

DATES

Remember that the year used for the screen shots is 2017. Continue to use the same year that you used in Chapters 2-7. In Chapter 8, the month used will be February. If QuickBooks Online inserts the current date into a transaction, be aware of this. Be sure to use the date indicated in the text.

IMPORTANT NOTE

As previously stated, QuickBooks Online is constantly evolving with the addition of new features, apps, and procedures that change frequently. Everything in the text is correct at the time of this writing; however, by the time of publication some changes to the program may occur. As stated previously, QuickBooks Online has Labs, which will not be included in the text unless they are adopted before publication. Whenever possible, program changes are incorporated into the text but some changes will not be able to be included until the next edition.



STUDENTS: To see UPDATE documents showing information about new features and program changes, go to www.Pearsonhighered.com/horne and click on the Student Download Page at the beginning of each chapter.

ADJUSTMENTS FOR ACCRUAL-BASIS ACCOUNTING

As previously stated, the accrual-basis of accounting matches the income and the expenses of a period in order to arrive at an accurate figure for net income or net loss. Thus, the revenue is earned at the time the service is performed or the sale is made no matter when the actual cash is received. Also, an expense is recorded at the time the bill is received or the purchase is made regardless of the actual payment date. Conversely, the cash-basis of accounting records income or revenue at the time cash is received no matter when the sale was made or the service performed and an expense is not recorded until it is paid. In QuickBooks Online, the Accounting Method selected by default in Account and Settings is Accrual. It may be changed to Cash.

When using accrual-basis accounting, there are several internal transactions that must be recorded. These entries are called adjusting entries. Some items used in a business are purchased and or paid for in advance. When this occurs, they are recorded as an asset and are called prepaid expenses. As these are used, they become expenses of the business. Another example for adjusting entries is in regard to equipment. Since it does wear out and will eventually need to be replaced, an adjusting entry is made to allocate the amount of depreciation of the equipment as an expense for a period.

ADJUSTING ENTRIES: PREPAID EXPENSES—DRILL

A prepaid expense is an item that is paid for in advance. Examples of prepaid expenses include: Insurance; Office Supplies and Sales Supplies, which are purchased to have on hand and use as needed. (This is different from supplies that are purchased for immediate use.) As noted earlier, a prepaid expense is an asset until it is used. As the insurance or supplies are used, the amount used becomes an expense for the period. In accrual-basis accounting, an adjusting entry is made in the General Journal at the end of the period to allocate the amount of prepaid expenses (assets) used to expenses.

The Test Drive Company does not always have accounts or recorded transactions that are needed to illustrate some of the concepts presented in the text. Prior to recording an adjusting entry for supplies, accounts must be added and a purchase of supplies must be entered.

MEMO

DATE: February 28, 2017

Change the name of the Expense account Supplies to Supplies Expense. Add a new account: Supplies (Category Type Other Current Assets, Detail type: Prepaid Expenses).

Record the purchase on February 5, 2017 of \$250 of Supplies to have on hand from Mahoney Mugs. Record an Expense and pay for the purchase with the company Visa.

At the end of the month, there was \$200 of Supplies on hand. Record the monthly adjustment for the amount of supplies used.

DRILL

Open the **Test Drive Company** and add new accounts, record the purchase, and enter the adjustment for supplies

Change the name of the Expense account Supplies to **Supplies Expense**

Create a new Asset account:

Category Type: **Other Current Assets**

Detail type: **Prepaid Expenses**

Name: **Supplies**

Click the **Plus** icon, click **Expense** in the Vendors column

Payee: **Mahoney Mugs**

Account: **Visa**

Payment date: **02/05/17**

Payment method: **Visa**

Account details Line 1: **Supplies** (remember this is an Asset account)

Amount: **250**

Expense

Payment to: Mahoney Mugs Payment method: Visa Balance \$0.00 **AMOUNT \$250.00**

Payment date: 02/05/2017 Payment method: Visa Ref no.:

▼ **Account details**

#	ACCOUNT	DESCRIPTION	AMOUNT	BILLABLE	TAX	CUSTOMER
1	Supplies		250.00			

Buttons: Add lines, Clear all lines

► **Item details**

Memo:

Total \$250.00

Click **Save and close**

- Do you remember the keyboard shortcut **Ctrl+Alt+D** to save and close?

Click the **Plus** icon

Click **Journal Entry** in the Other column

- As you remember from recording adjusting entries in Chapter 5, a Journal Entry requires both a debit and a credit just as you did when you recorded a General Journal Entry in your concepts course.

Enter the date: **02/28/17**, press **Tab**

- The Journal Entry number **1** is shown.

Line 1: Click in the ACCOUNT text box, click the drop-down list arrow, scroll through the accounts, and click the Expense account **Supplies Expense**

- Calculate the amount of the adjusting entry: Supplies Purchased \$250 – Supplies On hand \$200 = \$50 Supplies Used.

Tab to DEBITS, and enter the amount of the adjusting entry **50**

Tab to DESCRIPTION, enter **Adjusting Entry, February**

Line 2: Tab to or click in ACCOUNT, scroll through the accounts, click **Supplies**

- The Credits of 50 and the Description are automatically entered by QuickBooks Online. If they do not appear automatically, simply enter them as instructed for the Debits entry.
- This adjusting entry decreases the asset Supplies (a prepaid expense) by \$50 and increases the expense Supplies Expense.

Journal Entry #1

Journal date

02/28/2017

Journal no.

1

#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME
1	Supplies Expense	50.00		Adjusting Entry, February	
2	Supplies		50.00	Adjusting Entry, February	
Total		50.00	50.00		

Click **Save and close**

Close the Test Drive Company

ADJUSTING ENTRIES: PREPAID EXPENSES—DO

As you reviewed in the drill, a prepaid expense is an item that is paid for in advance. In accrual-basis accounting, a Journal Entry is recorded at the end of the period to allocate the amount of prepaid expenses (assets) used to expenses.

MEMO

DATE: February 28, 2017

Journal Entry 19: Record the adjusting entry for the use of \$100 of Office Supplies.

Journal Entry 20: After taking inventory, you calculate that you have \$1,936 of Kennel Supplies on hand. Calculate the amount of supplies used and record the adjusting entry.

DO



Open **Your Name's Beach Barkers** and record adjusting entries for prepaid expenses

Click the **Plus** icon

Click **Journal Entry** in the Other column

Enter the date: **02/28/17**, press **Tab**

- The Journal Entry number **19** is shown.

Click in the **ACCOUNT** text box for Line 1

- This adjusting entry is to record the amount of Office Supplies used for the month. Click the drop-down list arrow, scroll through the accounts, and click **Office Supplies Expense** (a subaccount of Supplies Expense)

Tab to **DEBITS**, and enter the amount of the adjusting entry **100**

Tab to **DESCRIPTION**, enter **Adjusting Entry, February**

Tab to or click in **ACCOUNT** in Line 2, scroll through the accounts, click **Office Supplies** (a subaccount of the asset Office Supplies)

- The Credits and the Description are automatically entered by QuickBooks Online. If they do not appear automatically, simply enter them as instructed for the Debits entry.
- This adjusting entry decreases the asset Office Supplies by \$100 and increases the expense Office Supplies Expense by \$100.
- The screen shots for Journal entries, will not show the columns for Name, Location, or Class because they are not used in the adjusting entries.

Journal Entry #19		Journal date		Journal no.	
		02/28/2017		19	
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	
1	Supplies Expense:Office Supplies Expense	100.00		Adjusting Entry, February	
2	Supplies:Office Supplies		100.00	Adjusting Entry, February	
Total		100.00	100.00		

Click **Save and close**

- If the Save command you want to use does not show, click the drop-down list arrow, and then, click the correct command; or use the keyboard shortcut of **Ctrl+Alt+D** to close the screen.

Open the Chart of Accounts as previously instructed, and then click **View Register** for the subaccount of Supplies: **Office Supplies**

- The following screen shot shows the register in reverse chronological order. If your register shows in chronological order, click the column heading **DATE** to reverse.
- The Class/Location column is not shown in the following screen shot.

Back to Chart of Accounts

Asset Register Supplies:Office Supplies ENDING BALANCE \$821.48 Reconcile

▼ All

DATE ▼	REF NO. TYPE	PAYEE ACCOUNT	MEMO	DECREASE	INCREASE	✓	BALANCE
02/28/2017	19 Journal	-Split-	Adjusting Entry, February	\$100.00			\$821.48
02/24/2017	CC-Credit	Super Office Visa		\$30.00			\$921.48
02/23/2017	Expense	Super Office Visa			\$150.00		\$951.48
02/19/2017	CC-Credit	Super Office Visa		\$43.20			\$801.48
02/19/2017	Expense	Super Office Visa			\$216.00		\$844.68
01/31/2017	8 Journal	-Split-	Adjusting Entry, January	\$125.00			\$628.68
01/21/2017	725 Vendor Credit	Super Office Accounts Payable (A/P)		\$21.55			\$753.68
01/18/2017	286 Bill	Super Office Accounts Payable (A/P)			\$425.23		\$775.23
12/31/2016	Deposit	Opening Balance Equity	Opening Balance		\$350.00	R	\$350.00

- You will see all of the transactions for Office Supplies from the Opening Balance to Journal Entry 19.
- For the Journal entries, rather than see the Account name, you see -Split-. This means that the transaction was split between two or more accounts. In this case, Office Supplies Expense and Office Supplies were the accounts used.
- While the account register is shown, look at the entries that have been recorded for Office Supplies. If an entry does not match, click the transaction and correct the error.
- If you are missing an entry, return to the Chart of Accounts and run the report for Office Supplies Expense to see if you recorded the transaction in the wrong account. If so, click on the transaction and change the account name.

Click [Back to Chart of Accounts](#) (just above the words Asset Register)

Scroll down to the Office Supplies Expense account, click **Run report**

On the Account QuickReport, click the drop-down list arrow for **Report period**, click **Custom**, enter From: **01/01/17** To: **02/28/17**, click **Run Report**

- View the transactions for the account and note the adjusting entry for February. As you did for the asset Office Supplies, check your report to see if your transactions match the ones shown below. If not, correct the transaction.

Your Name's Beach Barkers								
ACCOUNT QUICKREPORT								
January - February, 2017								
DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	CLR	AMOUNT	BALANCE
▼ Supplies Expense								
▼ Office Supplies Expense								
01/23/2017	Expense		Super Office		Supplies Expense:Office Supplies Expense		6.47	6.47
01/31/2017	Journal Entry	8		Adjusting Entry, January	Supplies Expense:Office Supplies Expense		125.00	131.47
02/28/2017	Journal Entry	19		Adjusting Entry, February	Supplies Expense:Office Supplies Expense		100.00	231.47
Total for Office Supplies Expense							\$231.47	
Total for Supplies Expense							\$231.47	
TOTAL							\$231.47	

Reopen the **Chart of Accounts**

Prior to recording the Journal Entry for Kennel Supplies, calculate the amount of the adjusting entry

- The transaction for Office Supplies states that the amount of supplies used is \$100. That is the amount of the adjustment to be recorded.
- The transaction for Kennel Supplies states that the amount of supplies on hand is \$1,936. That is the amount of the account balance after recording the adjustment. With the Chart of Accounts open, look at the balance of the asset Kennel Supplies
- The account balance minus the amount of supplies on hand equals the amount of the adjusting entry. ($\$2,112 - \$1,936 = \$176$)

Record Journal Entry 20 as previously instructed

Date: **02/28/17**

Journal no.: **20**

Line 1: Account: **Kennel Supplies Expense**, Debit: **176**, Description: **Adjusting Entry, February**

Line 2: Account: **Kennel Supplies**, Credit: **176**, Description: **Adjusting Entry, February**

Journal Entry #20					
Journal date			Journal no.		
02/28/2017			20		
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	
1	Supplies Expense: Kennel Supplies Expense	176.00		Adjusting Entry, February	
2	Supplies: Kennel Supplies		176.00	Adjusting Entry, February	
Total		176.00	176.00		

Click **Save and close** (Ctrl+Alt+D)

Do not close Your Name's Beach Barkers, complete the next section

ADJUSTING ENTRIES: DEPRECIATION—DO

Equipment and other long-term assets lose value over their lifetime. To account for the fact that machines wear out and need to be replaced, an adjustment is made for depreciation. This adjustment correctly matches the expenses of the period against the revenue of the period.

Because you entered the adjustments for depreciation in Chapter 5 and the Test Drive Company requires extra transactions in order to practice, you will not complete a drill in this section.

MEMO

DATE: February 28, 2017

Record a compound Journal Entry No. 21: one month's depreciation for Kennel Equipment, \$170; and one month's depreciation for Furniture & Fixtures, \$125.

DO



Continue to use Your Name's Beach Barkers to record adjustments for depreciation

Record a compound Journal Entry for the depreciation of Kennel Equipment and Furniture & Fixtures

If necessary, open the Chart of Accounts

Click **View Register** for Kennel Equipment: Depreciation account

- Typically, depreciation would be entered once a year; however, in the text, we are entering it each month.

- Note the amount of the Adjusting Entry for January of \$170. You will enter the same amount for February.

Click [Back to Chart of Accounts](#)

Click **View Register** for the Furniture & Fixtures: Depreciation account

- Note the amount of the Adjusting Entry for January of \$125. You will enter the same amount for February.

Open a **Journal Entry** as previously instructed

- A blank screen for Journal no. 21 should open.

Date: **02/28/17**

Journal Entry: **21**

- It is possible to enter two adjusting entries in the same Journal entry. This is called a compound entry.
- To use the power of the program, the Credits entries to each fixed asset depreciation account will be entered first. Then, the Debits entry for the total amount of Depreciation Expense will be entered.

Line 1: Account: **Kennel Equipment:Depreciation**

Click in the **CREDITS** column, and enter **170**

Description: **Adjusting Entry, February**

Line 2: Account: **Furniture & Fixtures:Depreciation**, Credits: **125**, Description: **Adjusting Entry, February**

- QuickBooks Online will enter 125 as a Debit. Disregard this. QuickBooks will change this when you enter the credit amount and press Tab.
- Description should be entered automatically.

Line 3: Account: **Depreciation Expense**, Debits: **295**, Description: **Adjusting Entry, February**

- QuickBooks Online should automatically calculate the amount of Depreciation Expense, enter it in the Debits column, and enter the Description.

Journal Entry #21				
Journal date			Journal no.	
02/28/2017			21	
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION
1	Kennel Equipment:Depreciation		170.00	Adjusting Entry, February
2	Furniture & Fixtures:Depreciation		125.00	Adjusting Entry, February
3	Depreciation Expense	295.00		Adjusting Entry, February
Total		295.00	295.00	

Click **Save and close**

Close Your Name's Beach Barkers

INVENTORY ADJUSTMENTS—DRILL

QuickBooks Online Plus is the only online version of QuickBooks Online that can track inventory. Beginning inventory quantities were added for each product in Chapter 2. Then, in Chapters 6 and 7, you actively started to use inventory tracking. New inventory items and quantities were added. When inventory was purchased, the quantities on hand increased; when merchandise was sold, the quantities on hand decreased.

When adding a new inventory item, it is possible to make an error when entering the starting value of the item. This may be adjusted to change the starting quantity, cost, and/or date if you added the item without preparing a purchase order or a bill. If the new item was added and no value, quantity, or other information was entered until you received the items and recorded the receipt, you may make the change directly on the forms used; i.e., purchase order, bill, or payment.

Also, there may be other instances when the quantity of the inventory on hand needs to be adjusted. This might be due to recording an incorrect amount of inventory received or sold, finding that inventory was damaged or misplaced, among other reasons. A Cost of Goods Sold account, Inventory Shrinkage, is added by QuickBooks Online and is used to record the change in quantity.

MEMO

DATE: February 28, 2017

Add a new Inventory Item: Timers (Name, Sales information, and Purchase information), Initial quantity on hand: 25; As of date: 12/31/16; Reorder Point: 25, Sales price: 50; Is taxable, Cost 20. Use the accounts provided by QuickBooks Online.

Change the Inventory Starting Value information for Timers. Quantity: 30, As of date: 01/01/17; Cost: 25.

Discovered two cracked pumps. Adjust the number of Pumps on hand from 25 to 23.

DRILL

Open the **Test Drive Company** and record the inventory adjustments

Add a New Inventory Item

In order to practice inventory starting value adjustments, you need to add a new inventory item.



Use the **Test Drive Company** and add the new inventory item, Timers

Open the Products and Services List

Click the **New** button, click **Inventory**

Enter the information provided in the Memo:

Name, Sales information, and Purchase information: **Timers**

Initial quantity on hand: **25**

As of date: **12/31/16**

Reorder point: **25**

Use the accounts provided by QuickBooks Online: **Inventory Asset, Sales of Product**

Income, and Cost of Goods Sold

Sales price: **50**

Is taxable: should have a check

Cost: **20**

Click **Save and close**

- Note that the Reorder point is in orange.

	Timers	Inventory	Timers	50	20	✓	25	25	Edit ▾
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Continue to the next section

Adjust Inventory Starting Value, Quantity, and Date

There are three ways to change the Inventory Starting Value information. In the drill you will do this by preparing the Inventory Valuation Detail report, and clicking on the transaction for Inventory Starting Value. You may now change the starting quantity, rate, and date. The other method, which will be used in the DO section, is to open the Product and Services List, click Edit for the item, and click Starting Value. The third way is open the Product and Services List, click the drop-down list arrow in the item's ACTION column, and click Starting Value. This type of adjustment is made only for starting values. If there are changes to quantities due to damage, errors in recording, theft, or other reasons, you adjust the inventory quantity.



Continue to use the **Test Drive Company** to adjust the starting value, quantity, and date for Timers

Click **Reports** on the Navigation bar or the Alternate Navigation bar, select the report category **Manage Products and Inventory**

Click the **Inventory Valuation Detail** report

Date: From: **12/31/16** To: **Current Date**, click **Run Report**

Scroll through the report until you get to **Timers**

Click the transaction line for **Inventory Starting Value**

DATE	TRANSACTION TYPE	NUM	QTY	RATE	FIFO COST	QTY ON HAND	ASSET VALUE
Timers							
12/31/2016	Inventory Starting Value	START	25.00	20.00	500.00	25.00	500.00
Total for Timers			25.00		\$500.00	25.00	\$500.00

- This will open the Inventory Starting Value #START form.
Change the Inventory Starting Value using the information in the Memo
Change Initial quantity on hand from 25 to **30**
Change As of date from 12/31/16 to **01/01/17**
Change Initial Cost from 20 to **25**
Inventory asset account: **Inventory Asset** (no change)
Inventory adjustment account: **Opening Balance Equity** (no change)
- When inventory is added without preparing a bill and paying for it, a starting inventory value is created. The starting value of an inventory item is always added to the Opening Balance Equity account. Remember, Inventory Asset is increased by the amount of the new inventory item and Opening Balance Equity is also increased by the value of the new item.
- If you add a new inventory item, record a bill, and pay for the item, an inventory starting value transaction is not recorded and the Opening Balance Equity account is not used. You would make changes to the bill payment and then the bill to correct.

Inventory Starting Value #START

Timers

Initial quantity on hand: 30 As of date: 01/01/2017

Initial cost: 25

Inventory asset account: Inventory Asset

Inventory adjustment account: Opening Balance Equity

Value: \$750.00

Reference no.: START

Memo: Timers - Opening inventory and value

Click **Save and close**

Do not close the Test Drive Company, continue to the next section

Adjust Inventory Quantities

There are three ways to access the Inventory Quantity Adjustment form to change inventory quantities. One way is to open the Products and Services List, click Edit for the item, and click Quantity. The second way is open the Product and Services List, click the drop-down list arrow in the item's ACTION column, and click Adjust Quantity. The third way is to click the Plus icon and click Inventory Qty Adjustment in the Other column. The drill will access the Inventory Quantity Adjustment form by using the Plus icon.



Continue to use the **Test Drive Company** to record the quantity adjustment for Pumps

Click the **Plus** icon, click **Inventory Qty Adjustment** in the Other column

Use the **Current Date** for the drill

Inventory adjustment account: **Leave blank** the first time you make an Inventory Quantity Adjustment

- The account is added by QuickBooks Online. The first time you enter an adjustment and click the drop-down list arrow the account may not be shown in the Inventory adjustment account list. If you try to add the account, QuickBooks Online tells you that there is already an account with that name. To trigger the activation and inclusion of the account, leave the Inventory adjustment account blank the first time you enter a transaction for a quantity adjustment.

Line 1: Click in the PRODUCT text box, click the drop-down list arrow, click **Pump** Tab to or click in NEW QTY, enter **23**, press **Tab**

- Notice that CHANGE IN QTY shows -2.

Inventory Quantity Adjustment #2

Adjustment date: Current Date

Reference no.: 2

Inventory adjustment account:

#	PRODUCT	DESCRIPTION	QTY ON HAND	NEW QTY	CHANGE IN QTY
1	Design:Fountains:Pump	Fountain Pump	25	23	-2

Other: Bank Deposit, Transfer, Journal Entry, Statement, **Inventory Qty Adjustment**

Click **Save and close**

- This will trigger the activation of the Inventory Shrinkage account.
- Open the Chart of Accounts, verify that the Cost of Goods Sold: Inventory Shrinkage account is shown.
- Open the Products and Services List and verify the Quantity

NAME	SKU	TYPE	SALES DESCRIPTION	SALES PRICE	COST	TAXABLE	QTY ON HAND	REORDER POINT	ACTION
 Pump	P461-17	Inventory	Fountain Pump	15	10	✓	23		Edit

Close the Test Drive Company

INVENTORY VALUATION SUMMARY REPORT—DO

Prior to making changes to inventory items, it is helpful to prepare the Inventory Valuation Summary or Inventory Valuation Detail report. The Inventory Valuation Summary report shows the quantity on hand, value, and average cost for each inventory item. To see the transactions for the individual inventory items, you click the item to drill-down to the item's detailed information.

DO



Open and use **Your Name's Beach Barkers** and prepare the Inventory Valuation Summary report

Open **Reports**, select **Manage Products and Inventory** for the report category
Click **Inventory Valuation Summary**

Enter the date for As of: **02/28/17**, click **Run Report**

- Notice the quantity and asset value for the item Dog Beds.

Your Name's Beach Barkers INVENTORY VALUATION SUMMARY As of February 28, 2017			
SKU	QTY	ASSET VALUE	AVG COST
Bones	331.00	662.00	2.00
Books	250.00	750.00	3.00
Brushes	61.00	305.00	5.00
Collars	640.00	6,400.00	10.00
Dog Beds	51.00	1,020.00	20.00
Dog Cages	38.00	950.00	25.00
Dog Dishes and Bowls	25.00	125.00	5.00
Dog Food-Canned	463.00	1,157.50	2.50
Dog Food-Dry	394.00	2,758.00	7.00
Dog Snacks	176.00	176.00	1.00
Leashes	442.00	4,420.00	10.00
Sweaters	318.00	4,770.00	15.00
Toys & Treats	3,463.00	6,926.00	2.00
Vitamins	445.00	1,335.00	3.00
TOTAL		\$31,754.50	

Customize the Footer as previously instructed

Print in Portrait orientation, export, and/or send/submit as previously instructed

- If you save the report, name it: **1-Your Name Inventory Val Sum Ch 8.**

Do not close Your Name's Beach Barkers

INVENTORY ADJUSTMENTS—DO

As was presented in the drill, QuickBooks Online Plus is the only online version of QuickBooks Online that can track inventory. Beginning inventory quantities and values were added for each product in Chapter 2; then, in Chapters 6 and 7 inventory tracking was used extensively. In those chapters, you added additional inventory items and quantities. When merchandise was sold, the quantities on hand decreased; and, when inventory items were purchased, the quantities on hand increased.

When adding a new inventory item, it is possible to make an error when entering the starting value information for the new item. Adjustments may be made to change the starting quantity, cost, and/or date. Starting values are entered when you add an inventory item and a quantity without entering a bill or a payment for the merchandise. As an example, in Chapter 6, Dog Beds and Dog Snacks were added as new items with quantities on hand. This created a starting value. However, in Chapter 7, you added a new inventory item Books with a quantity of 0. As a result, no starting value was entered.

There may be other instances not associated with the starting values when the quantity of the inventory on hand needs to be adjusted. This might be due to recording an incorrect amount of inventory received or sold, finding that inventory was damaged or misplaced, among other reasons.

MEMO

DATE: February 28, 2017

Two dog beds had bleach spilled on them. Reduce the inventory quantity for Dog Beds.

You want to sell towels that have the Beach Barkers Logo on them. Add a new inventory item: Towels; Quantity: 25; As of: 2/20/17; Reorder Point: 25, Sales Price 20, Is taxable, Cost 5. Use accounts provided by QBO.

Realized that an error was made when adding the new item Towels. Adjust the Inventory Starting Value to Quantity: 30; As of: 02/28/17; Cost 6.

DO



Open **Your Name's Beach Barkers** and record the inventory adjustments

Adjust Inventory Quantities

There are three ways to access the Inventory Quantity Adjustment form to change inventory quantities. The drill used the method of clicking the Plus icon, clicking Inventory Qty Adjustment in the Other column, and making the adjustment. This section will edit the inventory item in the Products and Services List, click Quantity, and enter the adjustment. In the Products and Services List, you may also click the drop-down list arrow for the item's ACTION column, and click Adjust quantity.



Use **Your Name's Beach Barkers** and adjust the quantity of Dog Beds

Open the Products and Services List, click **Edit** for Dog Beds
Click **Quantity** on the Product/Service information screen

Name*	
Dog Beds	
Quantity on hand	51
Adjust: Quantity Starting value	
Reorder point	
What's the reorder point?	5

Adjustment date: **02/28/17**

Inventory adjustment account: **Leave blank** the first time you make an Inventory Quantity Adjustment

- Just as you learned in the Test Drive Company, the account is added by QuickBooks Online. The first time you enter an adjustment and click the drop-down list arrow the account may not be shown in the Inventory adjustment account list. If you try to add the account, QuickBooks Online tells you that there is already an account with that name. To trigger the activation and inclusion of the account, leave the Inventory adjustment account blank the first time you enter a transaction for a quantity adjustment.

Line 1: Click in the PRODUCT text box, click the drop-down list arrow, click **Dog Beds** Tab to or click in NEW QTY, enter **49**, press **Tab**

- Notice that CHANGE IN QTY shows -2.

Inventory Quantity Adjustment #15							
Adjustment date						Reference no.	
02/28/2017						15	
Inventory adjustment account						Location	
#	PRODUCT	DESCRIPTION	QTY ON HAND	NEW QTY	CHANGE IN QTY	CLASS	
1	Dog Beds	Dog Beds	51	51	-2		

Click **Save and close**

- This should trigger the activation and the inclusion of the Inventory Shrinkage account. Verify the Quantity in the Products and Services List

NAME ▲	SKU	TYPE	SALES DESCRIPTION	INCOME ACCOUNT	SALES PRICE	COST	TAXABLE	QTY ON HAND	REORDER POINT	ACTION
 Dog Beds		Inventory	Dog Beds	Sales of Product Income	65	20	✓	49	5	Edit ▼

Open the Chart of Accounts, scroll down to **Inventory Shrinkage** in the Cost of Goods Sold section of accounts, and then click **Run Report** to verify the adjustment
Dates From: **020117** To: **022817**

Your Name's Beach Barkers								
ACCOUNT QUICKREPORT								
February 2017								
DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	CLR	AMOUNT	BALANCE
Inventory Shrinkage								
02/28/2017	Inventory Qty Adjust	15			Inventory Shrinkage		40.00	40.00
02/28/2017	Inventory Qty Adjust	15			Inventory Shrinkage			
Total for Inventory Shrinkage							\$40.00	
TOTAL							\$40.00	

- The dog beds cost \$20 each. As a result, the cost for the decrease in the quantity was added to the Inventory Shrinkage account.
- Do not close Your Name's Beach Barkers

Add a New Inventory Item

Add a new inventory item to use in adjusting the Inventory Starting Values



Use **Your Name's Beach Barkers** and add the new inventory item, Towels

Open the Products and Services List

Click the **New** button, click **Inventory Item**

Enter the information provided in the Memo:

Name, Sales information, and Purchase information: **Towels**

Initial quantity on hand: **25**

As of date: **02/20/17**

Use the accounts provided by QuickBooks Online

Sales price: **20**

Reorder point: **25**

Is taxable: should have a check

Cost: **5**

Click **Save and close**

	Towels	Inventory	Towels	Sales of Product Income	20	5	✓	25	25	Edit ▼
--	--------	-----------	--------	-------------------------	----	---	---	----	-----------	--------

Do not close the Products and Services List or Your Name's Beach Barkers, continue to the next section

Adjust Inventory Starting Value, Quantity, and Date

As with quantity adjustments, there are three ways to change the Inventory Starting Value. In the drill you prepared the Inventory Valuation Detail report, clicked on the transaction for Inventory Starting Value, and changed the starting quantity, rate, and date. In this section, you will use another method. You will access the item in the Product and Services List, click the drop-down list arrow in the item's ACTION column, and click Starting Value. The third way is to open the Product and Services List, click Edit for the item, and click Starting Value. Remember, this type of adjustment is made only for starting values. If there are changes to quantities due to damage, errors in recording, theft, or other reasons, you adjust the inventory quantity.



Use **Your Name's Beach Barkers** and adjust the Starting Value for Towels

With the Products and Services List showing on the screen, click the drop-down list arrow in the ACTION column for **Towels**

In the Adjust section, click **Adjust Starting value**

On the *Hold on!* message, click **Got it!**

- This will open the Inventory Starting Value #START form.

Change the Inventory Starting Value using the information in the Memo

Change Initial quantity on hand from 25 to **30**

Change As of date from 02/20/17 to **02/28/17**

Change Initial Cost from 5 to **6**

Inventory asset account: **Inventory Asset** (no change)

Inventory adjustment account: **Opening Balance Equity** (no change)

- When inventory is added without preparing a bill and paying for it, a starting inventory value is created. The starting value of an inventory item is always added to the Opening Balance Equity. Remember, both Inventory Asset and Opening Balance Equity are increased by the amount of the new inventory item.
- If you add a new inventory item, record a bill, and pay for the item, an inventory starting value transaction is not recorded and the Opening Balance Equity account is not used.

Edit ▼
Make inactive
Run report
Duplicate
Adjust quantity
Adjust starting value
Reorder

Inventory Starting Value #START		VALUE	
Towels		\$180.00	
Initial quantity on hand	As of date	Class	Reference no.
30	02/28/2017		START
What's the as of date?			
Initial cost		Location	
6			
Inventory asset account			
Inventory Asset			
Inventory adjustment account			
Opening Balance Equity			
Memo			
Towels - Opening inventory and value			

Click **Save and close**

Do not close Your Name's Beach Barkers

INVENTORY VALUATION DETAIL REPORT—DO

Whenever you make changes to inventory quantities, starting values, or other changes, it is important to prepare either an Inventory Valuation Summary or Inventory Valuation Detail report to see the changes made. The Inventory Valuation Detail report lists the transactions for each inventory item within the report dates. The information provided in the report includes the transactions made for adjustments and shows how the transactions affected quantity on hand, value, and cost.

DO

Continue to use **Your Name's Beach Barkers** to prepare the Inventory Valuation Detail report

Open **Reports**, select the **Manage Products and Inventory** report category
Click **Inventory Valuation Detail**

Enter the Dates From: **02/01/17** To: **02/28/17**, click **Run Report**

- Scroll through the report and note the adjustment to Dog Beds and the Inventory Starting Value for Towels.
- If you wanted to see the Inventory Starting Value of the original inventory items, you would use 12/31/16 as the From Date.

Your Name's Beach Barkers							
INVENTORY VALUATION DETAIL							
February 2017							
DATE	TRANSACTION TYPE	NUM	QTY	RATE	FIFO COST	QTY ON HAND	ASSET VALUE
Dog Beds							
	Beginning Balance					5.00	100.00
02/03/2017	Invoice	1044	-1.00	20.00	-20.00	4.00	80.00
02/04/2017	Sales Receipt	1049	-1.00	20.00	-20.00	3.00	60.00
02/12/2017	Invoice	1052	-1.00	20.00	-20.00	2.00	40.00
02/12/2017	Invoice	1055	-1.00	20.00	-20.00	1.00	20.00
02/13/2017	Credit Memo	1060	1.00	20.00	20.00	2.00	40.00
02/13/2017	Invoice	1062	-1.00	20.00	-20.00	1.00	20.00
02/18/2017	Bill	2901	25.00	20.00	500.00	26.00	520.00
02/18/2017	Bill		27.00	20.00	540.00	53.00	1,060.00
02/19/2017	Vendor Credit	1596	-2.00	20.00	-40.00	51.00	1,020.00
02/28/2017	Inventory Qty Adjust	15	-2.00	20.00	-40.00	49.00	980.00
Total for Dog Beds			44.00		\$880.00	49.00	\$980.00
Towels							
02/28/2017	Inventory Starting Value	START	30.00	6.00	180.00	30.00	180.00
Total for Towels			30.00		\$180.00	30.00	\$180.00

Partial Report

Customize the Footer as previously instructed

Print in Portrait orientation, export, and/or send/submit as previously instructed

- If you save the report, name it: **2-Your Name Inventory Val Detail Ch 8.**

Do not close Your Name's Beach Barkers

TRANSFER OPENING BALANCE EQUITY INTO CAPITAL ACCOUNT—DO

As you may remember from your work in Chapter 5, QuickBooks Online enters all of the values for opening balances into the Opening Balance Equity account. In Chapter 5, you transferred the entire amount of Opening Balance Equity into Your Name, Capital. However, in Chapter 6, you created two new inventory items with quantities—Dog Beds and Dog Snacks— and you just added a new inventory item, Towels, with quantities. Because you added these items without recording a bill or making a payment, the starting values for these items were added to the Inventory Asset and Opening Balance Equity accounts. It is appropriate to transfer the amount of Opening Balance Equity into Your Name, Capital.

DO



Use **Your Name's Beach Barkers** and transfer the Opening Balance Equity into Capital

Open the Chart of Accounts, scroll down until you see the Opening Balance Equity Account

- You should see a balance of \$480.

Click **View Register** for Opening Balance Equity, and scroll through the register

- Note the addition of Towels on 2/28/17 and Dog Beds and Dog Snacks on 12/31/16.

Click **Reports** on the Navigation bar or the Alternate Navigation bar

Prepare your **Customized Balance Sheet** report for **02/01/17** to **02/28/17**, and then click **Run Report**

Scroll to the Equity section to view the Opening Balance Equity account balance of \$480

▼ Equity	
Opening Balance Equity	480.00
Retained Earnings	-1,654.66
▼ Your Name, Capital	119,732.16
Your Name, Drawing	0.00
Your Name, Investment	53,735.00
Total Your Name, Capital	173,467.16
Net Income	5,019.45
Total Equity	\$177,311.95

Click the **Plus** icon, click **Journal Entry** in the Other column

Journal date: **02/28/17**

Journal no.: **22**

Line 1: Click in the text box for ACCOUNT, click the drop-down list arrow, and click **Opening Balance Equity**

Tab to DEBITS, enter **480**

- This is the balance of the account. Remember, Opening Balance Equity has a credit balance. To move the balance to capital, you would debit the account to decrease it.

Tab to DESCRIPTION, enter **Transfer to Capital**

Line 2: ACCOUNT: **Your Name, Capital**

- The CREDITS should automatically show 480 and the DESCRIPTION should automatically be entered.
- Your Name, Capital is your equity account and the opening balance equity is being transferred into it. Remember, an increase in an equity account is recorded with a credit.

Journal Entry #22

Journal date: 02/28/2017 Journal no.: 22

#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION
1	Opening Balance Equity	480.00		Transfer to Capital
2	Your Name, Capital		480.00	Transfer to Capital
Total		480.00	480.00	

Click **Save and close**

View the change to the Equity section of the Balance Sheet that is still on the screen

Equity	
Opening Balance Equity	0.00
Retained Earnings	-1,654.66
Your Name, Capital	120,212.16
Your Name, Drawing	0.00
Your Name, Investment	53,735.00
Total Your Name, Capital	173,947.16
Net Income	5,019.45
Total Equity	\$177,311.95

- The Opening Balance Equity shows a balance of 0.00. Your Name, Capital changed from \$119,722.16 to \$120,212.16, which is an increase of \$480.

Do not close Your Name's Beach Barkers

OWNER WITHDRAWALS—DO

As you practiced and entered in Chapter 5, an owner cannot receive a paycheck because he or she owns the business. In order to provide money to the owner, a withdrawal is made. The withdrawal decreases the amount of cash in the business and the balance of the owner's capital account. Since you already recorded owner withdrawals in Chapter 5, you will not do a drill before recording your semi-monthly withdrawal.

MEMO

DATE: February 27, 2017

You were so busy that you forgot to take your semi-monthly withdrawal in the middle of the month. Record your semi-monthly withdrawal of \$500.

DO



Continue to use **Your Name's Beach Barkers** and record an owner withdrawal

Click the **Plus** icon, click **Check** in the Vendors column

Since the owner is not a customer, vendor, or employee, leave the Payee blank

- If you added your name to the Names list, you may use it for the Payee name. If you did not add your name, leave the Payee name blank.

Use **Checking** to pay the check

Payment date: 022717

Click **Print later** to remove the check mark; if necessary, enter **30** for the Check no.

Prepare Check 30 for the monthly withdrawal as previously instructed

- Remember to use **Your Name, Drawing** as the account.

Add an appropriate Memo

Check #30

Choose a payee: Checking Balance \$66,232.99

Mailing address: Payment date: 02/27/2017

Check no. 30

☐ Print later

Location:

Account details

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

Memo: Semi-Monthly Withdrawal

Total \$500.00

Click **Print check**

Check No. 30, click **Preview and print**, print the check

- If you save the check as a pdf file, name it **3-Your Name Ck 30**.

Click **Close** on Print Preview, click **Done** on Did Checks Print OK?, and click **Cancel** on the Print Checks screen

- You should return to the customized Balance Sheet that you prepared for 020117 to 022817. If not, prepare the report again.

View the Equity section

Equity	
Opening Balance Equity	0.00
Retained Earnings	-1,654.66
▼ Your Name, Capital	120,212.16
Your Name, Drawing	-500.00
Your Name, Investment	53,735.00
Total Your Name, Capital	173,447.16

- At the end of January, you transferred the withdrawals for January into Your Name, Capital to practice closing entries. You will do the same at the end of February. For now, the account shows the \$500 withdrawal.

Do not close Your Name's Beach Barkers

NON-CASH INVESTMENT BY OWNER—DO

As you learned in Chapter 5, an owner may make additional investments that are added to the owner's investment account. These investments may be cash or non-cash.

MEMO

DATE: February 28, 2017

You decided to use your new desk, file cabinet, and chair in the office at Your Name's Beach Barkers rather than at home. Record an investment of \$2,000 worth of Furniture & Fixtures.

DO

Continue to use **Your Name's Beach Barkers** and record a non-cash investment

Use the information provided in the Memo to prepare Journal Entry 23

Date: 022817

Transaction Accounts: Furniture & Fixtures: Original Cost and Your Name, Investment

Description: Additional Investment

Journal Entry #23					Journal no.
Journal date					
02/28/2017					23
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	
1	Furniture & Fixtures:Original cost	2,000.00		Additional Investment	
2	Your Name, Capital:Your Name, Investment		2,000.00	Additional Investment	
Total		2,000.00	2,000.00		

Click **Save and close**

Return to the Balance Sheet and view the Equity section

▼ Equity	
Opening Balance Equity	0.00
Retained Earnings	-1,654.66
▼ Your Name, Capital	120,212.16
Your Name, Drawing	-500.00
Your Name, Investment	55,735.00
Total Your Name, Capital	175,447.16

- Notice that the balance of Your Name, Investment increased by \$2,000. Use the amount of investment shown on the previous page to do the math: Your Name Investment balance after additional investment \$55,735 – Your Name Investment before additional investment \$53,735 = investment amount \$2,000.

Do not close Your Name's Beach Barkers

PREPARE THE JOURNAL—DO

All the transactions recorded for adjusting entries and for Owner's Equity for February, 2017 will show in the Journal.

DO

Continue to use Your Name's Beach Barkers to prepare the Journal report

Go to Reports, use the category **My Custom Reports**, select **Journal**
Enter the Dates From: **02/27/17** To: **02/28/17**, press **Tab**

Your Name's Beach Barkers JOURNAL						
February 27-28, 2017						
DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	
02/27/2017	Check	30		Semi-Monthly Withdrawal	Checking	
					Your Name, Capital:Your Name, Drawing	\$500.00
						\$500.00
02/28/2017	Journal Entry	19		Adjusting Entry, February	Supplies Expense:Office Supplies	\$500.00
				Adjusting Entry, February	Expense	\$100.00
					Supplies:Office Supplies	\$100.00
02/28/2017	Journal Entry	20		Adjusting Entry, February	Supplies Expense:Kennel Supplies	\$100.00
				Adjusting Entry, February	Expense	\$176.00
					Supplies:Kennel Supplies	\$176.00
02/28/2017	Journal Entry	21		Adjusting Entry, February	Kennel Equipment:Depreciation	\$176.00
				Adjusting Entry, February	Furniture & Fixtures:Depreciation	\$170.00
				Adjusting Entry, February	Depreciation Expense	\$125.00
02/28/2017	Inventory Qty Adjust	15			Inventory Shrinkage	\$295.00
					Inventory Asset	\$295.00
					Inventory Shrinkage	\$40.00
					Inventory Asset	\$40.00
02/28/2017	Inventory Starting Value	START		Towels - Opening inventory and value	Opening Balance Equity	\$180.00
				Towels - Opening inventory and value	Inventory Asset	\$180.00
02/28/2017	Journal Entry	22		Transfer to Capital	Opening Balance Equity	\$480.00
				Transfer to Capital	Your Name, Capital	\$480.00
02/28/2017	Journal Entry	23		Additional Investment	Furniture & Fixtures:Original cost	\$480.00
				Additional Investment	Your Name, Capital:Your Name, Investment	\$2,000.00
						\$2,000.00
TOTAL						\$3,771.00
						\$3,771.00

Close Your Name's Beach Barkers

BUDGETS—DRILL

QuickBooks Online Plus allows you to create Profit and Loss budgets that track amounts in income and expense accounts. Preparing a budget helps a company plan and view expectations for income and costs for a period of time. It is a useful tool that is used to examine business operations, enable a company to establish operational goals, and take a realistic look at expenditures.

DRILL

Open the Test Drive Company and prepare a budget

Click the **Gear** icon, then click **Budgeting** in the Tools column

The first time you open Budgeting you will complete an interview for Creating a budget

Read the opening screen, and then click **Next**

Page 1 of 4

Creating a budget

In QuickBooks Online Plus, you can create Profit and Loss budgets, which track amounts in income and expense accounts.

During this interview, you will:

1. Create the budget from **scratch**, or from **historical amounts**.
2. Choose whether to **subdivide** your budget based on location, class, or customer. (You'll find more details on this later.)
3. Choose a fiscal year, and give your budget a unique name.

Before you get started, check the following settings:

- Make sure your fiscal year starts with the correct month. You can find the Fiscal Year setting in the Company section of Preferences.
- If you plan to create a budget from historical data, you can run a Profit and Loss Detail report to check that transactions have been assigned to the correct income and expense accounts.

Complete the screen for: Do you want to start with any amounts?

- You have three choices for obtaining and entering your initial budget figures: Actual amounts from This Fiscal Year, Last Fiscal Year; or No amounts, which means that you will enter all the amounts for everything you want to budget. If you have already created previous budgets, you may also select to Copy from an existing budget.

Start with: select **Actual amount from**

Click the drop-down list arrow and click **This Fiscal Year**

- If you had a company that had been in business for more than a year, you could select Last Fiscal Year and use your historical data.

Click **Next**

Page 2 of 4

Do you want to start with any amounts?

Start with: ☒ **Actual amounts from**

Start with data from this fiscal year. Later, you can change individual amounts.

☐ **No amounts. Create budget from scratch.**

You will need to enter amounts for everything you want to budget.

☐ **Copy from an existing budget:**

Start with a copy of the selected budget. Later, you can change individual amounts.

Complete the screen for: Do you want to subdivide your budget?

- Each budget tracks information by accounts and months. You may add a third component to divide your budget into different areas for tracking. This is used to track by customers, locations, and classes and will be used in the Do section.

Subdivide by: **Don't subdivide**

Click **Next**

Page 3 of 4

Do you want to subdivide your budget?

Every budget tracks amounts in at least two dimensions: accounts and months.

You can add a third dimension to your budget by subdividing it. This lets you track separate amounts for each customer.

Subdivide by: ☒ **Don't subdivide**

Enter just one set of amounts for each account.

☐ **Customers**

Enter amounts for each account for each customer.

Complete the screen for: Which fiscal year are you budgeting?

- On this screen, you may select the fiscal year for the budget and create a budget name for identification.

Select fiscal year: **FY2017 (Jan 2017 – Dec 2017)**

Budget name: **BUDGET**

- As you enter the Budget name, it is immediately added to the Displayed name.

Which fiscal year are you budgeting? Page 4 of 4

Select fiscal year: **FY2017 (Jan 2017 - Dec 2017)** ▼

Choose the fiscal year to track for this budget.

If the fiscal year doesn't start with the right month, cancel this interview and go to Preferences. You can change the first month of your fiscal year in the Company section of Preferences.

Budget name: **BUDGET**

Enter a name that will help you identify this budget.

Displayed name: **BUDGET - FY17 P&L**

This is how the name of your new budget will be displayed.

Cancel **< Back** **Finish**

Click **Finish** and the Budgets screen appears

- If your budget does not appear on the screen, click anything on the Navigation bar, then click the Gear icon, and Budgeting. The **BUDGET – FY17 P & L** should open.
- On this screen, you enter budget amounts for your income and expense accounts. This may be done by month, quarter or year.
- Remember, because of the automatic date changes by the Test Drive Company, your data will not match the amounts shown in the following instructions. When the data does not match, select the data that will enable you to create a budget.

Click the check box **Show Blank Rows** to remove the empty rows from view
Use View By **Month** and Enter by **Month**

Budgets

Select Budget: **BUDGET - FY17 P&L** Rename Delete New Budget

BUDGET - Jan 2017 through Dec 2017 Profit and Loss Show Blank Rows View By: Month

Accounts	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Income													
Design income	1,313	938	0	0	0	0	0	0	0	0	0	0	2,250
Discounts given	-31	-59	0	0	0	0	0	0	0	0	0	0	-90
Landscaping Services	600	198	0	0	0	0	0	0	0	0	0	0	798
Fountains and Garden Lighting	634	868	0	0	0	0	0	0	0	0	0	0	1,502
Plants and Soil	2,121	100	0	0	0	0	0	0	0	0	0	0	2,221
Sprinklers and Drip Systems	30	0	0	0	0	0	0	0	0	0	0	0	30
Installation	0	250	0	0	0	0	0	0	0	0	0	0	250
Pest Control Services	-100	70	0	0	0	0	0	0	0	0	0	0	-30
Sales of Product Income	44	869	0	0	0	0	0	0	0	0	0	0	913
Services	504	0	0	0	0	0	0	0	0	0	0	0	504
Cost of Goods Sold													
Expenses													
Edit - Design income													
Enter by: Month Copy Across Clear Revert Row Total: \$ 2,250													
Jan:	1,313	Feb:	938	Mar:	0	Apr:	0	May:	0	Jun:	0		
Jul:	0	Aug:	0	Sep:	0	Oct:	0	Nov:	0	Dec:	0		
Save & Next Finished													

To begin entering budget data, in the Edit-Design income area, click in the first month with 0 (Mar at the time of this writing) and enter the highest amount shown (amount for Jan in the example), click the **Copy Across** button

- Initially, the amounts for Jan: 1,313 and Feb: 938 were entered along with 0 for all other months. So you would enter 1,313 for Mar and then click Copy Across. Your budget will be different.
- The amount entered for Mar will be entered for all of the remaining months.

Accounts	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Income													
Design income	1,313	938	0	0	0	0	0	0	0	0	0	0	2,250
Edit - Design income													
Enter by: Month Copy Across Clear Revert Row Total: \$ 15,381													
Jan:	1,313	Feb:	938	Mar:	1,313	Apr:	1,313	May:	1,313	Jun:	1,313		
Jul:	1,313	Aug:	1,313	Sep:	1,313	Oct:	1,313	Nov:	1,313	Dec:	1,313		
Save & Next													

If your Design Income has information for three months—Jan, Feb, and Mar—for example, in the Edit section, click in the first month with a 0—April—then enter the largest amount shown for the earlier months, click **Copy Across**

- Follow this procedure whenever there are three or more months with amounts.

Click **Save & Next**

- Any figures in the next row are automatically entered in the Edit section.

For Edit-Discounts given, click in the first month with a 0, enter the highest amount; click

Copy Across

Click **Save & Next**

Repeat for all remaining rows

Scroll through the budget and make sure all rows have budgeted amounts, if you missed any rows, enter the budgeted amounts as instructed.

After all rows have budgeted amounts, click **Finished**

Do not close the Test Drive Company, continue with the next section

BUDGET REPORTS—DRILL

There are two reports available to view budgets in QuickBooks Online. They are Budget Overview, which shows a summary of budgeted amounts for a specific budget, and Budget vs. Actuals, which compares your budgeted income and expense account to the actual amounts so you can tell whether you are over or under budget.

DRILL



Continue to use the **Test Drive Company** and prepare budget reports

Click **Reports** on the Navigation bar or the Alternate Navigation bar

Click the report category **Business Overview** to select

Click **Budget Overview**

- You will see the budgeted amount for each income and expense account for every month of the fiscal year. You will also see totals for each row across and for each column down. This provides you with the total amounts you have budgeted.
- Your figures will not match the example shown. Remember, this is practice.

Craig's Design and Landscaping Services													
BUDGET OVERVIEW: BUDGET - FY17 P&L													
January - December 2017													
	JAN 2017	FEB 2017	MAR 2017	APR 2017	MAY 2017	JUN 2017	JUL 2017	AUG 2017	SEP 2017	OCT 2017	NOV 2017	DEC 2017	TOTAL
▼ INCOME													
Design income	1,313.00	938.00	1,313.00	1,313.00	1,313.00	1,313.00	1,313.00	1,313.00	1,313.00	1,313.00	1,313.00	1,313.00	\$15,381.00
Discounts given	-31.00	-59.00	-59.00	-59.00	-59.00	-59.00	-59.00	-59.00	-59.00	-59.00	-59.00	-59.00	\$-680.00
▶ Landscaping Services	3,385.00	1,446.00	3,869.00	3,869.00	3,869.00	3,869.00	3,869.00	3,869.00	3,869.00	3,869.00	3,869.00	3,869.00	\$43,521.00

Partial Report

Return to the report category Business Overview, click **Budget vs. Actuals**

- You will see each month of the fiscal year with columns for Actual, Budget, Over Budget, and % of Budget.

	JAN 2017				FEB 2017			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
▼ INCOME								
Design income	1,312.50	1,313.00	-0.50	99.96 %	937.50	938.00	-0.50	99.95 %
Discounts given	-30.50	-31.00	0.50	98.39 %	-59.00	-59.00	0.00	100.00 %
▼ Landscaping Services	600.00	600.00	0.00	100.00 %	197.50	198.00	-0.50	99.75 %

- Note the differences between Jan and Feb that are displayed above. Your figures will not match the example shown.

Close the Test Drive Company

BUDGETS—DO

As you explored in the drill, QuickBooks Online Plus allows you to create Profit and Loss budgets that track amounts in income and expense accounts. For Your Name's Beach Barkers, you will prepare a budget that also shows locations so you can see the profitability of the Venice and Malibu locations. This will help you determine if having two locations is a viable option for Your Name's Beach Barkers.

DO



Open Your Name's Beach Barkers and prepare a budget

Click the **Gear** icon, then click **Budgeting** in the Tools column

Complete the interview for Creating a budget

Read the opening screen, then click **Next**

Complete the screen for: Do you want to start with any amounts?

- You have three choices for obtaining and entering your initial budget figures: Actual amounts from This Fiscal Year or Last Fiscal Year; No amounts, which means you are entering all of the amounts for everything you want to budget; or Copy from an existing budget, which may be used if you have already created previous budgets.

Start with: select **Actual amounts from**

Click the drop-down list arrow and click **This Fiscal Year**

- If you had a company that had been in business for more than a year, you could select Last Fiscal Year and use your historical data.

Click **Next**

Complete the screen for: Do you want to subdivide your budget?

- Each budget tracks information by accounts and months. You may add a third component to divide your budget into different areas for tracking. This is used to track by customers, locations, and classes and will be used in the Do section.

Under Subdivide by: click **Locations**

Do you want to subdivide your budget? Page 3 of 4

Every budget tracks amounts in at least two dimensions: accounts and months. You can add a third dimension to your budget by subdividing it. This lets you track separate amounts for each location, each class, or each customer.

Subdivide by:

- ☐ Don't subdivide
Enter just one set of amounts for each account.
- ☒ **Locations**
Enter amounts for each account for each location.
- ☐ Classes
Enter amounts for each account for each class.
- ☐ Customers
Enter amounts for each account for each customer.

Click **Next**

Complete the screen for: Which fiscal year are you budgeting?

- On this screen, you may select the fiscal year for the budget and create a budget name for identification.

Select fiscal year: **FY2017 (Jan 2017 – Dec 2017)**

- If FY2017 isn't shown, click the drop-down list arrow to select. If FY2017 isn't shown on the list, click the <Back button two times to get to screen 2, and select Last Fiscal Year.

Budget name: **BUDGET**

- As you enter the Budget name, it is immediately added to the Displayed name.
- Notice that the subdivision Locations was added to the Displayed name.

Which fiscal year are you budgeting? Page 4 of 4

Select fiscal year: **FY2017 (Jan 2017 - Dec 2017)** ▼

Choose the fiscal year to track for this budget.
If the fiscal year doesn't start with the right month, cancel this interview and go to Preferences. You can change the first month of your fiscal year in the Company section of Preferences.

Budget name: **BUDGET**

Enter a name that will help you identify this budget.

Displayed name: **BUDGET - FY17 P&L Locations**

This is how the name of your new budget will be displayed.

Click **Finish** and the Budgets screen appears for the location **Malibu**

- If your budget does not appear on the screen, click anything on the Navigation bar, then click the Gear icon, and Budgeting. The **BUDGET – FY17 P & L Locations** should open.
- On this screen, you enter budget amounts for your income and expense accounts for Malibu. This may be done by month, quarter or year. Once budget information is entered for Malibu, you will need to enter the information for Venice and for Not specified.
- Notice that January has 0 for all income accounts. This is because Locations were not created until February when the Malibu location was opened. Also notice that nothing is shown for expenses. This is because we do not categorize expenses by location.

Click the check box **Show Blank Rows** to remove the empty rows from view
Use View By **Month**

Budgets

Select Budget: **BUDGET - FY17 P&L Locations** ▼ Rename Delete New Budget

BUDGET - Jan 2017 through Dec 2017 Profit and Loss with Locations

Show rows as: accounts ▼ for this location: **Malibu** ▼ ☒ Show Blank Rows View By: **Month** ▼

Accounts	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Income													
Sales Discounts	0	-28	0	0	0	0	0	0	0	0	0	0	-28
Sales of Product Income	0	1,900	0	0	0	0	0	0	0	0	0	0	1,900
Boarding	0	1,100	0	0	0	0	0	0	0	0	0	0	1,100
Day Camp	0	450	0	0	0	0	0	0	0	0	0	0	450
Grooming	0	215	0	0	0	0	0	0	0	0	0	0	215
House Calls	0	150	0	0	0	0	0	0	0	0	0	0	150
Training	0	1,650	0	0	0	0	0	0	0	0	0	0	1,650
Transportation	0	425	0	0	0	0	0	0	0	0	0	0	425
Edit - Sales Discounts for Malibu													
Enter by: Month ▼ Copy Across Clear Revert Row Total: \$ -28													
Jan: 0 Feb: -28 Mar: 0 Apr: 0 May: 0 Jun: 0													
Jul: 0 Aug: 0 Sep: 0 Oct: 0 Nov: 0 Dec: 0													
Save & Next													

To begin entering budget data, click in the month **Feb** for Sales Discounts

- In the Edit – Sales Discounts for Malibu area at the bottom of the screen, the amounts for Jan: 0 and Feb: -28 were entered along with 0 for all other months.

In Edit – Sales Discounts for Malibu, click in **Feb**, click the **Copy Across** button

- The amount for February will be entered for all of the remaining months. January remains at 0.

Accounts	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Income													
Sales Discounts	0	-28	0	0	0	0	0	0	0	0	0	0	-28

Edit - Sales Discounts for Malibu

Enter by: Month **Copy Across** Clear Revert

Row Total: \$ -308

Jan: 0 Feb: -28 Mar: -28 Apr: -28 May: -28 Jun: -28
 Jul: -28 Aug: -28 Sep: -28 Oct: -28 Nov: -28 Dec: -28

Save & Next

Click **Save & Next**

- Any figures in the next row are automatically entered in the Edit section.

For Edit – Services:Boarding for Malibu, click in **Feb**, then click **Copy Across**

Click **Save & Next**

Repeat for all remaining rows

- Scroll through the budget and make sure all rows for income accounts have budgeted amounts, if you missed any rows, enter the budgeted amounts as instructed.
- Remember, you do not enter any budget amounts for Expenses for Malibu.

BUDGET - Jan 2017 through Dec 2017 Profit and Loss with Locations													
Show rows as: accounts	for this location: Malibu			Show Blank Rows									
View By: Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Accounts													
Income													
Sales Discounts	0	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28	-308
Sales of Product Income	0	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	20,900
Boarding	0	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	12,100
Day Camp	0	450	450	450	450	450	450	450	450	450	450	450	4,950
Grooming	0	215	215	215	215	215	215	215	215	215	215	215	2,365
House Calls	0	150	150	150	150	150	150	150	150	150	150	150	1,650
Training	0	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	18,150
Transportation	0	425	425	425	425	425	425	425	425	425	425	425	4,675

After all rows for Malibu have budgeted amounts, click the drop-down arrow for location, click **Venice**

Repeat the steps as you did for Malibu

- Even though you recorded transactions for Venice during the month of January, they are not shown. This is because you did not establish Locations until February.
- Don't forget the account Fees Billed at the bottom of the budget in the Other Income category.
- Remember, that you do not record any budget figures for Expenses for Venice.

BUDGET - Jan 2017 through Dec 2017 Profit and Loss with Locations													
Show rows as: accounts ▾	for this location: Venice ▾		☐ Show Blank Rows										
View By: Month													
Accounts	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Income													
Sales Discounts	0	-24	-24	-24	-24	-24	-24	-24	-24	-24	-24	-24	-264
Sales of Product Income	0	601	601	601	601	601	601	601	601	601	601	601	6,611
Boarding	0	550	550	550	550	550	550	550	550	550	550	550	6,050
Day Camp	0	330	330	330	330	330	330	330	330	330	330	330	3,630
Grooming	0	360	360	360	360	360	360	360	360	360	360	360	3,960
Training	0	350	350	350	350	350	350	350	350	350	350	350	3,850
Transportation	0	500	500	500	500	500	500	500	500	500	500	500	5,500
Cost of Goods Sold													
Expenses													
Other Income													
Fees Billed	0	80	80	80	80	80	80	80	80	80	80	80	880
Other Expense													

Once you complete the budget amounts for Venice, click the drop-down list arrow for location, click **Not Specified**

- Not Specified is used for all transactions that were not entered for specific locations. These include the income accounts for January, and all of the expenses.
- Since income will appear for Venice and Malibu as of February, you will not extend the amount of the income accounts.

View the Not Specified income amounts for January

BUDGET - Jan 2017 through Dec 2017 Profit and Loss with Locations															
Show rows as: accounts ▾		for this location: Not Specified ▾		☐ Show Blank Rows										View By: Month ▾	
Accounts	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total		
Income															
Boarding	770	0	0	0	0	0	0	0	0	0	0	0	770		
Day Camp	630	0	0	0	0	0	0	0	0	0	0	0	630		
Grooming	785	0	0	0	0	0	0	0	0	0	0	0	785		
House Calls	225	0	0	0	0	0	0	0	0	0	0	0	225		
Training	3,025	0	0	0	0	0	0	0	0	0	0	0	3,025		
Transportation	300	0	0	0	0	0	0	0	0	0	0	0	300		

Add the amounts for Cost of Goods Sold and Expenses to the Budget

Click in the **Feb** column in the line for **Cost of Goods Sold: Merchandise Discounts**

Then, click in the **Feb** (-28) column for Edit – Cost of Goods Sold: Merchandise Discounts for Not Specified, click **Copy Across** (January will be 0), then click **Save and Next**

Click in the **Feb** column in the line for Edit - Inventory Shrinkage for Not Specified

If you have 40 for Inventory Shrinkage in February, copy across as you have been doing (January will be 0)

- If your budget does not show 40 for Inventory Shrinkage, click in **Feb** in Edit – Inventory Shrinkage for Not Specified, enter **40** for Feb in the Edit section, and click **Copy Across**.

Continue with entering information for the Expenses

Be sure to always copy across the highest amount

- If there is an amount for January and nothing for February, click in January, and use the January amount to Copy Across.

- If the amount for February is more than the amount for January, click in February, and then click Copy Across.
- If the amount for February is less than the amount for January, enter the January amount for March, and then click Copy Across.

As an example, when you get to Cleaning Supplies, the amount for Jan is 100 and Feb is 27, enter the highest amount **100** for **Mar**, and then click **Copy Across**

Continue until each account shown has budget figures

BUDGET - Jan 2017 through Dec 2017 Profit and Loss with Locations													
Show rows as: accounts ▼	for this location: Not Specified												View By: Month ▼
Accounts	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cost of Goods Sold													
Merchandise Discounts	0	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28	-308
Inventory Shrinkage	0	40	40	40	40	40	40	40	40	40	40	40	440
Expenses													
Advertising	200	500	500	500	500	500	500	500	500	500	500	500	5,700
Bank Charges	16	16	16	16	16	16	16	16	16	16	16	16	192
Equipment Rental	75	75	75	75	75	75	75	75	75	75	75	75	900
Vehicle Insurance	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Interest Expense	19	19	19	19	19	19	19	19	19	19	19	19	228
Laundry	7	75	75	75	75	75	75	75	75	75	75	75	832
Rent or Lease	1,500	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	33,400
Computer Repair	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Vehicle Repair	213	213	213	213	213	213	213	213	213	213	213	213	2,556

Partial Budget

Click **Finished**

Do not close Your Name's Beach Barkers, continue with the next section

BUDGET REPORTS—DO

In the drill you practiced preparing the Budget Overview and Budget vs Actuals reports. In this section, you will prepare the reports and customize them in order to get more specific information.

DO



Continue to use Your Name's Beach Barkers and prepare budget reports

Click **Reports** on the Navigation bar or the Alternate Navigation bar

Click the report category **Business Overview** to select

Click **Budget Overview**

- You will see the budgeted amount for each income and expense account for every location for the fiscal year. You will also see totals for each row across and for each column down. This provides you with the total amounts you have budgeted.

Your Name's Beach Barkers				
BUDGET OVERVIEW: BUDGET - FY17 P&L LOCATIONS				
January - December 2017				
	MALIBU	VENICE	NOT SPECIFIED	TOTAL
INCOME				
Sales Discounts	-308.00	-264.00		\$ -572.00
Sales of Product Income	20,900.00	6,611.00		\$27,511.00
Services				\$0.00
Boarding	12,100.00	6,050.00	770.00	\$18,920.00
Day Camp	4,950.00	3,630.00	630.00	\$9,210.00
Grooming	2,365.00	3,960.00	785.00	\$7,110.00
House Calls	1,650.00		225.00	\$1,875.00
Training	18,150.00	3,850.00	3,025.00	\$25,025.00
Transportation	4,675.00	5,500.00	300.00	\$10,475.00
Total Services	43,890.00	22,990.00	5,735.00	\$72,615.00
Total Income	\$64,482.00	\$29,337.00	\$5,735.00	\$99,554.00
COST OF GOODS SOLD				
Cost of Goods Sold				\$0.00
Merchandise Discounts			-308.00	\$ -308.00
Total Cost of Goods Sold			-308.00	\$ -308.00
Inventory Shrinkage			440.00	\$440.00
Total Cost of Goods Sold	\$0.00	\$0.00	\$132.00	\$132.00
GROSS PROFIT	\$64,482.00	\$29,337.00	\$5,603.00	\$99,422.00

Partial Report

- Since you began recording information for your locations in February when you opened the Malibu location, there is no sales information for Venice in January. That information is actually included in Not Specified.
- Prior to February, you did not sell any products only service items. You will note that nothing is shown for Sales Discounts and Sales of Product Income in the Not Specified column. The Service Income shown in Not Specified is for January, which is prior to establishing locations. The Malibu and Venice locations show the results of Sales of Product Income and Service Income for February at each location.

Click the **Customize** button

Click **Rows/Columns** to expand

Click the drop-down list arrow in Rows/Columns for **Show Grid:**

- Notice all of the different options you have for displaying budget information.

Do not make any selections from the list

Click **Header/Footer** to expand, edit as previously instructed, and click **Run Report**

Print in Portrait orientation, export, and/or send/submit as previously instructed

- If you save the report, name it: **4-Your Name Budget Overview Ch 8.**

Click **<Back to report list**, click **Budget vs. Actuals**

- You will see columns for Actual, Budget, Over Budget, and % of Budget for each location and for the Total.

Rows/Columns
 Show Grid
 Accounts vs. Location

Accounts vs. Location
 Location vs. Months
 Location vs. Qtrs
 Location vs. Total
 Accounts vs. Months
 Accounts vs. Qtrs
 Accounts vs. Total

	MALIBU				VENICE			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
▼ INCOME								
Sales Discounts	-27.90	-308.00	280.10	9.06 %	-23.90	-264.00	240.10	9.05 %
Sales of Product Income	1,900.00	20,900.00	-19,000.00	9.09 %	600.50	6,611.00	-6,010.50	9.08 %
▼ Services								
Boarding	1,100.00	12,100.00	-11,000.00	9.09 %	550.00	6,050.00	-5,500.00	9.09 %
Day Camp	450.00	4,950.00	-4,500.00	9.09 %	330.00	3,630.00	-3,300.00	9.09 %
Grooming	215.00	2,365.00	-2,150.00	9.09 %	360.00	3,960.00	-3,600.00	9.09 %
House Calls	150.00	1,650.00	-1,500.00	9.09 %				
Training	1,650.00	18,150.00	-16,500.00	9.09 %	350.00	3,850.00	-3,500.00	9.09 %
Transportation	425.00	4,675.00	-4,250.00	9.09 %	500.00	5,500.00	-5,000.00	9.09 %
Total Services	3,990.00	43,890.00	-39,900.00	9.09 %	2,090.00	22,990.00	-20,900.00	9.09 %
Total Income	\$5,862.10	\$64,482.00	\$ -58,619.90	9.09 %	\$2,666.60	\$29,337.00	\$ -26,670.40	9.09 %
▼ COST OF GOODS SOLD								
▼ Cost of Goods Sold								
Merchandise Discounts								
Merchandise Purchases	557.50		557.50		175.50		175.50	
Total Cost of Goods Sold	557.50		557.50		175.50		175.50	
Inventory Shrinkage								
Total Cost of Goods Sold	\$557.50	\$0.00	\$557.50	0.00%	\$175.50	\$0.00	\$175.50	0.00%
GROSS PROFIT	\$5,304.60	\$64,482.00	\$ -59,177.40	8.23 %	\$2,491.10	\$29,337.00	\$ -26,845.90	8.49 %

Partial Report

- Remember, in the column for ACTUAL, you have entered transaction data for January and only part of February. The BUDGET column contains the total budgeted for the entire year.

Click the **Customize** button, click **Rows/Columns** to expand, click the drop-down list arrow for Show Grid:, click **Locations vs. Qtrs**, and then click **Run Report**

	JAN - MAR, 2017			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
Malibu	5,304.60	11,724.00	-6,419.40	45.25 %
Venice	2,571.10	5,494.00	-2,922.90	46.80 %
NOT SPECIFIED	-2,856.25	-9,539.00	6,682.75	29.94 %
TOTAL	\$5,019.45	\$7,679.00	\$ -2,659.55	65.37 %

- This report tells you the actual amount and the budgeted amount for each location for the quarter. Remember, the Venice and Malibu locations are budgets for income only. The information shown will give you a more realistic picture of your business results because amounts are shown for a quarter rather than an entire year.
- Note: the Actual amounts only have data for February while the Budget amounts are for the quarter (three months). Because of the lack of Location income for January and March, the results don't give you the full picture.

Close Your Name's Beach Barkers

CREDIT CARD RECONCILIATION—DRILL

All asset, liability, and equity accounts may be reconciled. As you did when you reconciled the bank statement and the Checking account, it is especially important to reconcile all charge accounts as well.

In this section, you will complete the reconciliation of the Mastercard for the Test Drive Company. During this reconciliation, you will learn how to make a correction when your entry does not match the statement entry. After this drill, you will reconcile the Checking account for Your Name's Beach Barkers. Then, later in the chapter, you will reconcile the Visa account for Your Name's Beach Barkers in the Additional Transactions section.

MEMO:**DATE:** Current Date

Reconcile the Mastercard account. The credit card statement is dated the Current Date.

DRILL

Use the **Test Drive Company** and the following credit card statement to reconcile the MasterCard account

- Since the dates in the Test Drive Company are programmed to change automatically, the credit card statement will not use dates. Instead, the transaction types, company names, and amounts will be shown.
- Remember, the Test Drive shows the account name as Mastercard.

Fidelity MasterCard 320 First Street Venice, CA 90202 310-555-2719 Your Name's Beach Barkers 1302 Pacific Avenue Venice, CA 92091			
Account: 123-321-4566			Current Date
Beginning Balance			\$0.00
CC-Credit	900.00		-900.00
Expense: Tania's Nursery		158.08	-741.92
Expense: Chin's Gas and Oil		65.00	-676.92
Expense: Hicks Hardware		88.09	-588.83
Expense: Tania's Nursery		54.92	-533.91
Expense: Tania's Nursery		82.45	-451.46
Bill Payment: Cal Telephone		74.36	-377.10
Expense: Ellis Equipment Rental		112.00	-265.10
Expense: Lee Advertising		174.86	-90.24
Bill Payment: Cal Telephone		56.50	-33.74
Bill Payment: Norton Lumber and Building Materials		103.55	69.81
Expense: Chin's Gas and Oil		52.56	122.37
CC Expense: Bob's Burger Joint		18.97	141.34
CC Expense: Squeaky Kleen Car Wash		19.99	161.33
CC Expense: Hicks Hardware		42.40	203.73
CC Expense: Squeaky Kleen Car Wash		19.99	223.72
CC Expense:		34.00	257.72
Ending Balance			\$257.72

To access the Reconciliation, click the **Gear** icon or **Accounting** on the Alternate Navigation bar, then click **Reconcile** in the Tools column
Click the drop-down list arrow for Account, click **Mastercard**, click the **Reconcile Now** button

Enter information for the Mastercard account on the Start Reconciling screen
Statement Ending Date: **Current Date**

- As you have experienced, the Test Drive Company automatically changes transaction dates. As a result, you will need to use the current date for the bank reconciliation.

Enter the Ending Balance: **257.72**

- This is the balance of the credit card statement.

Start Reconciling			
Account	Mastercard		
Enter the following from your statement			
Statement Ending Date	Beginning Balance	Ending Balance	
Current Date	0.00	257.72	

Click **OK**

Click each item listed on the Reconcile – Mastercard screen **EXCEPT** the expense transaction for **Lee Advertising**

- At this point, the Difference in the gray area is \$174.86.
- The amount shown for Lee Advertising in QuickBooks Online is **74.86** and on the credit card statement it is **174.86**.

Point to the transaction for Lee Advertising on the QuickBooks Reconcile – Mastercard screen

When the line turns blue, click the **74.86** transaction (not the check box)

- You are returned to the Expense form where the expense was originally entered.

Click in the AMOUNT text box and change the amount to **174.86**, press **Tab**

Click **Save and close**

- When you click Save and close on the Expense form after making corrections, you need to return to the Reconcile – Mastercard window. If not it does not show automatically, click the **Gear** icon, click **Reconcile**, then click the **Resume Reconciling** button.

- The amount for Lee Advertising now shows 174.86.

Click in the check box for Lee Advertising to select it

- The Difference is now 0.00.

Reconcile - Mastercard
For statement ending on: 03/02/2017

☒ Hide transactions after the statement's end date

Charges and Cash Advances						Payments and Credits					
☐	Date ▲	Type	Num	Name	Amount	☐	Date ▲	Type	Num	Name	Amount
☒	12/01/2016	Expense	3	Tania's Nursery	158.09	☒	02/18/2017	CC-Credit			900.00
☒	01/20/2017	Expense	1	Chin's Gas and Oil	65.00						
☒	01/23/2017	Expense	1	Hicks Hardware	88.09						
☒	01/25/2017	Expense	22	Tania's Nursery	54.92						
☒	01/29/2017	Expense	50	Tania's Nursery	82.45						
☒	02/02/2017	Bill Payment	1	Cal Telephone	74.36						
☒	02/02/2017	Expense	1	Ellis Equipment Rental	112.00						
☒	02/02/2017	Expense		Lee Advertising	174.86						
☒	02/04/2017	Bill Payment	1	Cal Telephone	56.50						
☒	02/04/2017	Bill Payment	1	Norton Lumber and B...	103.55						
☒	02/04/2017	Expense	1	Chin's Gas and Oil	52.56						
☒	02/09/2017	CC Expense		Bob's Burger Joint	18.97						
☒	02/09/2017	CC Expense		Squeaky Kleen Car ...	19.99						
☒	02/10/2017	CC Expense		Hicks Hardware	42.40						
☒	02/16/2017	CC Expense		Squeaky Kleen Car ...	19.99						
☒	03/01/2017	CC Expense			34.00						

▼ Edit information from Statement

Beginning Balance	0.00
16 Charges and Cash Advances	
Finance Charge	1,157.72
1 Payments and Credits	900.00
Statement Ending Balance	257.72
Cleared Balance	257.72
Difference	0.00

Finish Now Finish Later Cancel

If your reconciliation matches, click **Finish Now**

- If not, find the error and correct it.
- You will get a Make Payment screen with three selections: Write a check for the payment now, Enter a bill for payment later, Leave the balance in the reconciled account.

Click **Write a check for the payment now**

Click the drop-down list arrow for Choose a payee, click **Fidelity**

Fidelity ▼ Checking ▼ Balance \$1,201.00 **\$257.72**

Mailing address: Fidelity
Payment date: Current Date
Check no.: 71
☐ Print later

▼ Account details

#	ACCOUNT	DESCRIPTION	AMOUNT	BILLABLE	TAX	CUSTOMER
1	Mastercard		257.72			
			Total			\$257.72

Memo

Click **Save and close** on the Check

Return to the Reconcile screen, click the drop-down list arrow for Account, click

Mastercard

Click the blue current date under the Reconciliation History & Report

- The report shows 03/02/17 as the current date.

Craig's Design and Landscaping Services				
Reconciliation Report				
Mastercard, Period Ending 03/02/2017				
Reconciled on: 03/02/2017 (any changes to transactions after this date aren't reflected on this report)				
Reconciled by: Craig Carlson				
Summary				
Statement Beginning Balance				0.00
Payments and Credits cleared				-900.00
Charges and Cash Advances cleared				+1,157.72
Statement Ending Balance				257.72
Register Balance as of 03/02/2017				257.72
Details				
Payments and Credits cleared				
Date	Type	Num	Name	Amount
02/18/2017	CC-Credit			-900.00
Total				-900.00
Charges and Cash Advances cleared				
Date	Type	Num	Name	Amount
12/01/2016	Expense	3	Tania's Nursery	158.08
01/20/2017	Expense	1	Chin's Gas and Oil	65.00
01/23/2017	Expense	1	Hicks Hardware	88.09
01/25/2017	Expense	22	Tania's Nursery	54.92
01/29/2017	Expense	50	Tania's Nursery	82.45
02/02/2017	Expense	1	Cal Telephone	74.36
02/02/2017	Expense	1	Ellis Equipment Rental	112.00
02/02/2017	Expense	1	Lee Advertising	174.86
02/04/2017	Expense	1	Cal Telephone	66.50
02/04/2017	Expense	1	Norton Lumber and Building Materials	103.55
02/04/2017	Expense	1	Chin's Gas and Oil	52.56
02/09/2017	CC Expense		Bob's Burger Joint	18.97
02/09/2017	CC Expense		Squeaky Kleen Car Wash	19.99
02/10/2017	CC Expense		Hicks Hardware	42.40
02/16/2017	CC Expense		Squeaky Kleen Car Wash	19.99
03/01/2017	CC Expense			34.00
Total				1,157.72

- As you look at the report, note the Register Balance of \$257.72. This represents the ending balance for the reconciliation you just performed. After finishing the reconciliation, QuickBooks prepared the Check to pay the Mastercard Bill. The next time you reconcile this account, you will select the Check in the Payments and Credits column.

Payments and Credits						
☐	☐	Date ▲	Type	Num	Name	Amount
☒	☐	03/02/2017	Check	71	Fidelity	257.72

Close the Test Drive Company

BANK RECONCILIATION—READ

As you remember from Chapter 5, the checking account should be reconciled with the bank statement every month to make sure that the balances agree. The bank statement will rarely have an ending balance that matches the balance of the checking account. This is due to several factors: outstanding checks (written by the business but not yet paid by the bank), deposits in transit (deposits that were made too late to be included on the bank statement), bank service charges, interest earned on checking accounts, collections made by the bank, and errors made in recording checks and/or deposits by the company or by the bank.

Many companies sign up for online banking and use the bank feeds that are matched to recorded transactions. Since Your Name's Beach Barkers is not a real company, we cannot sign up for online banking. As a result, Bank Feeds and Online Banking are not included in this chapter. In order to have an accurate amount listed as the balance in the checking account, it is important that the differences between the bank statement and the Checking account be reconciled. If something such as a service charge or a collection made by the bank appears on the bank statement, it needs to be recorded in the checking account.

RECONCILE CHECKING—DO

In Chapter 5, you completed several bank reconciliations. As a result, you will not complete a drill to reconcile the Checking account. When you reconcile the Checking account, you are matching the entries in your Checking account with the entries shown on your bank statement. The procedures to Reconcile Checking have been divided into sections marked with green side headings.

MEMO:

DATE: February 28, 2017

Reconciliation the Checking account. The bank statement is dated February 28, 2017.

DO



Use Your Name's Beach Barkers to reconcile the Checking account

Bank Statement Information

Some information appearing on the bank statement is entered into the Begin Reconciliation window. This information includes the statement date, ending balance, bank service charges, and interest earned.



Use the following bank statement for Your Name's Beach Barkers as you follow the written instructions to reconcile the checking account (Do not try to reconcile the bank statement without following the instructions provided.)

Beach Bank 350 Second Street Venice, CA 90202 310-555-9889 Your Name's Beach Barkers 1302 Pacific Avenue Venice, CA 92091			
Account: 123-321-4566		February 28, 2017	
Beginning Balance, 2/1/2017			\$57,940.89
1/27/2017 Check 14		\$300.00	57,640.89
1/27/ Check 16		125.00	57,515.89
1/30/2017 Deposit	\$3,000.00		60,515.89
1/30/2017 Deposit	2,000.00		62,515.89
1/30/2017 Check 17		500.00	62,015.89
1/31/17 Check 18		600.00	61,415.89
2/09/2017 Deposit	3,152.51		64,568.40
2/10/2017 NSF Check		80.00	64,488.40
2/14/2017 Deposit	6,685.80		71,174.20
2/15/2017 NSF Check		70.20	71,104.00
2/15/2017 Equipment Loan Pmt.: Principal \$29.53. Interest \$8.21:		37.74	71,066.26
2/20/17 Check 19		500.00	70,566.26
2/20/17 Check 20		490.00	70,076.26
2/20/2017 Check 21		85.00	69,991.26
2/20/2017 Check 22		1,400.00	68,591.26
2/20/2017 Check 23		199.01	68,392.25
2/22/2017 Check 24		1,500.00	66,892.25
2/22/2017 Check 25		154.00	66,738.25
2/22/2017 Check 28		220.50	66,517.75
2/28/2017 Furniture & Fixtures Loan Pmt: Principal: \$36.92, Interest: 10.26		47.18	66,470.57
Service Charge		56.00	66,414.57
Interest	96.57		66,511.14
Ending Balance			\$66,511.14

Begin Reconciliation



As you learned previously, the first part of the reconciliation is to enter the bank statement information.

Begin the Checking Account Reconciliation for **Your Name's Beach Barkers**

Click the **Gear** icon or **Accounting** on the Alternate Navigation bar, then click **Reconcile**, in the Tools column

Account: **Checking**

- Notice the two previous checking account reconciliations from Chapter 5.

Reconcile

Account: **Checking** **Reconcile Now**

Reconciliation History & Reports

Statement Ending Date	Reconciled On	Ending Balance	Changes	Auto Adjustment
01/31/2017	02/03/2017	57,940.89		
01/22/2017	02/02/2017	49,293.43		

Click the **Reconcile Now** button

Enter the Bank Statement information for the Checking account on the Start Reconciling screen

Statement Ending Date: **02/28/17**

- QuickBooks Online inserts the Beginning Balance of \$57,940.89.

Enter the Ending Balance: **66,511.14**

Enter the Service Charge: **56.00**, Tab to Date and enter **02/28/17**, Account: **Bank Charges**

- The normal bank service charge is \$16 per month. Each NSF check incurs a \$20 bank charge. In February there were two NSF checks for an additional \$40 in bank charges.

Enter the Interest Earned: **96.57**, Date: **02/28/17**, Account: **Interest Earned**

- Double-check the dates for Service Charge and Interest Earned to make sure you used 02/28/2017.

Start Reconciling

Account: **Checking**

1. Enter the following from your statement

Statement Ending Date	Beginning Balance	Ending Balance
02/28/2017	57,940.89	66,511.14

2. Enter service charges and interest earned, if any

Service Charge	Date	Account
56	02/28/2017	Bank Charges
Interest Earned	Date	Account
96.57	02/28/2017	Interest Earned

OK Cancel

Click **OK**

- You are taken to Reconcile – Checking. Notice that the Service Charge and Interest are shown with a check mark and the statement information entered is shown in the gray summary area.
- As you look at the statement information, you will see a Cleared Balance of 57,981.46 and a Difference of 8,529.68. If you take the Beginning Balance, subtract the service charge and add the interest earned, that becomes the Cleared Balance ($57,940.89 - 56.00 + 96.57 = 57,981.46$). Subtract the Statement Ending Balance and the Cleared Balance to determine the Difference ($66,511.14 - 57,981.46 = 8,529.68$). When you complete the Bank Reconciliation, the Difference must be 0.00.
- If any of the amounts in the gray area do not match the following screen shot, click Edit Information from Statement, and make the appropriate corrections.

▼ Edit Information from Statement		Beginning Balance	57,940.89
		1 Checks and Payments	56.00
Service Charge	56.00	1 Deposits and Other Credits	96.57
Interest Earned	96.57		
		Statement Ending Balance	66,511.14
		Cleared Balance	57,981.46
		Difference	8,529.68

Do not close Your Name's Beach Barkers, continue to the next section

- If you do not have time to complete the Bank Reconciliation, click the **Finish Later** button to save your work up to this point. DO NOT click Finish Now!

Mark Cleared Transactions

Once bank statement information for service charges and interest has been entered, compare the checks and deposits listed on the statement with the transactions for the checking account. Unless all checks and deposits are included on the bank statement, each item should be marked individually by clicking the check box for the deposit or the check.



Continue with Your Name's Beach Barkers Checking Account Reconciliation and mark cleared checks and deposits

Compare the bank statement with the **Reconcile - Checking** window

Click the items that appear on both statements

- Make sure the amounts for your transactions match the amounts shown in the Bank Statement. If not, click the transaction in the Reconcile - Checking window, refer to the blue bulleted items below for suggestions on where to make the appropriate corrections:
 - Remember, corrections to a Check, Expense, Petty Cash, or Sales Receipt are made directly on the original business form.
 - In the case of a Bill Payment, the correction may need to be made on both the original Bill and the Bill Payment.
 - If there is an error on a Payment by a customer, both the original Invoice and Receive Payments may need to be corrected.
 - If the error is on a Bank Deposit, refer to the Chapter 3 section for corrections to a bank deposit.
- When you click Save and close on the business form after making corrections, you need to return to the Reconcile - Checking window. If not it does not show automatically, click the Gear icon, click Reconcile, then click the Resume Reconciling button.
- If you are unable to complete the reconciliation in one session, click the **Finish Later** button to leave the reconciliation and return to it later.
- Under NO circumstances should you click **Finish Now** until the reconciliation is complete and the Difference is 0.00.
- The automatic loan payments of \$37.74 for the Equipment Loan and \$47.18 for the Furniture & Fixtures Loan have not been recorded. So they will appear in the bank statement but not in Reconcile - Checking.

Reconcile - Checking
For statement ending on: 02/28/2017 ☒ Hide transactions after the statement's end date

Checks and Payments						Deposits and Other Credits					
☐	Date ▲	Type	Num	Name	Amount	☐	Date ▲	Type	Num	Name	Amount
☒	01/27/2017	Bill Payment	14	Canine Supplies	300.00	☒	01/30/2017	Journal	5		3,000.00
☒	01/27/2017	Bill Payment	16	Garcia's Advertising	125.00	☒	01/31/2017	Journal	13		2,000.00
☒	01/30/2017	Check	17		500.00	☒	02/09/2017	Deposit			3,152.51
☒	01/31/2017	Check	18		600.00	☒	02/14/2017	Deposit			6,685.80
☒	02/10/2017	Journal	17		80.00	☒	02/28/2017	Deposit	INTEREST		96.57
☒	02/15/2017	Journal	18		70.20						
☒	02/20/2017	Bill Payment	19	Canine Supplies	500.00						
☒	02/20/2017	Bill Payment	20	Pawsitively Elegant	490.00						
☒	02/20/2017	Check	21	Malibu Water District	85.00						
☒	02/20/2017	Check	22	Malibu Rentals	1,400.00						
☒	02/20/2017	Sales Tax Payment	23		199.01						
☒	02/22/2017	Check	24	Venice Rentals	1,500.00						
☒	02/22/2017	Check	25	Southern California...	154.00						
☐	02/22/2017	Check	26	Manna Water District	125.00						
☐	02/22/2017	Check	27	Cal Electric	75.00						
☒	02/22/2017	Bill Payment	28	Supplies Unlimited	220.50						
☐	02/26/2017	Bill Payment	29	Happy Wags	122.50						
☐	02/27/2017	Check	30		500.00						
☒	02/28/2017	Check	SVCC...		56.00						
▼ Edit Information from Statement					Beginning Balance	57,940.89					
					15 Checks and Payments	6,279.71					
					5 Deposits and Other Credits						
Service Charge					56.00						
Interest Earned					96.57						
					Statement Ending Balance	14,934.88					
					Cleared Balance	66,511.14					
					Difference	-84.92					

Finish Now Finish Later Cancel

- Notice the Difference of **-84.92**.

Continue to use Your Name Beach Barkers to complete the next section

Adjusting Entries—Bank Reconciliation

When you have an automatic loan payment setup with the bank, the payment amount will be deducted from your bank account each month. As a result, you will need to enter the loan payment.



With **Your Name's Beach Barkers** Reconcile - Checking window still showing, enter the automatic loan payment

With Reconcile – Checking on the screen, click the **Plus** icon, and then click **Check** in the Vendors column

Record the check as previously instructed

Payee: **Beach Bank**

Payment Account: **Checking**

Payment date: **02/28/2017**

Click **Print later** to unmark

Check no.: Leave Blank

- You may see information for a previous loan payment. If so, click **Clear all lines**.

Line 1: Account: **Equipment Loan**, Amount: **29.53**

Line 2: Account: **Interest Expense**, Amount: **8.21**

Memo: **Equipment Loan Payment**

- If you were to compare this equipment loan payment to the one recorded in January, you would see that the total payment amount is the same. However, the amount of the payment for principal has increased and the amount of interest has decreased. As you pay for a loan, each month you owe less for the principal so the interest paid is less.

Beach Bank Checking Balance \$65,773.56 AMOUNT
\$37.74

Mailing address: Beach Bank, 350 Second Street, Venice, CA 90202

Payment date: 02/28/2017

Check no. ☐ Print later

Location

▼ Account details

#	ACCOUNT	DESCRIPTION	AMOUNT	BILLABLE	TAX	CUSTOMER	CLASS
1	Loans Payable:Equipment Loan		29.53				
2	Interest Expense		8.21				

Add lines Clear all lines

Memo: Equipment Loan Payment

Total **\$37.74**

Click **Save and new**

Use the Bank Statement information and record the payment for the Furniture & Fixtures Loan

Beach Bank Checking Balance \$65,735.82 AMOUNT
\$47.18

Mailing address: Beach Bank, 350 Second Street, Venice, CA 90202

Payment date: 02/28/2017

Check no. ☐ Print later

Location

▼ Account details

#	ACCOUNT	DESCRIPTION	AMOUNT	BILLABLE	TAX	CUSTOMER	CLASS
1	Loans Payable:Furniture & Fixtures Loan		36.92				
2	Interest Expense		10.26				

Add lines Clear all lines

Memo: Furniture & Fixtures Loan Payment

Total **\$47.18**

Click **Save and close**; if necessary, close the Check screen

- When you click Save and close after recording the checks, you need to return to the Reconcile – Checking window. If not it does not show automatically, click the Gear icon or Accounting on the Alternate Navigation bar, click Reconcile, then click the Resume Reconciling button.

Click the **Checks** you just entered for the automatic loan payments to **Beach Bank**

- The Difference is now 0.00. If your difference is not, find and correct your errors, make sure you marked only those checks and deposits listed in the Bank Statement.

☒	02/28/2017	Check	...	Beach Bank	37.74
☒	02/28/2017	Check	...	Beach Bank	47.18
▼ Edit Information from Statement					
				Beginning Balance	57,940.89
				17 Checks and Payments	6,364.63
				5 Deposits and Other Credits	14,934.88
Service Charge	56.00			Statement Ending Balance	66,511.14
Interest Earned	96.57			Cleared Balance	66,511.14
				Difference	0.00

With a Difference of 0.00, click the **Finish Now** button

After clicking Finish Now, you will return to the original Reconcile screen

You will see the list of all the reconciliation reports you have prepared

Do not close Your Name's Beach Barkers continue with the next section

Reconciliation Report



Prepare the Reconciliation report for Your Name's Beach Barkers

In the Reconciliation History & Reports listing, click **02/28/2017**

- For Reconciled On, you will see the current date. Accept the date shown.

Reconciliation History & Reports				
Statement Ending Date	Reconciled On ▼	Ending Balance	Changes	Auto Adjustment
02/28/2017	03/02/2017	66,511.14		
01/31/2017	02/03/2017	57,940.89		
01/22/2017	02/02/2017	49,293.43		

The report is divided into three sections:

Summary—summarizes Checking account information

Details—lists the Checks, Payments, Deposits, and Other Credits cleared

Additional Information—lists Uncleared Checks, Payments, Deposits, and Credits as of 02/28/2017

Your Name's Beach Barkers				
Reconciliation Report				
Checking, Period Ending 02/28/2017				
Reconciled on: 03/02/2017 (any changes to transactions after this date aren't reflected on this report)				
Summary				
Statement Beginning Balance				57,940.89
Service Charge				-56.00
Interest Earned				+96.57
Checks and Payments cleared				-6,308.63
Deposits and Other Credits cleared				+14,838.31
Statement Ending Balance				66,511.14
Uncleared transactions as of 02/28/2017				-822.50
Register Balance as of 02/28/2017				65,688.64
Details				
Checks and Payments cleared				
Date	Type	Num	Name	Amount
01/27/2017	Bill Payment	14	Canine Supplies	-300.00
01/27/2017	Bill Payment	16	Garcia's Advertising	-125.00
01/30/2017	Check	17		-500.00
01/31/2017	Check	18		-600.00
02/10/2017	Journal	17		-80.00
02/15/2017	Journal	18		-70.20
02/20/2017	Bill Payment	19	Canine Supplies	-500.00
02/20/2017	Bill Payment	20	Pawsitively Elegant	-490.00
02/20/2017	Check	21	Malibu Water District	-85.00
02/20/2017	Check	22	Malibu Rentals	-1,400.00
02/20/2017	Sales Tax Payment	23		-199.01
02/22/2017	Check	24	Venice Rentals	-1,500.00
02/22/2017	Check	25	Southern California Gas Company	-154.00
02/22/2017	Bill Payment	26	Supplies Unlimited	-220.50
02/28/2017	Check		Beach Bank	-37.74
02/28/2017	Check		Beach Bank	-47.18
Total				-6,308.63
Deposits and Other Credits cleared				
Date	Type	Num	Name	Amount
01/30/2017	Journal	5		3,000.00
01/31/2017	Journal	13		2,000.00
02/09/2017	Deposit			3,152.51
02/14/2017	Deposit			6,685.80
Total				14,838.31
Additional Information				
Uncleared Checks and Payments as of 02/28/2017				
Date	Type	Num	Name	Amount
02/22/2017	Check	26	Marina Water District	-125.00
02/22/2017	Check	27	Cal Electric	-75.00
02/26/2017	Bill Payment	29	Happy Wags	-122.50
02/27/2017	Check	30		-500.00
Total				-822.50

Print in Portrait as previously instructed

- If you print to a pdf file, save as **5-Your Name Ck Reconcil Rpt Ch 8**.
- You cannot export this report to Excel.

Do not close Your Name's Beach Barkers

VIEW CHECKING ACCOUNT REGISTER—DO

Once the Checking account and bank statement have been reconciled, it is wise to scroll through the Checking account register to view the effect of the reconciliation on the account. You will notice a column with a check mark. As you scroll through the register, transactions that were reconciled are marked with an R.



Continue to use **Your Name's Beach Barkers** and view the Checking account register

Open the Chart of Accounts and click **View Register** for Checking

Scroll through the Register and view the transactions

- Notice that the Service Charge, Interest, Equipment Loan Payment, and Furniture & Fixtures Loan Payment are shown and marked with an R. As you scroll through the register, you will see that all of the other transactions selected during the reconciliation are also marked with an R. If there is no R shown, that means the transaction was not reconciled.

DATE ▼	REF NO. TYPE	PAYEE ACCOUNT	MEMO	CLASS LOCATION	PAYMENT	DEPOSIT	✓ ☐	BALANCE
Add check ▼								
02/28/2017	Check	Beach Bank -Split-	Furniture & Fixtures Loan Payment		\$47.19		R	\$65,689.64
02/28/2017	Check	Beach Bank -Split-	Equipment Loan Payment		\$37.74		R	\$65,735.82
02/28/2017	SVCCHRG		Service Charge		\$56.00		R	\$65,773.56
02/28/2017	Check	Bank Charges						
02/28/2017	INTEREST Deposit	Interest Earned	Interest Earned			\$96.57	R	\$65,829.56
02/27/2017	30 Check	Your Name, Capital; Your Name, Drawing	Semi-Monthly Withdrawal		\$500.00			\$65,732.99
02/26/2017	29 Bill Payment	Happy Wags Accounts Payable (A/P)			\$122.50			\$66,232.99
02/22/2017	28 Bill Payment	Supplies Unlimited Accounts Payable (A/P)			\$220.50		R	\$66,355.49

Partial Register

Close Your Name's Beach Barkers

CLOSING ENTRIES—READ

In accounting, there are four closing entries that must be made in order to close the books for a period. They include: Close all income accounts into the Income Summary account. Close expense accounts into the Income Summary account. Close the Income Summary account and transfer the net income or net loss into the owner's capital account. Close the drawing account into the owner's capital account.

In QuickBooks Online, setting a closing date replaces closing income and expense accounts. QuickBooks Online does not close the owner's drawing account or transfer Retained Earnings into Net Income. As a result, these two closing entries are recorded as Journal Entries. Rather than use an Income Summary account, QuickBooks Online automatically transfers Net Income into Retained Earnings. Retained Earnings contains the amount of all Net Income earned and is separate from Your Name, Capital. According to GAAP, a sole proprietorship should have net income included in the owner's capital account not in retained earnings.

The closing entry for Drawing will be recorded in Your Name's Beach Barkers. All of the other closing entries will be practiced using the Test Drive Company and then entered as additional transactions in Your Name's Beach Barkers. Reports will be prepared to obtain closing entry data.

CLOSE DRAWING—DO

The closing entry for Drawing transfers the amount of owner withdrawals into Your Name, Capital. In the Additional Transactions section of the chapter, you will record and close an additional withdrawal.

DO



Open **Your Name's Beach Barkers** and close Your Name, Drawing

Open the Chart of Accounts and view the balance for Your Name, Drawing

Your Name, Capital	Equity	Owner's Equity	175,447.16
Your Name, Drawing	Equity	Owner's Equity	-500.00
Your Name, Investment	Equity	Owner's Equity	55,735.00

Click the **Plus** icon, click **Journal Entry** in the Other column

Enter the Date: **02/28/17**

Journal no.: **24**

- The Journal number 24 should appear automatically, if not, enter it.

Line 1: Account: **Your Name, Capital**, Debits: **500**, Description: **Close Drawing**

- Remember that a withdrawal reduces owner's equity and that a reduction to owner's equity is recorded as a debit.

Line 2: Account: **Your Name, Drawing**, Credits: **500**, Description: **Close Drawing**

Journal date		Journal no.		
02/28/2017		24		
#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION
1	Your Name, Capital	500.00		Close Drawing
2	Your Name, Capital:Your Name, Drawing		500.00	Close Drawing
Total		500.00	500.00	

Click **Save and close**

View the account in the Chart of Accounts

- The balance for Your Name, Drawing is 0.00.

Your Name, Capital	Equity	Owner's Equity	175,447.16
Your Name, Drawing	Equity	Owner's Equity	0.00
Your Name, Investment	Equity	Owner's Equity	55,735.00

Close Your Name's Beach Barkers

BALANCE SHEET—DRILL

As you learned in earlier chapters, the Balance Sheet proves the fundamental accounting equation: Assets = Liabilities + Owner's Equity. Because of the automatic date changes in the Test Drive Company, reports will not match the text unless you use a date range from January 1, 2016 until the current date.



Open the **Test Drive Company** and prepare the Balance Sheet

Open **Reports**, select **Accountant Reports** as the report category, click **Balance Sheet**

Enter the Dates From: **01/01/17** To: **Current Date**, click **Run Report**

Scroll down to the Equity section of the report

- Because of the changing dates, your amount for Net Income will not be an exact match with the following example. Do not be concerned; simply continue with the closing entries using the amounts shown for Net Income in the Equity section in your report.

Equity	
Opening Balance Equity	-9,337.50
Retained Earnings	554.59
Net Income	1,087.87
Total Equity	\$ -7,695.04

- As you review the Balance Sheet, you will see an amount in Retained Earnings. That amount should be added to the Net Income to determine the amount of the closing entry.
- If Retained Earnings does not have a balance, your closing entry would be for Net Income only.
- Again, if your numbers do not match the ones shown, do not be concerned. Do not close the Test Drive Company

TRANSFER NET INCOME—DRILL

At the end of the year, Net Income is transferred into Retained Earnings by QuickBooks Online. Because Craig's Design and Landscaping Services is a sole proprietorship, the amount of Net Income should be included in the Open Balance Equity account not Retained Earnings. A Journal Entry needs to be recorded to transfer Net Income into Opening Balance Equity. If you had Your Name, Capital available for use, this is the account you would use for the transfer of Net Income rather than Opening Balance Equity.



Continue to use the **Test Drive Company** to transfer Net Income

Click the **Plus** icon, click **Journal Entry** in the Other column

Enter the Date: **Current Date**

Journal no.: 1

Line 1: Account: **Retained Earnings**, Debits: **1,642.46**, Description: **Transfer Net Income and Retained Earnings**

- Do the math: Add the Retained Earnings to Net Income = amount for Adjusting Entry: $554.59 + 1,087.87 = 1,642.46$. Again, if your amounts do not match the text, either enter the amounts in your report or just continue by reading the information.
- You could also make two separate entries: transfer Retained Earnings to Opening Balance Equity and transfer Net Income to Opening Balance Equity.
- At the end of the year, QuickBooks Online automatically transfers Net Income into Retained Earnings. In order to transfer the Net Income into Opening Balance Equity, you will Debit Retained Earnings to transfer both the amount of Net Income and the current amount shown in Retained Earnings. In the future, you would only need to transfer the amount of Net Income.

Line 2: Account: **Opening Balance Equity**, Credits: **1,642.46**, Description: **Transfer Net Income and Retained Earnings**

- Opening Balance Equity is used for the account because the Test Drive Company does not save the Owner's Equity capital accounts you created in Chapter 5. When you transfer the Net Income for Your Name's Beach Barkers in the Additional Transactions section of the chapter, Your Name, Capital will be the account used and the closing entry will be for Net Income only.

ACCOUNT	DEBITS	CREDITS	DESCRIPTION
Retained Earnings	1,642.46		Transfer Net Income and Retained Earnings
Opening Balance Equity		1,642.46	Transfer Net Income and Retained Earnings
Total	1,642.46	1,642.46	

Click **Save and Close**, click the drop down-list arrow if necessary

- You should return to the Balance Sheet. If not, prepare the Balance Sheet again. View the Equity section

Equity	
Opening Balance Equity	-7,695.04
Retained Earnings	-1,087.87
Net Income	1,087.87
Total Equity	\$ -7,695.04

- Again, your amounts will not match the example above because of the automatic date changes. However, you should still analyze the Equity section in the Balance Sheet.
- Based on the example, the previous amount of Retained Earnings, \$554.59, was transferred into Opening Balance Equity. The current amount of Net Income, \$1,087.87, shows as a negative in Retained Earnings and as a positive in Net Income.

Change the dates of the Balance Sheet to **01/01/2018** and **Current day and month 2018**

- If the current year happens to be 2018, then use 2019 as the year for this report. Run the Report

Equity	
Opening Balance Equity	-7,695.04
Retained Earnings	0.00
Net Income	
Total Equity	\$ -7,695.04

- Amounts for Retained Earnings and Net Income are no longer shown. Do not close the Test Drive Company

CLOSE THE BOOKS—DRILL

Rather than record closing entries for income and expense accounts, QuickBooks Online uses a closing date to indicate the end of a period. Once a closing date is assigned, income and expenses are effectively closed. If a transaction involving income or expenses is recorded after the closing date, it is considered part of the new period and will not be used in the calculation of net income (or loss) for the previous period. Conversely, income and expenses for a closed period will not be included in the new period.

If an error is found in a transaction for a closed period, it may be changed but only after acknowledging a warning.



Continue to use the **Test Drive Company** and close the books for the period

Click the **Gear** icon

Click **Account and Settings** in the Your Company column

Click the **Advanced** tab

Click the **Pen** icon for Accounting

Click the **Close the books** check box to select

Enter the Closing date **Current date**, press **Tab**

- Because transaction dates change in the Test Drive Company, you should use the current date.

Accept the selection of Allow changes after viewing a warning

Accounting First month of fiscal year ? January

First month of income tax year Same as fiscal year

Accounting method ? Accrual

☒ Close the books ? Off

Closing date

Current Date

Allow changes after viewing a warning ?

Cancel Save

Click **Save**

Click the **Done** button in the lower-right side of the Account and Settings screen or click the **Close** button at the top-right of the screen

Do not close the Test Drive Company

EDIT CLOSED PERIOD TRANSACTION—DRILL

Even though the month has been closed, transactions still appear in the account registers, the Journal, and so on. If it is determined that an error was made in a previous period, QuickBooks Online allows a correction to be made. In order to save an edited transaction from a previous period, Yes must be clicked on a warning screen. Changes to transactions involving income or expenses will necessitate changing the amount of net income that was previously transferred into the owner's capital account.

MEMO

DATE: Current date

Edit Invoice 1033 to Geeta Kalapatapu. The Quantity for Design:Design should be 5 hours.

DRILL



Continue to use the **Test Drive Company** to edit an invoice from a closed period and to correct the amount of Net Income transferred.

Click **Customers** on the Navigation bar or **Sales** and **Customers** on the Alternate Navigation bar

Scroll through the Customers List and click **Geeta Kalapatapu**

Click **Invoice No. 1033** to Geeta Kalapatapu to open it

For Design:Design change the QTY to **5**, press **Tab**

Invoice #1033 BALANCE DUE
\$720.60

Geeta Kalapatapu Geeta@Kalapatapu.com

☐ Send later Cc/Bcc

1 Linked transaction

Billing address: Geeta Kalapatapu
1987 Main St.
Middlefield, CA 94303

Terms: Net 30 Invoice date: 02/04/2017 Due date: 03/06/2017

Crew #

#	PRODUCT/SERVICE	DESCRIPTION	QTY	RATE	AMOUNT	TAX
1	Design:Fountains:Rock Founte	Rock Fountain	1	275	275.00	✓
2	Design:Design	Custom Design	5	75	375.00	✓
3	Design:Fountains:Pump	Fountain Pump	2	22.50	45.00	✓
					Subtotal	\$695.00
					Taxable subtotal	\$320.00
					California	8% 25.60
					Discount percent	\$0.00
					Total	\$720.60
					Balance due	\$720.60

Add lines Clear all lines Add subtotal

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

Statement memo

Receive payment

Click **Save and close**

Click **Yes** on the Closing date screen

- If you get a screen for *The transaction is linked to others...*, click **Yes**.
- Sometimes the Closing date screen appears before the Transaction linked screen and sometimes it appears after it. Just click Yes whenever it is displayed.

Closing date

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

The change in income must be included in the Journal Entry to transfer the Net Income and Retained Earnings into Opening Balance Equity, edit the transaction

Prepare the Balance Sheet report for **01/01/16 to Current Date**

Look at the amount in Retained Earnings -1,087.87 and the amount in Net Income 1,200.37

- Again, because of the changing dates in the Test Drive Company, your figures will not match. However the amount of change to Net Income, \$112.50, should be the same.

▼ Equity	
Opening Balance Equity	-7,695.04
Retained Earnings	-1,087.87
Net Income	1,200.37
Total Equity	\$ -7,582.54

Using the figures shown in the example, calculate the amount for the revised Journal entry:

Change in income: Net Income 1,200.37 minus Retained Earnings 1,087.87 equals an additional 112.50 in income

The additional income of \$112.50 is added to the original transfer amount of \$1,642.46 to equal \$1,754.96

Click the **Search** icon, click **Journal Entry 1** in the Recent Transactions list

Correct the adjusting entry

Line 1: Change Debits to **1754.96**

Line 2: Change Credits to **1754.96**

Click **Save and close**

Click **Yes** on the Closing date screen

View the changes to Net Income and Retained Earnings on the Balance Sheet

Equity	
Opening Balance Equity	-7,582.54
Retained Earnings	-1,200.37
Net Income	1,200.37
Total Equity	\$ -7,582.54

Close the Test Drive Company

ADDITIONAL TRANSACTIONS—DO

Record the additional transactions using Your Name's Beach Barkers. All transactions to be recorded were either completed as drills using the Test Drive Company or as transactions for Your Name's Beach Barkers. When you record closing transactions for Drawing, Net Income, and Retained Earnings, use Your Name, Capital as the account rather than Opening Balance Equity.

DO



Continue to use **Your Name's Beach Barkers**, enter the transactions in the Memo boxes, complete a Credit Card Reconciliation, and record Closing Entries for February 28, 2017

Print as instructed within the Memos

When recording Journal Entries, provide appropriate descriptions

MEMO

DATE: February 28, 2017

Withdrew \$600 for the second semi-monthly withdrawal. Print Check 31. (If saved, name it **6-Your Name Ck 31.**) (If you added your name to the names list, you may enter it as the payee name. If not, you may leave the payee name blank.)

Journal Entry 25: Record the monthly adjustment for Prepaid Insurance for your Vehicle Insurance, \$100.

Journal Entry 26: Record the adjusting entry for the amount of Sales Supplies used, \$75.

Journal Entry 27: After taking inventory, you calculate that you have \$925 of Cleaning Supplies on hand. Record the adjusting entry.

Journal Entry 28: Use a compound entry to record one month's depreciation for Office Equipment, \$100 and Vehicles, \$275.

Found 5 damaged Collars. Record the Inventory Quantity Adjustment. (QuickBooks Online automatically shows Inventory Shrinkage as the account.)

Journal Entry 29: One of your personal bonds matured. Invest the proceeds in Your Name's Beach Barkers. Record your additional cash investment of \$1,000.

Use the following Credit Card Statement to Reconcile the Visa account. (If the former loan payment appears when you prepare the check to Beach Bank for the Visa payment, make sure the Payment date is: 02/28/17; use Checking for the payment method, clear the lines; select the Account: Visa; enter the amount of the payment: \$2,639.56; enter the Memo: Visa Payment.) Print the check. If saved, name it **7-Your Name Ck 32 Beach Bank**. Print the Reconciliation report. If saved, name it **8-Your Name Visa Reconcil Rpt Ch 8**.

The Visa credit card statement for February 28, 2017 is shown on the next page:

Beach Bank VISA 350 Second Street Venice, CA 90202 310-555-9889			
Your Name's Beach Barkers 1302 Pacific Avenue Venice, CA 92091			
Account: 123-321-4566			February 28, 2017
Beginning Balance, 2/1/2017			\$0.00
2/19/2017 Expense Super Office		216.00	216.00
2/19/2017 Expense Pet Supplies Unlimited		125.00	341.00
2/19/2017 Credit Card Credit Super Office	43.20		297.80
2/20/2017 Bill Payment All About Dogs Supplies		175.00	472.80
2/20/2017 Bill Payment Garcia's Advertising		490.00	962.80
2/21/2017 Bill Payment Kennel Equipment, Inc.		158.76	1,121.56
2/22/2017 Bill Payment Lulu's Laundry		75.00	1,196.56
2/23/2017 Expense Super Office		150.00	1,346.56
2/24/2017 Credit Card Credit Super Office	30.00		1,316.56
2/24/2017 Bill Payment Quality Insurance		588.00	1,904.56
02/26/2017 Bill Payment The Literary Dog		735.00	2,639.56
Ending Balance, 2/28/2017			\$2,639.56

When the reconciliation is complete, print and/or save the payment, Check 32, and the Reconciliation report (Refer to the Memo for additional information)
Continue recording, saving, and printing transactions in the following Memos

MEMO

DATE: February 28, 2017

Record Journal Entry 30 for the closing entry of \$600 to close the Drawing account. (You wrote the withdrawal check in the first additional transaction entry.)

Record Journal Entry 31 to Transfer Net Income into Capital (Instructions provided below).

Prior to transferring the Net Income into Your Name's, Capital, prepare the Profit and Loss report for February, 2017 and verify the Net Income of **\$2,661.89**

- This is the amount of the Net Income to be transferred.

Record **Journal Entry 31** as previously instructed to Transfer Net Income into Capital

MEMO**DATE:** February 28, 2017

Close the period for February. Use the Closing Date: 02/28/17.

Adjust Invoice 1044 to Sandi Egkan to add 5 days of Day Camp (Class: Dog Care) that had not been recorded on the invoice. Print the corrected invoice. If saved, name it **9-Your Name Inv 1044 S Egkan Corrected**.

Adjust Journal Entry 31 for the Transfer of Net Income into Capital to include the increased income.

Continue to use Your Name's Beach Barkers

PROFIT AND LOSS—DO

When the transactions and adjustments for the month are complete, it is helpful to prepare the Profit and Loss report to see your amount of Net Income or Net Loss. Remember Income minus Expenses equal Net Profit or Net Loss.

DO

Continue to use **Your Name's Beach Barkers** to prepare the Profit and Loss report for February 1-28, 2017

Access Reports as previously instructed

Click **My Custom Reports** to see all of the reports that have been customizedClick **Profit and Loss** to select the reportDates are From: **020117** To: **022817**, run the report

- Scroll through the report. Review income and expenses. View the change to Net Income.

NET INCOME	\$2,811.89
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Print, export, and/or send/submit the report

- If you save the report, name it **10-Your Name P&L Ch 8**.

Continue to use Your Name's Beach Barkers

BALANCE SHEET—DO

After completing all of the adjustments for the month, you need to prepare a Balance Sheet to prove that assets are equal to liabilities and owner's equity. Because this report is for the months of January and February, the adjustment for Net Income will appear in Retained Earnings and Net Income. If, however, this report were prepared for the following year, neither account would have balances.

DO

Continue to use **Your Name's Beach Barkers** to prepare the Balance Sheet for January 1, 2017 to February 28, 2017 and January 1, 2018 to February 28, 2018

Click **Balance Sheet** in My Custom ReportsDates From: **010117** To: **022817**, Run Report

- The balances of all accounts for the year are shown.
- View and analyze the Equity section after all the adjusting entries have been made: After the transfer of Opening Balance Equity for the additional inventory items to Your Name, Capital, the balance of Opening Balance Equity is 0.00. The original amount of Retained Earnings of \$22,200 and the additional \$480 from inventory adjustments and corrections were transferred to Your Name, Capital and no longer show as part of Retained Earnings. The amount of Net Income transferred to Retained Earnings for the year 2017 shows as -4,466.55. Your Name, Capital shows \$121,924.05, which is the total of the capital without including the Investment. Your Name, Drawing was closed into Your Name, Capital so it has a balance of 0.00. Your Name, Investment contains the balance of \$56,735.00, which shows how much you have invested in Your Name's Beach Barkers. Net Income and Retained Earnings were transferred to Your Name, Capital. Since you are still in the same year as the adjusting transaction date, the amount of Net Income shows 4,466.55 and the amount of Retained Earnings shows -4,466.55. The \$4,466.55 is the amount of Net Income for January and for February

▼ Equity	
Opening Balance Equity	0.00
Retained Earnings	-4,466.55
▼ Your Name, Capital	121,924.05
Your Name, Drawing	0.00
Your Name, Investment	56,735.00
Total Your Name, Capital	178,659.05
Net Income	4,466.55
Total Equity	\$178,659.05

Print, export, and/or send/submit the report

- If you save the report, name it **11-Your Name Bal Sheet 2017 Ch 8**. To see the results of transferring Net Income/Retained Earnings into Capital, change the report dates From: **01/01/18** To: **02/28/18**, Run the report
- Note that the amount shown for Retained Earnings, Drawing and Opening Balance Equity is 0.00. The amounts shown for Your Name, Capital; Your Name, Investment; and Total Your Name, Capital are all still the same as in the 2017 report.

▼ Equity	
Opening Balance Equity	0.00
Retained Earnings	0.00
▼ Your Name, Capital	121,924.05
Your Name, Drawing	0.00
Your Name, Investment	56,735.00
Total Your Name, Capital	178,659.05
Net Income	
Total Equity	\$178,659.05

Print, export, and/or send/submit the report

- If you save the report, name it **12-Your Name Bal Sheet 2018 Ch 8**. Continue to use Your Name's Beach Barkers

BUDGET VS ACTUALS REPORT—DO

The budget was established prior to the end of February. Budget projections were made and recorded for each income and expense account. It is helpful to compare the actual amounts for February with the budgeted amounts. This may be done by customizing the Budget vs Actuals report.

DO



Continue to use **Your Name's Beach Barkers** to prepare the Budget vs Actuals report for February 1-28, 2017

Open **Reports**, enter **Budget** in the Search text box for *Go to report*

Click **Budget vs Actuals** on the list that appears

Click the **Customize** button

In the General section of the Customization screen, change the Report Period Date From: **020117** and To: **022817**

Customize the Footer as previously instructed

Click **Run Report**

- You will see columns for Actual, Budget, Over Budget, and % of Budget for the locations of Malibu, Venice, and Not Specified.

	MALIBU				VENICE			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
▼ INCOME								
Sales Discounts	-27.90	-28.00	0.10	99.64 %	-23.90	-24.00	0.10	99.58 %
Sales of Product Income	1,900.00	1,900.00	0.00	100.00 %	600.50	601.00	-0.50	99.92 %
▼ Services								
Boarding	1,100.00	1,100.00	0.00	100.00 %	550.00	550.00	0.00	100.00 %
Day Camp	600.00	450.00	150.00	133.33 %	330.00	330.00	0.00	100.00 %
Grooming	215.00	215.00	0.00	100.00 %	360.00	360.00	0.00	100.00 %
House Calls	150.00	150.00	0.00	100.00 %				
Training	1,650.00	1,650.00	0.00	100.00 %	350.00	350.00	0.00	100.00 %
Transportation	425.00	425.00	0.00	100.00 %	500.00	500.00	0.00	100.00 %
Total Services	4,140.00	3,990.00	150.00	103.76 %	2,090.00	2,090.00	0.00	100.00 %
Total Income	\$6,012.10	\$5,862.00	\$150.10	102.56 %	\$2,666.60	\$2,667.00	\$ -0.40	99.99 %

Partial Report

Print in Landscape Orientation, export, and/or send/submit the report

- If you save the report, name it **13-Your Name Feb Budget vs Actuals Ch 8**.

Continue to use Your Name's Beach Barkers

JOURNAL—DO

At the end of each chapter, you always print a Journal so you can view all the transactions entered during the report dates. As with previous Journals, check each entry carefully, pay close attention to dates, accounts, memos, and amounts. If a transaction does not appear in the Journal, you may have used a current date that is outside the date range of the report.

DO



Continue to use **Your Name's Beach Barkers** to prepare the Journal for February 1-28, 2017

Click **Journal** in My Custom Reports

Enter the Dates From: **020117** To: **022817**, press **Tab**

If need be, adjust the width of the Name, Memo/Description, and Account columns so more entries display on one line

- Do your totals for Debits and Credits match the following?
If not, double check your entries for correct amounts, dates, accounts, memos.

\$51,548.81	\$51,548.81
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Print in Landscape Orientation, export, and/or send/submit the report

- If you save the report, name it **14-Your Name Journal Ch 8**.

Continue to use Your Name's Beach Barkers

TRIAL BALANCE—DO

A Trial Balance is printed to prove that debits equal credits. Post-closing reports are typically prepared as of the last day of the fiscal year after all closing entries for the year have been recorded. Since our closing was simply for a period, this means that income and expenses will be shown in the Trial Balance and in the Profit and Loss reports for February. When you prepare a Trial Balance for the first of the next fiscal year, income and expense accounts will not be shown.

DO



Continue to use **Your Name's Beach Barkers** to prepare the Trial Balance for February 1-28, 2017 and February 1-28, 2018

Click **Trial Balance** in My Custom Reports

Enter the Dates From: **020117** To: **022817**, click **Run Report**

- You will get the same balances if you run the report for January 1 – February 28, 2017.
- Does your Trial Balance match the following? If not, double check your entries for correct amounts, dates, accounts, and memos. Remember, you can click on an account shown in the Trial Balance and access the account register.

Your Name's Beach Barkers		
TRIAL BALANCE		
As of February 28, 2017		
	DEBIT	CREDIT
Checking	63,449.08	
Petty Cash	63.93	
Accounts Receivable (A/R)	14,309.60	
Inventory Asset	31,844.50	
Prepaid Insurance	1,600.00	
Supplies:Cleaning Supplies	925.00	
Supplies:Kennel Supplies	1,936.00	
Supplies:Office Supplies	821.48	
Supplies:Sales Supplies	325.00	
Undeposited Funds	0.00	
Furniture & Fixtures:Depreciation		1,750.00
Furniture & Fixtures:Original cost	17,000.00	
Kennel Equipment:Depreciation		2,370.00
Kennel Equipment:Original cost	21,150.00	
Office Equipment:Depreciation		1,000.00
Office Equipment:Original cost	11,685.84	
Vehicles:Depreciation		3,750.00
Vehicles:Original cost	32,000.00	
Accounts Payable (A/P)		5,214.00
Visa		0.00
State Board of Equalization Payable		0.00
Loans Payable:Equipment Loan		1,941.06
Loans Payable:Furniture & Fixtures Loan		2,426.32
Opening Balance Equity		0.00
Retained Earnings	4,466.55	
Your Name, Capital		121,924.05
Your Name, Capital:Your Name, Drawing		0.00
Your Name, Capital:Your Name, Investment		56,735.00
Sales Discounts	51.80	
Sales of Product Income		2,500.50
Services:Boarding		2,420.00
Services:Day Camp		1,560.00
Services:Grooming		1,360.00
Services:House Calls		375.00
Services:Training		5,025.00
Services:Transportation		1,225.00
Cost of Goods Sold:Merchandise Discounts		27.50
Cost of Goods Sold:Merchandise Purchases	733.00	
Inventory Shrinkage	90.00	
Advertising	700.00	
Bank Charges	72.00	
Equipment Rental	75.00	
Insurance:Vehicle Insurance	200.00	
Interest Expense	37.22	

Laundry	81.50	
Rent or Lease	4,400.00	
Repair & Maintenance:Computer Repair	200.00	
Repair & Maintenance:Vehicle Repair	212.50	
Supplies Expense:Cleaning Supplies Expense	252.00	
Supplies Expense:Kennel Supplies Expense	310.00	
Supplies Expense:Office Supplies Expense	231.47	
Supplies Expense:Sales Supplies Expense	175.00	
Telephone Expense	129.95	
Utilities:Electric	164.75	
Utilities:Gas-Heating	343.50	
Utilities:Water	385.95	
Vehicle Expenses	126.05	
Fees Billed		80.00
Interest Earned		175.50
Depreciation Expense	1,340.00	
Purchase Discounts		29.74
TOTAL	\$211,888.67	\$211,888.67

Print in Portrait Orientation, export, and/or send/submit the report

- If you save the report, name it **15-Your Name Trial Bal Ch 8**.

Change the report dates From: **02/01/18** To: **02/28/18**

- You will see the same information and account totals for all of the Asset, Liability, and Equity accounts. Nothing is shown for Income or Expense accounts because the report dates are for the next fiscal year.

This results in a Total of \$197,110.43 for both Debit and Credit columns

Do not save or print the report

Close Your Name's Beach Barkers

SUMMARY

In this chapter the focus was on performing the accounting functions for the end of a period, adjusting inventory, and preparing budgets. Journal Entries were prepared to record the adjusting entries for supplies used, insurance, and depreciation. Adjustments for damaged inventory items were recorded. Adjustments to the starting value of inventory items were recorded. A Budget for the Fiscal Year was created and Budget Overview and Budget vs. Actual reports were prepared and analyzed. Bank and Checking Account Reconciliations were performed and transactions for automatic payments were recorded during the reconciliation. Credit Card Account Reconciliations were performed and payment checks were issued. The use of Net Income, Retained Earnings, Opening Balance Equity, and Owner's Equity accounts for Capital, Investment, and Drawing was explored, adjusted, transferred, and interpreted for a sole proprietorship. Owner withdrawals and additional investments were recorded. A period was closed and a transaction was changed after the closing. Further adjustments required because of a change after closing were made for Net Income/Retained Earnings. Reports were customized and prepared to provide data for analysis and examination of the results of business operations and end-of-period adjustments.