



LESSON 5 Using other accounts in QuickBooks

Lesson objectives, 126

To start this lesson, 126

Supporting materials, 126

Instructor preparation, 126

Other account types in QuickBooks, 127

Tracking credit card transactions, 127

 Entering credit card charges, 127

 Reconciling a credit card statement, 130

 Marking cleared transactions, 131

 Paying a credit card bill, 133

Working with asset accounts, 135

 Setting up an Other Current Asset account, 135

 Setting up asset accounts to track depreciation, 138

 Entering depreciation transactions, 141

Working with liability accounts, 142

 Tracking a loan with a long-term liability account, 142

 Tracking fixed assets, 145

 Recording a payment on a loan, 148

Understanding equity accounts, 150

Lesson objectives

- To introduce the other account types available in QuickBooks
- To learn how to track credit card transactions in QuickBooks
- To reconcile a credit card account
- To see how to make a credit card payment
- To discuss the different types of asset and liability accounts you can create and see how to track assets and liabilities in QuickBooks
- To introduce the subject of equity and QuickBooks equity accounts

Supporting materials

- PowerPoint file: Lesson 5
- Video tutorial: Overview of QuickBooks accounts

Instructor preparation

- Review this lesson and the examples, to make sure you're familiar with the material.
- Ensure that all students have a copy of qblesson.qbb on their computer's hard disk.

To start this lesson

Before you perform the following steps, make sure you have installed the exercise file (qblesson.qbb) on your hard disk. See "Installing the exercise file" in the Introduction to this guide if you haven't installed it.

The following steps restore the exercise file to its original state so that the data in the file matches what you see on the screen as you proceed through each lesson.

To restore the exercise file (qblesson.qbb):

- 1** From the File menu in QuickBooks, choose Open or Restore Company. QuickBooks displays the Open Company: Type window.
- 2** Select "Restore a backup copy (.QBB) and click Next.
- 3** In the Restore Backup: Method window, select Local Backup and click Next.
- 4** In the Open window, navigate to your c:\QBtrain directory.
- 5** Select the qblesson.qbb file, and then click Open.
- 6** In the "Restore Backup: To Location" window, click Next.
- 7** Navigate to your c:\QBtrain directory.
- 8** In the File name field of the Restore To window, type **lesson 5** and then click Save.
- 9** Click OK when you see the message that the file has been successfully restored.

Other account types in QuickBooks

In this lesson, you'll learn about these types of QuickBooks accounts:

- **Credit card accounts**—Used to track transactions you pay for with a credit card.
- **Asset accounts**—Used to track both current assets (those assets you're likely to convert to cash or use up within one year, such as inventory on hand) and fixed assets (such as long-term notes receivable and depreciable assets your business owns that aren't liquid, such as equipment, furniture, or a building).
- **Liability accounts**—Used to track both current liabilities (those liabilities scheduled to be paid within one year, such as sales tax, payroll taxes, and short-term loans) and long-term liabilities (such as loans or mortgages scheduled to be paid over terms longer than one year).
- **Equity accounts**—Used to track owner's equity, including capital investment, draws, and retained earnings.

Tracking credit card transactions

Many businesses pay for expenses with a credit card rather than a check. For travel expenses especially, a credit card is invaluable because it gives a detailed listing of each charge. You can track credit card transactions in QuickBooks just as easily as you track expenses you pay for by check.

You should set up a QuickBooks credit card account for each credit card you use in your business. Like any QuickBooks account, a credit card account has its own register. The register lists all the charges and credits you've recorded, as well as payments you've made.

The way you open and scroll through a credit card register is the same way you open and scroll through any QuickBooks account register.

Entering credit card charges

QuickBooks lets you choose when you enter your credit card charges. You can enter credit card charges when you charge an item or when you receive the bill. Your choice depends on whether you like to enter information into QuickBooks incrementally or all at once. The advantage to entering charges when you charge an item is that you can keep close track of how much you owe. In addition, if the charge is for a particular job, you can keep track of how much you're spending on that job.

Suppose you have a \$30 gasoline charge you want to enter into QuickBooks. The form you use is the Enter Credit Card Charges form.

To enter a credit card charge:

- 1 From the Banking menu, choose Enter Credit Card Charges.
QuickBooks displays the Enter Credit Card Charges window.

Enter Credit Card Charges - CalOil Card

Previous Next Find Download Card Charges Journal

Credit Card **CalOil Card** Ending Balance 71.02

Purchase/Charge Refund/Credit

Credit Card Purchase/Charge

Purchased From _____ Date 12/15/2007

Ref No. _____

Amount 0.00

Memo _____

Manage your business expenses with QuickBooks Platinum Plus for Business MasterCard [Learn More](#)

Are you ready to pay a bill from this credit card company?

Expenses \$0.00 **Items** \$0.00

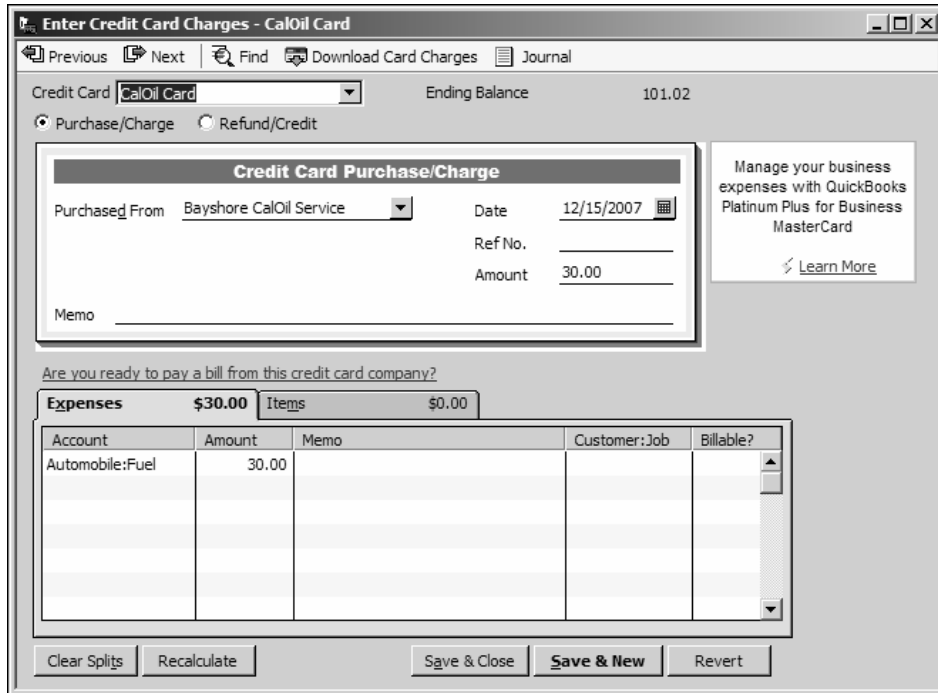
Account	Amount	Memo	Customer:Job	Billable?

Clear Splits Recalculate Save & Close **Save & New** Clear

This is the window where you enter your charges.

- 2 In the Credit Card field, select CalOil Card from the drop-down list (if it's not already selected).
- 3 In the Purchased From field, select Bayshore CalOil Service from the drop-down list. Notice the Ref No. field. Most credit card receipts have some sort of transaction number near the top, which exists for identification and tracking purposes. Entering this number from a credit card receipt gives you additional information for the credit card charge, but you don't have to use it. You don't need to enter one for this example.
- 4 Click in the Amount field, and then double-click to select the entire amount.
- 5 Type **30** and then press Tab.
- 6 Click the Expenses tab (if it's not already selected).

- In the detail area, click in the Account column and assign the charge to the Automobile:Fuel expense account, as shown in the figure below. (Automobile is the account; Fuel is the subaccount.)



- Click Save & Close to record the transaction and close the window.

After you record this credit card charge, QuickBooks adds a \$30 transaction to the credit card account register (increasing the liability by \$30). It also adds \$30 to the Automobile:Fuel expense account. (You will see the increase when you create reports on their expense accounts.)

When you record the transaction, QuickBooks creates a journal entry. The following table shows the journal entry for the credit card charge.

Account Title	Debit	Credit
CalOil Card		\$30.00
Fuel	\$30.00	

QuickStart Tip

If you used your credit card to purchase a reimbursable expense (you want to pass along the expense to a particular customer), you need to indicate this in the Enter Credit Card Charges window. For each expense or item you enter on the bottom part of the form, select the appropriate customer in the Customer:Job column. To indicate that this expense should be passed along to the customer, make sure the Billable column has a checkmark in it. This will allow the expense to be passed along when you invoice the customer.

Reconciling a credit card statement

Just as we reconciled a bank account in the previous lesson, you should compare your credit card receipts with your statement and reconcile your credit card statement. Reconciling a credit card account is almost identical to reconciling a bank account.

To reconcile a credit card statement:

- 1 From the Company menu, choose Chart of Accounts.
QuickBooks displays the chart of accounts.
- 2 Click CalOil Card in the list once to select it.
- 3 Click the Activities menu button, and then choose Reconcile Credit Card.
QuickBooks displays the Begin Reconciliation window.

Select an account to reconcile, and then enter the ending balance from your account statement.

Account: last reconciled on 11/25/2007.

Statement Date:

Beginning Balance: [What if my beginning balance doesn't match my statement?](#)

Ending Balance:

Enter any finance charge.

Finance Charge	Date	Account
<input type="text" value="0.00"/>	<input type="text" value="08/29/2003"/>	<input type="text"/>

In the Beginning Balance field, QuickBooks displays the balance of all cleared transactions in the credit card register. To reconcile a credit card statement, all you have to do is enter the ending balance and check off each transaction listed on your statement.

- 4 In the Statement Date field, enter 12/15/2007.
- 5 In the Ending Balance field, type **101.02**.

Note: **When the ending balance is different from the previous month's ending balance, check for cleared transactions that are now showing as uncleared.**

6 Click Continue.

QuickBooks displays the Reconcile Credit Card window.

Reconcile Credit Card - CalOil Card

For period: 12/15/2007 Hide transactions after the statement's end date

Charges and Cash Advances				Payments and Credits						
✓	Date	Ref #	Payee	Amount	✓	Date	Ref #	Payee	Type	Amount
	12/03/2007		Bayshore C...	23.50		12/02/2...		CalOil Co...	CHK	135.80
	12/12/2007		Bayshore C...	47.52						
	12/15/2007		Bayshore C...	30.00						

Beginning Balance	135.80	<input type="button" value="Modify"/>	Finance Charge	0.00
Items you have marked cleared			Ending Balance	101.02
0 Payments and Credits	0.00		Cleared Balance	135.80
0 Charges and Cash Advances	0.00		Difference	34.78

The Reconcile Credit Card window shows all the transactions for the credit card account that have not yet cleared. You'll use this window to check off the transactions listed on your statement.

Marking cleared transactions

To mark the transactions as cleared:

- 1** In the "Charges and Cash Advances" section of the window, select all three charges.
- 2** In the "Payments and Credits" section of the window, select the 12/02/07 payment for \$135.80.

Using other accounts in QuickBooks

QuickBooks places a checkmark in the column to the left of each transaction you select. Your Reconcile Credit Card window should resemble the following figure.

Charges and Cash Advances					Payments and Credits					
<input checked="" type="checkbox"/>	Date	Ref #	Payee	Amount	<input checked="" type="checkbox"/>	Date	Ref #	Payee	Type	Amount
<input checked="" type="checkbox"/>	12/03/2007		Bayshore C...	23.50	<input checked="" type="checkbox"/>	12/02/2...		CalOil Co...	CHK	135.80
<input checked="" type="checkbox"/>	12/12/2007		Bayshore C...	47.52						
<input checked="" type="checkbox"/>	12/15/2007		Bayshore C...	30.00						

Beginning Balance 135.80

Items you have marked cleared

1	Payments and Credits	135.80
3	Charges and Cash Advances	101.02

Modify Finance Charge 0.00

Ending Balance 101.02

Cleared Balance 101.02

Difference 0.00

Reconcile Now Leave

3 Click Reconcile Now.

QuickBooks displays the Make Payment window.

When you've finished reconciling a credit card account, QuickBooks gives you a chance to pay part or all of the balance due on your credit card.

The outstanding balance on this account is \$101.02. To pay all or a portion of this amount, select the payment type and click OK. To leave the balance in the reconciled account, click Cancel.

Payment

Write a check for payment now

Enter a bill for payment later

OK

Cancel

Help

4 For this exercise, you want to write a check for payment now, so leave that option selected and click OK.

QuickBooks displays the Select Reconciliation Report window.

Congratulations! Your account is balanced. All marked items have been cleared in the account register.

Select the type of reconciliation report you'd like to see.

Summary

Detail

Both

To view this report at a later time, select the Report menu, display Banking and then Previous Reconciliation.

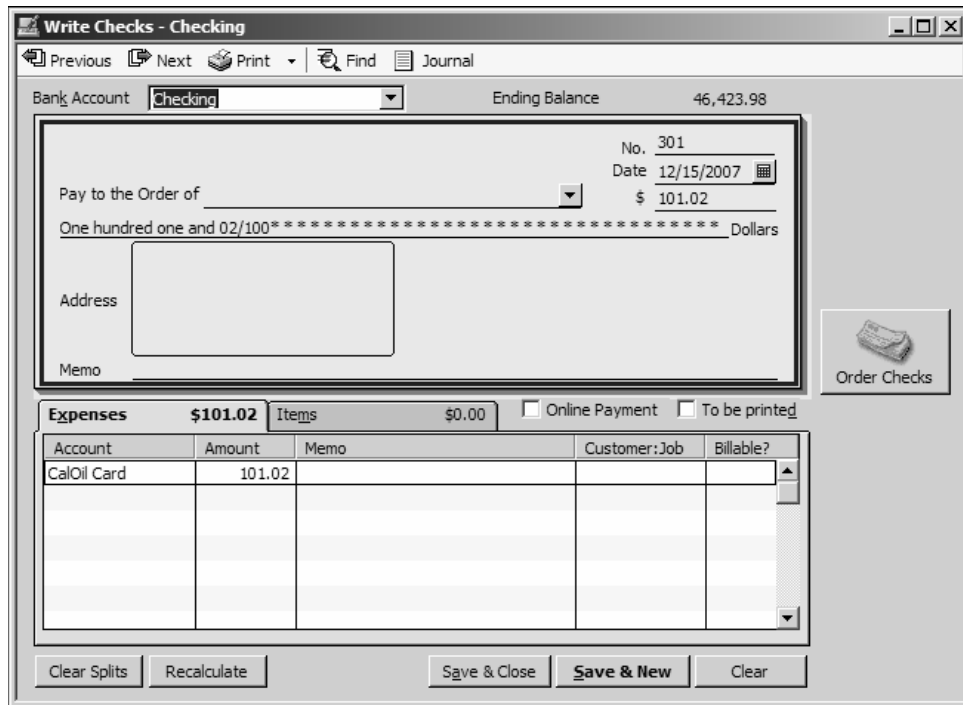
Display Print... Close

- 5 In the Select Reconciliation Report window, select Detail and then click Display.
You don't need to do so in this exercise, but to keep a record of the reconciliation report, you could choose Save as PDF from the File menu and save the report as a PDF file.
You could also click Print to print a hard copy of the report. You don't need to print the report for this lesson.
- 6 Click OK at the message that QuickBooks displays.
- 7 Review the report and then close it.

Paying a credit card bill

To write a check for the bill now:

- 1 In the Write Checks window, make sure Checking is listed as the bank account.
Notice that QuickBooks has already filled in the amount of the payment for you, and has assigned the expense to the CalOil Card account. (If you change your mind and decide you only want to make a partial payment, you can change the amount here.)



- 2 Click in the Pay to the Order of field and select CalOil Company as the name of the credit card company from the drop-down list.

Using other accounts in QuickBooks

- Click the “To be printed” checkbox to select it.

Write Checks - Checking

Bank Account: Checking Ending Balance: 46,423.98

Pay to the Order of: CalOil Company

Date: 12/15/2007

Amount: \$ 101.02

One hundred one and 02/100* ***** Dollars

Address: CalOil Company, PO Box 628, Middlefield CA 94482

Expenses: \$101.02 Items: \$0.00 Online Payment: To be printed:

Account	Amount	Memo	Customer:Job	Billable?
CalOil Card	101.02			

Buttons: Clear Splits, Recalculate, Save & Close, Save & New, Clear

- Click Save & Close to record the transaction.

QuickBooks subtracts \$101.02 from your checking account and also subtracts that amount from your credit card account.

- Close the chart of accounts.

When you record the transaction, QuickBooks creates a journal entry. The following table shows the journal entry for the check to CalOil Company.

Account Title	Debit	Credit
Checking		\$101.02
CalOil Card	\$101.02	

Working with asset accounts

QuickBooks has two account types for tracking the value of your short- and long-term assets:

- An Other Current Asset account tracks assets that are likely to be converted to cash or used up within one year. If you buy and sell inventory, the value of all your inventory on hand is usually shown in an Other Current Asset account called something like “Inventory Asset.” Other current assets might include treasury bills, certificates of deposit, prepaid expenses (amounts already paid for services your business has yet to receive), prepaid deposits (which will be returned to you at a later date), reimbursable expenses, and notes receivable (if due within one year).
- A Fixed Asset account tracks assets your business owns that are *not* likely to be converted into cash within a year. A fixed asset is usually something necessary for the operation of your business, like a truck, cash register, computer, or photocopier.

QuickStart Tip

Some additional examples of other current assets are accounts receivable, bank accounts, and cash. QuickBooks provides three types of current asset accounts for you to use as you create asset accounts for your company: bank account (to track each bank account as well as petty cash), accounts receivable (to track money owed to your business), and other current asset.

Discuss with students that some additional examples of other current assets are accounts receivable, bank accounts, and cash. QuickBooks provides three types of current asset accounts for you to use as you create asset accounts for your company: bank account (to track each bank account as well as petty cash), accounts receivable (to track money owed to your business), and other current asset.

Setting up an Other Current Asset account

Suppose you need an Other Current Asset account to track a prepaid expense for rent. (The landlord requires a six-month advance payment.)

- 1 On the Home page, click Chart of Accounts.
- 2 Click the Account menu button, and then choose New.

QuickBooks displays the Add New Account: Choose Account Type window.

Using other accounts in QuickBooks

- 3 Click Other Account Types and choose Other Current Asset from the drop-down list.

Choose **one** account type and click Continue.

Categorize money your business earns or spends

- Income
- Expense

Or, track the value of your assets and liabilities

- Fixed Asset (major purchases)
- Bank
- Loan
- Credit Card
- Equity

Other Account Types Other Current Asset

Help me choose the right account type.

Other Current Asset Account

Tracks the value of things that can be converted to cash or used up within one year, such as:

- Prepaid expenses
- Employee cash advances
- Inventory
- Loans from your business

[More...](#)

Continue **Cancel**

- 4 Click Continue.
QuickBooks displays the Add New Account window.
- 5 In the Account Name field, type **Prepaid rent**.

Account Type Other Current Asset

Account Name Prepaid rent

Subaccount of

Optional

Description

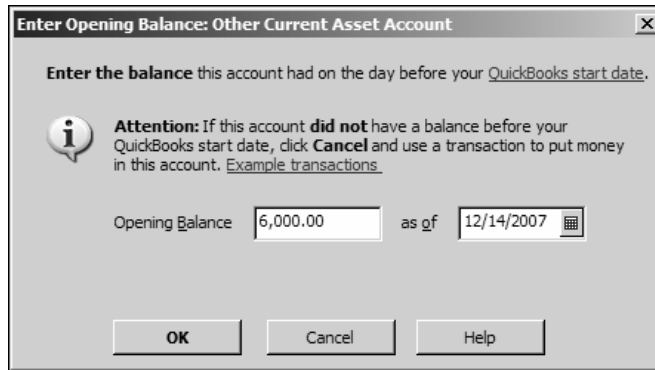
Account No.

Tax-Line Mapping <Unassigned> [How do I choose the right tax line?](#)

[Enter Opening Balance...](#) [Should I enter an opening balance?](#)

Save & Close **Save & New** **Cancel**

- 6 Click Enter Opening Balance.
- 7 In the Opening Balance field, type **6000** and then select the date **12/14/2007**.
You should enter the balance of this account had on the day before your QuickBooks start date.



- 8 Click OK.
 - 9 Click Save & Close.
- QuickBooks displays the new account in the chart of accounts.

Name	Type	Balance Total
Prepaid rent	Other Current Asset	6,000.00
Tools & Equipment	Other Current Asset	5,000.00
Employee Loans	Other Current Asset	0.00
Inventory Asset	Other Current Asset	26,926.43
Retainage	Other Current Asset	2,461.80
Undeposited Funds	Other Current Asset	2,124.00
Trucks	Fixed Asset	24,852.91
Original Cost	Fixed Asset	33,852.91
Depreciation	Fixed Asset	-9,000.00
Pre-paid Insurance	Other Asset	1,041.85
Accounts Payable	Accounts Payable	30,739.38
QuickBooks Credit Card	Credit Card	70.00
QBCC Dept #1	Credit Card	45.00
QBCC Dept #2	Credit Card	25.00

As each month goes by and you use part of that prepaid expense, you can enter each month's rent as a decrease in the value of the current asset and assign it to the rent expense account. You would enter those transactions directly in the register for the Prepaid rent asset account.

If you have time, you can have students open the register for the current asset account, and show them how to enter a transaction that decreases the value of the asset. If you don't feel you have time to do this, don't worry: the next section gives students an opportunity to enter transactions in a fixed asset account, and the procedure for a current asset account is very similar.

Setting up asset accounts to track depreciation

There is more than one way to keep track of depreciation; this is just one suggested method. If you have students who are keeping track of asset depreciation in other ways, assure them that they can continue using their own method.

Fixed assets are equipment or property your business owns that are not for sale. Since they last a long time, you don't completely charge their cost to the year in which you buy them. Instead, you spread their cost over several years. But because fixed assets wear out or become obsolete, their value declines constantly from the day you purchase them. The amount of this decline in value is called *depreciation*.

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

Usually, you'll want your balance sheet to show the original cost of an asset (plus any subsequent improvements) on one line, with the accumulated depreciation subtracted from the original cost on a second line, and the current value (net) on a third line. The method you'll learn in this lesson lets you see each asset's cost and its accumulated depreciation separately on your balance sheet. You set up a separate fixed asset account for each asset, and two subaccounts under each fixed asset account: one for cost and one for accumulated depreciation.

To set up asset accounts to track depreciation on a new trailer purchased by Rock Castle Construction:

- 1 In the chart of accounts window, click the Account menu button, then choose New. QuickBooks displays the Add New Account: Choose Account Type window.
- 2 Select Fixed Asset and click Continue.
- 3 In the Account Name field, type **Trailer**. Do not enter an opening balance.
- 4 Click Save & Close.

QuickBooks displays the new fixed asset account in the chart of accounts.

Name	Type	Balance Total
Trailer	Fixed Asset	0.00
Trucks	Fixed Asset	24,852.91
Original Cost	Fixed Asset	33,852.91
Depreciation	Fixed Asset	-9,000.00
Pre-paid Insurance	Other Asset	1,041.85
Accounts Payable	Accounts Payable	30,739.38
QuickBooks Credit Card	Credit Card	70.00
QBCC Dept #1	Credit Card	45.00
QBCC Dept #2	Credit Card	25.00
QBCC Dept #3	Credit Card	0.00
CalOil Card	Credit Card	101.02
Direct Deposit Liabilities	Other Current Liabi...	0.00
Payroll Liabilities	Other Current Liabi...	3,302.06
Sales Tax Payable	Other Current Liabi...	5,282.22

Now you need to add two subaccounts: one for the asset's cost, and the other for depreciation.

To add subaccounts:

- 1 In the chart of accounts window, click the Account menu button, and then choose New.
- 2 Select Fixed Asset and click Continue.
- 3 In the Account Name field, type **Cost**.
- 4 Select the "Subaccount of" checkbox, and then select **Trailer** as the parent account.
- 5 Leave the opening balance blank.

The opening balance is the original cost of the asset, if you purchased the asset before your QuickBooks start date. If you're buying the asset now, as the owner of Rock Castle Construction is, you leave the opening balance for the Cost account blank. When you enter information about the loan Rock Castle Construction takes out to pay for the truck (later in this lesson), you'll update the Cost account with the truck's original cost.

Your screen should resemble the following figure.

The screenshot shows the 'Add New Account' dialog box. At the top, 'Account Type' is set to 'Fixed Asset'. Below that, 'Account Name' is 'Cost'. The 'Subaccount of' checkbox is checked, and the parent account is 'Trailer'. The 'Optional' section contains a 'Description' field, a 'Note' field, and a 'Tax-Line Mapping' dropdown set to '<Unassigned>'. There are two buttons: 'Enter Opening Balance...' and 'Should I enter an opening balance?'. At the bottom, there are three buttons: 'Save & Close', 'Save & New', and 'Cancel'.

- 6 Click Save & New.

Using other accounts in QuickBooks

- 7 Repeat steps 3, 4, and 5 to add a second subaccount to the Trailer fixed asset account. Call the subaccount “Depreciation,” and do not enter an opening balance.

The Add New Account window should look like this.

- 8 Click Save & Close to save the Depreciation subaccount.

When you complete these steps, your chart of accounts should look like this.

Name	Type	Balance Total
Trailer	Fixed Asset	0.00
Depreciation	Fixed Asset	0.00
Cost	Fixed Asset	0.00
Trucks	Fixed Asset	24,852.91
Original Cost	Fixed Asset	33,852.91
Depreciation	Fixed Asset	-9,000.00
Pre-paid Insurance	Other Asset	1,041.85
Accounts Payable	Accounts Payable	30,739.38
QuickBooks Credit Card	Credit Card	70.00
QBCC Dept #1	Credit Card	45.00
QBCC Dept #2	Credit Card	25.00
QBCC Dept #3	Credit Card	0.00
CalOil Card	Credit Card	101.02
Direct Deposit Liabilities	Other Current Liabi...	0.00

If you wish, you can change the order in which the accounts are listed by dragging the Cost account to the position just above the Depreciation account (the same way the accounts are displayed under the Trucks parent account).

Note: The amount you enter as the opening balance depends on whether you acquired the asset after or before your QuickBooks start date. If you acquired the asset after your QuickBooks start date, you don’t enter an opening balance. If you acquired the asset before your QuickBooks start date, you enter the accumulated depreciation of the asset as of the start date—entered as a negative number.

Working with liability accounts

QuickBooks has two account types for tracking the value of your short- and long-term liabilities:

- An Other Current Liability account tracks liabilities that your company expects to pay within a year. Other current liabilities might include short-term loans or a line of credit.
- A Long-term Liability account tracks debts that your business is *not* likely to pay off within a year. The most common long-term liabilities are loans that you expect to pay off in more than one year.

QuickStart Tip

Some additional examples of other current liabilities are accounts payable, credit card accounts, accrued sales tax, and accrued payroll. QuickBooks provides three types of current liability accounts for you to use as you create liability accounts for your company: credit card (to track credit card charges and payments), accounts payable (to track money owed by your business), and other current liability.

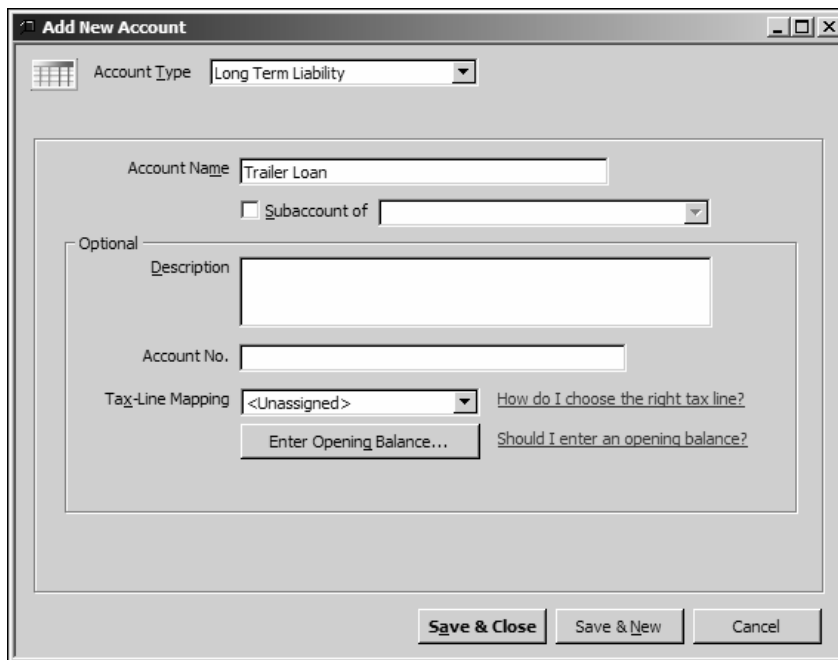
Tracking a loan with a long-term liability account

You've already added an asset account to track the value of the new trailer. Because the trailer loan is not going to be paid off in a year or less, you need to add a long-term liability account.

To add a long-term liability account:

- 1 In the chart of accounts, click the Account menu button, and then choose New.
- 2 In the Add New Account window, select Other Account Types, and then choose Long Term Liability from the drop-down list.
- 3 Click Continue.
- 4 In the Account Name field, type **Trailer Loan**.

- Do not enter an opening balance.
Your screen should resemble the figure below.



- Click Save & Close.
QuickBooks displays the new liability account in the chart of accounts.

Name	Type	Balance Total
Trailer Loan	Long Term Liability	0.00
Bank of Anycity Loan	Long Term Liability	19,932.65
Equipment Loan	Long Term Liability	3,911.32
Note Payable	Long Term Liability	3,440.83
Truck Loan	Long Term Liability	5,662.38
Opening Bal Equity	Equity	-15,321.18
Owner's Equity	Equity	19,000.00
Owner's Contribution	Equity	25,000.00
Owner's Draw	Equity	-6,000.00
Retained Earnings	Equity	
Mileage Income	Income	
Construction	Income	
Discounts given	Income	
Labor	Income	

Because this is a new loan, you are either receiving money to deposit in your bank account or receiving a new asset. In this example, you received an asset (the new trailer), so you need to show an increase in the asset's Cost account.

To record an increase in the asset's Cost account:

- 1 In the chart of accounts, double-click the Trailer:Cost subaccount. QuickBooks displays the Trailer:Cost register.

Date	Ref	Payee	Decrease	Increase	Balance
Type	Account	Memo			
12/15/2007	Ref	Payee	Decrease	Increase	
		Account			
		Memo			

Ending balance 0.00

- 2 In the Increase field, type **30,000**.
- 3 In the Account field, select the Trailer Loan liability account from the drop-down list.

Make sure that you select the Trailer Loan long-term liability account, not the Trailer fixed asset account.

Your screen should resemble the following.

Date	Ref	Payee	Decrease	Increase	Balance
Type	Account	Memo			
12/15/2007	Ref	Payee	Decrease	30,000.00	
	GENJRNL	Trailer Loan			
		Memo			

Ending balance 0.00

- 4 Click Record.
- 5 Close the register window.
- 6 Close the chart of accounts.

When you complete these steps, QuickBooks increases the value of your Cost asset account to 30,000. (This effectively sets the opening balance.) It also enters a liability of 30,000 in the liability account you use to track the loan. (Again, this sets the opening balance.)

Tracking fixed assets

You can enter the Trailer on the Fixed Asset Item list. Tracking fixed assets using the Fixed Asset Item list enables you to record such information about an asset as purchase date and price, whether the asset was new or used when purchased, and the asset's sale price if you decide to sell it. You can also generate customizable reports listing all your fixed assets.

The information you enter in the Fixed Asset Item list does not transfer to the chart of accounts.

To create a fixed asset item:

- 1 From the Lists menu, choose Fixed Asset Item List.

QuickBooks displays the Fixed Asset Item list.

Name	FAM Number	Purchase Date	Purchase Description	Account	Cost
1999 Utility Truck		10/01/1999	1999 Utility Truck	Trucks	30,250.00
2000 Pickup		06/15/2000	2000 Pickup truck	Trucks	34,602.91

Item Activities Reports Include inactive

Using other accounts in QuickBooks

- 2 Click the Item menu button, and select New.
QuickBooks displays the New Item window.

The screenshot shows the 'New Item' window in QuickBooks. The 'Type' dropdown is set to 'Fixed Asset'. The 'Purchase Information' section has 'Item is new' selected. The 'Sales Information' section has 'Item is sold' unchecked. The 'Asset Information' section has 'Asset Description' and 'Notes' fields. The 'Notes' field is empty. The 'Vendor/Payee' field is empty. The 'Cost' field is set to 0.00. The 'Sales Price' field is set to 0.00. The 'Sales Expense' field is set to 0.00. The 'Date' field is empty. The 'Sales Date' field is empty. The 'Location', 'PO Number', 'Serial Number', and 'Warranty Expires' fields are empty. The 'Notes' field is empty. The 'Item is inactive' checkbox is unchecked. The 'OK', 'Cancel', 'Next', 'Custom Fields', and 'Spelling' buttons are visible on the right side of the window.

The item type is preset as Fixed Asset.

- 3 In the Asset Name/Number field, type **Trailer**.
- 4 Enter the following information to complete the Purchase Information section:
 - Item is: **new**
 - Purchase Description: **Trailer**
 - Date: **12/15/2007**
 - Cost: **30,000**
 - Vendor/Payee: **East Bayshore Auto Mall**

The New Item window should look like the following graphic.

- 5 Enter the following information to complete the Asset Information section:
- Asset Description: ***White trailer with company logo***
 - Serial Number: ***123456789***
 - Warranty Expires: ***12/15/2010***

- From the Asset Account drop-down list, choose Trailer:Cost.
The New Item window should look like the following graphic.

The screenshot shows the 'New Item' window in QuickBooks. The 'Type' dropdown is set to 'Fixed Asset'. The 'Asset Name/Number' field contains 'Trailer' and the 'Asset Account' dropdown is set to 'Trailer:Cost'. Under 'Purchase Information', the 'Purchase Description' is 'Trailer', 'Date' is '12/15/2007', 'Cost' is '30,000.00', and 'Vendor/Payee' is 'East Bayshore Auto Mall'. Under 'Sales Information', 'Sales Description' is empty, 'Sales Date' is empty, 'Sales Price' is '0.00', and 'Sales Expense' is '0.00'. The 'Asset Information' section has 'Asset Description' as 'White trailer with company logo', 'Location' empty, 'PO Number' empty, 'Serial Number' as '123456789', and 'Warranty Expires' as '12/15/2010'. There is a 'Notes' field at the bottom. On the right side, there are buttons for 'OK', 'Cancel', 'Next', 'Custom Fields', and 'Spelling', and a checkbox for 'Item is inactive'.

- Click OK.
- Close the Fixed Asset Item list.

If you work with an accountant who uses the QuickBooks Fixed Asset Manager (a separate application used to work with fixed assets), he or she can determine the depreciation of your assets and update your company file with that information. A summary of information calculated in the QuickBooks Fixed Asset Manager and sent to QuickBooks displays in the Fixed Asset Item list.

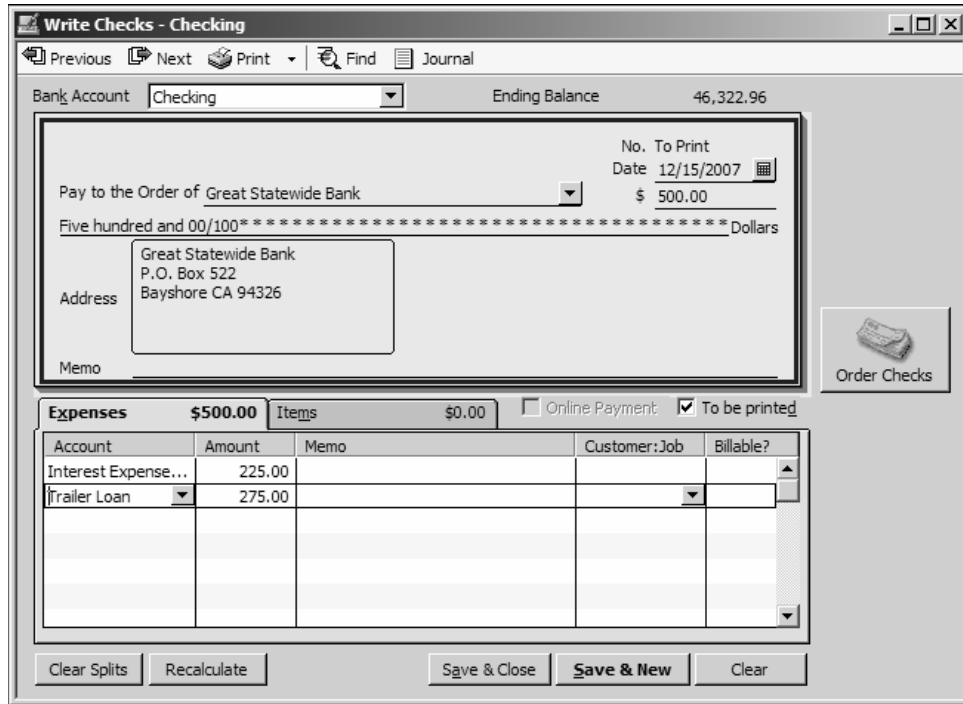
Recording a payment on a loan

When it's time to make a payment on a loan, use the Write Checks window to record a check to your lender. You'll want to assign part of the payment to a loan interest expense and the remainder to loan principal.

To record a payment on a loan:

- From the Banking menu, choose Write Checks.
QuickBooks displays the Write Checks window.
- In the "Pay to the Order of" field, type **Great** and then press Tab.
QuickBooks fills in the field with Great Statewide Bank. If QuickBooks asks whether you want to use the last transaction for this vendor, click No.
- For the dollar amount of the check, type **500.00**.

- 4 Click in the Account column on the Expenses tab and choose the Interest Expense:Loan Interest expense account from the drop-down list.
- 5 In the Amount column highlight the amount that QuickBooks prefilled and then type **225.00**.
- 6 Assign the remainder of the expense (275.00) to the Trailer Loan liability account.



- 7 Click Save & Close to record the payment.

When you record the transaction, QuickBooks automatically updates the accounts affected by this transaction:

- In your checking account, QuickBooks subtracts the amount of the check from your balance.
- In the expense account that tracks interest, QuickBooks enters the interest amount as an increase to your company's interest expense.
- In the Trailer Loan liability account, QuickBooks subtracts the principal amount from the current value of the liability (reducing the amount of your debt).

When you record the transaction, QuickBooks creates a journal entry. The following table shows the journal entry for the trailer loan payment.

Account Title	Debit	Credit
Checking		\$500.00
Loan Interest	\$225.00	
Trailer Loan	\$275.00	

Understanding equity accounts

Many students will see the equity accounts QuickBooks automatically adds for them, and wonder what equity is all about. Equity can be a complicated subject, especially for newer business owners, and a complete discussion of it is not the focus of this lesson. This section introduces the subject of equity, and helps students understand why QuickBooks creates the two default equity accounts.

Equity is the difference between what you have (your assets) and what you owe (your liabilities). If you sold all your assets today and paid off your liabilities using the money received from the sale of your assets, the money you'd have left would be your equity.

A balance sheet shows your company assets, liabilities, and equity on a particular date. Because equity is the difference between total assets and total liabilities, it's also true that total assets equal the sum of total liabilities and equity.

As you enter the opening balances of your assets and liabilities, QuickBooks calculates the amount of equity and records it in an equity account called Opening Bal Equity (Bal stands for Balance).

In addition to the Opening Bal Equity account, QuickBooks sets up another type of equity account for you called Retained Earnings. This account tracks your company's net income from previous fiscal years. QuickBooks automatically transfers your profit (or loss) to Retained Earnings at the end of each fiscal year.

If your company is a sole proprietorship (an unincorporated company with only one owner), you don't have to add any more equity accounts to your chart of accounts. All the equity belongs to the company's sole owner.

You can get as involved in tracking equity as you wish. Some people like to track owner investments, owner's draws, and retained earnings prior to their QuickBooks start date by putting them in separate equity accounts. If your business is a partnership, you'll probably want to set up separate equity accounts for each partner.

To learn more about equity and to learn how to set up equity accounts for your business, search the onscreen Help index for *equity*.

QuickStart Tip

A common use of an equity account is to record an owner's draw (a payment you make to yourself). To record an owner's draw, use the Write Checks window to make out a check to yourself. In the detail area of the check, assign the amount of the check to the equity account you use to record owner draws.