QuickBooks Guide
Step-by-Step Instructions

What You'll Learn Using QuickBooks

When you have completed this chapter, you will be able to use QuickBooks to:

1. Record purchases on account transactions using the **Enter Bill** option.
2. Enter cash payments using the **Write Checks** option.
3. Record debit memorandums.
4. Print a Journal report and a Vendor Balance Summary report.
5. Print a General Ledger report.

Problem 15-7   Recording Purchases Transactions

Review the transactions listed in your textbook for Shutterbug Cameras. As you will learn, the process for recording the purchases and purchases returns and allowances transactions using the QuickBooks accounting software differs from the method you learned in your textbook. Instead of recording these transactions in a general journal, you will record both the purchases and the returns on account using the **Enter Bills** option.

INSTRUCTIONS

Begin a Session
Step 1   Restore the Problem 15-7.QBB file.

Work the Accounting Problem
The instructions in this section explain how to enter purchases on account and debit memorandums using the QuickBooks software. To simplify the data entry process, you will batch similar transactions by type and then enter them using the appropriate software task option.

Step 2   Review the transactions listed in your textbook and identify the purchases on account.

Step 3   Enter the purchases on account transaction for March 3, 2015.

> ***March 3, Purchased $4,500 in merchandise on account from Photo Emporium, Invoice 1221, terms 2/10, n30.***

To enter the purchase on account:

- Choose **Enter Bills** from the *Vendors* menu to display the Enter Bills window.
- Click the Vendor drop-down list and select **Photo Emporium.** Press **Tab.**
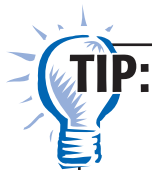
> **TIP:** If you know the vendor's name, you can begin typing the name of the vendor and QuickBooks will use **QuickFill** to fill in the field.

- Type **03/03/2015** in the *Date* field.
- Press **Tab** and the *Bill Due* field will automatically advance to the due date of the bill.
- Press **Tab** and type **Inv. 1221** in the *Ref. No.* field.

Notes

QuickBooks uses Ref. No. *instead of* Invoice *for purchases on account.*

DO YOU HAVE A QUESTION

Q. *Why is there a problem in using the QuickBooks **Make General Journal Entries** option to record purchases on account from customers?*

A. You could use the **Make General Journal Entries** option. However, the QuickBooks software prefers that you group like kinds of entries together and enter them into one of its many special windows. This helps you enter transactions much more quickly.

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- Press **Tab** and type **4500** in the *Amount Due* field.
- Verify the terms of the invoice in the *Terms* field.
- Click the Items tab.

TIP: Use the Expense tab to enter purchases other than merchandise on account.

- Click the Item drop-down list and select **Purchases.**

    QuickBooks requires that you select an item to be purchased whether it is a service or an actual product. In the business world you would select whatever item your company happens to be purchasing. For this problem you will use **Purchases** as the item that Shutterbug Camera purchases on account from its vendors.

- The description of the transaction automatically appears. Tab over to the *Amount* field and type **4500.** Press **Tab.**

TIP: Do not edit the cost field. It will be automatically updated when you change the amount field.

TIP: Remember that you do not need to type the decimal unless you are entering dollar and cents in the *Amount* field.

- Proof the information you just recorded. If you notice a mistake, move to that field and make the correction.

    Behind the scenes QuickBooks will enter a debit in the **Purchases** account and a credit to the **Accounts Payable** account. The vendor subsidiary account will automatically be updated.

- Click **Save & Close** to record the transaction.

Notes

QuickBooks does not have an option to display a journal while in the Enter Bills *window showing the debits and credits involved in the transaction.*

TIP: If you are going to continue entering transactions you may want to save the entry by using **Save & New.** If you notice an error after you post an entry, click the **Previous** or **Next** button until you locate the transaction you want to edit. Make the corrections and click **Save & Close.** When prompted that the transaction has been changed, click **Yes.**

Step 4   Enter the remaining purchases on account transactions for the month of March 2015.

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TIP: When entering the purchase of **Supplies** on account, use the Expenses tab instead of the Items tab.

Step 5   Review the transactions shown in your textbook and identify those for which the company issued a debit memorandum.

Step 6   Record the debit memorandum issued on March 9.

March 9, Returned $225 in merchandise to Photo Emporium, issued Debit Memorandum 72.

To enter the debit memorandum:

- Choose **Enter Bills** from the *Vendors* menu to display the Enter Bills window.
- Click the **Credit** radio button located above the bill.
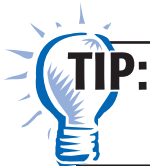- Click the **Vendor** drop-down list and select **Photo Emporium.**

TIP: If you know the vendor's name, you can begin typing the name of the vendor and QuickBooks will use QuickFill to fill in the field.

- **Tab** to the *Date* field and type **03/09/2015.**
- Press **Tab** and type **DM72** in the *Ref. No.* field.
- Press **Tab** and type **225** in the *Credit Amount* field.
- Click the Items tab.

Notes

QuickBooks uses "Ref. No." instead of "Debit Memorandum" for returns of merchandise purchased on account.

TIP: Use the Expenses tab to enter returns other than those of merchandise previously purchased on account.

- Click the **Item** drop-down list and select **Refund.**

  QuickBooks requires that you select an item to be returned whether it is a service or an actual product. In the business world you would select whatever item your company happens to be returning. For this problem, you will use **Refund** as the item that Shutterbug Camera returns on account to its vendors.

- The description of the transaction automatically appears. Move to the *Amount* field and type **225.** Click **No** if QuickBooks asks you if you want to update the item with the new cost.

TIP: Remember that you do not need to type the decimal unless you are entering dollar and cents in the *Amount* field.

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- Proof the information you just recorded. If you notice a mistake, move to that field and make the correction.

  Behind the scenes QuickBooks will enter a debit in the **Accounts Payable** account and a credit to the **Purchase Returns and Allowances** account. The vendor subsidiary account will automatically be updated.

- Click **Save & Close** to record the transaction.

To apply the debit memo to an invoice:

- Choose **Pay Bills** from the *Vendors* menu.
- If you do not know the due date of the bill, click the **Show all bills** radio button.
- Select the Photo Emporium bill for $4,500 by placing a check mark in the column.
- Click the **Set Credits** button.
- Verify that the DM72 debit memorandum is selected and that the amount is correct.
- Click the Discount tab and set the Amount of Discount to 0 [zero] if it isn't already
- Click **Done.**
- In the *Amt. To Pay* field in the Pay Bills window, type **0** since you are not actually paying the bill at this time.
- Type the date of the transaction in the *Payment Date* field.
- Select **Check** in the *Payment Method* field.
- Click the **To be printed** radio button.
- Verify the **101-Cash in Bank** account appears in the *Payment Account* field.
- Proof the information you just recorded.
- Click **Pay Selected Bills** to record the transaction.
- Click **Done** in the Payment Summary window.

  Notice that the amount in the *Amt. Due* field reflects the invoice balance after the debit memorandum has been applied.

Step 7   Enter the remaining debit memorandums issued for the month of March.

Prepare a Report and Proof Your Work

Step 8   Print a Journal report.

Step 9   Proof the information shown on the report. Update the transactions and print a revised report if you identify any errors.

Step 10   Print a Vendor Balance Summary report.

To print a Vendor Balance Summary report:

- Choose **Vendors & Payables** from the *Reports* menu.
- Select **Vendor Balance Summary.**
- Type **03/01/2015** in the *From* field and **03/31/2015** in the *To* field.
- Press **Tab** to display the report.
- Click **Print.**

Analyze Your Work

Step 11   Print a General Ledger report to complete the Analyze activity.

End the Session

Step 12   It is recommended that you back up your work for this session.

DO YOU HAVE A QUESTION ?

Q. *Why do you have to apply a debit memorandum to a specific invoice?*

A. Suppose a company purchases merchandise on account for $200 and then receives a $50 credit. When you enter the $50 credit, you now have two invoices for the vendor. One invoice is an increase and the other a decrease to the vendor's account. When you apply the credit, you connect the credit of $50 to the outstanding invoice of $200. Now there is only one outstanding invoice for $150 and the vendor's account balance remains at $150.

By default, QuickBooks credits the **Accounts Payable** account and debits **Purchases** when using the **Enter Bills** option to purchase items on account. On a separate piece of paper, describe how to purchase **Office Equipment** on account using **Enter Bills.**

Mastering QuickBooks

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