoices, credit memos

Use the Forms Designer to customize estimate, invoice, or credit forms to suit your needs. You can add or remove items, or change their size and position; likewise you can add, remove or change the size of columns. You can also reposition your company logo and print your company address.

If you need more than one type of format (for example, you may use one for services and another for products), Quicken lets you design and save each format as a separate layout. You can name each layout when you design it and then choose the layout you want from the Layout drop-down list when you create the form.

1 Choose **Business menu > Invoices and Estimates > Design Forms**.

2 On the left side of the screen, choose the fields you want to include.

3 On the right side of the screen, select any field you want to change, and then move or resize it.

- To resize the a field, move the pointer to the edge of the side you want to shorten or lengthen. When the pointer changes to a two-sided arrow, hold the left mouse key down, drag the field edge until it is the size you want, and then release the mouse button.

- To move a field, select the field and move the pointer inside it. When the pointer changes to a four-sided arrow, hold the left mouse key down, move the field to the location you want, and then release the mouse button.

Choose the estimate or invoice fields you want to include.

Click and drag to change the size or location of a field.

You can add your own logo in bitmap format (a graphics file with a name ending in .BMP).

Forms Designer: Estimate Default
Layout ▾ Item ▾   Zoom ▾

Introduction
                                         Properties
Estimate Layout   ⟫
☑ Title   ⟫
☑ Bill to Address   ⟫
☐ Ship to Address   ⟫
☑ Date   ⟫
☐ Due Date   ⟫
☑ Number   ⟫
☐ P.O. Number   ⟫
  List Columns   ⟫
☑ Item   ⟫
☑ Description   ⟫

MyLogo

BILL TO
Sample Customer

DATE
6/10/2003
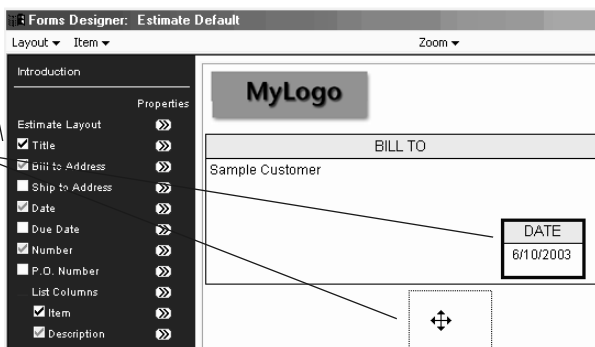
4   To check your changes, choose **File menu > Print**, and then click **Preview**.

To learn about layouts, choose Help menu > Contents, click the Index tab, enter *invoices*, and select *designing*, or enter *estimates*, and select *overview of*.

E-mailing estimates, invoices, and credit memos

If your e-mail program is MAPI-compliant, you can send an estimate, an invoice, or a credit memo as an e-mail attachment or as the message text in the body of the e-mail itself. When you send a form by e-mail, Quicken formats it as HTML or text.

Popular MAPI-compliant e-mail programs are Microsoft Outlook, Outlook Express, Eudora, Pegasus, and Netscape Messenger.

1   Display the form you want to send.

2   In the form dialog, click **E-mail/Clipboard**.

3   Under **Format**, choose a format supported by your e-mail program: HTML or Plain Text. (HTML is recommended better reproduction of your form.) Be sure the **E-mail to:** button is selected, and enter the customer's e-mail address.

4   Under **Output**, select **As File Attachment (Recommended)** or **As Message Text**.

You can send your invoice as the text of the e-mail, an attached document, or both.

Check that the recipient's e-mail address is correct.

5   Click **OK**. (The message will appear as outgoing mail in your e-mail program. Verify the information and then click **Send**.)

Recording a payment from a customer

When you receive a payment from a customer, use the Customer Payment dialog to specify the invoices to which the payment should apply. From the Invoices register, click Create New and then select Customer Payment.

When you enter a customer name, Quicken displays the customer's balance and outstanding invoices.

From the list of outstanding invoices, choose the one to which this payment applies.

When you enter a customer name and payment amount, Quicken automatically applies the amount to the oldest invoice. To apply the payment to a different invoice, click the Pay column next to the invoice to remove the

check mark, and then click next to the invoice you do want to apply the payment to. (You can apply full or partial payments—Quicken will calculate and keep track of the outstanding balance for each invoice.)

When you record a payment, three things happen:

- The value of your invoices/receivables account decreases by the amount of the payment.
- The value of your bank account increases by the amount of the payment.
- If you use cash-basis accounting, you will have an actual increase in income.

Entering a down payment

If a customer sends you a down payment in advance of a job, there is no invoice to which you can apply payment. You should enter the down payment in the Customer Payment dialog as usual. Quicken displays the entire payment amount in the Total to Apply field. Quicken holds the unapplied amount with the customer's name, so that when you do have an invoice for this customer, you can apply the down payment amount.

The next time you enter this customer's name in the Customer Payment dialog box, Quicken displays the prepaid amount in the Existing Credits field. Click Apply Existing Credits to apply it to an outstanding invoice.

Tracking cash register sales or other undeposited funds

There may be times when you receive payments for invoices or cash sales but haven't had the time to deposit the payments into your bank account. If you receive payment in full at the time of sale, you'll want to track the items you've sold. You don't need to record such sales in your invoices/receivables account because you've already been paid. (See "Adding an invoices/receivables account" on page 18 for more information about using an invoices/receivables accounts.)

You make a holding account to track the money until you deposit them at the bank. Add an asset account and name it something like Undeposited Funds. Then when you record a payment in Quicken, select Undeposited Funds as the deposit account. When you actually deposit the money at your financial institution, simply enter a transfer transaction in Quicken from the Undeposited Funds account to the bank account.

For cash register sales, you could either enter each cash sale individually or enter a summary at the end of the day. In either case, you don't have to enter a customer name, because there is no balance due. However, if you use a name such as Daily Receipts or Cash Customers, your reports and graphs will use that name to identify the source of this sales income.

Handling overpayments and returns

When a customer overpays an invoice or returns a product, you can choose to credit the customer's account or refund the amount.

To record a credit for returned goods:

1 In the invoices register, click **Create New**, and then select **Credit**.

2 Enter the customer name, the job (if applicable), items returned, and any additional information.

3 Print the credit memo for the customer, or e-mail it.

4 Click **Enter**.

   Quicken associates a credit with that customer's name, so that when you enter the customer's name in the Customer Payment dialog, the credit is displayed in the Existing Credits field.

To record a credit and issue a refund for returned goods:

1 In the invoices register, click **Create New** and then select **Credit**.

2 Enter the customer name, items returned, and any additional information.

3 Click **Refund**.

4 In the Refund dialog, enter the account from which you want to pay the refund and any additional information. Click **Enter**.

5 In the invoices register, select the credit, click **Form**, and then click **Receive Pmt**.

   The Customer Payment form shows the amount of the credit and displays a check mark next to the refund to which the credit will be applied. If there are several refunds, select the correct one by clicking in the Pay column next to it.

To issue a refund for overpayment:

1 In the invoices register, click **Create New** and select **Refund**.

2 Select the account from which you want to pay the refund, and enter the customer name and amount.

3 In the invoices register, select the payment and click **Form**.

The Customer Payment form lists the invoices and the refund.

4 Click the **Pay** column (next to Refund) and then click **Enter**.

To learn more about using online payment to issue a refund, choose Help menu > Contents, click the Index tab, enter *online payments*, and select *overview of*.

Creating accounts receivable reports

One benefit of using Quicken to keep track of your customer invoices (accounts receivable) is the information you can gather by creating a report. Quicken lets you create reports that show:

- Customer payment history
- Unpaid invoices
- Sales by customer
- Unpaid balances on all invoices, broken down by customer

Viewing unpaid balances by customer

The preset accounts-receivable-by-customer report summarizes monthly ending balances for customers in the invoices/receivables accounts.

To view the report, choose Reports menu > Business > Accounts Receivable.

To learn about...	Search the Help Index for...
customizing reports	reports, customizing
accounts receivable report	accounts receivable, reports

Tracking customer payment history

Quicken can track how promptly a customer has paid each invoice. From the invoice form, click Payment History to see the payment history for the current invoice. To create a customer payment history report:

1 Choose **Reports menu** > **Cash Flow** > **Transaction**.

2 Click **Customize** and enter a title for the report (for example, Customer Payment History).

3 From the Sort By list, select Payee.

4 Click the **Accounts** tab, and select only your invoices/receivables accounts.

   Click **All Accounts** on the left, and then click **Clear All**.

   Click **Business** on the left, and then select only your invoices accounts.

5 Click **OK**.

If you think you'll be running this report on a regular basis, click Save Report and tell Quicken to save it on the Business Center. In the future, you can select it from the Business Center under My Reports. Quicken uses your customized settings.

To create a report that shows your receivables by week, follow the previous steps. From the Subtotal By list (Display tab), select Week.

Displaying a list of unpaid invoices

To see a list of unpaid invoices, choose Business menu > Business Lists > Unpaid Invoices List. Quicken shows you the amount of each invoice, the balance, aging information, and the total amount of all your unpaid invoices. Double-click a customer name to see the invoice details.

Creating alerts for past due invoices

Alerts keep you informed about financial events you might otherwise forget, such as past due invoices. You can set the Past Due Invoice alert to notify you when an invoice has not been completely paid by the due date specified on the invoice. When an invoice becomes past due, Quicken notifies you in the Alerts section of the Quicken Home page and Business Center.

To create a reminder for past due invoices:

1 On the left side of your Quicken window, in the Account Bar, click the **Business Center** tab.

2 Click the **My Data** tab, if it is not already open.

3 In **Business Alerts** section, click **Set up Alerts**.

4 Click the **Setup** tab.

5 Under **General**, select the **Past Due Invoices** check box to activate the alert.

   A check mark next to the alert means that the alert is active; click the check box again to clear it.

6 Click **OK**.

To learn more about alerts, choose Help menu > Contents, click the Index tab, enter *alerts*, and select *overview of*.

Reporting on sales by customer

This report summarizes your sales income from each customer during the date range of the report. To create it, you customize the summary report to look at only sales income (ignoring payments and sales tax collected).

1 Choose **Reports menu** > **Cash Flow** > **Banking Summary**.

2 Click **Customize**.

3 Enter a title, such as "Sales by Customer," and enter a date range.

4 From the Row list, choose **Payee**.

5 Click the **Accounts** tab, and select only your invoices/receivables accounts.

   Click **All Accounts** on the left, and then click **Clear All**.

   Click **Business** on the left, and then select only your invoices accounts.

6 Click the **Advanced** tab. Then, from the **Transfers** list, select **Exclude All**.

   The amounts shown in the report do not include sales tax or any other items that are transfers to another Quicken account.

7 Click **OK**.

Creating customer reminder statements

After creating an accounts receivable report, you may find it useful to create reminder statements for some of your customers. A customer reminder statement summarizes a customer's account with your company. It lists recent invoices, credit memos, payments received, and finance charges. Use reminder statements when you use invoices to bill your customers and want to remind them about late payments.

To create the reminder statement, Quicken uses the information you have already entered, so you don't have to do any new work. Review the information that appears on the statement and print it.

1 Choose **Business menu** > **Invoices and Estimates** > **Print Statements**.

2 Select a layout from the list.

3 Select whether you want to print statements for one, all, or a list of selected customers.

   • If you choose **One**, select the name from the list.

   • If you choose **Selected**, click **Choose**, and then select the customer names from the list.

4 Select a date range.

5   (Optional) Enter the statement date. Quicken prints today's date on the statement by default. You can manually enter a different date if necessary.

6   Click **Print**, and then click **OK**.

To learn about...	Search the Help Index for...
finance charges	finance charges
statement layouts	form layouts

3 Managing accounts payable (bills)

If you use accrual-basis bookkeeping, you must track your accounts payable (bills) in a Quicken bills/payables account. If you use cash-basis bookkeeping and pay your bills as soon as you receive them, then you do not need to add a bills/payables account. Just use the Quicken Scheduled Transactions feature to remind you to pay your bills. The accounts payable reports may still be helpful, though, for managing your cash flow and tracking unpaid bills.

Note: For more information about scheduled transactions, choose Help menu > Contents, click the Index tab, enter *scheduled transactions*, and select *overview of*.

Tracking bills with a bills/payables account

The process for tracking accounts payable in Quicken looks like this:

- Add a bills/payables account, with a zero opening balance.
- When you receive a bill, record it in the bills/payables account, and then schedule the payment.
- Create an Accounts Payable report to find out which vendors you owe money to and how much you owe them.

To learn about...	Search the Help Index for...
bills/payables register report	accounts payable, reports
accounts payable detail report	accounts payable, reports
overdue accounts payable by vendor report	bills (from vendors), reports

Adding a bills/payables account

Before you can enter bills from your vendors, add a bills/payables account.

1   On the left side of your Quicken window, in the Account Bar, click the **Business Center** tab.

2   Click the **My Data** tab, if it is not already open.

3   In the **Business Accounts** section, click **Add Account**.

4   Select **Bills/Payables**, and then click **Next**.

5   Enter a name for the account, and then click **Next**.

6   Click **Done**.

Quicken adds the account to the list. Click the account to open your bills/payables register and enter any unpaid bills you have, make payments that are due, or enter any credits you have from a vendor.

To learn about...	Search the Help Index for...
viewing the bills/payables register	accounts payable, register, opening
editing a transaction in the bills/payables register	accounts payable, editing transactions

Recording a bill

To get the most benefit from tracking accounts payable, record bills in the bills/payables register as soon as you receive them and schedule the payment.

1 In the bills register, click **Create New**, and then select **Bill**.

2 Enter the vendor name and, optionally, the address.

   If this is the first time you've entered a bill for this vendor, QuickFill memorizes the name and address. Next time you can select the vendor's name from the list.

3 (Optional) Select a project/job with which to associate the bill.

4 (Optional) Quicken displays today's date; you can change it if necessary.

5 Enter the expected date of payment in the **Due Date** field.

   For example, if you receive a bill on May 1 and the payment terms are Net 30 (meaning the bill is due within 30 days), the due date would be May 31.

6 (Optional) Enter a purchase order number for tracking purposes.

7 Select an expense category from the list.

8 Enter a description of the service or item.

9 (Optional) Click in the **E** (reimbursable expenses) column if this is an expensable item that you want to include on a customer invoice.

10 Enter the amount.

If this bill is for expenses incurred for a customer's project or job, click Assign Project/Job, and then assign it to one from your Project/Job List.

Click in the E column to identify an expense as reimbursable.

Enter an expense category for each item on the bill.

11 Click Create Payment to create a scheduled transaction or click Enter to record the transaction in the bills register.

   If you add the transaction to your Scheduled Transaction List, it is listed by the date on the Payment to Vendor dialog. You can use the bill's due date, or you can specify an earlier due date to allow for delivery time. On the day

it's due, Quicken either reminds you or enters it in your register for you, depending on what you specify.

Click Enter only if you enter payments and bills at the same time. If you have already entered several bills, you can apply the payment to a different bill from the same vendor. Select the one you want by clicking Clear Pmts (clear payments) and then click the Pay column next to the correct bill.

To learn about...	Search the Help Index for...
paying vendors	bills (from vendors), paying
scheduled transactions	scheduled transactions, overview of
reimbursable expenses	reimbursable expenses

Paying a bill

When you pay a vendor, use the Payment to Vendor dialog to enter the payment details. Quicken updates the balances in your bills/payables account and the checking account from which you withdraw the payment.

1   From the bills/payables register, select the bill you want to pay and click **Form**.

Click Form to open the bill.

2   Click **Create Payment**.

The Payment to Vendor form shows the vendor name and unpaid balance you owe this vendor, plus the amount due on the specific bill you opened for payment.

3   In the **Payment to Vendor** form, check that the **Vendor Name** is correct.

4   Select the account to withdraw the payment from.

5   Select a payment method:

   • If you want to schedule a transaction, enter a future date, and then select **Scheduled Transaction**. Click **Enter**. When you open Quicken on or after this date, Quicken either reminds you to pay the bill or enters it in your register for you, whichever you specify.

   • If you want to pay with a register transaction, continue with steps 6 through 10.

6   (If you select Register Transaction) Quicken displays a list of your outstanding bills from this vendor in the lower half of the Payment to Vendor form. Select the bills this payment should apply to.

7   Click **Enter**.

Check that the vendor name is correct.

Click here to choose the bills this payment applies to.

8   (Optional) Enter the payment amount.

Quicken applies it to the bill you opened here.

9   (Optional) You can reapply the payment to other bills:

   • To apply the payment to a different bill, click **Clear Pmts**, and then click the **Pay** column next to the bills you want to pay.

   • To have Quicken apply the payment to the oldest outstanding bills for this vendor, click **Clear Pmts**, and then click **Auto Apply**.

10 (Optional) If you have existing credit from this vendor and want to apply it to this bill, click **Apply Existing Credits**.

11 Click **Enter** to record the payment.

Quicken updates the balance in your bills/payables register and the account you chose to withdraw the payment from.

To see your current outstanding balance by vendor, customize the accounts payable report. Select Earliest to Date for the date range and then create the report. You can also set up separate bills/payables accounts for major vendors that you don't always pay in full.

To learn about...	Search the Help Index for...
paying bills online	online payments, overview of
editing bills or payments	bills (from vendors), editing
deleting bills or payments	bills (from vendors), deleting

Receiving credit from a vendor

Sometimes you receive credit from a vendor for returned goods or to compensate for a billing error. A credit reduces the total amount of the bill. To record this type of transaction, use the Credit and Refund forms.

1   In the bills/payables register, click **Create New**, and then select **Credit**.

2   Enter the name of the vendor, and optionally, select a project/job.

3   In the line item area, enter the expense category and amount of the credit.

4   Click **Enter**.

    Quicken enters the credit in the bills/payables register.

If the credit was a refund, fill out a Refund form to record the deposit into your bank account. Use the Refund form only if you have already entered an associated credit.

1   In the bills/payables register, click **Create New**, and then select **Refund**.

2   Select the account into which you want to deposit the refund.

3   Enter the vendor's name, a project/job (optional), and the amount of the refund.

4   (Optional) If the refund was in the form of a check, enter the check number for tracking purposes.

5   (Optional) Use the **Memo** field to enter additional information about the vendor, or to remind yourself about the reason for the refund.

6   Click **Enter**.

    Quicken records the refund in the account you selected and updates the bills/payables register.

4 Managing cash flow (income and expenses)

When you organize your business transactions in Quicken by project/job or assign categories and classes to them, you've got a wealth of information at your fingertips. The topics in this chapter show you how to use the features in Quicken to examine and use the data that you've collected.

You'll learn how to:

- Create business cash flow reports, as well as other reports that provide information about your income and expenses
- Forecast your cash flow
- Prepare for tax time

Using reports to understand cash flow

One way of keeping an eye on the health of your business is to periodically analyze your income and expenses. You can create and customize reports in different ways, to show different levels of detail.

Choosing cash- or accrual-basis reports

Quicken Premier Home & Business defaults to cash-based reporting for most business reports. That is, the reports show expenses at the time you actually pay them and show income when you receive it. For details on the bookkeeping methods available in Quicken, see "Which bookkeeping method should you use?" on page 3.

If you use accrual-basis bookkeeping, you should customize the Quicken report settings. Choose Edit menu > Preferences > Reports and Graphs. In the Reports and Graphs Preferences dialog, clear the check box labeled "Cash-basis reporting, if applicable." In order for this to work, you must track accounts receivable as well as actual income. To learn more, see Chapter 2, *Managing accounts receivable (invoices)*.

Comparing income and expenses from one period with those of another

A comparison report shows income and expenses from two different periods, along with a column that highlights the differences between the two periods. You can show the differences as dollar amounts, or as the percentage change from the first period to the second, or both.

To see a comparison report:

1 Choose **Reports menu** > **Cash Flow** > **Income/Expense Comparison**.

2 Click **Customize**.

3 Set the date range to cover the period you want.

4 Select **Difference as %** or **Difference in $**.

   To compare both values for the two time periods, select both.

5 Click the **Accounts** tab.

6 On the Accounts tab, select the accounts that you want to include in the report.

7 Click **OK**.

Reporting on cash receipts and disbursements

A cash receipts and disbursements report shows your cumulative cash position on a weekly basis. To create a cash receipts and disbursements report:

1   Choose **Reports menu** > **Cash Flow** > **Transaction**.

2   Click **Customize**.

3   To report on future dates, in the **Date Range** field, choose **Custom Dates** and then choose a date range from tomorrow to a future date you specify.

4   In the **Subtotal By** list, select **Week**.

5   Click the **Accounts** tab.

6   In the **Accounts** tab, select the accounts you want to include in the report.

7   Click **OK**.

   You should include only your checking and invoices/receivables accounts. Don't include accounts used to track noncash expenses, such as asset and liability accounts.

In the final report, the balance is your cumulative cash position through each week. The report takes into account your bank account balance as of the beginning of the report. A negative balance means that you are out of cash as of that date.

Reporting on sources and uses of cash

This report shows the largest sources of income and expense for your business. The sources and uses report can show historic cash flow or forecasted cash flow.

1   Choose **Reports menu** > **Cash Flow** > **Banking Summary**.

2   Click **Customize**.

3   Set the date range to cover from tomorrow forward.

4   In the **Organization** list, choose **Cash Flow Basis**.

   This lets you see transfers as part of the cash flow.

5   You can customize the sources and uses of cash report in these ways:

For sources and uses totaled by category, in the Row list, choose **Category**. You can also create a transaction report that subtotals by category (choose Reports menu > Cash Flow > Transaction).

For sources and uses totaled by payee, in the **Column** list, choose **Payee**. You can also create a transaction report that subtotals by Payee.

To see the changes in only account balances, in the **Row** list, choose **Accounts**.

6   Click the **Accounts** tab.

7   On the **Accounts** tab, select only your checking accounts, invoices/ receivables accounts, and bills/payables accounts.

8   Click **OK**.

Reporting on unpaid bills (accounts payable)

If you use accrual-basis bookkeeping and track your bills in a bills/payables account, then you can use the accounts payable report to summarize the amount you owe each vendor. Quicken subtotals the amount you owe by month but, as always, you can customize the report to meet your needs.

Choose **Reports menu** > **Business** > **Accounts Payable**.

To see more detail about the transactions in the accounts payable summary report, create a transaction report.

1   Choose **Reports menu** > **Cash Flow** > **Transaction**.

2   Click **Customize**.

3   Use the same date range as for the accounts payable summary report.

4   In the **Subtotal By** list, select **Payee**.

5   Click the **Accounts** tab, and check to make sure the bills/payables account is the only one included in the report.

Click **All Accounts** on the left, and then click **Clear All**.

Click **Business** on the left, and then select only your bills/payables accounts.

6   Click the **Advanced** tab.

7   In the **Advanced** tab, select **Not Cleared** status and **Newly Cleared** status.

8   Click **OK**.

Planning and forecasting your cash flow

Quicken doesn't just track where your money's been going. It also gives you a clear picture of your financial future. You can schedule future transactions, look at them on the Financial Calendar to see what's coming up, create graphs to see a picture of your future finances, and create reports to look at the details in a more focused way.

Scheduling future transactions

You can schedule one-time transactions (such as a new piece of equipment that you plan to pay for later) or recurring transactions that you pay at the same time every month (such as office rent). After you schedule a transaction, Quicken either reminds you when it's due or records it in the specified account at the scheduled time, whichever you specify.

To schedule a transaction:

1 Choose **Cash Flow menu** > **Scheduled Transaction List**.

2 Click **Create New**, and then select a transaction type.

3 In the Create Scheduled Transaction dialog, fill in the appropriate fields.

4 Click **OK** to set up the scheduled transaction.

Note that transactions scheduled later than today are not yet entered in your register. You can view them on the Financial Calendar, on the Quicken Home page in Bills and Scheduled Transactions, or in the Scheduled Transaction List.

To learn more about scheduling transactions, choose Help menu > Contents, click the Index tab, enter *scheduled transactions*, and select *overview of*.

Forecasting cash flow

A company can receive cash from sources other than accounts receivable. It can also receive cash from loans, investments in the company, or interest income.

If you enter both your expected payments and deposits in Quicken, you can forecast your cash flow as far into the future as you can predict deposits and payments. Forecasting cash flow lets you predict cash surpluses, helping you decide if you can handle new expenses or if you should invest the surplus for highest return. Forecasting also predicts impending cash deficits so you can slow your payables, borrow, or take action to generate more cash.

Forecasting works best if your receipt of funds is fairly predictable. To forecast cash flow:

1 Choose **Planning menu** > **Cash Flow Forecast**.

2 Enter a historic range for which you want Quicken to look for your cash flow forecast amounts.

3 (Optional) Click **Advanced** to open the Advanced AutoCreate dialog.

4 Choose an option below (or choose **Create Both**), and then click **Done**.

Choose **Known Items** if you want Quicken to include only scheduled transactions and items from your accounts payable and accounts receivable.

Choose **Estimated Items** if you want Quicken to include only amounts from your account registers or budget, averaged over time.

5 Click **OK**.

6 In the Cash Flow Forecast window, click **Options**, and then choose **Select Accounts**.

7 In the Select Accounts to Include dialog, select all your business-related accounts, and then click **OK**.

If you make changes to your register, budget, or scheduled transaction list, come back to this window and update your forecast. In the Cash Flow Forecast window, click Options, and then choose Update Forecast.
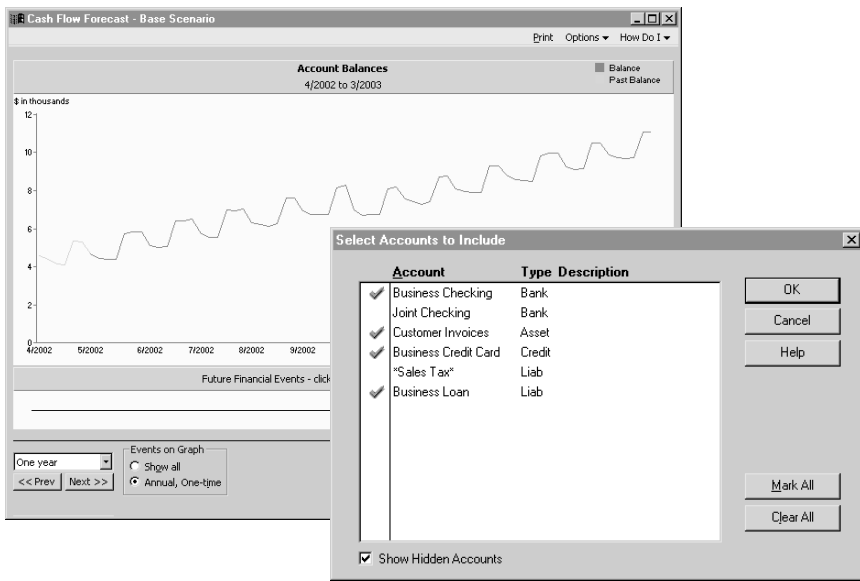
Reporting on projects and jobs

Summarizing all projects/jobs

If you use the Project/Job List, you can create a summary report of your income and expenses, broken down by payee and project. Choose Reports menu > Business > Project/Job Report by Project. For more information about the Project/Job List, see "Tracking projects/jobs" on page 20.

Using classes for more detail

If you are using the project/job feature, you can create a summary report of your project income and expenses. If you are willing to do a little more work, you can add transaction-level detail to your project reports. Classes complement the Quicken categories, and, like categories, you assign them to individual transactions. To learn how, see "Using classes when you enter transactions" on page 15.

One way to use classes is to create one for each project/job, in order to report on cash flow in more detail. When you do, you can:

- Report income and expense category totals, broken down by class.
- Summarize your profit and loss totals, broken down by class.
- Report monthly income and expenses category totals for a single class.
- Report the payment history for a single class.
- Report the payment history for all classes.

You can also use classes to report on other kinds of transaction-level detail. You might do something as simple as set up a class for each customer, and then report on income and expenses broken down by customer. You could do the same for a product line or farm enterprise (see "Tracking multiple product lines or farm enterprises" on page 14).

Because people use classes so many different ways, there is no preset list. Before you decide to use them, think about how you want to report on your business's income and expenses. For examples, see the reports described on the following pages, and then see "Setting up classes" on page 13.

Report income and expense totals for all classes

If you have set up a class for each project or product line, you can create a project/job report that shows your income and expenses for each class. Choose Reports menu > Business > Project/Job.

To learn more about project/job reports, choose Help menu > Contents, click the Index tab, enter *projects and jobs*, and select *reports.*

Summarize profit and loss for all classes

If you have set up a class for each project or product line, you can divide a bill among product lines or enterprises. For example, suppose you buy corn fertilizer for $1,200 and soybean fertilizer for $800. When the bill for $2,000 arrives, you can use a split transaction to keep track of expenses for each farm enterprise.

On the first line of the split transaction, enter Fertilizer/Corn in the Category field and $1,200 for the amount. On the second line, enter Fertilizer/Soybean in the Category field and $800 for the amount.

To see a report that shows income and expenses with separate columns for each class, you can create a profit and loss statement by class:

1   Choose **Reports menu** > **Business** > **Profit & Loss Statement**.

2   Click **Customize**.

3   Enter the date range you want the report to cover.

4   In the **Row** list, select **Class**.

5   Click **OK**.

If you move your pointer over the report totals, the pointer turns into a magnifying glass when details are available. Double-click to zoom in on the details.

Report monthly income/expense totals for a single class

If you have set up a class for each project or product line, you can create an income and expense report for a single project or product line:

1   Choose **Reports menu** > **Cash Flow** > **Banking Summary**.

2   Click **Customize**.

3 Set the date range to cover the period you want.

4 In the **Column** list, select **Month**.

5 To add a column showing how much the individual income and expense amounts contribute to total income and total expenses, select the **Amount as %** check box. (Optional)

6 Click the **Accounts** tab, and then select the accounts you want to include in the report.

7 Click the **Classes** tab, and then in the **Class Contains** list, select the class you want.

8 Click **OK**.

When you filter a report by class, Quicken includes only the transactions to which you assigned that class. The report shows all transactions for the class, even if the transactions have different subclasses.

Here's an example of summary report that shows income and expenses for a single class.

Create a payment history for a single class

1 Choose **Reports menu** > **Cash Flow** > **Transaction**.

2 Click **Customize**.

3   Set the date range to cover the period you want.

4   To create a payment history by period, select the period in the **Subtotal By** list.

5   Click the **Accounts** tab, and then select the accounts that you want to include in the report.

6   To limit the report to one job, click the **Classes** tab, and then select the class for the client, project, or job you are interested in.

7   Click the **Advanced** tab. In the **Transaction Types** list, select **Deposits**.

8   Click **OK**.

Create a payment history for multiple classes

1   Choose **Reports menu** > **Cash Flow** > **Transaction**.

2   Click **Customize**.

3   Set the date range to cover the period you want.

4   In the **Subtotal By** list, select **Class**.

5   Click the **Accounts** tab, and then select accounts that you want to include in the report.

6   Click the **Classes** tab, and then click **Mark All**.

7   Click the **Advanced** tab. In the **Transaction Types** list, select **Deposits**.

8   Click **OK**.

To track accounts receivable, see Chapter 2, *Managing accounts receivable (invoices),* on page 17.

Preparing for business income taxes

Quicken can automate many of your tax preparation chores and help you gather data for IRS forms and schedules, whether you fill them out yourself, use TurboTax, or hand everything over to a professional.

The more carefully you set up your Quicken data, the more Quicken can help. Make sure you assign the appropriate categories to all your tax-related transactions. Most of the preset categories already have the correct tax form line item assigned to them. For example, the Consulting category is assigned to the Gross Receipts line item on Schedule C (Profit or Loss from a Business). For more information, see "Setting up business categories" on page 8.

If you assign the appropriate categories to all your tax-related transactions, you can import your Quicken data directly into TurboTax. (Consider installing TurboTax even if you continue to use a professional tax preparer—it can give you information about tax-related transactions you might have overlooked.)

The Quicken tax reports can help you plan ahead by summarizing your tax-related income and expenses, listing your tax-deductible transactions, and giving you an estimate of your tax liability. The Tax Planner can help you prepare for the inevitable by giving you a clear picture of your current tax situation throughout the year. When you're ready to gather your information at tax time, just create these reports in Quicken:

- A Schedule C report lists transactions for Schedule C subtotaled by tax line item. (Choose Reports menu > Business > Schedule C.)
- A tax summary report lists all your tax-related transactions, grouped and subtotaled by category. (Choose Reports menu > Tax > Tax Summary.)
- A tax schedule report lists all your tax-related transactions, grouped and subtotaled by tax form name and line item. You may need to assign line items from tax forms and schedules to some of your Quicken categories, though most are preset. (Choose Reports menu > Tax > Tax Schedule.)
- A capital gains report (for reporting on Schedule D) shows short-term, long-term, and super-long-term capital gains for securities sold during a specified period. (Choose Reports menu > Tax > Capital Gains.)
- The investment income report (for reporting on Schedule B) shows dividend income (taxable and tax-exempt), interest income (taxable and tax exempt), capital gains distributions, realized gain or loss, unrealized gain or loss (as an option), and margin interest and other investment expenses during a specified time period. (Choose Reports menu > Investing > Investment Income.)

For more details about using Quicken for taxes, choose Help menu > Contents, click the Index tab, enter *taxes*, and select *overview of*.

Tracking mileage

The Vehicle Mileage Tracker helps you track tax-deductible mileage, such as the distances you travel to charitable, medical, or business-related activities. Quicken helps you track all tax-deductible mileage, for multiple vehicles.

You can import this mileage information directly into TurboTax (see "Preparing for business income taxes" on page 54). You can also track tax-deductible parking and tolls.

Note: Whether you can deduct mileage from your taxes sometimes depends on whether the deductible amount has reached a certain percentage of your adjusted gross income. Before deducting mileage costs, check with your tax advisor.

To track your mileage:

1   Choose **Business menu** > **Vehicle Mileage Tracker**.

2   Enter the dates of the trip.

3   Select the type of trip.

    Quicken associates each type of trip except for Other with the correct tax-deductible rate. Mileage rates are updated annually for up to three years after you buy Quicken. To download current rates, choose **Tools menu** > **One Step Update**.

4   Enter the purpose for the trip, your destination, and the vehicle you drove.

5   Enter the number of miles you drove. You can enter the total number of miles directly in the **Miles traveled** field or, to have Quicken calculate this value for you, enter the beginning and ending mileage in the **Odometer at Start** and **Odometer at End** fields.

    Quicken multiplies the number of miles by the downloaded Rate value.

6   If you paid for parking and/or a toll, enter the total value for all charges in the **Parking & Toll** field.

7   If you selected Other as your trip type, enter a mileage rate, or leave this field blank if you just want to track the number of miles.

8   Click **Record Trip**.

9   To make a printed copy of your mileage expenses, click **Print**. (Optional)

    The printed copy lists each record displayed in the All Trips table. If records for more than one type of trip are displayed, Quicken lists the total miles for each type of trip. You can filter this table so that only records that meet specific criteria appear at any one time. You can also change the columns that appear. Click Customize to make changes.

Note: When you use the Vehicle Mileage Tracker, it adds tax-related mileage categories to your Quicken Category List. Do not use these categories when entering transactions in Quicken accounts. Enter all mileage information in the Vehicle Mileage Tracker.

5

Tracking profitability and calculating equity

This chapter shows you how to report on profitability, calculate equity, and track business assets and liabilities.

Your business assets are generally defined as what your business owns, such as:

- Cash you have on hand
- Money in your checking and savings accounts
- Money owed to you for services you've provided or items you've sold (accounts receivable)
- Money you've loaned to someone else
- Furniture and fixtures
- Equipment
- Property

Using the Business Center

The Business Center displays a snapshot of the current state of your business, summarizing your cash flow situation and account balances. In the Account Bar, click the Business Center tab to see:

- Unpaid invoices
- Bills due
- A graph showing the status of your business
- Access to business-related activities such as accounts payable, accounts receivable, invoices, bills, statements, payroll, and reports
- Links to small business Web sites
- Links to other business tools and services such as business planning, information about running a business, or receiving payments online
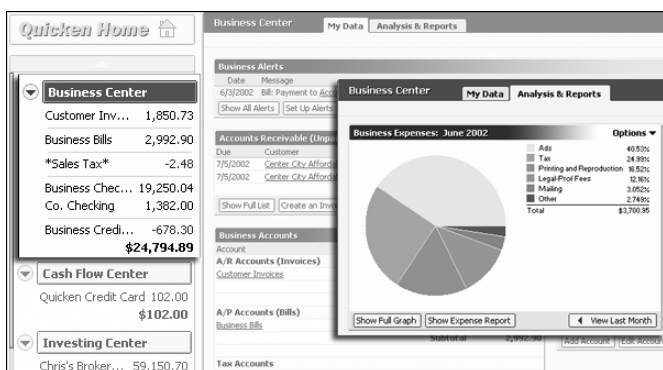
Tracking profitability

Quicken provides many ways to measure the health of your business, track profitability, calculate equity. Two of the most important reports for gauging the profitability of your business are the profit and loss statement (also called an income statement) and the balance sheet. These are the reports most often requested by CPAs and financial officers (for example, banks request both documents when you apply for a loan). For information about the balance sheet, see "Creating a balance sheet" on page 64.

Creating a profit and loss statement (P&L)

A profit and loss statement, also called an income statement, shows your income, expenses, and net profit or loss (equal to income minus expenses).

The profit and loss statement summarizes the revenue and expenses of your business by category (first income, then expenses).

To summarize profits and losses for your business, you can create a profit and loss statement, whether you use cash- or accrual-basis bookkeeping. For details on these bookkeeping methods, see "Which bookkeeping method should you use?" on page 3.

To create a profit and loss statement:

1 Choose **Reports menu** > **Business** > **Profit & Loss Statement**.

2 Click **Customize**.

3 Set the date range to cover the period you want.

4 The report default is for cash-basis bookkeeping. If you use accrual-basis bookkeeping, click the **Advanced** tab, and then, under **Report Basis**, select **Accrual**.

   If you run your business using accrual-basis bookkeeping, you want your income to show up when you issue invoices, not when you receive payment. This report option includes income for which you've submitted invoices but haven't yet been paid, and expenses for which you've been billed but haven't yet paid.

If you use accrual-basis accounting, choose Accrual as the Report Basis.

5   Click **OK**.

The following is an example of a profit and loss (income) statement.

Tracking current assets

Current assets are those assets likely to be converted to cash within one year. They include such assets as bank accounts, accounts receivable, and cash.

Tracking bank accounts

Add a checking, savings, or money market account in Quicken to track each of your business's bank accounts. If you have a petty cash fund, you can add a cash account in Quicken to record your cash transactions.

Tracking invoices/receivables accounts

To use Quicken for accounts receivable, you need to set up an invoices/receivables account. This account tracks amounts owed to your business for the goods and services you sell to your customers. For details, see "Adding an invoices/receivables account" on page 18.

Tracking other current assets

Other current assets that your business owns might include Treasury bills, certificates of deposit, prepaid expenses (amounts already paid for services your business has yet to receive), prepaid deposits (which will be returned to you at a later date), reimbursable expenses (which you can later include on an invoice to a customer), and notes receivable (if due within one year).

Add an asset account in Quicken to track any asset that you plan to use up or convert into cash within one year.

Tracking fixed assets and depreciation

A fixed asset is anything you own that is not converted into cash during one year of normal operations. A fixed asset is usually something necessary for the operation of your business, such as a truck, cash register, computer, or photocopier.

Understanding depreciation

Fixed assets are equipment or property your business owns that are not for sale. Because they last a long time, you don't deduct their entire cost on the current year's tax return; instead, the IRS generally allows you to deduct their cost over several years. But because fixed assets wear out or become obsolete (for example, a car or truck wears out; computers become obsolete), their value declines constantly from the day you purchase them. The amount of this decline in value is called depreciation. The IRS wants you to depreciate the cost of a fixed asset over what they deem as the useful life of that asset (for example, five years for a computer).

To determine the value of a fixed asset at any point in time, you subtract its accumulated depreciation (total amount of depreciation since the asset's purchase) from its original cost.

For example, suppose you bought a piece of equipment in January 2001 for $15,000. By January 2003, the equipment may have depreciated by 40 percent of its original value, or $6,000. Therefore, the value of the equipment in January 2003 is: $15,000 (original cost) – $6,000 (accumulated depreciation) = $9,000 (current value).

Note: Determining the amount of depreciation to deduct can be a complex process, and the IRS rules on the subject change often. Consult a Certified Professional Accountant for help in figuring actual depreciation amounts.

Tracking the value of fixed assets

To track the value of a fixed asset in Quicken, add an asset account for each piece of capital equipment. Give it a meaningful name, such as "Equipmt." Set it up with an opening balance equal to either its purchase price on the purchase date (to track depreciation over the life of the asset) or its current value as of today's date (to track depreciation from today forward).

Note: You should track capital equipment in Quicken only for the purposes of creating an accurate balance sheet report. Quicken does not assign a tax form line item for depreciation. These values are not imported into TurboTax or displayed on the P&L.

To record depreciation each year:

1 In the **Payee** field, enter **Balance Adjustment**.

2 In the **Decrease** field, enter the dollar amount of depreciation.

3 In the **Category** field, enter the name of this asset account in square brackets (for example, [Equipmt]).

4 Click **Enter**.

To track depreciation over the life of the asset, start with the purchase price.

Enter a Balance Adjustment each year to track the decline in value.

Purchasing assets

When you purchase an asset, record the purchase in your checking account register, the same as always, but in the Category field, specify a transfer by typing the name of the asset account you added to track this asset. Quicken enters a parallel transaction in the asset account that transfers the fixed asset's value from the checking account to the asset account.

Selling fixed assets

When you sell a fixed asset, you need to enter that transaction in Quicken. (You want your records to show that you no longer own the asset, so its current value on your books is zero.) If you receive a check for the purchase of

a fixed asset, record the deposit in your business checking account, and enter the name of your asset account in the Category field of the register. Quicken enters a parallel transaction in your asset account that decreases the value of the fixed asset by the amount of your deposit. If you sold the asset for its current value, the value in the asset account is zero.

Note: The value of a fixed asset is the purchase price less the depreciation.

If you sell a fixed asset for more or less than its value, you won't have a zero balance in the asset account for that item. Before you close the item, you need to record a capital gain or a capital loss. (Any capital gain or loss is income or expense to your company and should appear in business records.)

When you have a capital gain or loss, enter a transaction for it in the register, and assign the remaining value for the asset to a new income category called Cap GainLoss. The gain (a positive number) or loss (a negative number) then shows up under Cap GainLoss on your profit and loss (income) statement.

Even when you no longer own an asset, and its value in the asset account is zero, don't delete the account. If you're ever audited, you'll want a report that includes it. Just mark it as "hidden" (these are excluded from reports).

1   Choose **Tools menu** > **Account List**.

2   Click the **Manage Accounts** tab.

3   Select the account you want to hide, and then click **Hide In Quicken**.

Recording thefts or losses of fixed assets

You track a theft or loss of a fixed asset somewhat similarly to a sale. However, you will need a new expense category.

Your asset account should already contain information about the asset's original cost and its accumulated depreciation. If an asset is lost or stolen, you need to enter information about insurance money you collected and the amount not covered by insurance.

1   If you received insurance money, enter a deposit in your checking account and enter the name of the asset account in the **Category** field. Quicken enters a transaction in the asset account that decreases the value of the asset by the amount of the insurance check.

2   In the asset account, enter a transaction that shows the amount not covered by insurance (the remaining balance for the asset). Enter the value in the **Decrease** column and assign the amount to the **Uninsured Loss** category.

Liabilities

Creating reports for loan applications

A business loan is another form of liability. Quicken makes it easy to pull together the financial information a lender requests.

Your lender will probably ask for a profit and loss statement and balance sheet for current and prior fiscal years. If you've been tracking your finances in Quicken, these are easy create. See "Creating a profit and loss statement (P&L)" on page 59 and "Creating a balance sheet" in the next section.

Recording a new loan

When you receive a new loan, add a liability account to track the principal and interest. Don't forget, the interest is probably tax deductible. Because this is a new loan, you are either receiving money to deposit in your checking account or receiving a new asset. Thus, you want to show in Quicken that you have an increase in the balance of a checking or asset account. To learn about setting up a loan in Quicken, choose Help menu > Contents, click the Index tab, enter *loans*, and select *overview of*.

Creating a balance sheet

A balance sheet is a financial snapshot of your company on a specific date. It shows assets (what you own and what people owe you), liabilities (what your business owes to others), and equity (your business's net worth). To display a balance sheet for your business:

1   Choose **Reports menu** > **Business** > **Balance Sheet**.

2   Click **Customize**.

3   Set the date for the report.

4   (Optional) If you track personal and business accounts in the same data file, click the **Accounts** tab, and select only your business accounts.

    Click **All Accounts** on the left, and then click **Clear All**.

    Click **Business** on the left, and then click **Mark All**.

5   Click **OK**.

Calculating equity

The balance sheet report includes a line that displays your equity. Equity is the difference between what you own (assets) and what you owe (liabilities). Assets can include things like:

*   Cash
*   Unpaid invoices
*   Investments and fixed assets owned by your company

Liabilities are things your business owes, such as:

*   Loans
*   Unpaid bills
*   Sales tax and payroll taxes you owe to the government

Your equity reflects the health of your business, because it is the amount of money left after you satisfy all your debts. Equity comes from two sources:

*   Money invested in your company
*   Profits of your business

Calculating equity for a sole proprietorship

A sole proprietorship is the simplest form of business organization. The business has one owner (you), and the existence of the business depends solely on your efforts. You can check the value of your owner's equity by creating a balance sheet report.

Calculating equity for a partnership

A partnership is a business owned by two or more persons in which each partner owns a share of all assets and liabilities.

If your business is a partnership, you should set up a separate liability account for the initial investment of each partner. You use these capital accounts to track each partner's equity, or ownership interest, in the business. If a partner withdraws cash from his or her capital account, the balance of the capital account (which is his or her ownership interest in the business) decreases. At the end of an accounting period, you distribute the net income (profit) of the partnership to the partners' capital accounts.

Calculating equity for a corporation or limited liability company (L.L.C.)

A corporation is owned by its stockholders. In a corporation, you'll usually want to separate the stockholders' investment of capital from the stockholders' share of earnings.

If your business is incorporated, you should add a liability account for the paid-in capital, or investments, of the shareholders. This is the Capital Stock account. During an accounting period, you could distribute the earnings of the corporation to stockholders as dividends. At the end of an accounting period, enter a transfer transaction to transfer any remaining income of the corporation to another liability account called Retained Earnings. The balance in the Retained Earnings account is retained for use in the business. The total of the balances in the Capital Stock account and the Retained Earnings account equals the total shareholders' equity.

Note: For more information about the different organizational structures available for small businesses, choose Business menu > Small Business Guidance, and then Under Start & Run a Small Business, click Legal Forms of Business. See also the small business pages of Quicken.com at http://www.quicken.com/small_business.

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6 Resources for growing your business

This chapter points you to other resources to help manage and grow your business. Some resources are available from within Quicken and some on the Web; some are developed by Intuit, some by government or private agencies.

For example, paying employees can be a challenge—besides the complexity and potential for penalties, it takes time away from running your business. We recommend subscribing to QuickPayroll™, a simple and inexpensive solution that integrates with the software that you are already using.

Using QuickPayroll with Quicken

QuickPayroll software is included on your Quicken Premier Home & Business CD-ROM. QuickPayroll automates your payroll calculations while allowing you complete control over the amounts and dates your employees are paid. There are also online updates for tax tables and forms, to ensure that your payroll tax rates are in compliance with changing federal payroll tax withholding rates.

For information about using the free trial version, see "Trying QuickPayroll for free" on page 69. See the QuickPayroll Web site for a product demo and more information, including how to subscribe. (Annual subscription fees apply.) Go to http://www.intuit.com/quickpayroll.

You must have Internet access to use QuickPayroll.

QuickPayroll does not work with QuickBooks, which has its own integrated, subscription-based payroll service. If you have an older version of QuickBooks without integrated payroll, see the QuickBooks Web site for more information at http://www.quickbooks.com/payroll.

What can QuickPayroll do?

QuickPayroll performs the following payroll tasks for you:

- Calculates wages for each pay period
- Calculates federal, state, and local taxes for the United States of America, including the District of Columbia and Puerto Rico. QuickPayroll does not calculate taxes for Guam, the Virgin Islands, American Samoa, or Canada
- Creates your payroll checks with earnings, deductions, and year-to-date detail provided on the voucher (if you use voucher checks), or on a separate pay stub that is automatically created and can be printed for your employees
- Lets you pay employees on a daily, weekly, biweekly, monthly, semimonthly, quarterly, or yearly basis
- Handles many kinds of compensation: salary, hourly (including overtime), commission, or a combination
- Tracks vacation and sick time
- Tracks Advanced Earned Income Credit (AEIC) payments, company loan repayments, 401(k) deductions, tips, union dues, bonuses, car expenses, and many other nonstandard payroll items
- Allows you to specify extra taxes or deductions in addition to the standard federal and state taxes, and to apply them to employees
- Observes deduction limits for taxes and other deductions

- Tracks your company's liability to the government, insurance companies, and other agencies
- Records employee details such as pay and commission rates, social security number, and tax exemptions
- Calculates and tracks hours worked, keeps year-to-date totals for all employees, and shows this information on reports
- Creates checks to pay your company's payroll liabilities
- Calculates and prints federal payroll tax forms 940 and 941
- Calculates amounts for, and prints on, Forms W-2 and W-3

QuickPayroll also:

- Provides a variety of preset reports to give you quick and easy access to your payroll information
- Lets you create your own versions of reports; you can customize both the content and format
- Exports report data to a Microsoft Excel spreadsheet
- Sends payroll data to Quicken. QuickPayroll also exports this data to a QIF file for import into any other software application that supports the QIF format

Trying QuickPayroll for free

You can install QuickPayroll from your Quicken Premier Home & Business CD-ROM and use it free for the first 30 days. Choose Business menu > Quicken Services > Track Business Payroll Taxes.

To continue producing paychecks after the 30-day trail period and get updated tax tables and forms, you must subscribe to the QuickPayroll online update service. You can subscribe to QuickPayroll at any time during the 30-day trial period.

QuickPayroll is fully enabled during the 30-day trial period. You can explore the sample data, create your own company data file, and download software updates, payroll tax schedules, and forms. Any company data files you create during the trial period can be saved and used when you subscribe to QuickPayroll.

After your 30-day trial period expires, you can view the QuickPayroll sample data file and any company data files you created, but you must subscribe to QuickPayroll to create or edit paychecks. For more information about how to subscribe to QuickPayroll, or to request a replacement copy of the QuickPayroll CD-ROM, visit http://www.intuit.com/quickpayroll.

How QuickPayroll works with Quicken

To start QuickPayroll from within Quicken Premier Home & Business, choose Business menu > QuickPayroll.

The first time you send data to Quicken, QuickPayroll creates the following categories and accounts in Quicken to record your payroll expenses, liabilities, and assets:

- The Payroll Expenses category tracks company expenses such as gross pay, company-paid payroll taxes, and company-paid benefits for employees.
- The Payroll Liabilities account tracks what you owe, such as taxes, health insurance premiums, or 401(k) payments. As you create paychecks for each employee, the amount in this liability account increases. When you write a check to pay your liabilities, the amount in the account decreases. You can generate a report in QuickPayroll to see the breakdown of your payroll liabilities.
- The Payroll Assets account tracks any amounts owed to you by the employee, such as an advance or employee loan. When you add the loan to a paycheck, the amount in the Payroll Assets account increases. When you record the repayment of an advance or employee loan on a paycheck, the amount in the account decreases.

QuickPayroll sends your data to these accounts and categories, not to any existing payroll accounts and categories you may have used when doing payroll manually. For more information about converting from manual payroll tracking in Quicken, choose Help menu > Contents, click the Index tab, enter *QuickPayroll*, and select *converting from manual payroll.*

Backing up QuickPayroll data

When you back up your Quicken data, Quicken does not automatically back up your QuickPayroll data. You must back up QuickPayroll data as a separate step from within the QuickPayroll program. From the QuickPayroll Help menu, choose Contents, then click the Index tab, and enter *backups*.

Understanding what you see in Quicken

QuickPayroll sends summary, not detail, data to Quicken. All payroll data is stored in QuickPayroll. Use the reports in QuickPayroll to see your payroll detail.

Quicken.com resources

You can find a comprehensive small business directory at the Quicken.com small business Web site. You'll save time finding small business-related news, plus everything from information about office management and hiring employees to explanations of various business structures and Web-based financial calculators. Visit this Web site:
http://www.quicken.com/small_business

Intuit checks, stationery, forms and supplies

To meet your business needs, Intuit offers a complete line of time-saving products, including W-2 and W-3 forms; checks; deposit slips; double-window envelopes; single-sheet forms leaders for printers; endorsement, message, and return-address stamps; imprinted stationery; and Intuit software products that work with Quicken.

To order supplies, choose Tools menu > Quicken Services. Then, under Just for Quicken, click Order Checks & Supplies.

To order software products, choose Online menu > Quicken on the Web > Quicken Products.

When should I upgrade to QuickBooks?

Like Quicken, QuickBooks is designed to be easy to learn and use. The key distinction is that Quicken Home & Business is designed for sole proprietors who want to track personal and business finances in one place. You should consider upgrading QuickBooks if:

- Your accountant advises you to use double-entry bookkeeping.
- You need to track product inventory or billable hours.
- You want to maintain your accounting and payroll data in one program and deposit payroll taxes electronically.
- You want more than one person at a time to have access to your data file.
- You need enhanced reporting functionality.
- You need robust job costing or want a business-specific QuickBooks version for accountants, physicians, nonprofits, retail sales, or professional services.

Note: For more information, including information about a Web-based version of QuickBooks, see http://www.quickbooks.com. Find the page for viewing the complete product line and click "Compare." You can also request a trial version of QuickBooks that lets you use all features for up to 15 sessions.

Quicken business resources

Creating a business plan

A business plan answers the question, "What business am I really in?" Although this seems like a question with an easy answer, many businesses fail because the owners do not understand the true nature of their business. That is why a business plan is one of the first things a prospective lender or investor will ask for. Many small business owners write a business plan only when they approach a financial institution for a loan. But there are many reasons why a business plan is an important exercise for any entrepreneur:

- It helps you define your business goals and direction.
- It forces you to think about your competition and how you will compete in the marketplace.
- It lets you clearly define your management plan, look at your own strengths and weaknesses and decide what salaries and benefits you'll offer.
- It forces you to take a hard look at how you'll remain profitable and solvent. A business plan typically includes a start-up budget and an operating budget (what it will cost to stay in business for the first year). This helps you determine the amount of start-up capital you'll need, either for a new business venture or for the expansion of an existing business.

As a business grows and expands, knowing what business you're in and who your customers are helps you to make better decisions.

Quicken includes no-cost tools to help you write a mini business plan (choose Business menu > Mini Business Planner, or visit the Quicken.com Web site at http://www.quicken.com/small_business). And when you decide that a more comprehensive business plan is what you need, you can purchase and install complete business plan software from your Quicken Premier Home & Business CD-ROM.

Finding legal, personnel, and tax guidance

Some of your most pressing questions and concerns may be in the areas of the law, employee relations, and taxes. These are precisely the areas where research can be both expensive and time-consuming. Fortunately, Quicken Premier Home & Business includes information from Nolo, publishers of practical and easy-to-understand business guides, written in plain English, about these and other topics. Choose Business menu > Small Business Guidance.

Managing contact information

Use the Quicken Address Book to organize and store the contact information you need when you're paying your bills or doing other financial chores. It makes using Quicken even more convenient. Choose Tools menu > Address Book to enter contact information directly into Address Book.

If you already maintain contact information in another contact management application, you can synchronize Address Book with your current contact list. Choose Business menu > Customers > Synchronize Addresses. Quicken supports Microsoft Outlook 97, 98, 2000, 2002; ACT!™ 4.02 or 2000; or Palm™ III, V, or VII. (Palm, ACT!, and Outlook sold separately.)

You can print Address Book entries as a list or onto labels or envelopes. Alternatively, you can export the contact information from Address Book into Microsoft Word and use the Mail Merge tool to print the information onto envelopes and labels. You can also create groups of addresses. This is helpful if, for example, you want to print a phone list of your suppliers and a separate list of your customers. For more information about using Address Book, choose Help menu > Contents, click the Index tab, and enter *Address Book, overview of*.

Other business resources

The Small Business Administration (SBA)

There are over 20 million small companies in the United States, producing 39 percent of the gross national product and creating two out of every three new jobs. In recognition of their importance to the American economy, the federal government created the SBA with a mandate to support and counsel small businesses, and to assist their start-up and growth. The SBA has business development specialists in offices nationwide and provides training, counseling, research, and other specialized assistance at nearly 1,000 locations nationwide, as well as publications, videotapes, and online information.

- The Service Corps of Retired Executives (SCORE) provides training and one-on-one business counseling at no charge.
- SBA's Business Information Centers (BICs) provide state-of-the-art technology for accessing market research databases and a vast library of business information.

For more information, visit the SBA Web site at: http://www.sba.gov.

Other small business organizations

The following organizations can provide useful information:

*   National Association of Women Business Owners
    http://www.nawbo.org
*   U.S. Chamber of Commerce
    http://www.uschamber.org
*   RISEbusiness (Research Institute for Small and Emerging Business, Inc.)
    http://www.riseb.org
*   National Association for the Self-Employed (NASE)
    http://www.nase.org/

You can also get helpful information from the following sources:

*   State economic development agencies
*   Chamber of Commerce
*   Local colleges and universities
*   Libraries

Note: All Web sites are current as of the printing of this book.

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If you don't find the topic you are looking for here, try Quicken Help. Choose Quicken Help menu > Contents, click the Index tab, and then enter a keyword.

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