K2's QuickBooks Online For Accountants

Continuing Professional Education Series

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Introduction

Three Rules of this Seminar

1. **There Are No Dumb Questions.** Please ask questions if you need further explanation. We welcome your questions and will do our best to provide accurate and meaningful answers.

2. **Obtain the Information for Which You Came.** If you have a specific interest in a topic, please let us know. If your topic is not part of the course materials, we will do our best to accommodate your request. Your instructor is anxious to meet your needs.

3. **Share and Share-Alike.** Your instructor is here to share relevant information about the course. We hope that you will be willing to do the same. If you have helpful tips or experiences, please share them with the other participants and us.

Course Development

The shareholders, associates, and staff of K2 Enterprises and K2E Canada Inc. developed this course and the related course materials. We aim to deliver high-quality educational practices that help you use and understand the tools and concepts discussed in this session more effectively.

We designed our course presentation style for busy professionals. Through numerous short case studies and feature reviews, we deliver concise, easy-to-understand, easy-to-absorb information.

To maximize your time and the value of attending this course, we have carefully filtered out trivial and obscure features. Our goal is not to cover every keystroke and menu option, but to provide a fast-paced course that focuses on state-of-the-art information technology and how it can benefit you and your staff.

About K2 Enterprises

For over three decades, our team members have delivered more than 45,000 technology-focused seminars, webinars, and conferences worldwide. To stay on top of technology, our team members read numerous technology trade magazines, attend conferences, and speak with technology companies each year to stay current with the latest information for our courses. Also, we experience everything we teach and recommend to our audiences. Because our shareholders and associates are based in different states and provinces, using technology efficiently and appropriately is essential to our business's success and survival.

Our Mission Statement

K2 aims to develop and deliver the highest-quality technology seminars and conferences for business professionals. We work cooperatively with professional organizations such as state CPA societies, associations of Chartered Professional Accountants, and technology vendors. We make every effort to maintain high integrity, family values, and friendship among all involved.

Our Instructional Team

For a complete listing of instructors and bios, please visit:

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- K2’s Excel Charting And Visualizations
- K2’s Implementing Internal Controls In QuickBooks Online Environments
- K2’s Improving Productivity With Microsoft 365Cloud Applications And Services
- K2’s Mastering Advanced Excel Functions
- K2’s Microsoft Teams
- K2’s Securing Your Data: Practical Tools For Protecting Information
- K2’s Technology Update
- K2’s Top PDF Features You Should Know

Besides the seminars listed above, K2 also produces numerous one and two-day technology conferences annually. You can find a complete listing of our course offerings, including dates, locations, and course descriptions, on our website at:

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On-Site Training

Working cooperatively with state CPA organizations and associations of Chartered Professional Accountants, we are pleased to offer all our seminars and conference sessions as on-site training opportunities. On-site training provides companies of all sizes with numerous advantages, including the following.

- ***Customization***. K2 can customize the content of all on-site training events to meet your organization's specific needs. For example, we can combine selected parts of existing courses into a focused learning experience to meet your team's needs. Likewise, we can develop custom content from the ground up and deliver it to your team members, ensuring we meet your training objectives.

- ***Cost savings***. For organizations of all sizes, on-site training can provide significant cost savings compared to public training venues. In addition to potentially reduced registration fees, these cost savings materialize in the form of reduced travel costs and reducing the amount of time team members spend away from the office.

- ***Convenience***. Because you select your on-site training event's date, time, and location, on-site training is more convenient for you and your team than traditional training options. Many organizations schedule on-site training with staff meetings, retreats, and customer/client events to leverage the value of all participants' time.

Customization, ***cost savings***, and ***convenience*** are the three C's of "training to go." For more information on how you and your organization can experience these benefits or schedule an on-site training event, please visit:

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Web-Based Training

K2 offers web-based CPE and CPD to accounting and business professionals throughout the United States and Canada. K2's award-winning instructors deliver two-, four-, and eight-hour webinars on numerous technology-focused topics.

Additionally, K2 provides on-demand training. On-demand courses offer you the advantage of receiving top-quality training at a time and location that fits your busy schedule. You can start a class today and complete it in the future. For more information, please visit:

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K2 maintains multiple websites containing information and links relevant to CPAs and other business professionals as a service to the profession. Further, the content of these sites can enrich your experience during and after our seminars. In addition, our pages contain links to some of the top accounting and content management software solutions and even to a few sites that are just fun places to visit. If you have any comments or questions regarding our web pages, please email *webmaster@k2e.com*.

K2 has two primary websites. You can view information regarding CPE and CPD opportunities, access a library of technology tips and articles, and link to K2-related websites.

www.k2e.com

www.k2e.ca

www.cpafirmtech.com

CPA Firm Technology contains technology-related information explicitly targeted at public accounting firms. We include product reviews, hardware and operating system discussions, affinity programs for CPA firms, and Cloud computing resources.

www.accountingsoftwareworld.com

Accounting Software World provides information related to accounting and financial management solutions. Here, you can find software and service reviews, product comparisons, white papers, and other material of interest to those seeking information about accounting software and service solutions.

www.totallypaperless.com

For information about document management and paperless processes, please visit **Totally Paperless**. In addition, you will find reviews on hardware and software used by all types of businesses in document imaging and management processes.

Introducing QuickBooks Online

Chapter 1

QuickBooks Online (QBO) debuted in 2000 and has grown to include approximately 7,000,000 subscribers. Early on, many professional accountants rejected the Cloud-based subscription service. However, continual improvements, coupled with a growing appetite for Cloud-based tools, have helped fuel the growth of Intuit's market-leading service. We have designed this course to help accounting, bookkeeping, and other business professionals use and support QBO more efficiently and effectively.

Learning Objectives

Upon completing this chapter, you should be able to:

- Identify critical characteristics associated with Cloud Computing;
- Differentiate between various QBO subscription offerings;
- List examples of companies that should consider using QBO and examples of companies that may consider avoiding it;
- Name viable alternatives to QBO; and
- Cite examples of functionality provided by third-party solutions.

Defining Cloud Computing

To fully understand QBO, its relevance in the market, and how to take full advantage of the ecosystem, one must first understand the concept of Cloud Computing. Let us begin by defining the phrase *Cloud Computing*.

Indeed, the term has different meanings across people and organizations, and there is no single, one-size-fits-all definition of cloud computing. For example, the **National Institute of Standards and Technology** (NIST) defined cloud computing as follows.

> *Cloud computing is a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be readily provisioned and released with minimal management effort or service provider interaction.*

HP defined cloud computing as follows.

> *Computing in "the cloud" may refer to a company's network, but it typically refers to the Internet and the use of Web browser-based or rich client applications. In these applications, the software comes from the Web Servers, and the data may also be saved on the servers.*

Gartner's definition of cloud computing follows.

> *A style of computing where scalable and elastic IT-enabled capabilities are delivered as a service to customers using Internet technologies.*

Penn State University takes a more personal view of cloud computing as

> *The use of Web services such as Flickr, Google Docs, and Jing (a video screen capture service) to perform functions traditionally performed with software installed on an individual computer.*

And, **Microsoft** defined cloud computing as:

> *Refers to a variety of services available over the Internet that deliver computing functionality on the service provider's infrastructure. Its environment (infrastructure) may actually be hosted on either a grid or utility computing environment, but that doesn't matter to a service user. The data in the cloud is often an important part of the services.*

As the five definitions above clearly prove, the term "cloud computing" is not universal, and, depending upon your vantage point, your definition of cloud computing may differ from that of a co-worker. Accordingly, we will not attempt to create a "forced" definition of cloud computing for this course. Instead, we will describe cloud computing based on several critical characteristics found commonly in many definitions of cloud computing that appear elsewhere.

Key Characteristics of Cloud Computing

1. Cloud computing environments possess several common characteristics. Among these are the following four.

2. Cloud computing is typically delivered over the Internet but can also transmit data over local networks; more specifically, "cloud" is simply a euphemism for "remote."

3. Users generally access Cloud computing services through a Web browser, but that is not a strict requirement, particularly considering the abundance of apps currently used on all devices.

4. Cloud computing services are scalable, both upward and downward. This trait means you can add users quickly and, if the workforce shrinks, remove them promptly.

5. Organizations typically host Cloud-based applications on a remote server, and data likely resides there as well; however, in some cases – often for privacy and security issues – data remains internal to the organization.

While these characteristics are not absolute, and other, less common characteristics might appear from time to time, the four factors cited above generally describe most cloud-based environments. As such, we will rely on these characteristics to explain cloud computing throughout this course.

A Brief History of Cloud Computing

Many professionals believe that cloud computing is a relatively new phenomenon, originating over the past decade. However, the notion of cloud computing dates back to the 1960s. John McCarthy proposed the concept in a 1961 speech at a celebration honoring the centennial of the Massachusetts Institute of Technology (MIT). During that speech, McCarthy opined, "Computation may someday be organized as a public utility."

Later, in 1966, Douglas Parkhill published The Challenge of the Computer Utility. In that book, Parkhill described many of the characteristics of the modern-day cloud model. Included in those characteristics was the notion that companies deliver computing capacity over a public utility (we now know that as the Internet) and that computing should be elastic (see the discussion on scalability above).

Cloud computing remained largely a theory until the late 1990s, when Salesforce.com introduced applications delivered over the web. Today, Salesforce.com is one of the world's leading Customer Relationship Management (CRM) applications. Further, Salesforce's Force.com platform is now one of the leading development platforms for application developers worldwide. Using Force.com, developers can build multi-tenant applications that Salesforce hosts.

Also, in the late 1990s and carrying over to the early part of the next decade, companies such as NetLedger (now NetSuite), Intuit, and Peachtree (now Sage 50cloud) began offering web-based accounting software tools, some of which were developed specifically for deploying through the Cloud, and some of which are hosted versions of traditional, desktop-based applications. Further, as high-speed Internet connections became widely available, many individuals and organizations began exploring tools to access their computers from remote locations; early players in this market included PCAnywhere and Citrix. Since then, many similar providers have appeared, including LogMeIn.com and GoToMyPC.com.

Amazon was one of the first large organizations to make a heavy investment in cloud computing. Amazon's Amazon Web Services (AWS) is a Web-Based infrastructure platform that allows organizations to "rent" services as needed. Through this platform, companies can access Amazon's e-commerce services, serve video, music, and other bandwidth-hungry services to customers, and provide computing capabilities to remote workers.

Microsoft is another large organization that has made a significant push to the cloud. Through the Microsoft Azure platform, the company offers a range of Internet services that you can consume over the Web or through on-premises environments. Components of the Azure platform include:

- The ability to build, host, and manage applications;
- A content delivery network;

- Storage capabilities in the Cloud;
- Networking functionality to connect on-premises and cloud applications; and
- A marketplace for accessing building block components, data sets, training, and applications.

Further, technology giants such as Google and Microsoft have helped usher in an era of Cloud Computing with offerings such as Google Workspace and Microsoft 365. These tools allow subscribers to access their applications and data from virtually any device with an internet connection.

On the accounting front, many service providers have entered the cloud. In addition to QBO, other market participants include Xero, BQE, Wave, Sage, and Acumatica. These companies are making their mark on cloud computing by offering accounting platforms for small and mid-sized businesses. Niche players such as Kashoo, FreshBooks, Bill, and Hubdoc are also making their presence felt. Likewise, companies such as Microsoft, SAP, Oracle, Infor, Epicor, and Acumatica provide cloud options for more traditional accounting functions required by mid-size and larger businesses. Moreover, virtually all conventional desktop accounting solutions are now accessible through hosted environments. And, of course, accounting firms have cloud-based options from most major vendors, including Thomson Reuters, Wolters Kluwer, AccountantsWorld, and Intuit, for cloud-based tax preparation, client accounting, and other tools.

From relatively humble beginnings, cloud computing has grown in recent years to touch virtually every aspect of our computing experience. Applications, data, desktops, servers, infrastructures, and development platforms are now available from multiple providers in the Cloud. Most expect explosive growth to continue as individuals and organizations seek to reduce costs, gain flexibility, and increase the application and data delivery options.

Why The Cloud Matters With QuickBooks Online

Cloud Computing is critically important when considering QBO and other Cloud-based accounting solutions. First, as a Cloud-based platform, QBO does not require a Local Area Network (LAN) to facilitate a multi-user environment. Instead, an Internet connection (wired or wireless) enables multi-user access without the added cost and complexity of a LAN.

A second benefit of QBO is the lack of maintenance required by the service. Because of QBO's Cloud-based nature, Intuit streams updates – such as new features, payroll tax changes, and bug fixes – directly to each subscriber. Thus, team members need not worry about whether they have the latest version of their accounting platform. Further, the need to create periodic backups of the accounting data disappears; instead, Intuit stores company data backups as part of each user's subscription.

A third benefit of QBO's Cloud-based heritage is built-in support for Work-From-Anywhere (WFA) environments. Indeed, WFA's presence grew exponentially during the Pandemic and has remained a popular concept since. Again, QBO's Cloud-based nature allows workers to use the service anywhere they have a reasonably fast Internet connection and an appropriate device, such as a desktop, laptop, tablet, or smartphone.

In addition to the benefits mentioned above, scalability is another advantage of QuickBooks Online. Simply put, QBO's five subscription options discussed below can meet the needs of many small and growing businesses. For example, a startup business might use QBO's Simple Start offering early on and then progress to QuickBooks Online Essentials and QuickBooks Online Plus. Further, as the company continues to grow, it could transition to QuickBooks Online Advanced, and each transition would require only an upgrade to the subscription. In other words, no messy, expensive, and time-consuming data conversions would be necessary. This attribute is one that decision-makers should not overlook for companies that foresee significant growth.

Another critical advantage afforded to QBO resulting from its Cloud-based heritage is security and privacy. Specifically, QBO provides high data security and privacy through two primary means: 1) Encryption and 2) Multi-Factor Authentication. QuickBooks Online uses advanced encryption standards to secure user data in transit and at rest. Additionally, QuickBooks Online enforces MFA, making it highly unlikely that unauthorized users can access the system. Of course, "perfect" security and privacy are not guaranteed. However, a robust encryption algorithm and MFA make it highly unlikely that unauthorized users can access QBO data.

?	Given what you've learned about QuickBooks Online, what are its most significant positive attributes?

Differentiating Between QuickBooks Online Subscription Offerings

One commonly cited issue with QBO is that it offers only some of the functionality a subscribing company needs. Although this may be true in some cases, this issue arises in many situations because decision-makers failed to perform appropriate due diligence when selecting their QBO subscription.

Pricing For US Customers

Presently, Intuit offers five subscription options for its online platform:

1. **Solopreneur**
2. **Simple Start**
3. **Essentials**
4. **Plus**
5. **Advanced**

QuickBooks Solopreneur

Each of these options targets a different customer base and, as a result, provides a different feature set. Specifically, the target audience for **QuickBooks Solopreneur** includes self-employed individuals and freelancers who need a simple, inexpensive tool to manage their finances and track their income and expenses. This subscription plan provides basic features, including tracking income and expenses, maximizing tax deductions, invoicing customers, accepting customer payments, and tracking sales and sales tax. QuickBooks Solopreneur targets individuals just starting their business and seeking a simple, affordable solution to manage their finances.

Notably, the solution does not support inventory tracking or accounts payable processing. Further, it lacks robust reporting capabilities. Further, Solopreneur supports only one named user, which is unsuitable for small businesses where multiple users might need to access the application. Yet, its price point of $20[1] per month makes Solopreneur an attractive option for sole proprietors with relatively simple accounting and bookkeeping requirements.

QuickBooks Online Simple Start

QuickBooks Online Simple Start is the next subscription plan in QuickBooks Online, designed for small businesses that need more features and flexibility than the Solopreneur plan. With Simple Start, you can track income and expenses, invoice and accept payments, run basic reports, track sales and sales tax, and capture and organize receipts. Additionally, Simple Start allows you to track miles.

However, Simple Start has a few notable limitations, including the lack of billable hours tracking, budgeting, class tracking, and project profitability tracking. Additionally, Simple Start supports only a single named user. If you need a more robust feature set, consider upgrading to a more advanced subscription plan, such as Essentials, Plus, or Advanced. These plans offer more advanced features and reporting capabilities to help you manage your business more effectively and efficiently. Note that Simple Start only provides access for one user, and the list price is $38 per month.

QuickBooks Online Essentials

QuickBooks Online Essentials offers a more robust feature set than QuickBooks Online Simple Start, including support for up to three named users on the subscription. Additionally, Essentials adds the features listed below, making it an ideal solution for many small businesses seeking an accounting solution that goes “beyond the basics.”

- **Invoicing**: You can set invoices to bill on a recurring schedule.

- **Bill Management**: Track bill status, record payments, and create recurring payments[1]. You can also pay multiple vendors and bills simultaneously.

[1] All pricing mentioned in this material was current as of March 3, 2026. Prices and feature sets are, of course, subject to change, so please confirm these with Intuit before making a purchasing decision.

- **Detailed Reports**: Check business health with detailed profit and loss, sales by customer, and more.

- **Time Tracking**: Track hours worked. You can enter hours yourself or give employees access.

- **Expense Tracking**: Automatically sort transactions from connected accounts into tax categories for easy organization.

- **Receipt Management**: Snap photos of receipts with your smartphone, and QuickBooks will match them to expenses.

- **Tax Deductions**: Automatically sort business expenses into the correct tax categories to keep more of what you earn at tax time.

- **Invoice Payments**: With a button to pay instantly online, customers can pay invoices quickly and safely.

- **Mileage Tracking**: Your smartphone's GPS can track your miles driven, making it easy to organize business trips.

- **Estimates**: Create custom and professional estimates that build confidence and convert them to invoices.

- **Sales and Sales Tax Tracking**: Accept credit cards and payments anywhere, and QuickBooks will automatically calculate sales tax for you.

- **1099 Contractors Management**: Stay compliant on all your 1099s, and at tax time, prepare and file 1099s right from QuickBooks.

- **Multi-Currency**: Handle transactions in multiple currencies.

- **User Access**: Simple Start supports up to three users and provides for different user profiles and access capabilities for up to three users.

The monthly subscription fee for QuickBooks Online Essentials is $75.

QuickBooks Online Plus

Small businesses requiring more features and functionality than **QuickBooks Online Essentials** should consider QuickBooks Online Plus. For a monthly subscription fee of $115, Plus adds more user capacity (up to 5 users), inventory tracking, job costing options, and enhanced reporting. Further, Online Plus supports multiple currencies and multiple sales channels.

QuickBooks Online Advanced

QuickBooks Online Advanced is the most robust of the five QuickBooks Online options. In addition to all the features listed with other subscription plans, QuickBooks Online Advanced provides the following features:

- Access for up to twenty-five users,
- Customizable workflows,
- Fixed Asset tracking and depreciation calculations, and
- Advanced Reporting options.

Online Advanced supports up to 25 users and costs $275 per month.

The table below summarizes the features and tools available in each subscription plan and the associated prices. Again, pricing and features are subject to change without notice, so please verify both before making any purchasing decisions.

Attribute	Solopreneur	Simple Start	Essentials	Plus	Advanced
Monthly Pricing	$20	$35	$65	$99	$235
Users Included	1	1	3	5	25
Provides Double-entry Accounting	✕	✓	✓	✓	✓
Send invoices	✓	✓	✓	✓	✓
Connect Bank Accounts	✓	✓	✓	✓	✓
Manage Expenses	✓	✓	✓	✓	✓
Create & Send Estimates	✓	✓	✓	✓	✓
Track Mileage	✓	✓	✓	✓	✓
Print Balance Sheets	✕	✓	✓	✓	✓

Attribute	Solopreneur	Simple Start	Essentials	Plus	Advanced
Print Checks	✗	✓	✓	✓	✓
Manage Bills	✗	✗	✓	✓	✓
Maker Contractor Payments	✗	✗	✓	✓	✓
Track Time & Add to Invoices	✗	✗	✓	✓	✓
Track Inventory & Cost of Goods Sold (COGS)	✗	✗	✗	✓	✓
Track Activity by Project, Class & Location	✗	✗	✗	✓	✓
Advanced Reporting	✗	✗	✗	✗	✓
Fixed Asset Accounting	✗	✗	✗	✗	✓
Dedicated Customer Service Representative	✗	✗	✗	✗	✓

When To Use Each Version Of QuickBooks Online

QuickBooks Online Solopreneur is a good fit for a startup or small company with simple “cash-in, cash-out” recordkeeping needs. The tool is limited to a single named user, does not track accounts payable, and does not provide a payroll option. However, for a sole proprietor whose biggest tracking needs center around invoicing customers, collecting payments, and tracking expenses, Solopreneur can be a good, cost-effective option.

QuickBooks Online Simple Start is a logical choice for small businesses with accounting and reporting needs that are slightly more advanced than Solopreneur can handle. In addition to the features available in Solopreneur, Simple Start adds check printing and the ability to create balance sheets. However, remember that Simple Start allows for only a single user.

QuickBooks Online Essentials offers routine accounting and reporting features for up to three users. It also enables these users to receive customer electronic payments and manage accounts payable bills.

QuickBooks Online Plus extends the user count to five. It also facilitates inventory tracking and job costing and provides robust reporting features.

QuickBooks Online Advanced (QBOA) is the most advanced of the five QuickBooks Online subscription options. QBOA extends the number of users to twenty-five, with more customizable user rights than other subscriptions. Advanced enables automated workflows and enhanced capabilities not found in other QBO offerings.

Best-Fit Characteristics For Companies Considering QuickBooks Online

Now that we understand the different versions of QuickBooks Online, let us consider "best-fit" scenarios for companies considering QBO. One example of a potential QBO company is a startup founded by an entrepreneur with little accounting background. In this case, QBO Solopreneur or Simple Start could be a sound option for the entrepreneur. Because both subscriptions offer straightforward features and functions, they represent solutions that those without accounting backgrounds or formal accounting training can easily understand.

Another type of company that might find QBO to work well is one where the owners generate much of the revenue and are often away from the office. In this case, they can access the company's QBO data using their smartphone or other device. Upon doing so, they could issue invoices, pay bills, and even run payroll using the QBO app on their device. For instance, someone in a contracting business – such as a homebuilder – might find QBO Plus and Advanced the right solution for their organization. Additionally, service-oriented businesses, such as real estate agents, agencies, and similar organizations, would likely find QBO a good solution for managing their finances. Other examples of companies that are often ideal candidates for QBO include the following.

- Professional services firms such as accountants, architects, attorneys, and engineers
- Other service firms such as home repair, landscaping, fitness training, personal grooming, pest control, and personal services
- Sales-oriented organizations that do not stock inventory, such as factory representatives

- Industries with relatively simple inventory tracking needs, such as small wholesale/distribution organizations

More broadly, companies that are ideal candidates for QBO tend to possess one or more of the following characteristics.

- Companies with mobile workforces
- Companies with decentralized workforces
- Companies without on-site information technology expertise
- Companies that understand the relative strengths and weaknesses of SaaS
- Companies that do not want to make significant expenditures for software
- Companies with consistent and reliable high-speed internet connectivity
- Companies that do not wish to waste time with backups and program updates
- Companies that do not need more than five users accessing the accounting application/service
- Companies that do not have “deep” job costing needs
- Companies that do not have extensive form customization requirements
- Companies that do not need integration with QuickBooks Point of Sale
- Companies that want to facilitate easy access to data by an external accountant
- Companies that want to take advantage of automatic nightly downloads of banking information
- Companies that want to integrate their accounting application/service with a growing ecosystem of mobile apps.

Viable Alternatives To QuickBooks Online

Given the number of small businesses, the small-business market is highly competitive on feature sets and pricing. Although Intuit holds the largest share of this space, many competitors exist and seek to displace QBO from its market-leading position. The following is a list of some viable alternatives to QBO.

1. **QuickBooks Desktop**
   Although it might seem strange to mention QuickBooks Desktop (QBD) as a viable option for QBO, at least for the short term, QBD is a valid option. Like QBO, QBD offers multiple versions, each designed to meet the needs of specific user groups. Further, many, if not most, potential QBO users have some background knowledge of QBD and might seek to leverage that knowledge. However, Intuit’s decision to no longer sell QBD subscriptions to *new users* after July 31, 2024, means that prospective QBD users may have difficulty obtaining appropriate licenses.

2. **Zoho Books**
   One of the best potential competitors to QBO is Zoho Books. You can subscribe to Books in at least three different ways. First, you can subscribe only to Books; if you choose this option, you will have access to the core accounting functionality available in the service.

If you choose this option, you can access "core" accounting functionality, like what is otherwise available in QBO Essentials. Second, you can subscribe to Books as part of Zoho Finance Plus. This option couples Books with other Zoho services, including Invoice, Inventory, Billing, Expense, and Checkout – all of which integrate with Books to provide a robust, full-featured accounting platform. Finally, you can subscribe to Zoho One and access over 60 services, including those mentioned previously, as well as others such as CRM, email, word processing, and spreadsheets. This option would provide the most features and capabilities in the Zoho ecosystem.

3. **Xero**
   Xero is a popular Cloud-based accounting platform for small- to medium-sized businesses. It is well-known for its user-friendly interface and is popular among those seeking a Cloud-based solution. The Xero platform provides robust accounting features and integration with numerous third-party applications, and its feature set closely resembles QuickBooks Online.

4. **Wave**
   Wave is a popular cloud-based solution for capital-constrained startups because it is free. The platform provides a competent set of functionalities and is easy to use, requiring little training.

5. **FreshBooks**
   Another alternative to QBO is FreshBooks. FreshBooks has developed a strong reputation for invoicing capabilities, time tracking, and billing for reimbursable time.

Examples Of QuickBooks Functionality Provided By Third-Party Solutions

One potential advantage of QBO is the depth of applications available in the **QuickBooks App Store** at https://quickbooks.intuit.com/app/apps/home/. You can subscribe to various "bolt-on" apps extending QBO's functionality here. Presently, over 750 apps are available to integrate with QBO. For example, if you use QBO and want to enhance QBO's inventory capabilities, you could choose from over one hundred fifteen inventory-focused apps available in the app store, some of which appear in **Figure 1**. Finding and using the "right" app can mean the difference between using the broader application and migrating to a new accounting platform. Accordingly, the depth of the apps in the QuickBooks App Store is an advantage you should not overlook.

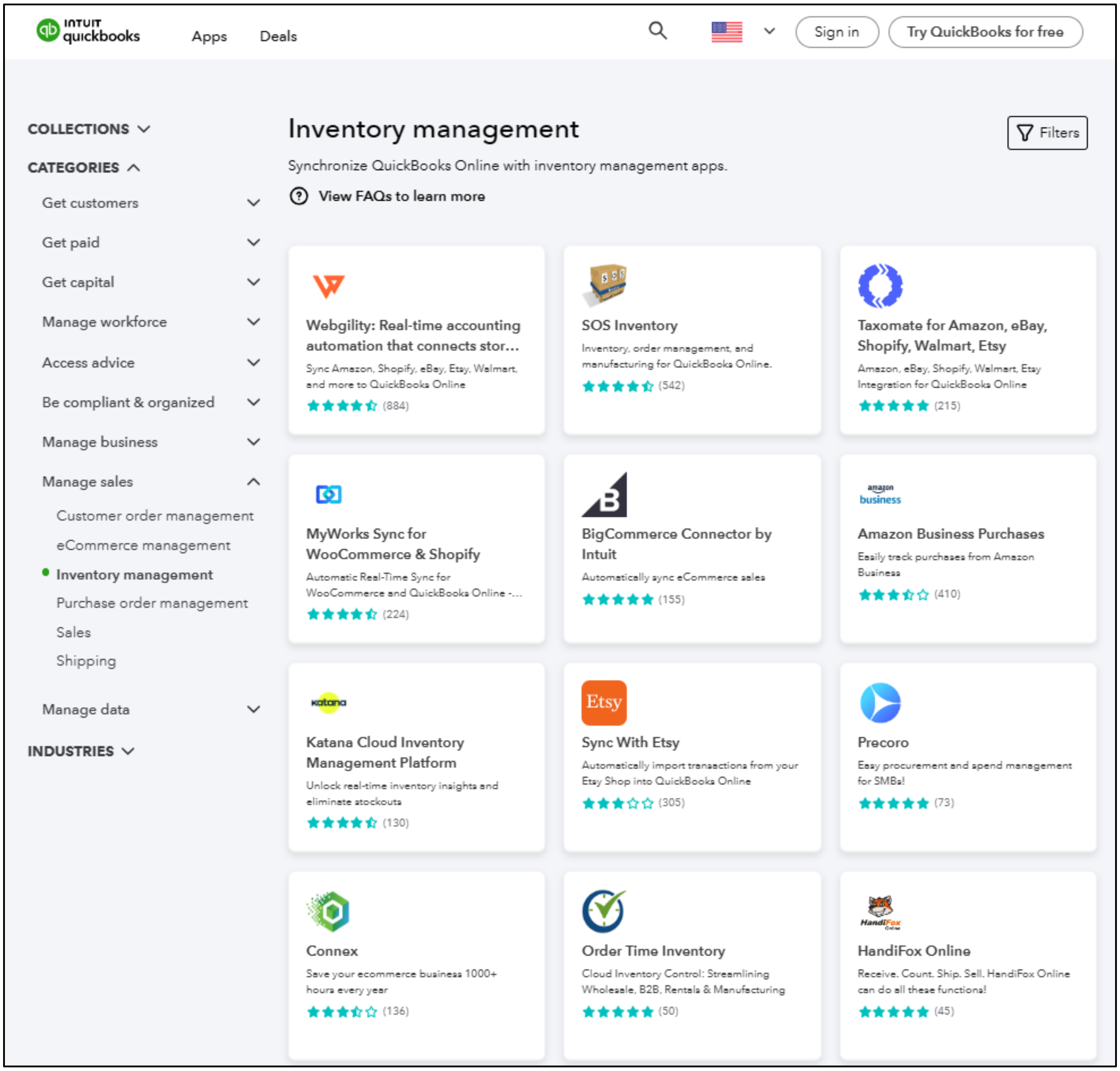


Figure 1 - Examples Of Inventory-Related Apps In The QuickBooks App Store

?	Is the availability of apps to solve specific accounting and management issues a critical consideration in your decision to use a particular accounting platform? Why or why not?

Getting Started With QuickBooks Online

Chapter
2

As with virtually all accounting software and services, correctly establishing and configuring your QuickBooks Online instance is a prerequisite to efficiently, effectively, and securely using the tool. This chapter explores best practices for getting started with QuickBooks Online.

Learning Objectives

Upon completing this chapter, you should be able to:

- List critical steps necessary to create your instance of QBO;
- Cite the processes required to manage users in QBO;
- Identify essential settings you need to establish and manage in QBO; and
- List the procedures for inviting an external accountant into your QBO subscription.

Establishing Your QuickBooks Online Subscription

Once you select the appropriate QuickBooks Online subscription, the process for getting up and running is like that of most other small business accounting applications and services. In sum, the onboarding process consists of the following.

- Signing up for a QBO subscription,
- Adding named users to the subscription,
- Entering or importing "master file" information, such as the chart of accounts, customer names and addresses, and vendor names and addresses,
- Activating appropriate internal controls,
- Customizing reports, and
- Recording opening balances.

While most of the tasks outlined above are relatively straightforward – and resemble the processes required to set up a QBD company – a brief discussion of signing up for a QBO subscription might help some.

Setting Up QuickBooks Online For A New Company

Once you select the appropriate QuickBooks Online subscription, the process for getting up and running is like that of most other small business accounting applications and services. In sum, the onboarding process consists of the following.

- Signing up for a QBO subscription,
- Adding named users to the subscription,
- Entering or importing “master file” information, such as the chart of accounts, customer names and addresses, and vendor names and addresses,
- Activating appropriate internal controls,
- Customizing reports, and
- Recording opening balances.

While most of the tasks outlined above are relatively straightforward – and resemble the processes required to set up a QBD company – a brief discussion of signing up for a QBO subscription might help some.

In Chapter One, we differentiated between the five QBO subscription options:

- Solopreneur,
- Simple Start,
- Essentials,
- Plus, and
- Advanced.

Of course, when starting with QBO, you must choose which subscription options you want to utilize. This decision is critical because selecting an option that isn't ideal for your specific needs may mean you don’t have access to the features you need, or you might end up paying for features you don’t use. Thus, we strongly encourage you to carefully consider your subscription options.

Note that you can change your subscription. To do so, click the **gear icon** near the upper right corner of your QBO window, followed by **Subscriptions and billing** to open the window pictured in **Figure 2**.

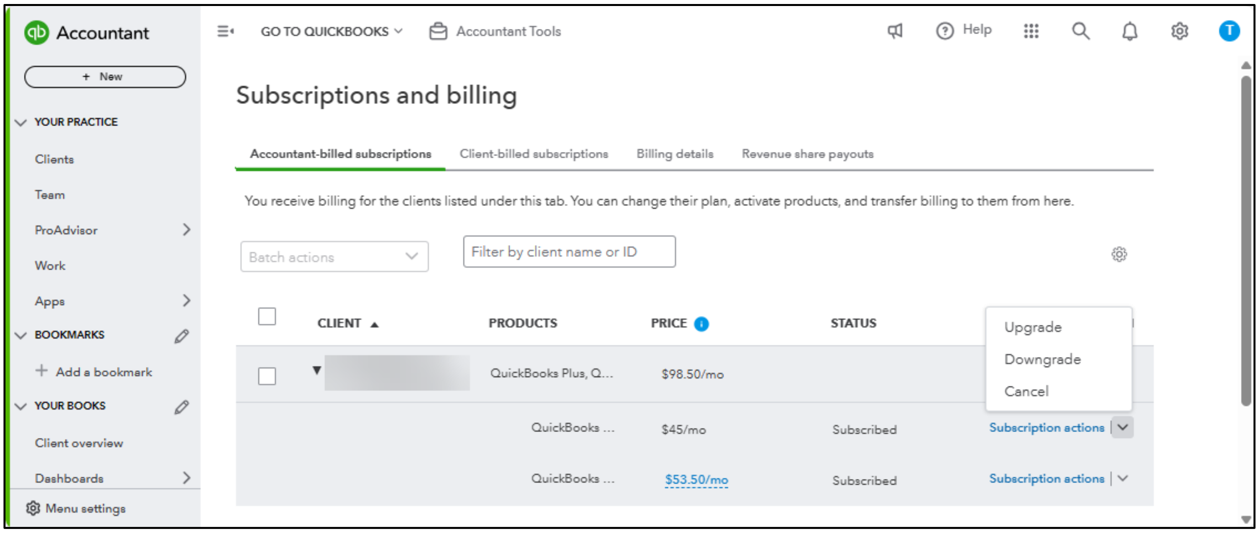


Figure 2 - Changing QuickBooks Online Subscriptions

In the above window, you can upgrade or downgrade your subscription to meet evolving needs.

QBO Subscriptions – Two of the "Fine Points"

Companies choosing to subscribe to QBO can do so independently of their accountant. However, if their accountant has signed up for ProAdvisor Preferred Pricing – note that this is different from QuickBooks ProAdvisor – they can offer the client a discount of up to 30% on the subscription price. The discounted pricing remains in effect for the duration of the client's subscription if Intuit bills the accounting firm for the client's subscription. The firm can then bill the client, with or without markup. On the other hand, if Intuit bills the client directly, the discount lasts for 12 months.

Additionally, Intuit offers a revenue-share program in which the accountant receives a percentage of the fees billed to clients for QuickBooks Online subscriptions. There is no limit to the number of clients an accountant can serve through this program. Furthermore, accountants participating in this program incur no costs. To take advantage of these pricing options, the accountant in public practice must sign up for Intuit's **QuickBooks Online Accountant** program.[2] Additionally, to learn more about the discounted pricing, visit https://quickbooks.intuit.com/accountants/products-solutions/pricing-promotions/papp/.

[2] https://quickbooks.intuit.com/accountants/products-solutions/accounting/online/

	ProAdvisor (we bill your firm) **30%** off ongoing*	Direct (we bill your client) **30%** off for 12 months*	Revenue Share (we bill your client) **50%** off first 3 months
QuickBooks Online	30% off base subscription	30% off base subscription	
Simple Start	~~$35~~ **$24.50/mo**	~~$35~~ **$24.50/mo**	~~$35~~ **$17.50/mo**
Essentials	~~$65~~ **$45.50/mo**	~~$65~~ **$45.50/mo**	~~$65~~ **$32.50/mo**
Plus	~~$99~~ **$69.30/mo**	~~$99~~ **$69.30/mo**	~~$99~~ **$49.50/mo**
Advanced	~~$235~~ **$164.50/mo**	~~$235~~ **$164.50/mo**	~~$235~~ **$117.50/mo**
QuickBooks Online Payroll	30% off base subscription +15% off employee and contractor fees	30% off base subscription +15% off employee and contractor fees	
Core	~~$50~~ **$35/mo** + ~~$6~~ $5.10 per employee or contractor	~~$50~~ **$35/mo** + ~~$6~~ $5.10 per employee or contractor	~~$50~~ **$25/mo** $6 per employee or contractor
Premium	~~$85~~ **$59.50/mo** + ~~$9~~ $7.65 per employee or contractor	~~$85~~ **$59.50/mo** + ~~$9~~ $7.65 per employee or contractor	~~$85~~ **$42.50/mo** $9 per employee or contractor
Elite	~~$130~~ **$91/mo** + ~~$11~~ $9.35 per employee or contractor	~~$130~~ **$91/mo** + ~~$11~~ $9.35 per employee or contractor	~~$130~~ **$65/mo** $11 per employee or contractor

Figure 3 - Discounted QBO Pricing When Subscribing Through QuickBooks Online Accountant

One common dissatisfaction with QBO is that companies with multiple entities need a separate QBO subscription for each entity. This practice contrasts with QBD, which allows companies to use a single license to maintain accounting records for an unlimited number of entities. Intuit offers a multi-company discount to make QBO more price-competitive in cases such as these. More specifically, companies can obtain one QuickBooks Online Plus subscription at the ProAdvisor discounted price shown above and add up to 10 additional companies for $20 per subscription per month. However, this offer is limited to a two-year term.

Converting QuickBooks Desktop To QuickBooks Online

If you currently use QuickBooks Desktop, you can convert your data from that application to your QBO subscription. The first step for existing QuickBooks Desktop users seeking to convert to QBO is obtaining a QBO subscription. Follow the detailed steps below to migrate your data from Desktop to QBO.

First, you should verify that you are running a supported version of Desktop. Assuming you are, you should verify that your system meets the minimum requirements to run QBO. According to Intuit, the following are the system requirements for running QBO.

- Minimum operating systems and internet speeds:
  - Windows PC: Windows 10, Intel Core i3 or comparable processor with at least 2 GB RAM
  - Mac: OS X El Capitan, 10.11 or newer

    - Internet connection with a minimum speed of 1.5Mbps

- Recommended specifications:
    - Windows PC: Windows 10 or newer, Intel Core i5 or comparable processor with at least 4 GB RAM. Also, Adobe Reader 11.0 or newer to print forms.
    - Mac: OS X “Big Sur” 11.1 or newer
    - Converting Data From Other Applications To QuickBooks Online
    - Internet connection with a minimum speed of 3 Mbps

- Supported browsers:
    - Google Chrome: Version 78 or newer
    - Mozilla Firefox: Version 76 or newer. To preview and print forms on Mac OS, you’ll also need the Firefox PDF plugin
    - Microsoft Edge: Version 75 or newer
    - Safari: Version 12 or newer

- Mobile browsers:
    - iPhone and iPad
    - Android smartphones and tablets
        - Nougat 7.1.1 or newer
        - Chrome browser
    - Microsoft Surface
        - Microsoft Edge

It is important to note that QBO may work with other devices and browsers, but Inuit will not support those configurations.

Assuming your system configuration meets the abovementioned requirements, you are ready to proceed with the conversion. To do so, click **Company**, **Export Your Company Files To QuickBooks Online** from within QuickBooks Desktop, as shown in **Figure 4**. Upon doing so, QBO presents a screen similar to that in **Figure 5**. Note in that screenshot the options to **Get Started** and **See your data in a 30-day free trial**. You should choose the Get Started option if you have already established your QBO subscription. Select the free trial option if you have not yet established your subscription.

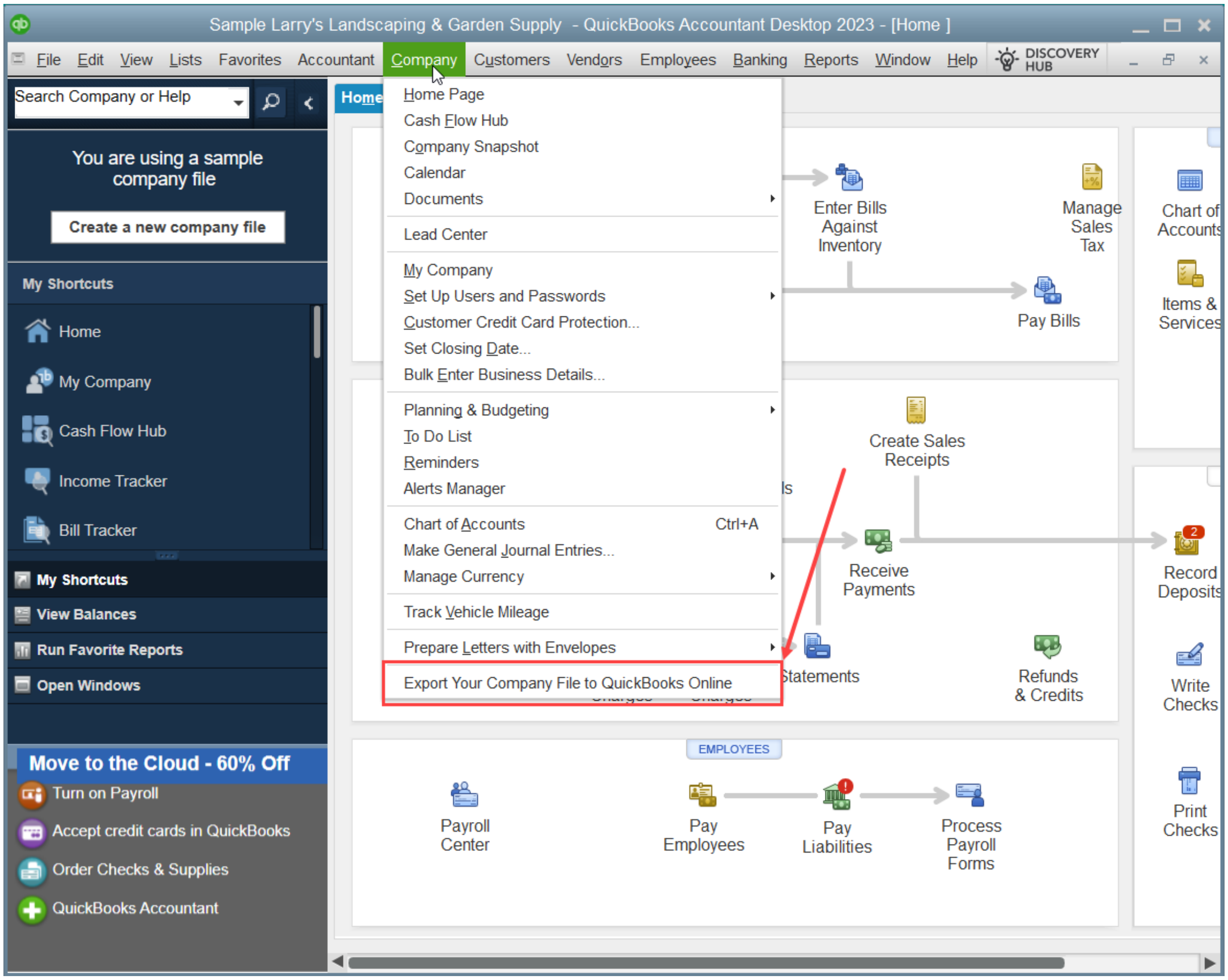


Figure 4 - Choosing To Export Company Data From QBD To QBO

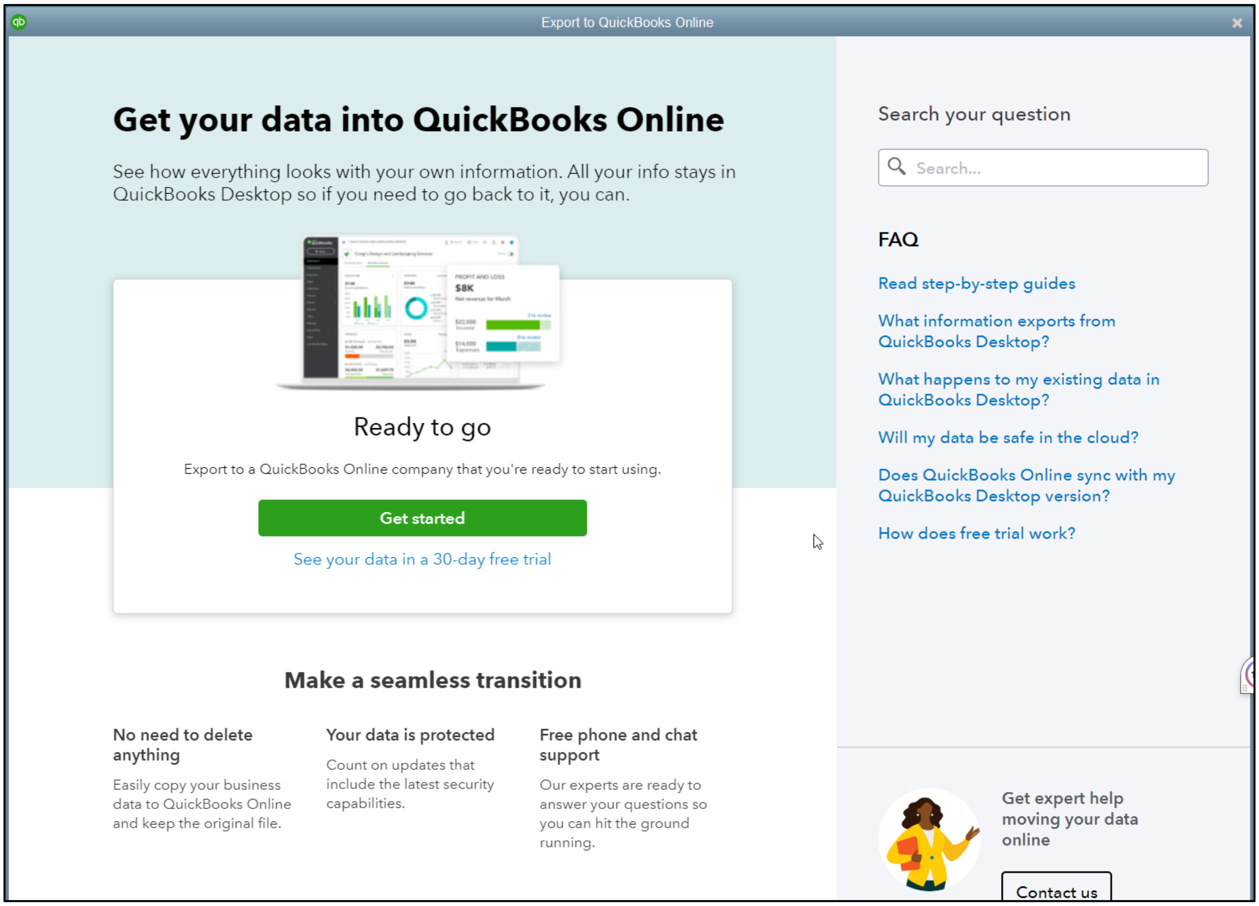


Figure 5 - Converting QBD Data To QBO Data

Next, the conversion utility lets you convert all your existing data or limit it to lists and balances only. Of course, the principal difference between these two options is that converting all your data to QBO will convert all transactions and list data. On the other hand, choosing to convert only lists and balances does not convert all existing transactions. In this example, we will convert all company data. To do so, click **Continue**, as shown in **Figure 6**.

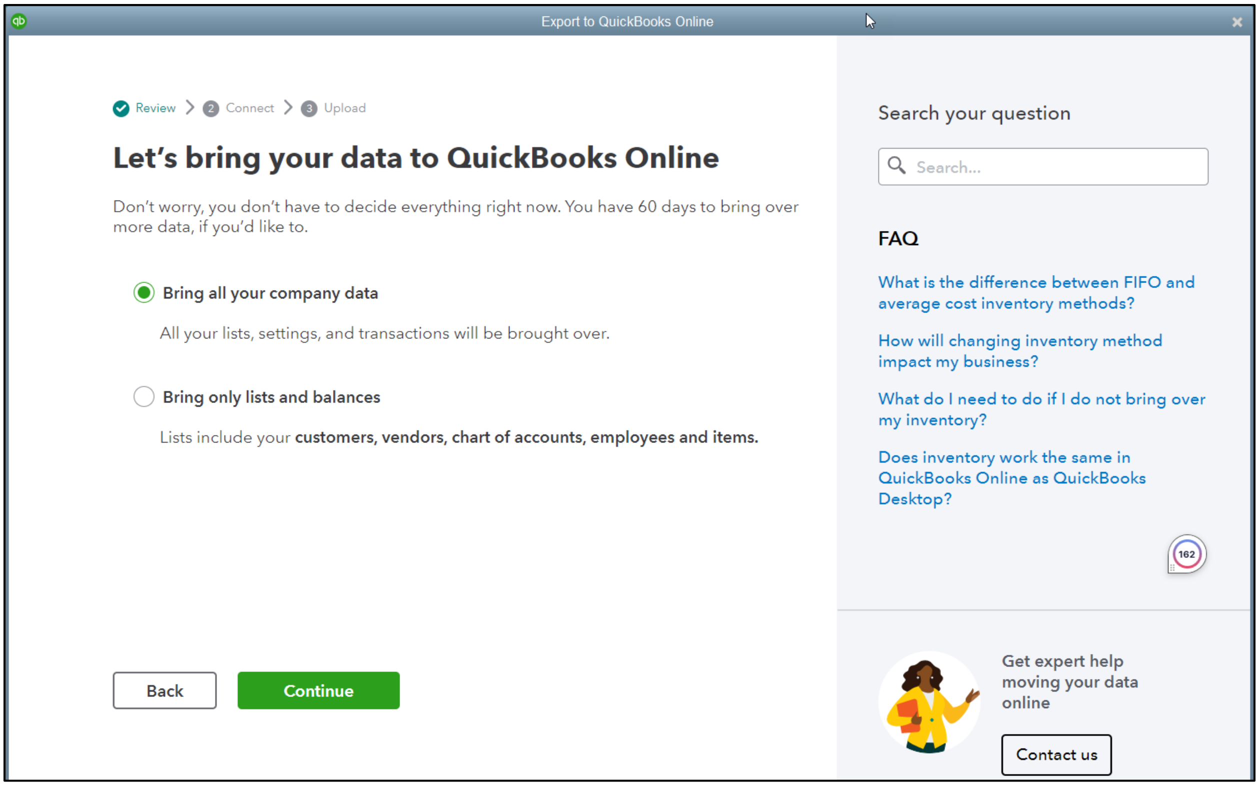


Figure 6 - Copying All Data To QBO From A Pre-Existing QBD Company

If you were tracking inventory in QBD, QuickBooks asks whether you want to convert your inventory using FIFO costing.

Next, QBO prompts you to log in to the QBO account you want to use or to create a new one. If you establish a new account, QBO will ask for your email address, the password you want to use, and your company name. Clicking the **Upload** button launches the conversion process.

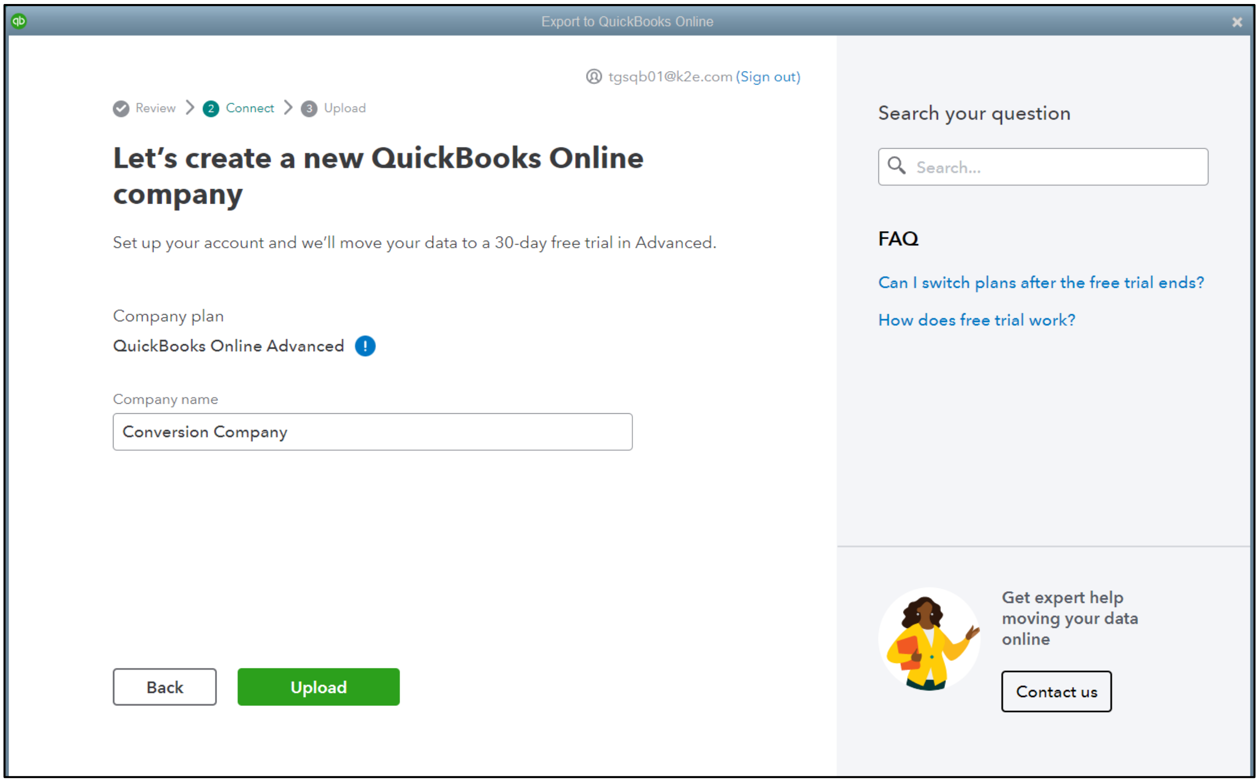


Figure 7 - Converting QuickBooks Desktop Data To QBO

Depending on the volume of data you are converting, your computer's speed, and your internet connection, the conversion process could take a few minutes to a few hours. Most users will likely experience conversion times of less than twenty minutes.

Once the conversion is complete, you will receive an email indicating that your data is ready. At that point, log in to your QBO account to access the data. Upon doing so, you will notice a window similar to that pictured in **Figure 8**. In that window, you will notice that the "before" and "after" numbers for Net Income and Total Assets, Liabilities, and Equity agree, indicating a successful conversion. Of course, if there are any discrepancies, you should resolve them before continuing. To investigate any conversion discrepancies, click the **Full migration details** link pictured near the top of Figure 8. That action will download an Excel file containing details regarding the conversion. You can comb through these details to find data that did not import or did not import correctly.

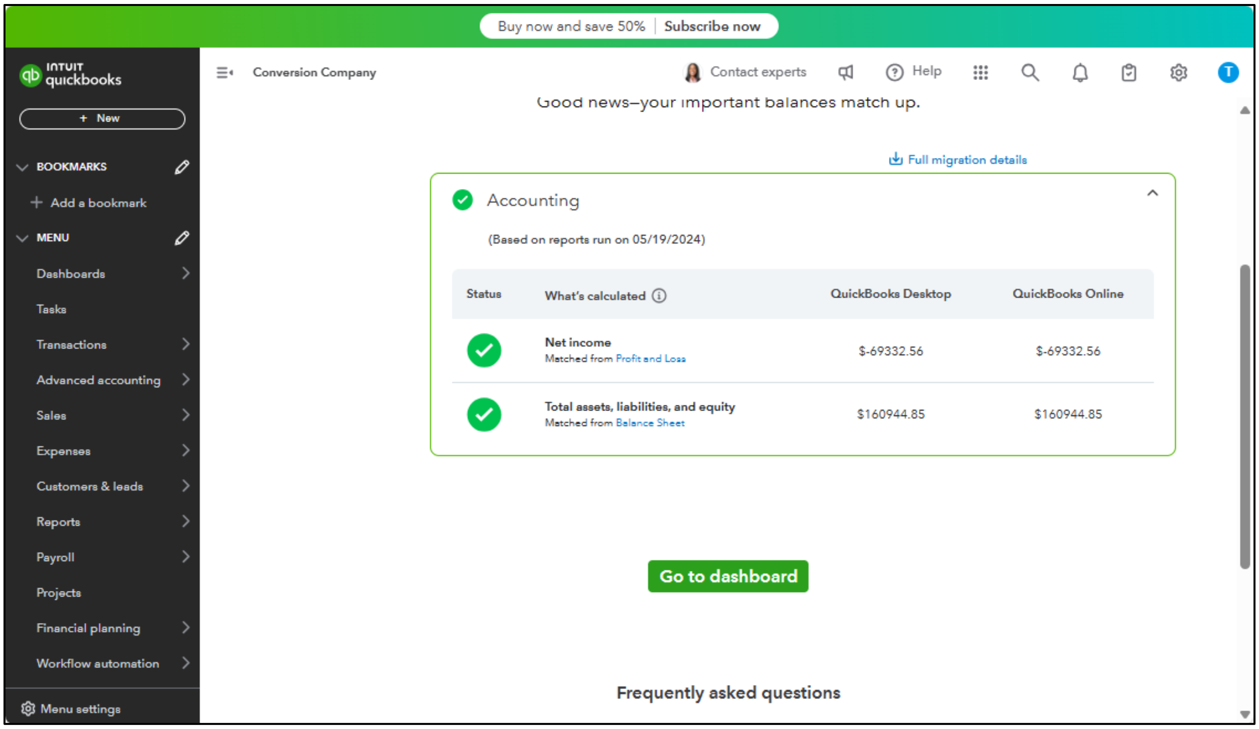
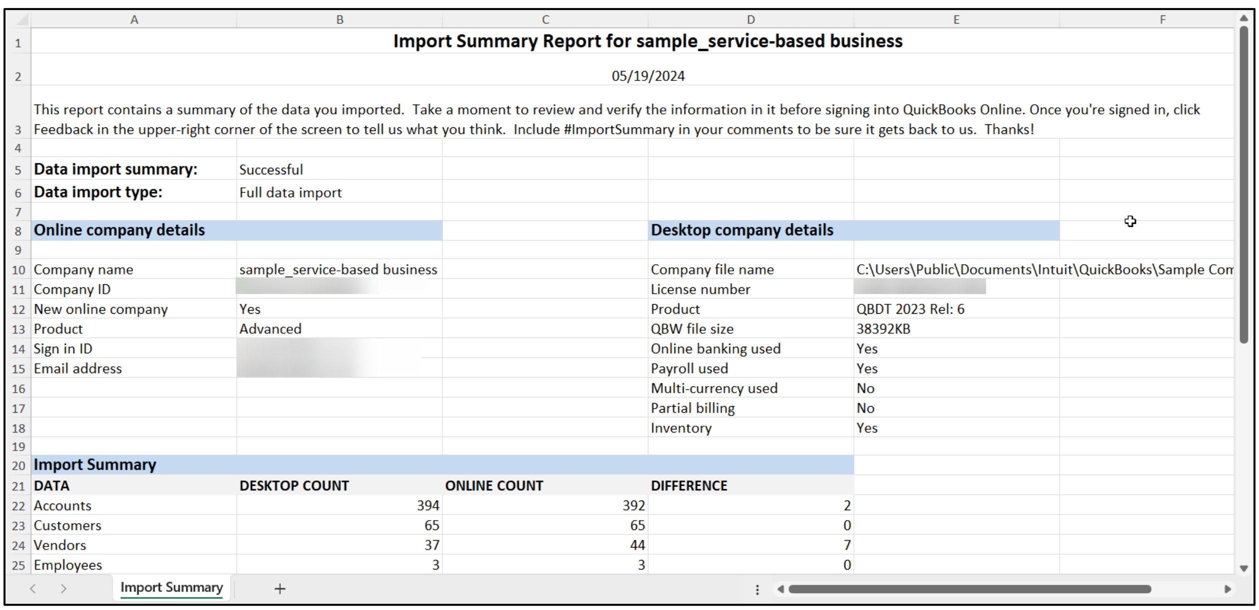


Figure 8 - Confirmation Of A "Clean" Conversion To QBO



Import Summary Report for sample_service-based business

05/19/2024

This report contains a summary of the data you imported. Take a moment to review and verify the information in it before signing into QuickBooks Online. Once you're signed in, click Feedback in the upper-right corner of the screen to tell us what you think. Include #ImportSummary in your comments to be sure it gets back to us. Thanks!

Data import summary:	Successful		
Data import type:	Full data import		
Online company details		**Desktop company details**	
Company name	sample_service-based business	Company file name	C:\Users\Public\Documents\Intuit\QuickBooks\Sample Com
Company ID		License number	
New online company	Yes	Product	QBDT 2023 Rel: 6
Product	Advanced	QBW file size	38392KB
Sign in ID		Online banking used	Yes
Email address		Payroll used	Yes
		Multi-currency used	No
		Partial billing	No
		Inventory	Yes

Import Summary

DATA	DESKTOP COUNT	ONLINE COUNT	DIFFERENCE
Accounts	394	392	2
Customers	65	65	0
Vendors	37	44	7
Employees	3	3	0

Figure 9 - Troubleshooting Conversion Issues In QBO

Creating A New QuickBooks Online Company From Scratch

In addition to converting QBD data into your QBO subscription, you can create your QBO company from "scratch." This routine is appropriate when a company is in start-up mode and, thus, has not used any accounting software previously. Another use case for creating a QBO company from scratch involves situations when a company has been using another accounting platform other than QBD, and no direct conversion utility exists to migrate to QBO.

To create a new QBO company from scratch, follow the workflow outlined below.

- Establish a QuickBooks Online subscription
- Activate and manage QBO's settings
- Enter/import the following list information
    - Chart of accounts
    - Customers
    - Vendors
    - Employees
- Add trial balance information
- Customize financial and operational reports

Activating and Managing Settings in QuickBooks Online

In QuickBooks Online, **Settings** is the equivalent of the **Preferences** found in QuickBooks Desktop. Despite a few cosmetic differences, most experienced QuickBooks Desktop users will quickly recognize the similarities between setting QBO settings and QBD preferences.

To access QBO's Settings, click the gear icon in the window's upper right corner and choose **Company Settings**. QBO will present the **Account and Settings** window focused on the **Company** group of settings. This window provides access to general information fields, such as company name and address, contact information, and tax identification number. On the left side of this window, as shown in **Figure 10**, three additional tabs – **Sales**, **Expenses**, and **Advanced** – provide access to settings related to each function.

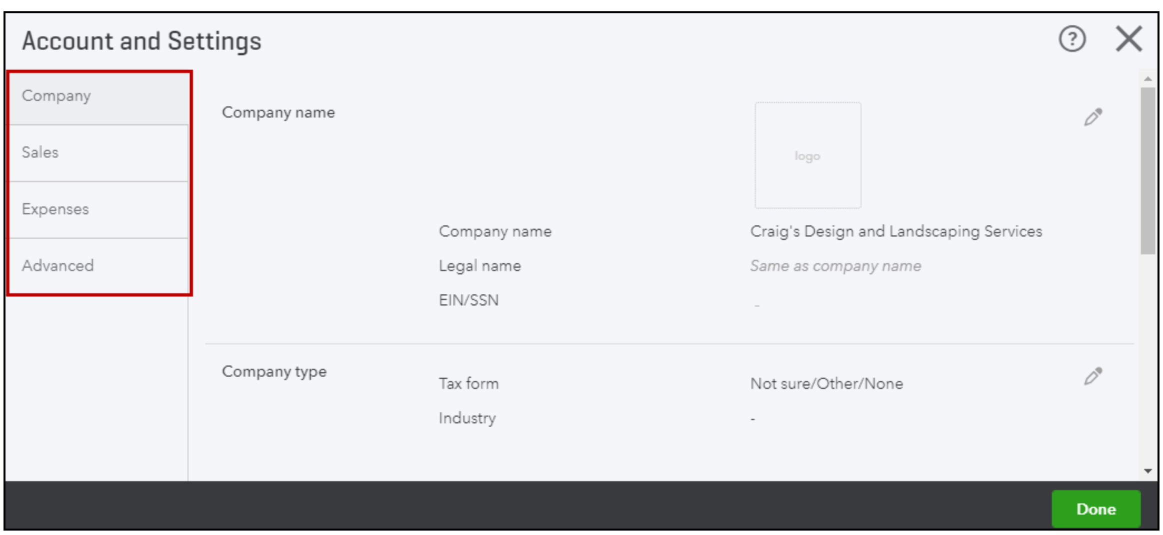


Figure 10 - Company Settings in QuickBooks Online

Included in the Sales group of settings are items such as:

- Customizing the way customer-facing forms, such as invoices, appear,
- Whether the company tracks inventory (QBO Plus only), and
- Options for email messages sent from QBO to customers.

As shown in **Figure 11**, the **Expenses** group of settings in QBO contains a few more internal control-focused items than those found in the Sales group. For instance, the Expenses group includes options for tracking expenses and items by customer, making them billable to customers, and determining whether the company uses purchase orders.

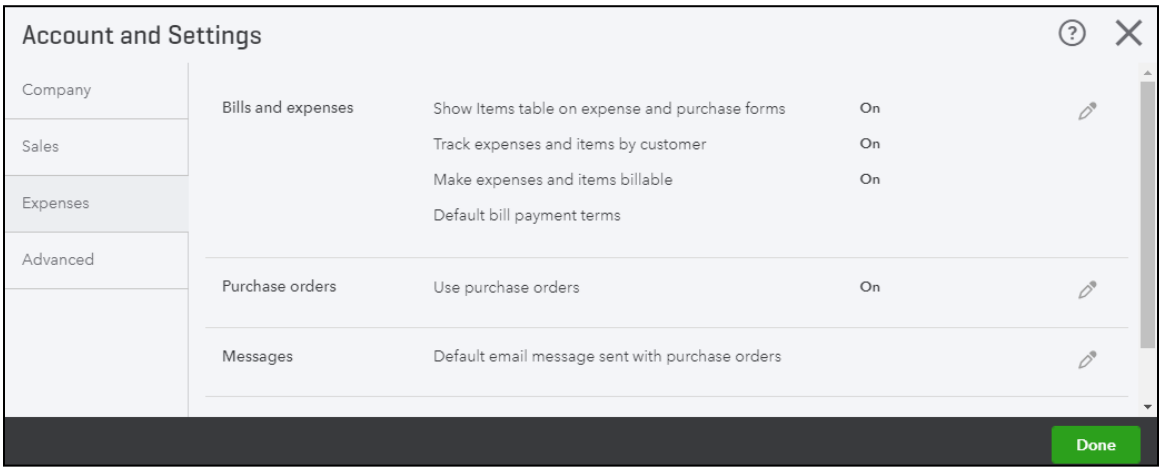


Figure 11 - Expenses Group of Settings in QuickBooks Online

From an internal control perspective, the Advanced group of settings in QBO is the most critical. As shown in **Figure 13**, you will find options relating to such items as those listed below.

- Accounting method
- Whether the books are closed through a specific date
- Class and location tracking
- Automatically applying credits to bill payments
- Automatically invoicing unbilled activity
- Tracking revenues and costs by projects
- Multiple currencies
- Automatic sign-out after a specified amount of time lapses

While there is no direct one-for-one correlation between internal control-related preferences on the Desktop and Online platforms, both platforms address the most critical internal control items.

Figure 12 - Advanced Settings in QuickBooks Online

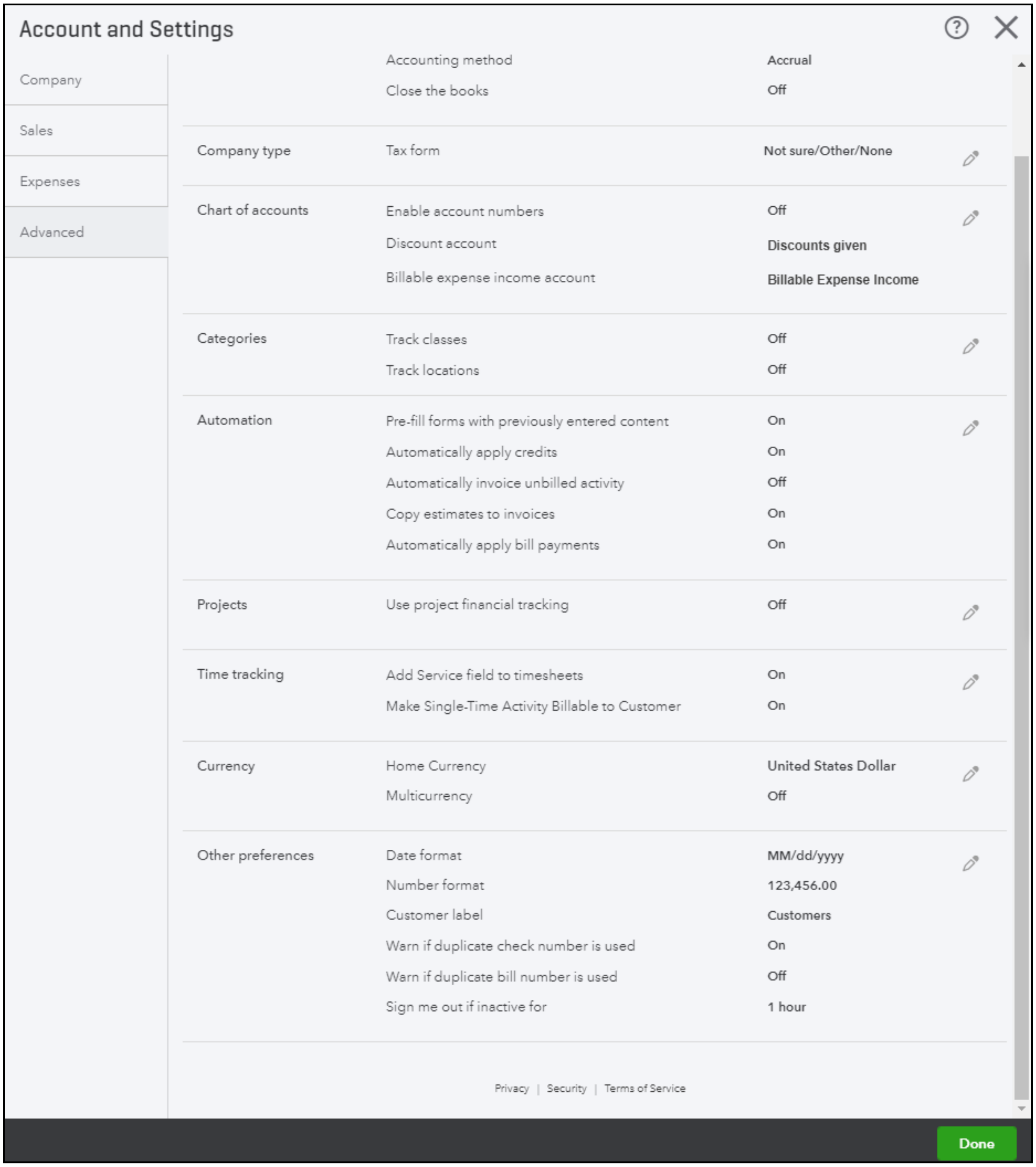


Figure 13 - Advanced Settings in QuickBooks Online

Collaborating With Your External Accountant

Of course, one potential advantage of QBO is the ability to invite an external accountant to work with your data. If a business uses a traditional desktop-based product such as QuickBooks Desktop, some challenges arise when transferring desktop-based data to the external accountant. Fortunately, you can handle this process in QBO with ease.

To invite an external accountant into your QBO instance, click **My accountant** on the left side of the QBO window, as pictured in **Figure 14**.

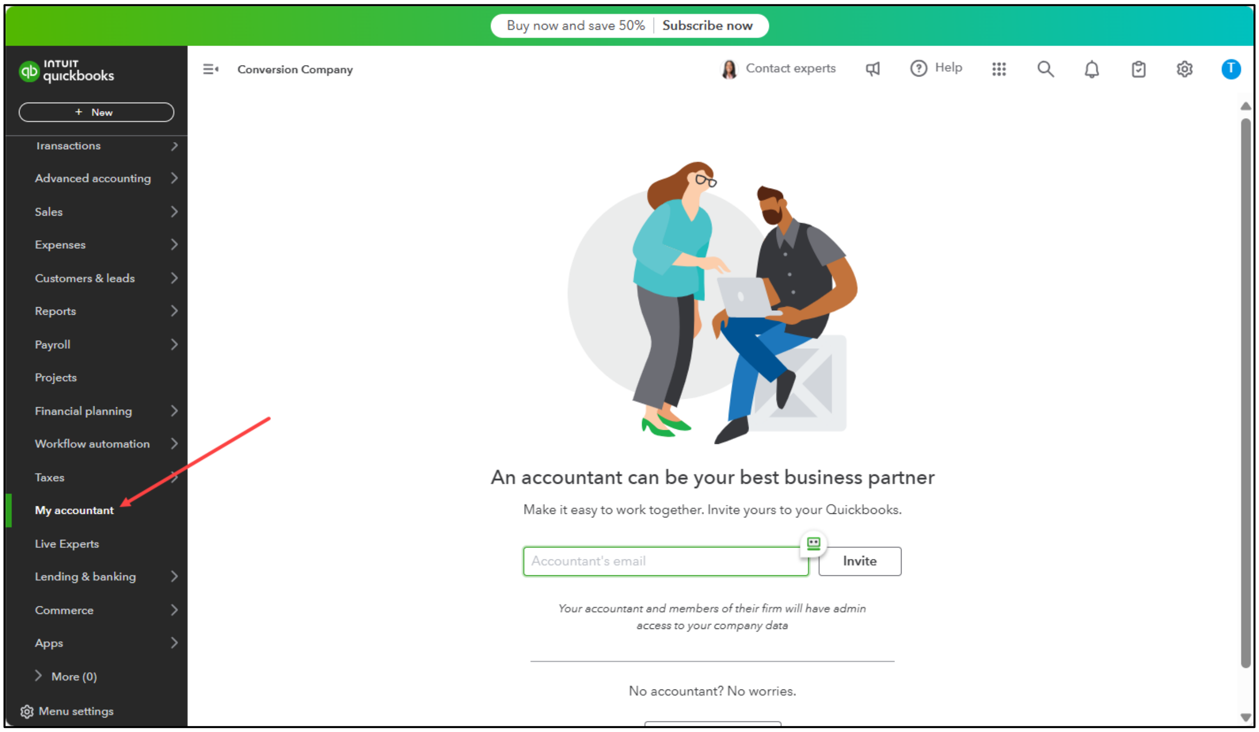


Figure 14 - Inviting An External Accountant Into Your QBO Instance

Once your accountant accepts your invitation, they will have administrative access to your data. This access level allows them to make necessary adjustments and corrections to the books. Moreover, because the accountant accesses and adjusts the data online, there is no need to manually re-enter the adjustments and corrections in the client's books.

Closing Accounting Periods in QuickBooks Online

Like the Desktop editions of QuickBooks, QuickBooks Online also provides options to establish a Closing Date. You can create a Closing Date and a Closing Date Password in the **Advanced** section of **Account and Settings**, as shown in **Figure 8**.

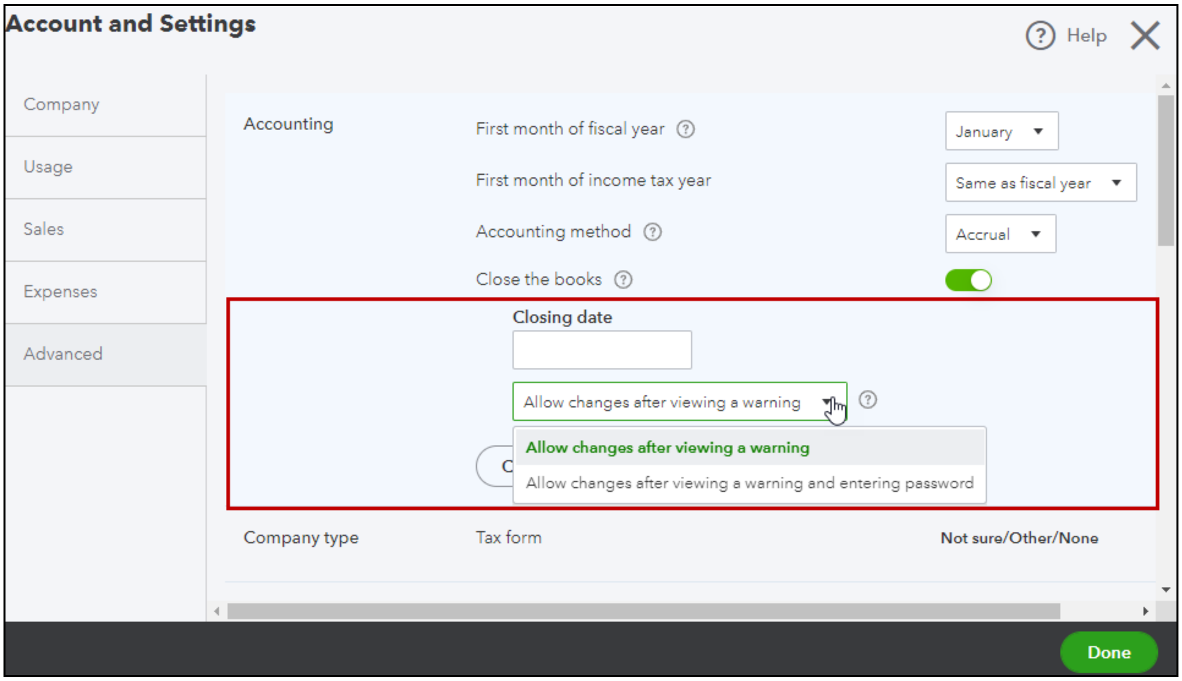


Figure 15 - Establishing a Closing Date and a Closing Date Password in QuickBooks Online

Enabling this option in QuickBooks Online has the same effect as enabling it in the desktop product – it provides a preventive internal control mechanism over changes to account balances in prior periods.

Likewise, once you establish a Closing Date, you can use the **Exceptions to Closing Date** report to identify any transactions that violate the current Closing Date. **Figure 9** provides an example of that report. The information it contains is similar to that found in the Desktop's counterpart, although the report presents it differently.

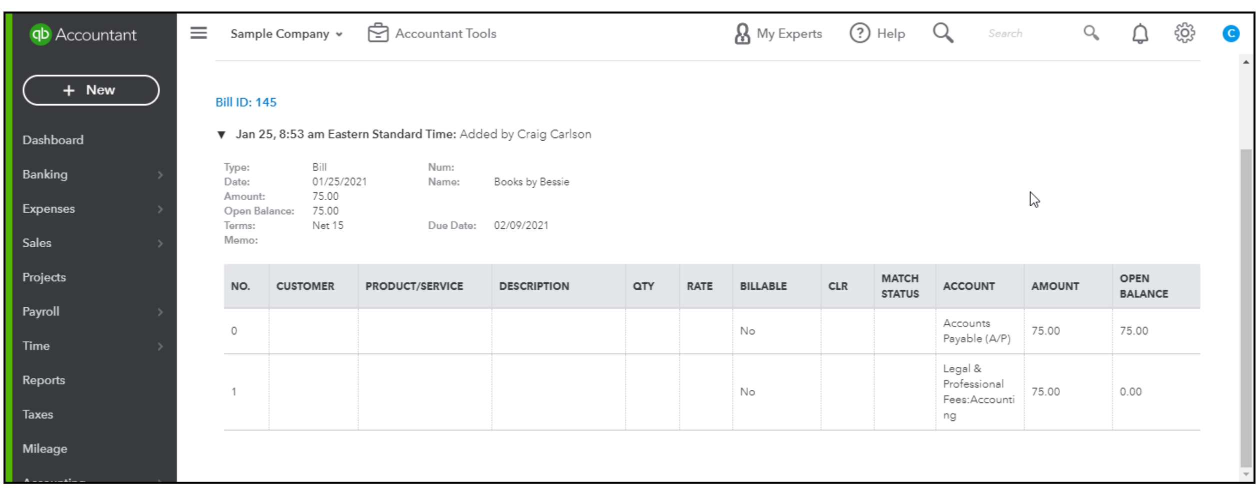


Figure 16 – Exceptions to Closing Date Report in QuickBooks Online

Voiding Checks in Prior Periods with QuickBooks Online

QuickBooks Online does not offer an automated procedure for voiding checks in prior periods. Instead, you can use the following sequence to accomplish this task.

1. Open or edit the transaction that you need to void.
2. In the lower-left corner of the window, select **Transaction Journal** in the Related Activities and Information section and print the report.
3. Go to the Banking tab and click **Journal Entry**.
4. Input the date you wish to show the transaction as reversed.
5. Use the printed Transaction Journal report to enter the journal entry to reverse the original transaction's debit and credit.
6. Click **Save** to reverse the original transaction without removing it from your records.
7. Clear the original and reversing entries through the account register. Once you complete these steps, the check and the journal entries cancel each other.

Memorizing Transactions in QuickBooks Online

QuickBooks Online also supports memorized transactions; however, they are called Recurring Transactions. For example, to mark an invoice as recurring, click the **Make Recurring** button near the bottom of a transaction window to open the **Recurring Invoice** dialog box shown in **Figure 29**. In this dialog, set the frequency and interval for recording this transaction in the future.

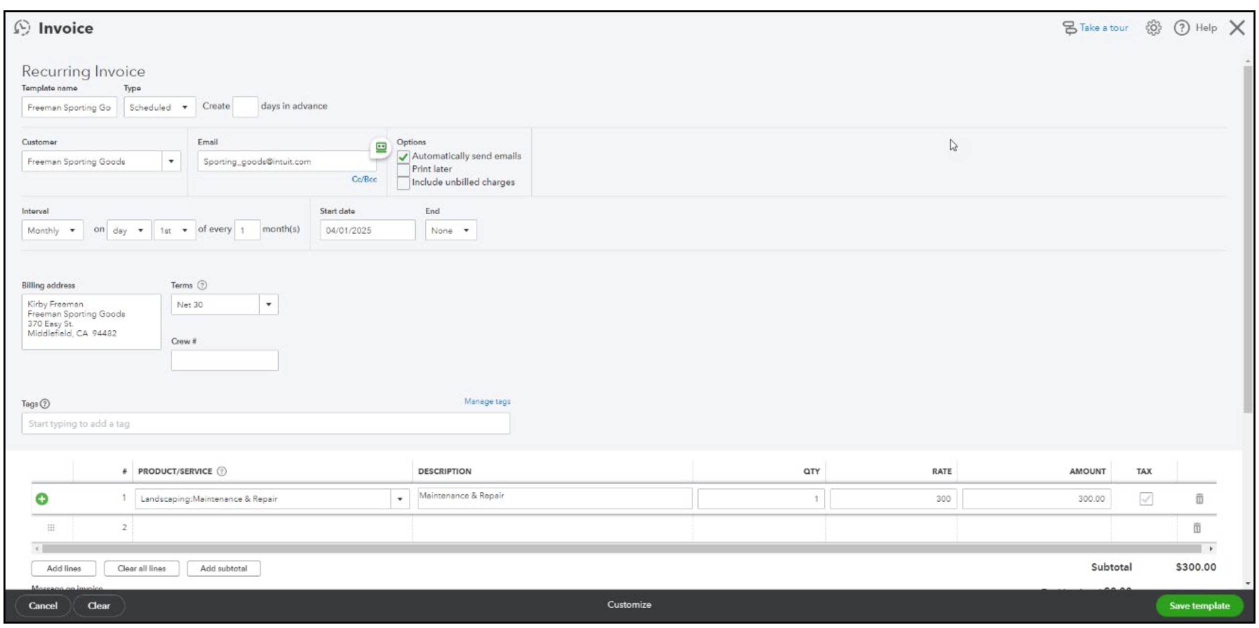


Figure 17 - Creating a Recurring Transaction in QuickBooks Online

Setting Up and Utilizing Bank Feeds

The **Bank Feed** feature allows organizations to connect their QuickBooks Desktop or QuickBooks Online instance to an online bank account. This connection can facilitate a less painful reconciliation process and reduce data entry. Additionally, it allows entities to access online banking tools directly from QuickBooks, such as bill pay and fund transfers. To set up Bank Feeds, select **Banking**, **Bank Feeds**, **Set Up Bank Feed for an Account** to display the **Bank Feed Setup** dialog box. Next, choose the organization's banking institution and click **Next** to open the second screen of the setup routine shown in **Figure 30**. It requires the user to enter a valid online **User ID** and **password** for the bank account and click **Connect.** Once you establish the connection, return to the **Banking** menu, choose **Bank Feeds**, and select **Bank Feeds Center** to display the **Bank Feeds Center** window shown in **Figure 31**.

QuickBooks displays the associated General Ledger balance and the balance currently carried by the financial institution. While they seldom match due to reconciling and in-transit items, it is still helpful information. In addition, the bank feed also makes any messages or alerts currently associated with the online bank account available through the Bank Feed Center.

This connectivity reduces the number of manual connections to an organization's online banking portal. It can also reduce data entry, for example, when an entity receives payment of an invoice via electronic funds transfer. The automated feed replaces the need to record the receipt in QuickBooks manually.

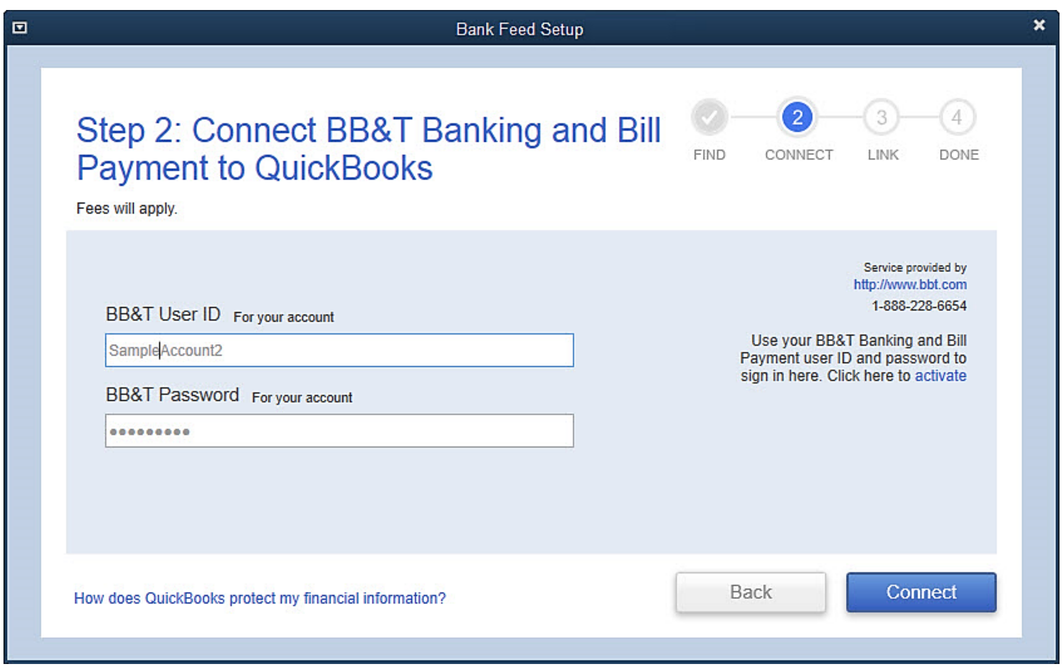


Figure 18 - Bank Feed Setup Dialog Box

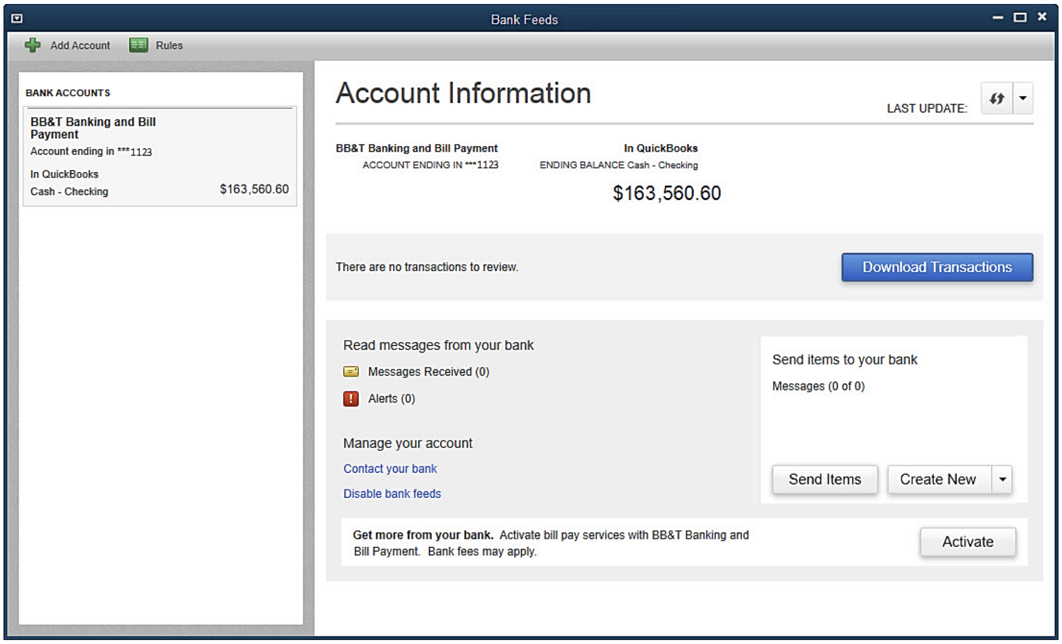


Figure 19 - Bank Feeds Center Window

The Bank Feeds Center also allows you to access some or all of the various banking entities' online banking tools. For example, the **Create New** drop-down list, displayed in **Figure 32**, allows users to create online checks, use online bill pay, effect fund transfers, and more. Organizations must have activated the tools they wish to use with their bank. If a feature is not activated, many banks allow users to initiate it from within QuickBooks by selecting the **Activate** button near the bottom of the Bank Feeds Center window.

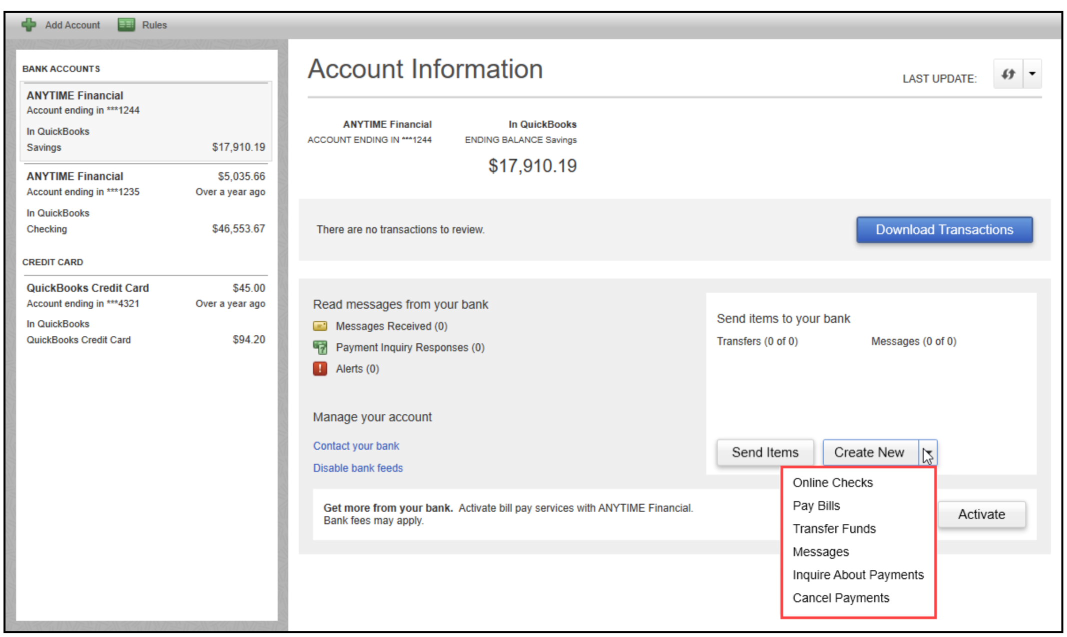


Figure 20 – The Create New Drop-Down List In QBO

Some financial institutions may charge monthly or transaction-based fees for some or all of the online banking tools they offer. Therefore, be aware that your bank may charge for these services if you activate one of the available online services.

The **Transaction List** button becomes available once you download transactions from the bank by clicking the Download Transactions button. Clicking on this control opens the **Transaction List** window shown in **Figure 33.** From this window, you can press the **Select** drop-down control in the **Action** column and map the transaction to the appropriate existing transaction in QuickBooks. The Bank Feeds utility attempts to match bank transactions with those in the accounting system. These auto-matched entries must be approved before they flow to the QuickBooks data file.

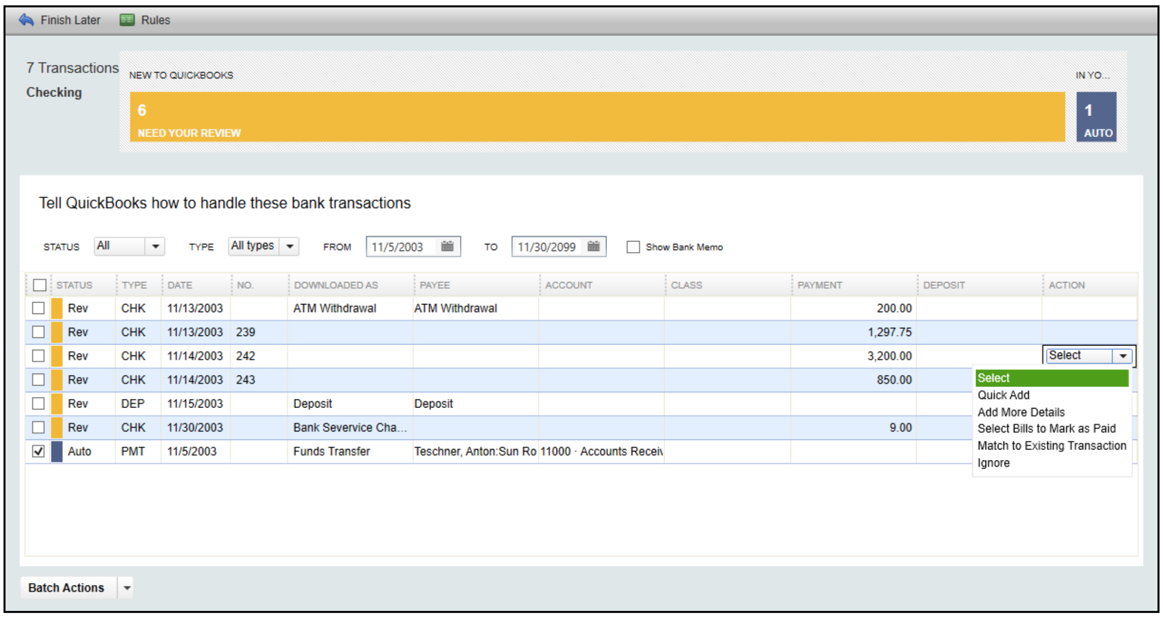


Figure 21 - Banks Feeds Transaction List

Recognize that QuickBooks Desktop offers three modes of bank feeds: **Classic**, **Express**, and **Advanced**. You can switch between these modes by accessing the **Company Preferences** section of **Checking Preferences**. If you use **Classic Mode**, QuickBooks uses the account register to add or match transactions. **Express Mode** uses the Transactions List window to add or match Transactions, and QuickBooks automatically creates renaming rules. Finally, the **Advanced Mode** uses the Transactions List window to add or match transactions; in this mode, you can update transactions quickly and create rules to recognize and match future transactions.

If you use QuickBooks Online, the bank feed process is similar to QuickBooks Desktop's bank feed process. You can connect multiple bank accounts – including services like PayPal – to your QuickBooks Online instance and automatically have transactions flow into the accounting platform. Once in QuickBooks Online, you can match them to existing transactions or enter them as new transactions. You can also create rules to automate posting transactions to specific general ledger accounts. Whether you use QuickBooks Desktop or QuickBooks Online, activating bank feed is one of the best ways to improve efficiency in your accounting functions.

Viewing a Transaction Journal Report in QuickBooks Online

In QuickBooks Online, you can view a **Journal** report to see the underlying debits and credits for transactions. The Journal report will show all transactions for the specified period. As shown in **Figure 36**, the **Journal** report in QuickBooks Online is substantially the same as in the desktop application.

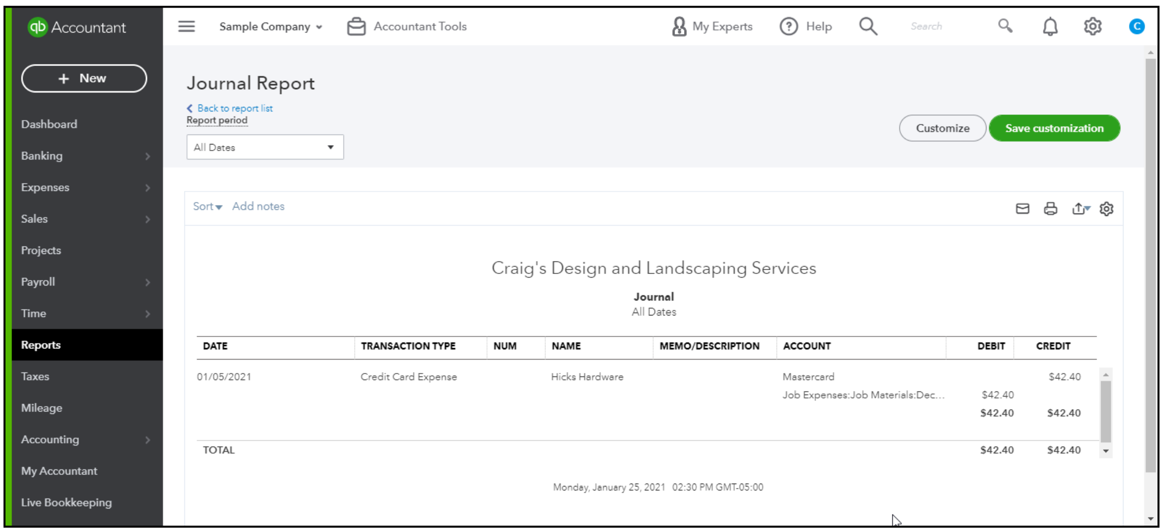


Figure 22 - Transaction Journal Report in QuickBooks Online

?	What are the potential benefits of implementing bank feeds in QuickBooks and QuickBooks Online? Conversely, what might be some drawbacks of utilizing this feature?

Managing Customers, Sales, And Accounts Receivable

Chapter 3

Once you establish your subscription and create your QBO instance, one of the most significant issues you will face is ensuring that you bill correctly for all products and services you sell and collect your accounts receivable on time. Failing to do so could lead to disastrous cash flow results. This chapter will teach you how to manage customers, sales, and accounts receivable, including collecting and remitting sales taxes to the appropriate authorities.

Learning Objectives

Upon completing this chapter, you should be able to:

- List necessary tasks to complete to configure customers, sales, and accounts receivable;
- Identify the workflows to issue invoices to customers and to receive payments;
- Specify examples of necessary steps to configure, bill, collect, and remit sales taxes;
- Cite procedures essential to handle recurring transactions and to process credit memos to customers; and
- Create various reports related to customers, sales, and accounts receivable.

Creating, Editing, And Managing Customers

One of the first tasks you face when addressing the revenue cycle in QBO is establishing customer and client records. Most users can complete this task, at least at a fundamental level. To create a customer, click **Sales** in the left pane, followed by **Customers**, and then click **New Customer** near the window's upper right corner. This action will open the **Customer** data entry window pictured in **Figure 23**.

Upon accessing this window, you will notice that it contains five sections;

1. Name and contact
2. Addresses
3. Notes and attachments
4. Payments
5. Additional info

Click the icons near the upper right corner of the pane to collapse the entire pane or selected sections.

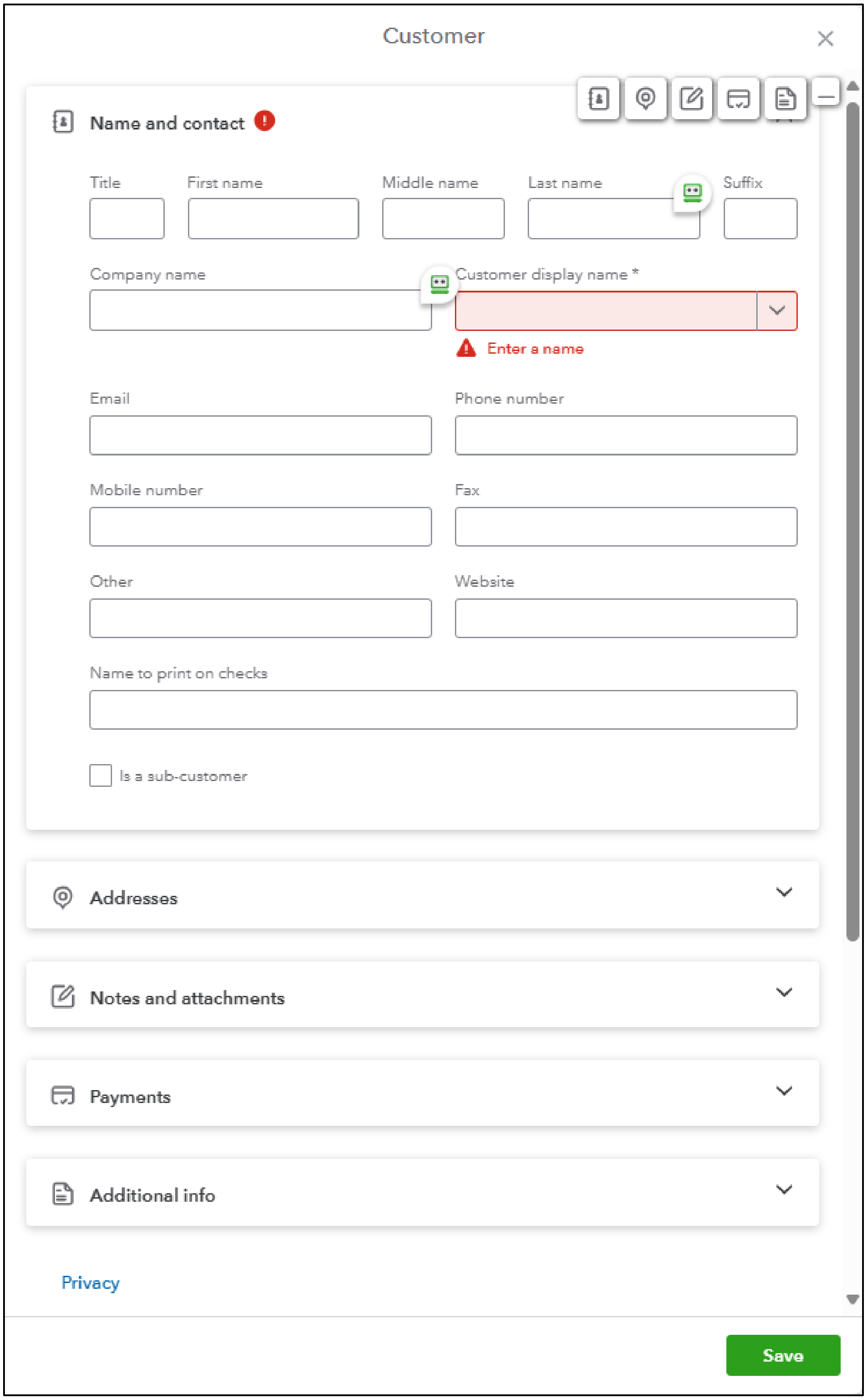


Figure 23 - Customer Data Entry Window In QuickBooks Online

You should enter fundamental customer information, such as name, address, phone number, and email address, in the Customer pane. Notably, the only required field for data entry is the **Customer Display Name** field. However, there are some fields that you should consider populating. For example, the **Notes and attachments** section of the pane allows you to record notes about a customer or client that are visible to all other users with access to customer information. Among other options, you can use this field to record customers' personal information, including any preferences. In that same section, you will notice an **Attachments** section. You could use this section to, for example, store PDF copies of contracts or agreements you have with customers.

You may also want to pay attention to the **Payments** section of the Customer pane. In this section, you can store information such as a customer's primary payment method, terms, and credit limit. Additionally, you may want to review the options in the **Additional Info** section, especially if your company is responsible for billing and collecting sales taxes. If sales taxes are a company obligation, you will record customers' tax statuses in this pane.

> **!** You can also initiate creating new customers or clients by clicking **New** in the upper-left corner of the QBO window, then clicking **Add Customer**. You can use this technique to add other types of "master file" data and most transaction types.

Importing Customer Data Into QuickBooks Online

Existing companies transitioning to QuickBooks Online can import customer information directly into their QuickBooks Online instance. First, you must prepare your data in a format that QBO can import. This procedure entails exporting your data from your existing application and arranging it in a spreadsheet with the following columns.

- Customer Name
- Company Name
- Customer Type
- Email Address
- Phone Number
- Mobile Phone Number
- Fax Number
- Website
- Street Address
- City
- State
- Zip Code
- Country
- Opening Balance

- Date
- Resale Number

Next, click the dropdown arrow next to **New Customer**, followed by **Import customers**. Then choose the file containing the data you want to import and click **Next**. Map the fields for each column in your spreadsheet to their corresponding fields in QBO, then click **Next**. At this juncture, QBO presents a grid like that shown in **Figure 24**. Assuming your data appears satisfactory, click **Import** in the lower-right corner of the window. You can make manual edits in the grid if only a few corrections are necessary. On the other hand, if you need to make many edits or corrections, it may be wise to exit the process without importing, then return to the spreadsheet to make them there.

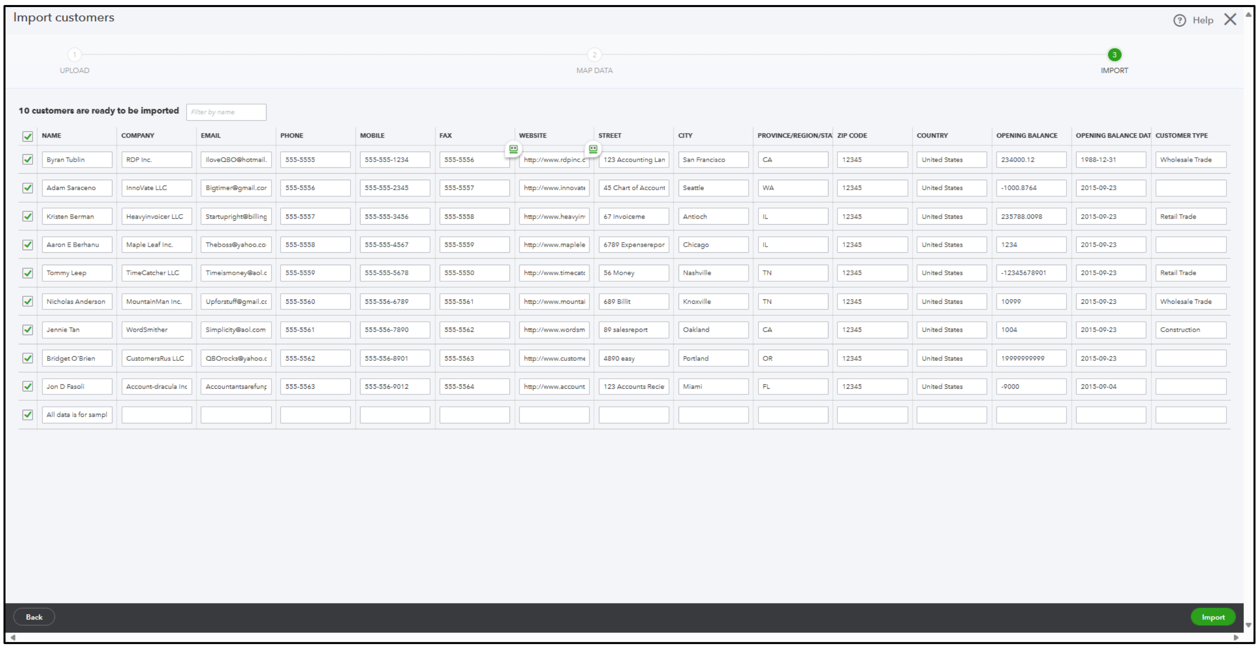


Figure 24 - Previewing Imported Customer Data In QuickBooks Online

Establishing Items To Sell, Including Inventory Items

In addition to setting up customers/clients in QBO, you also need to establish the items and services you sell to them. To initiate this process, click **Sales** in the left pane, followed by **Products and Services**. These actions will open the **Products and Services** windows pictured in **Figure 25**.

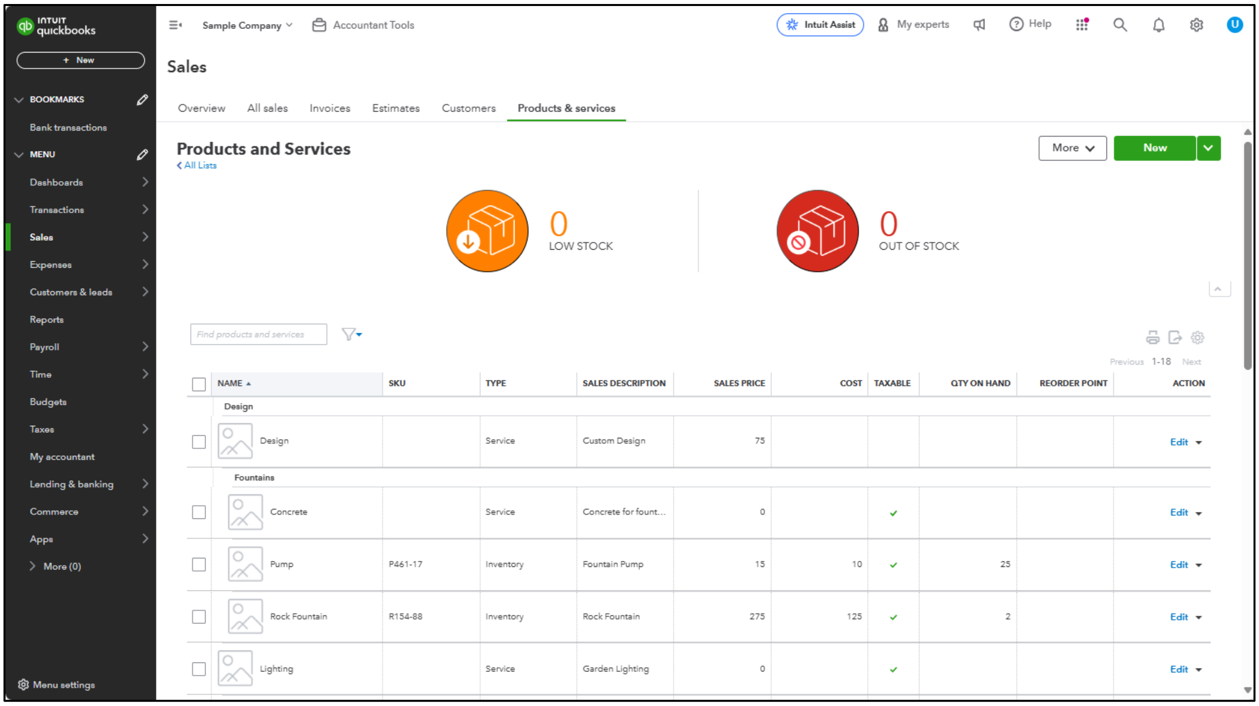


Figure 25 - Adding Products and Services

Next, click **New** near the upper right corner to open the **Product/Service Information** pane in **Figure 26**. You can add **Inventory**, **Non-inventory**, **Service**, or **Bundled** items. QBO defines those item types as follows:

- **Inventory** – Products you buy or sell and that you track quantities of
- **Non-inventory** – Products you purchase or sell but don't need to (or can't) track quantities
- **Service** – Services that you provide to customers, for example, landscaping or tax preparation services
- **Bundle** – A collection of products or services that you sell together, for example, a gift basket of fruit, cheese, and wine

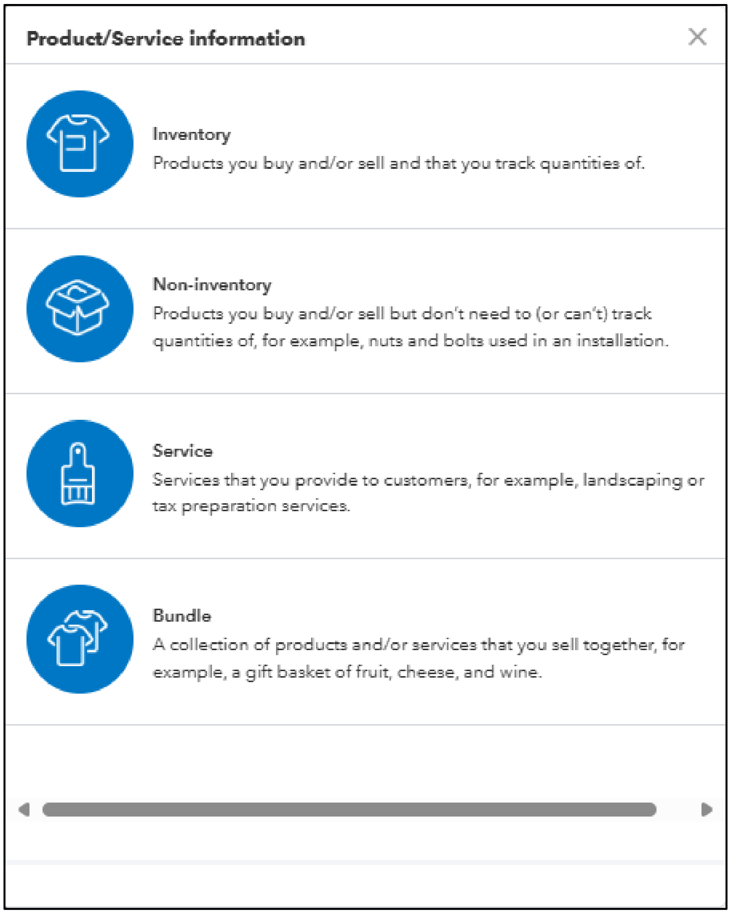


Figure 26 - Choosing What Type Of Item To Add

The information you need to enter for each of the four item types varies by item type.

Adding Inventory Items

As shown in **Figure 27,** adding an inventory item in QBO requires more information than adding other items. Notably, the quantity on hand and the reorder points are important pieces of information given an inventory item's nature. Additionally, default pricing information, taxability, income, expense, and inventory accounts are also necessary fields to include with inventory items.

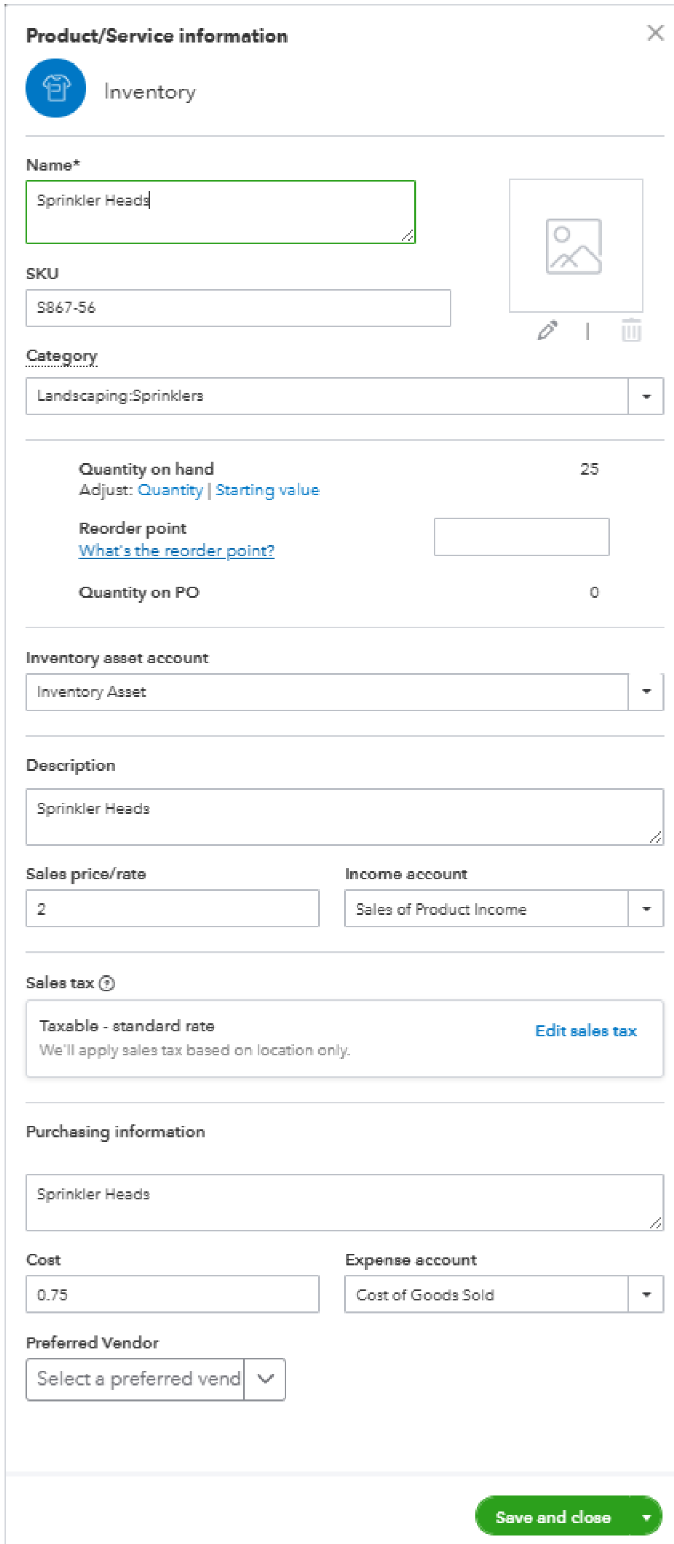


Figure 27 - Adding An Inventory Item In QuickBooks Online

Adding Non-Inventory Items

As shown in **Figure 28**, non-inventory items do not require quite as much information as inventory items. Specifically, because a company does not stock these items, there is no need to maintain on-hand quantity or reorder point data. Otherwise, the data requirements for these items are similar to those for inventory items.

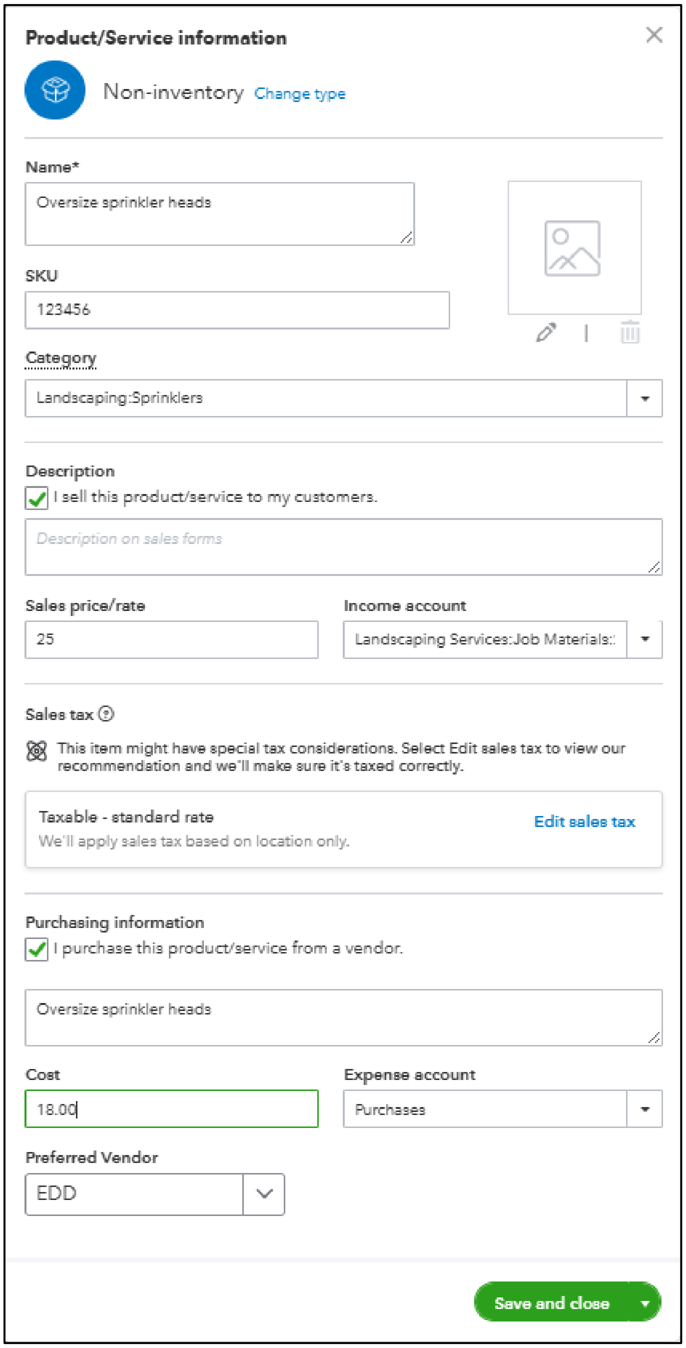


Figure 28 - Adding A Non-inventory Item To QBO

Adding Service Items

Service items are relatively simple to maintain compared to inventory and non-inventory items, as shown in **Figure 29**. Because they involve services, tracking on-hand quantities or reordering points is unnecessary. Note that you can use these items for purchases or sales.

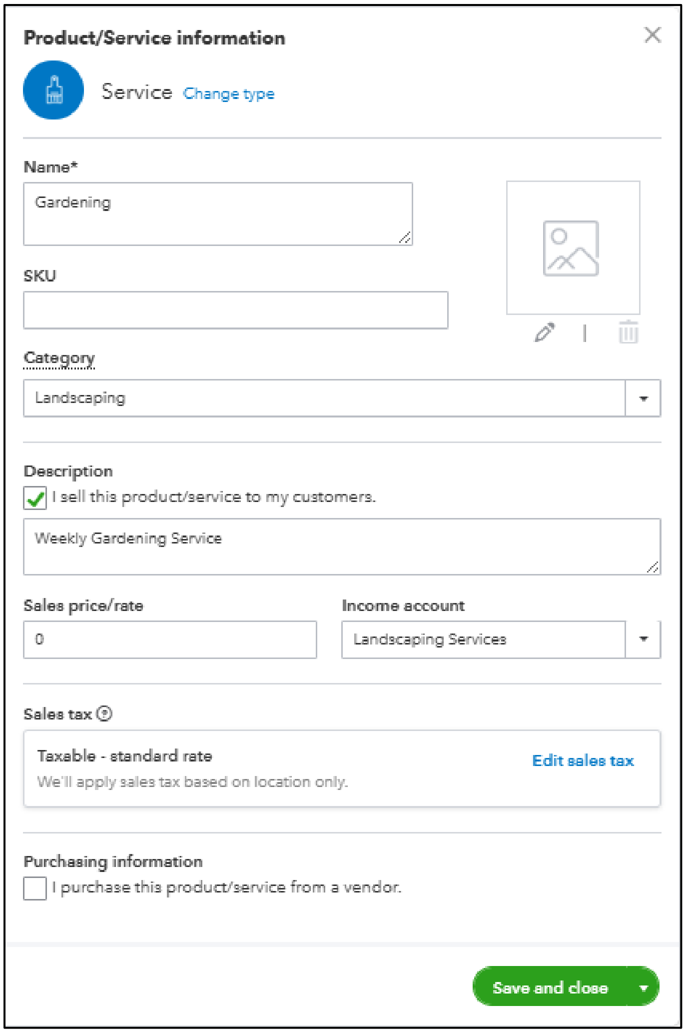


Figure 29 - Adding And Maintaining Service Items In QBO

Adding Bundle Items

Bundled items allow you to group multiple items to simplify transactions. For example, you could create a bundled item to group *Tree and Shrub Trimming*, *Pest Control Services*, and *Weekly Gardening Service* into one named *Premier Weekly Package*, as shown in **Figure 30**. Once you create a bundled item, you can use it like any other item.

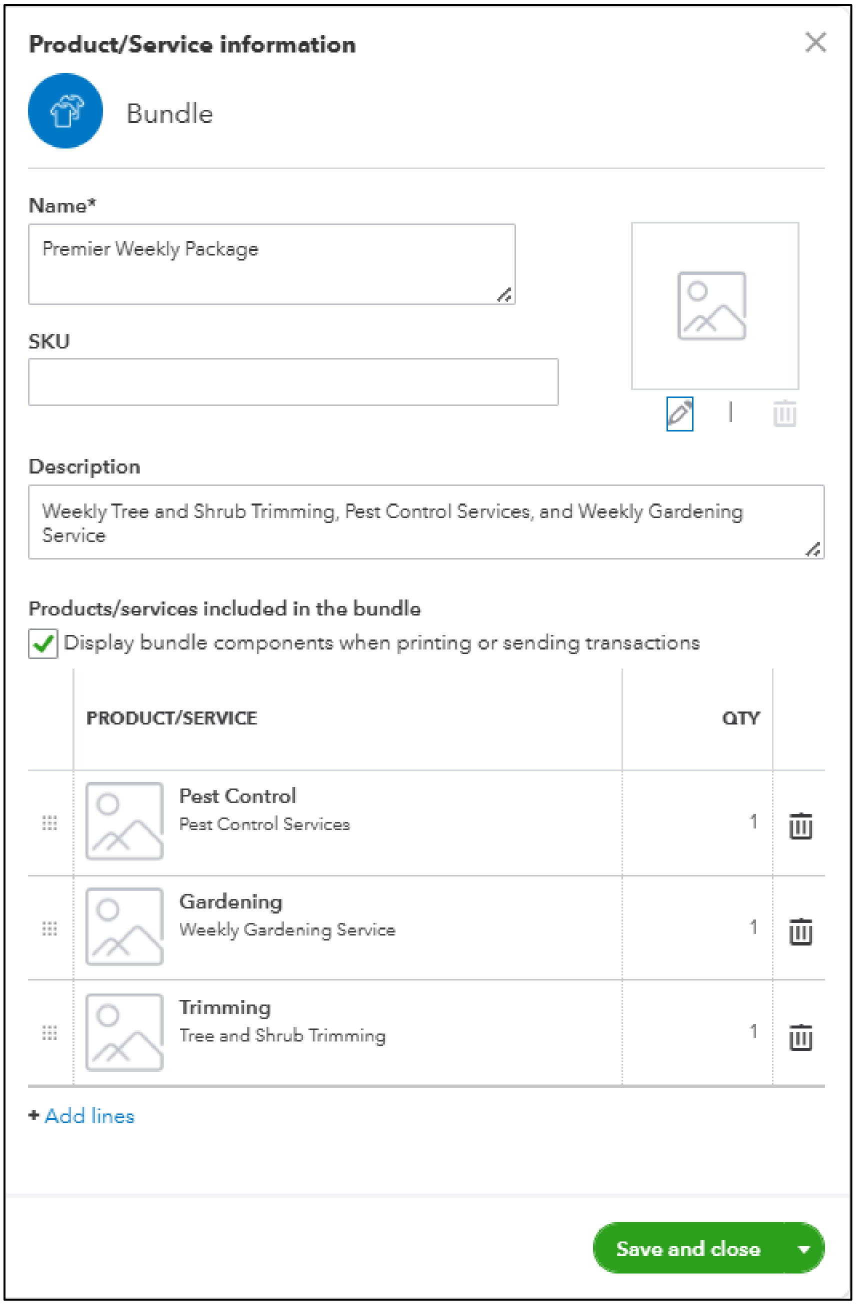


Figure 30 - A Bundled Item In QuickBooks Online

Importing Items Into QuickBooks Online

Just as you can import customers into QBO, you can also import items. To do so, create a spreadsheet with the following columns:

- Product/service name
- Sales Description
- SKU

- Type
- Sales Price/Rate
- Taxable
- Income Account
- Purchase Description
- Purchase Cost
- Expense Account
- Quantity On Hand
- Reorder Point
- Inventory Asset Account
- Quantity as-of Date

Then, populate the sheet with the data you wish to import. Next, click the drop-down arrow next to **New** on the **Product & services** sheet and choose **Import**. QBO will present a grid allowing you to preview your data. Assuming your data appears satisfactory, click **Import** in the lower-right corner of the window. You can make manual edits in the grid if a few corrections are necessary. On the other hand, if you need to make numerous edits or corrections, it may be wise to exit the process without importing and return to the spreadsheet to make your corrections there.

Configuring Sales Taxes In QuickBooks Online

If your business is subject to sales taxes, you can configure QuickBooks Online to assist you in billing and reporting sales taxes to the appropriate tax authorities. To begin this process, click **Taxes** on the left menu, followed by **Sales Tax**. Then click **Sales Tax Settings.** Next, click **Add Agency** and enter the requisite information, as shown in **Figure 31**.

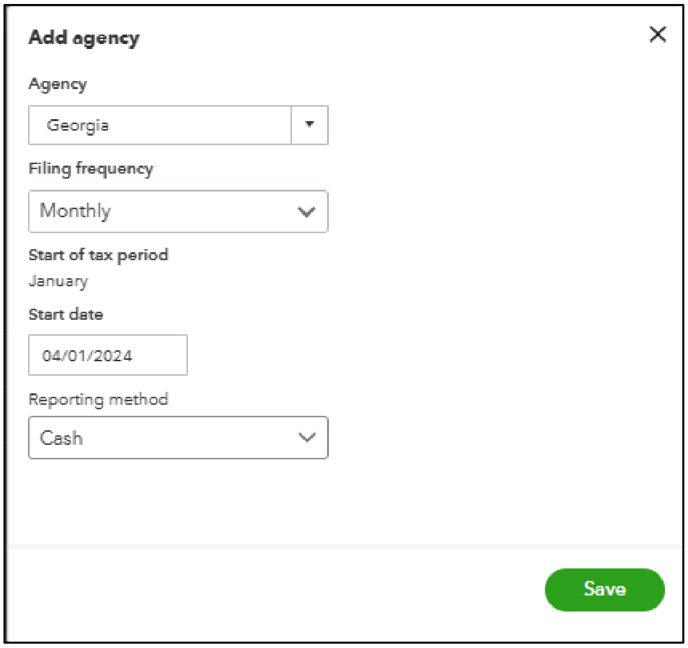


Figure 31 - Adding A Sales Tax Agency

Next, click **Add Rate** and add the necessary information for a given sales tax component, as shown in **Figure 32**.

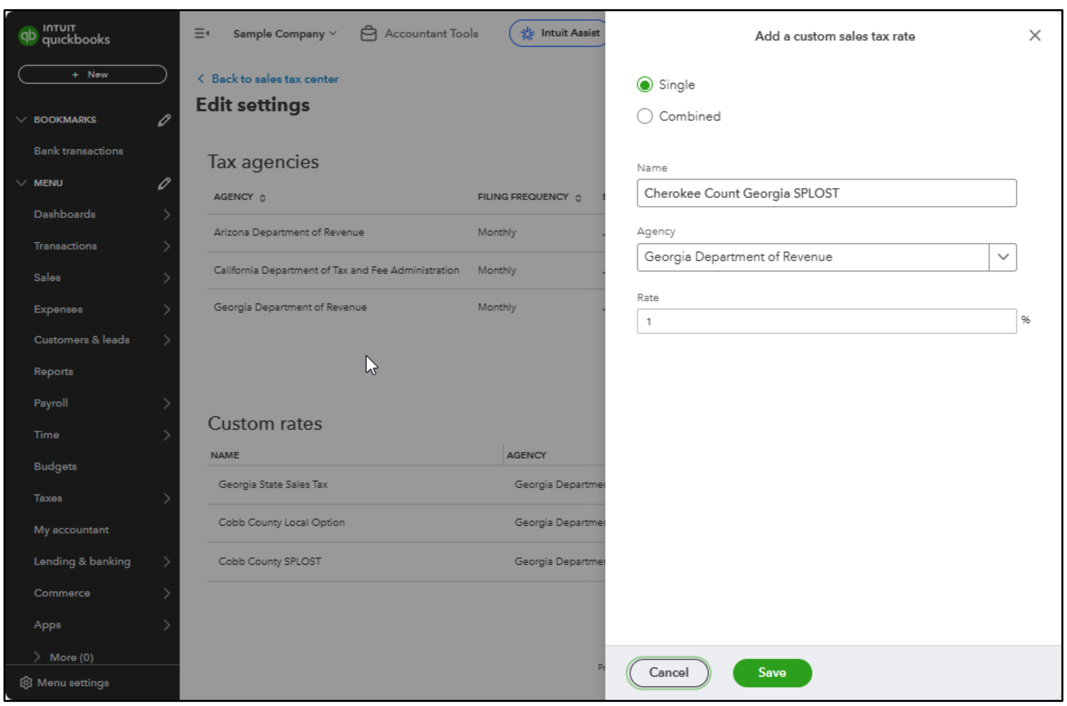


Figure 32 - Adding A Sales Tax Rate For A Given Sales Tax Component

Finally, choose to create a custom sales tax rate by combining multiple sales tax components into a combined sales tax rate.

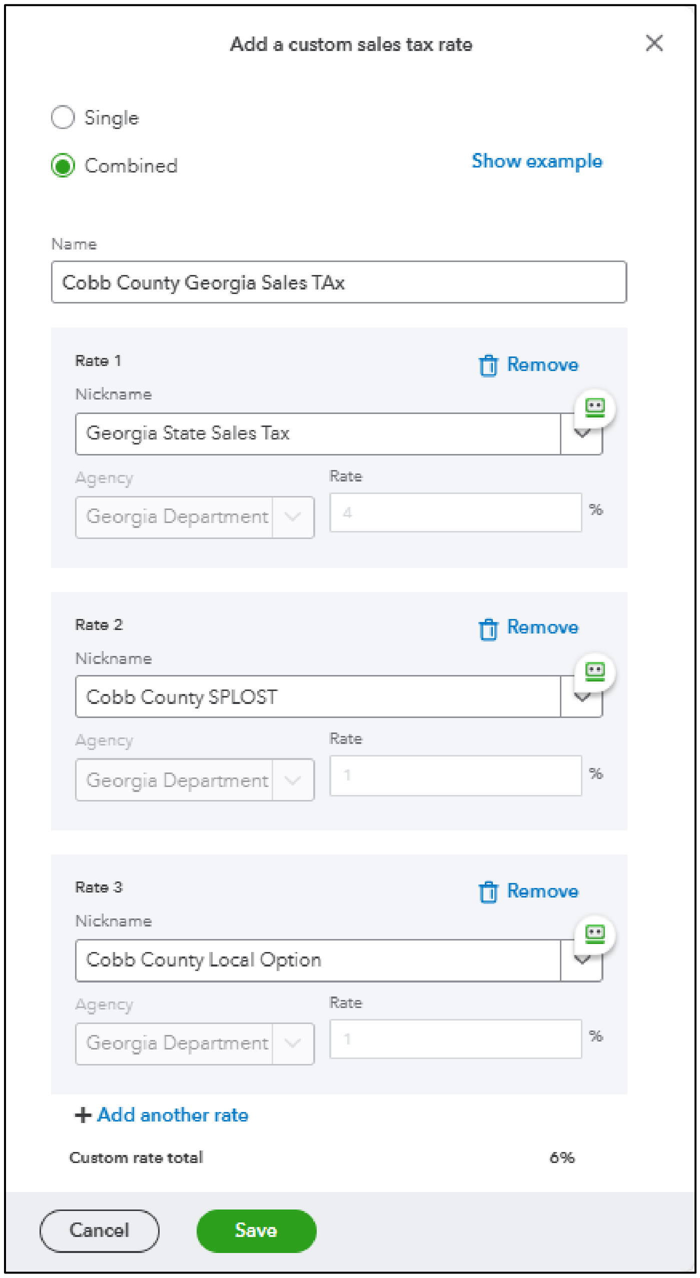
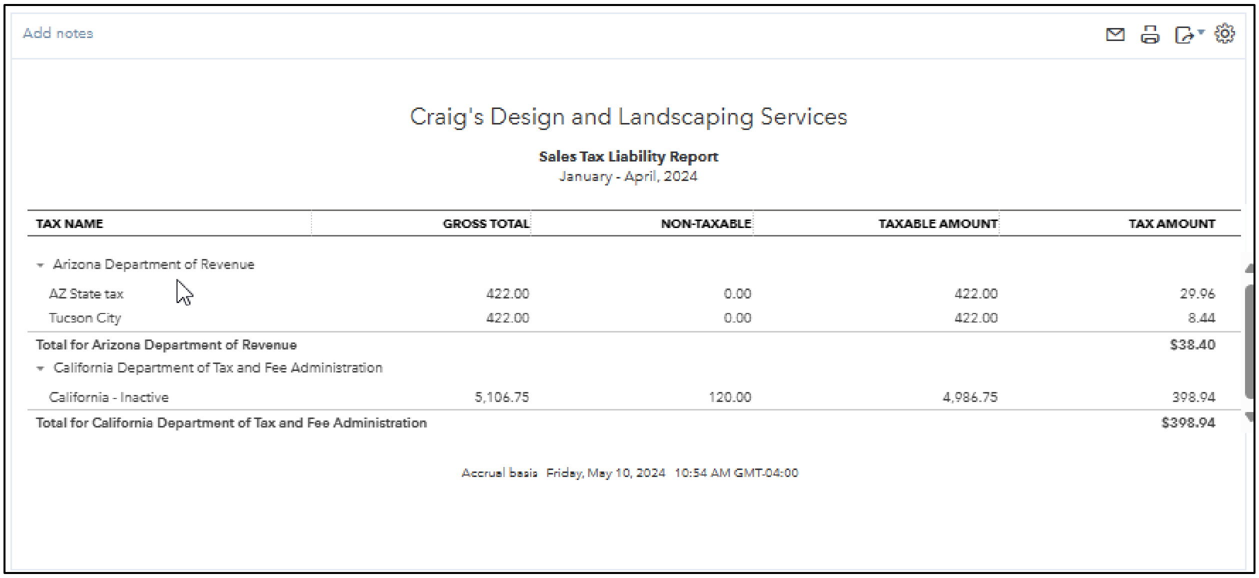


Figure 33 - Creating A Custom Sales Tax Rate In QuickBooks Online

Of course, you can add as many sales tax agencies, custom rates, and custom groups as necessary to ensure you bill and collect taxes correctly. Further, whenever it is time to prepare your sales tax returns and pay your sales taxes, you can run a Sales Tax Liability report to show you how much tax is due by jurisdiction, as shown in **Figure 34**.



Add notes

Craig's Design and Landscaping Services

Sales Tax Liability Report

January - April, 2024

TAX NAME	GROSS TOTAL	NON-TAXABLE	TAXABLE AMOUNT	TAX AMOUNT
Arizona Department of Revenue				
AZ State tax	422.00	0.00	422.00	29.96
Tucson City	422.00	0.00	422.00	8.44
Total for Arizona Department of Revenue				$38.40
California Department of Tax and Fee Administration				
California - Inactive	5,106.75	120.00	4,986.75	398.94
Total for California Department of Tax and Fee Administration				$398.94

Accrual basis Friday, May 10, 2024 10:54 AM GMT-04:00

Figure 34 - Sales Tax Liability Report From QBO

Creating Estimates, Invoices, And Related Transactions

You can create sales-related transactions with customers, items, and sales taxes in place. Among the transaction types you can create in QBO (depending on your subscription) are the following:

- **Estimates**
- **Sales Receipts**
- **Invoices**
- **Credit Memos**
- **Refund Receipts**
- **Delayed Charges**
- **Delayed Credits**
- **Time Activities**
- **Payments**

You can also create **Payment Links** to allow customers to issue electronic payments to you, and you can import invoices generated from other applications. Most users will have little difficulty creating estimates, invoices, and related transactions because recording these transactions differs little from equivalent processes in QuickBooks Desktop and other small-business-oriented applications and services.

Estimates

QBO offers a feature for businesses that must create estimates and provide them to customers before work starts. To generate an estimate, click **Estimate** from any of several “launch” points in QBO. Enter the necessary details, such as the customer’s name and the products and services included in the quote. Upon completing the data entry, your estimate should resemble that pictured in **Figure 35**.

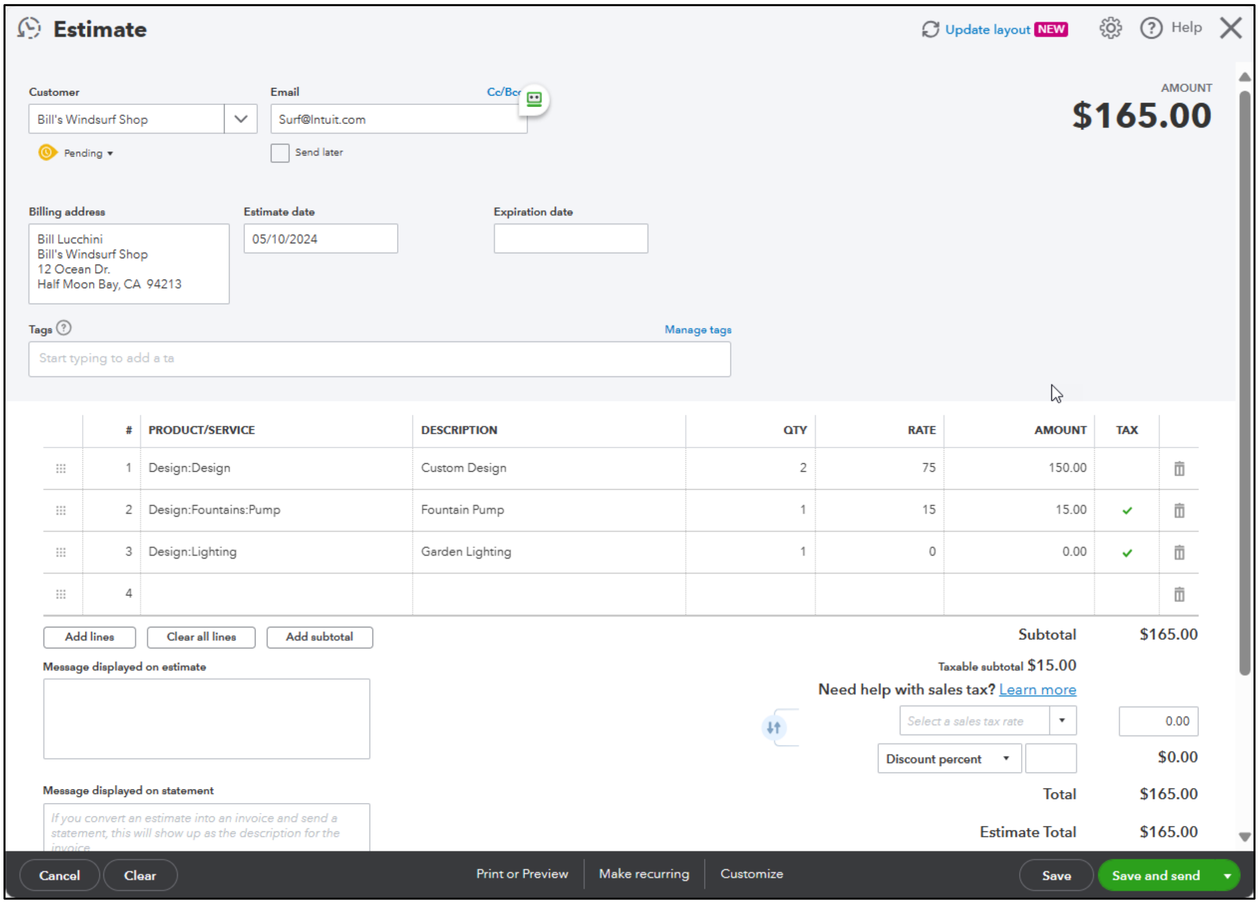


Figure 35 - Sample Estimate Created In QBO

Of course, you can deliver the estimate and other sales-related documents to customers using several options, including clicking **Save and send** to send the document via QBO's integrated email service.

Later, once your customer accepts the estimate and authorizes your company to proceed, you can click Create Invoice near the top of the window to convert the estimate into an invoice. You can also choose the **Copy to purchase order** option using the same approach. In both cases, you can edit the converted documents before sending them to your supplier(s) and customer. Additionally, you can change the estimate's status from **Pending** to **Accepted**, **Closed**, or **Rejected** by clicking immediately below the customer name.

Sales Receipts and Invoices

Creating a **Sales Receipt** and an **Invoice** are virtually identical processes, with one exception: when generating a Sales Receipt, you receive payment simultaneously, whereas when generating an Invoice, you receive payment later. In either case, begin by selecting the customer and choosing the transaction type you need to record. In this example, we will select **Sales Receipt**. As shown in **Figure 36**, the customer satisfied the transactional amount by paying the vendor with check number 275, so no additional amount is due.

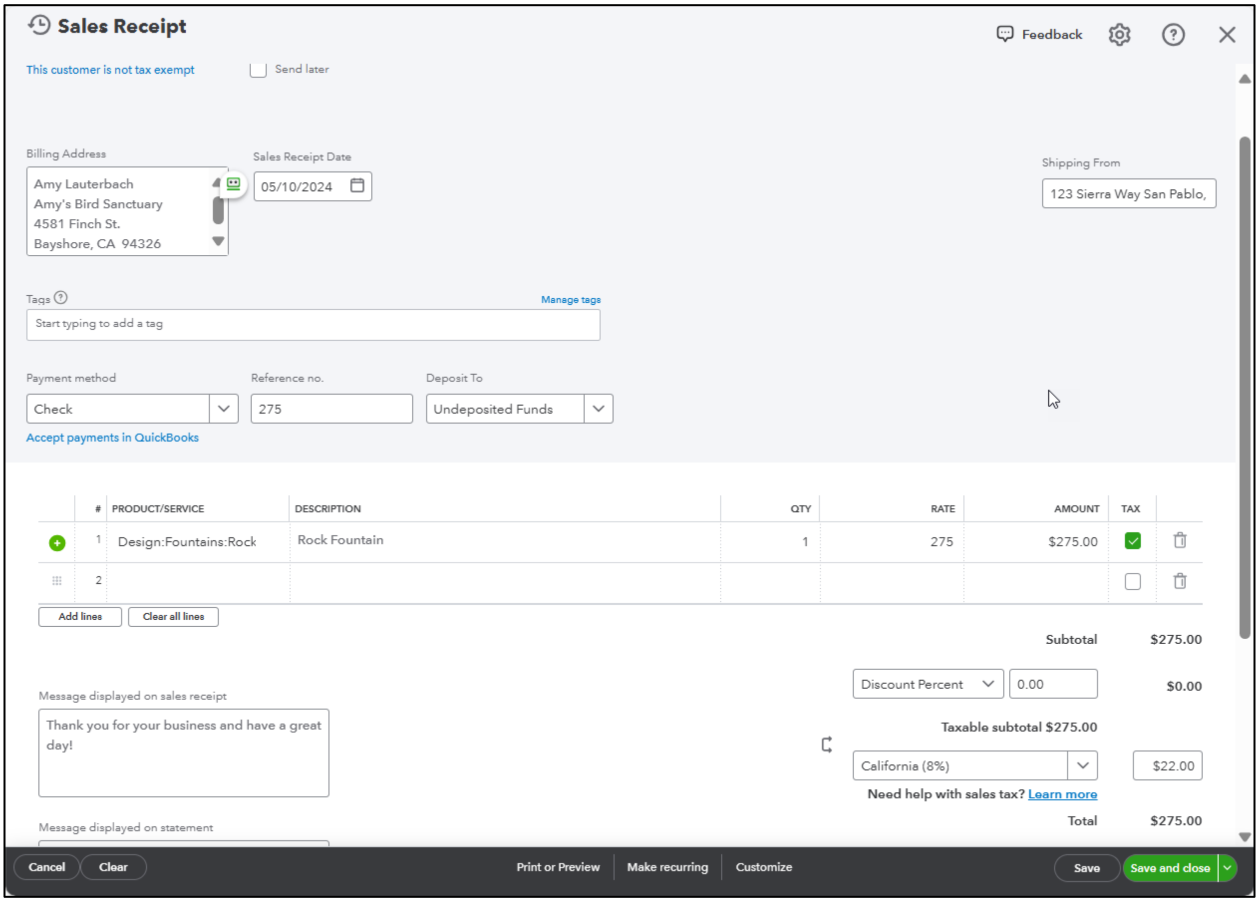


Figure 36 - Creating A Sales Receipt in QuickBooks Online

On the other hand, suppose the customer did not pay at the point of sale. Instead, the customer plans to pay later. In this case, we can issue an invoice instead. That document might resemble the one pictured in **Figure 37**.

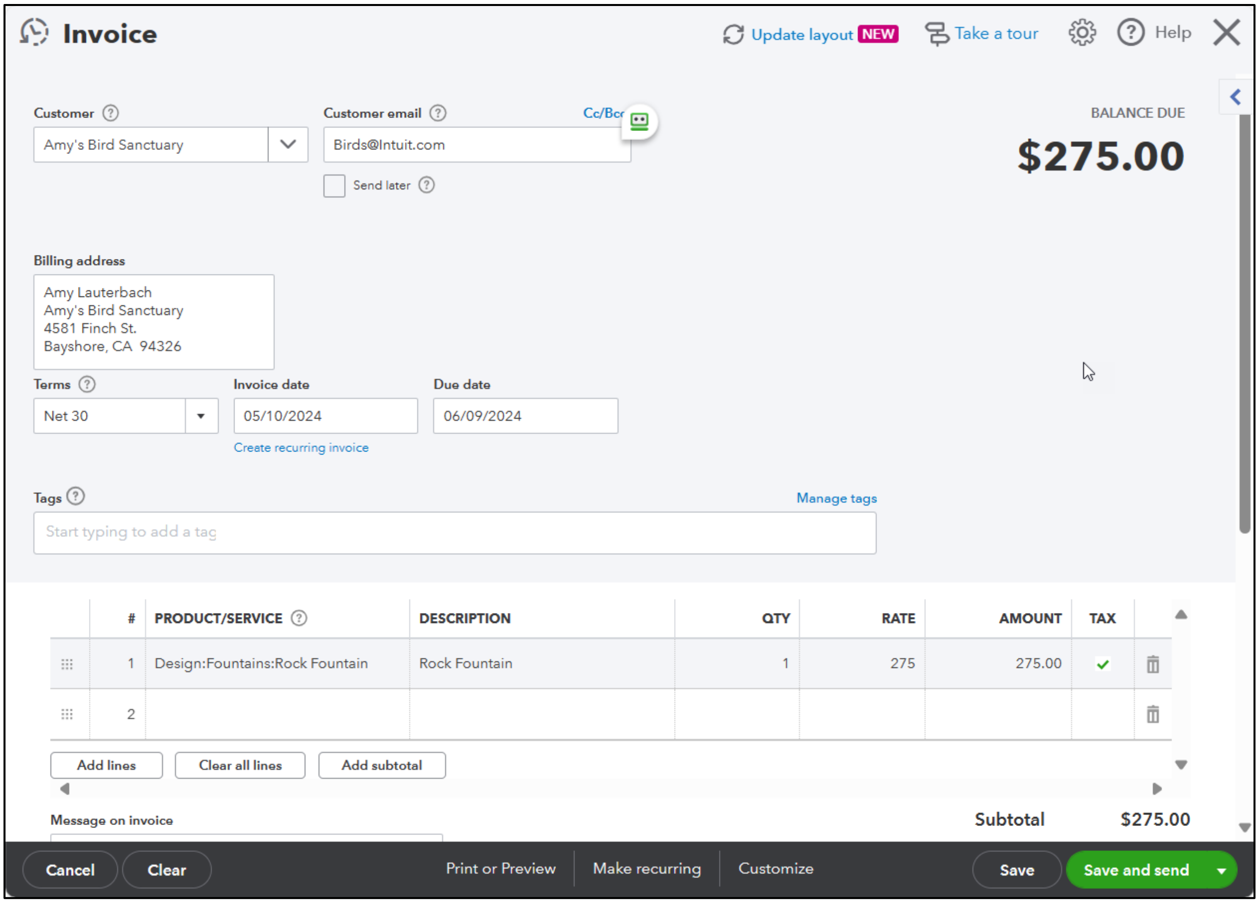


Figure 37 - Creating An Invoice In QuickBooks Online

Recording Customer Payments

Of course, in the aforementioned situation, you must receive and post the payment as soon as the customer sends it. To do so, recall the invoice and click **Receive Payment**, as outlined in **Figure 38**. Then, QBO will prompt you for the relevant details, such as the date and amount. Of course, if your customer pays in installments, you can receive multiple payments against a single invoice.

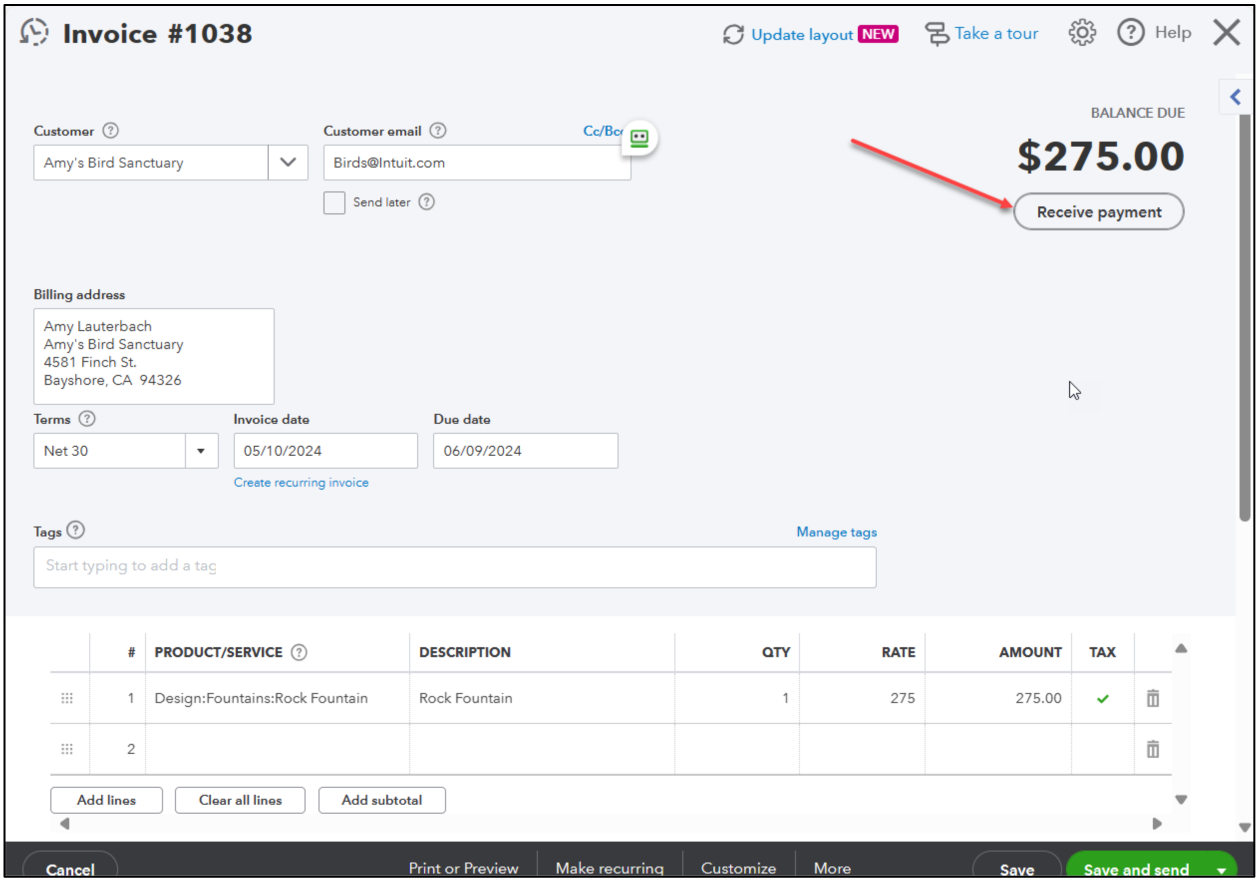


Figure 38 - Receiving Payments For An Invoice

Issuing Credit Memos

Occasionally, it may be necessary to issue a Credit Memo to clear a balance in Accounts Receivable, no matter the cause. Select the customer or client name in these situations and then choose **Credit Memo**. Upon doing so, QBO presents a form like that in **Figure 39**.

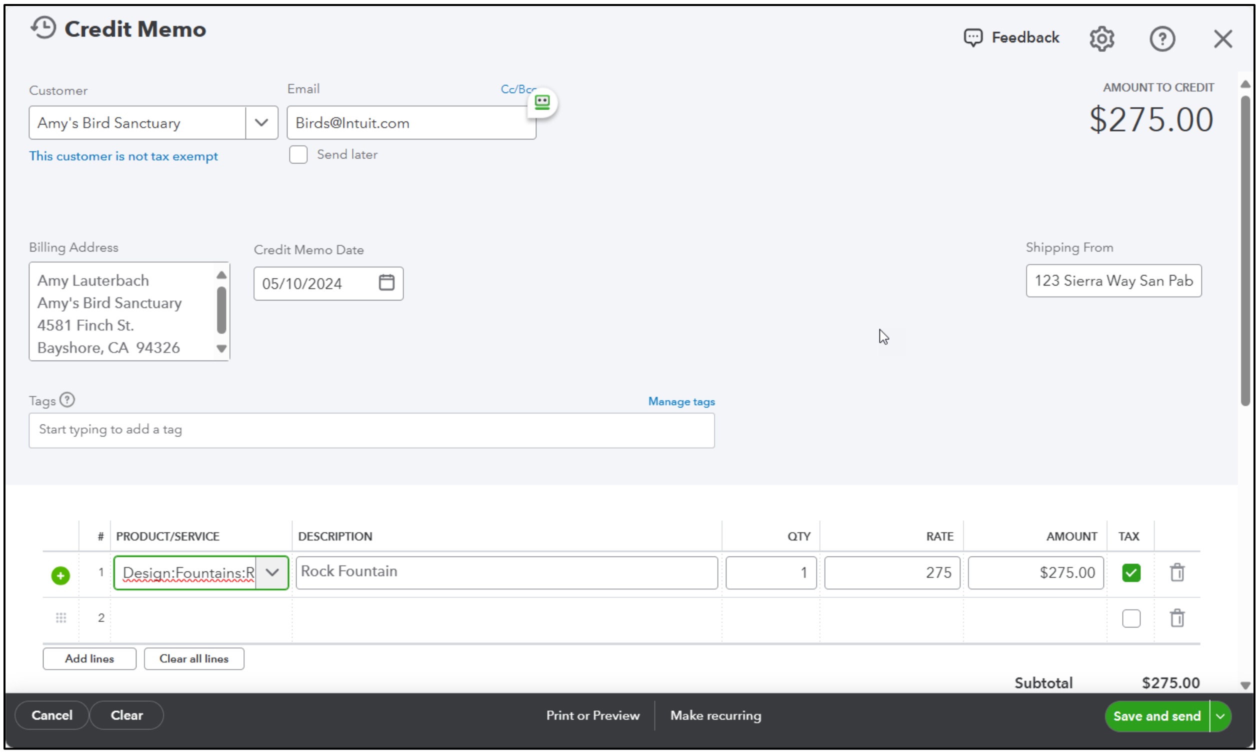


Figure 39 - Generating A Credit Memo

QBO will attempt to apply the credit memo automatically to an open invoice.

Refund Receipts

Like credit memos, refunds are sometimes necessary. In that case, you must create a refund receipt for the customer. To generate the document, open the Refund Receipt template and enter the relevant details, including the refund amount and the check number. Then save the form and optionally print a copy to provide to the customer along with the reimbursement.

Delayed Charges and Delayed Credits

In QBO, a Delayed Charge is a transaction type that lets you record transactions you will credit to a customer or client at a later date. You can collect numerous delayed credits and apply them simultaneously if you like. For instance, **Figure 40** shows an invoice about to be issued. It also shows a delayed credit for $175. If the user creating the invoice clicks **Add** on the credit tile, the credit will reduce the invoice balance to $365.

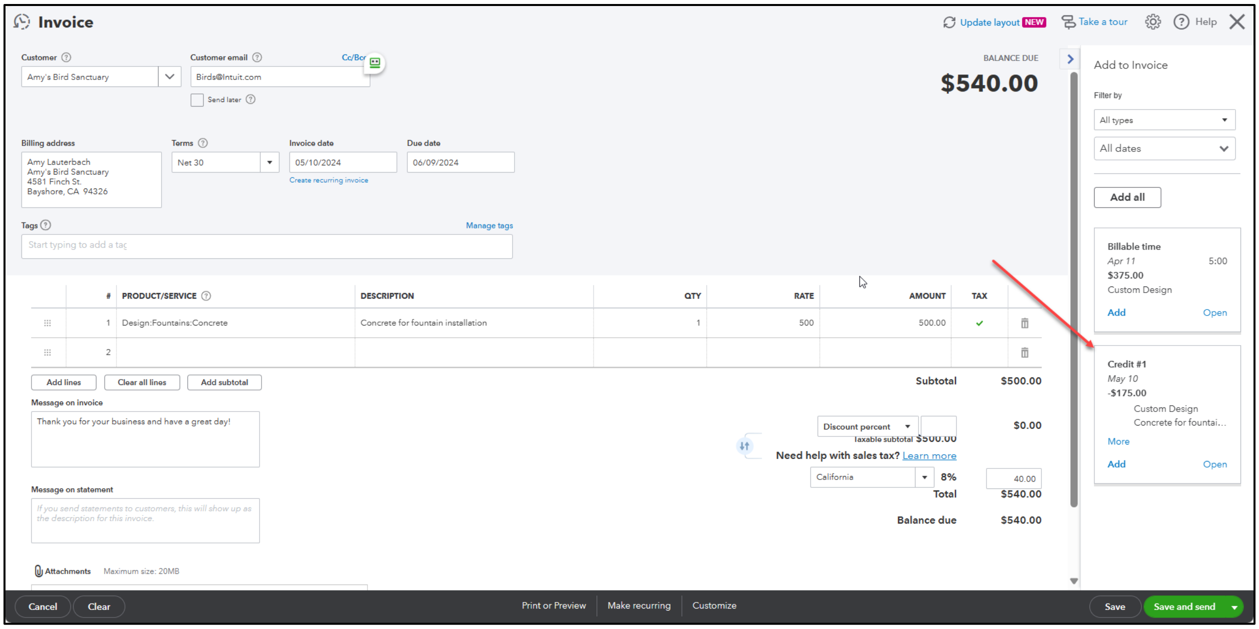


Figure 40 - Selecting A Delayed Credit To Apply Against A New Invoice

Delayed Charges

As you might expect, Delayed Charges are similar to Delayed Credits except that they are used to accumulate transactions you will bill later.

Time Activity

To the extent you record time activities in QBO, you can subsequently bill them to your customers or clients. For example, consider the timesheet entry pictured in **Figure 41**.

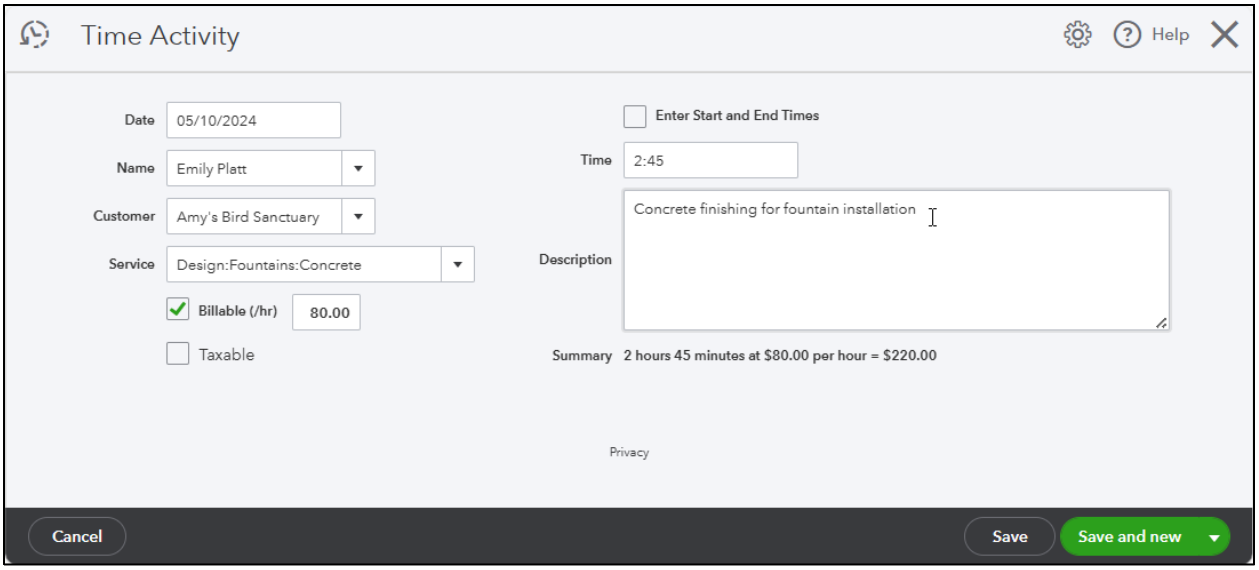


Figure 41 - Sample Time Sheet Entry

With that timesheet entry in place, an owner or manager could easily bill the customer for the time accumulated on the project, as shown in **Figure 42**.

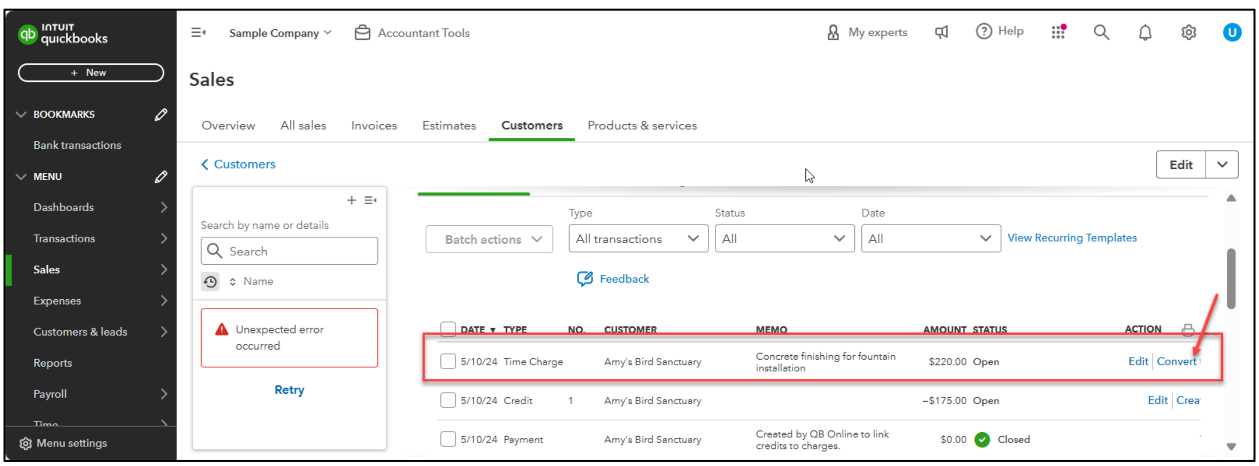


Figure 42 - Billing A Timesheet Entry

Revenue And Receivables Reporting Options

Moving away from transaction entry, you will notice that QBO offers a variety of reports to help you assess revenues billed, collected, and still owed. For example, using QBO Plus, you can access the revenues and receivables reports listed in **Table 1** below.

Revenue Focused Reports	Receivables Focused Reports
Sales By Customer Type Detail	Accounts Receivable Aging Summary
Estimates & Progress Invoicing Summary By Customer	Accounts Receivable Aging Detail
Customer Contact List	Collections Report
Income by Customer Summary	Customer Balance Summary
Sales By Customer Summary	Customer Balance Detail
Sales By Customer Detail	Invoice List
Deposit Detail	Invoices And Received Payments
Estimates By Customer	Open Invoices
Inventory Valuation Detail	Statement List
Inventory Valuation Summary	Terms List
Product/Service List	Unbilled Charges
Sales By Product/Service Summary	Unbilled Time
Sales By Product/Service Detail	
Payment Method List	
Physical Inventory Worksheet	
Time Activities By Customer Detail	
Transaction List By Customer	
Transaction List By Tag Group	

Table 1 – Summary Of Revenue And Receivables-Related Reports In QBO Plus

?	Are there any critical revenue and receivables-related features you might need that are unavailable in QBO? If so, how might you resolve their absence?

Managing Vendors, Expenses, And Accounts Payable

Chapter 4

Like QBO's customer, sales, and receivables features, the service offers tools to help small businesses manage vendors, expenses, and accounts payable. Further, these features operate similarly to those of other small-business accounting solutions, including QuickBooks Desktop. In this chapter, you will learn how to use QBO’s feature set to assist with processing and reporting accounts payable.

Learning Objectives

Upon completing this chapter, you should be able to:

- List necessary tasks to complete to configure vendors, expenses, and accounts payable;
- Identify the workflows to initiate purchase orders, record bills and expenses, and make payments;
- Name essential steps necessary to generate Forms 1099;
- Cite necessary procedures for handling recurring expenditures; and
- Create various reports related to vendors, expenses, and accounts payable.

Creating, Editing, And Managing Vendors

Of course, you create vendors before creating purchase orders, writing checks, or engaging in other expense cycle transactions. The process for creating vendors in QBO – detailed below – resembles that for creating vendors in QuickBooks Desktop and other small business-focused applications and services.

Adding Vendors

To add a vendor to QBO, click **Add vendor** to open the **Vendor data entry** window shown in **Figure 43**. Immediately, you will recognize that this window closely resembles the customer data entry window pictured in Figure 23. Like the Customer data entry window, the Vendor data entry window contains five sections:

1. Name and contact
2. Address
3. Notes and attachments
4. Bank payment info
5. Additional info

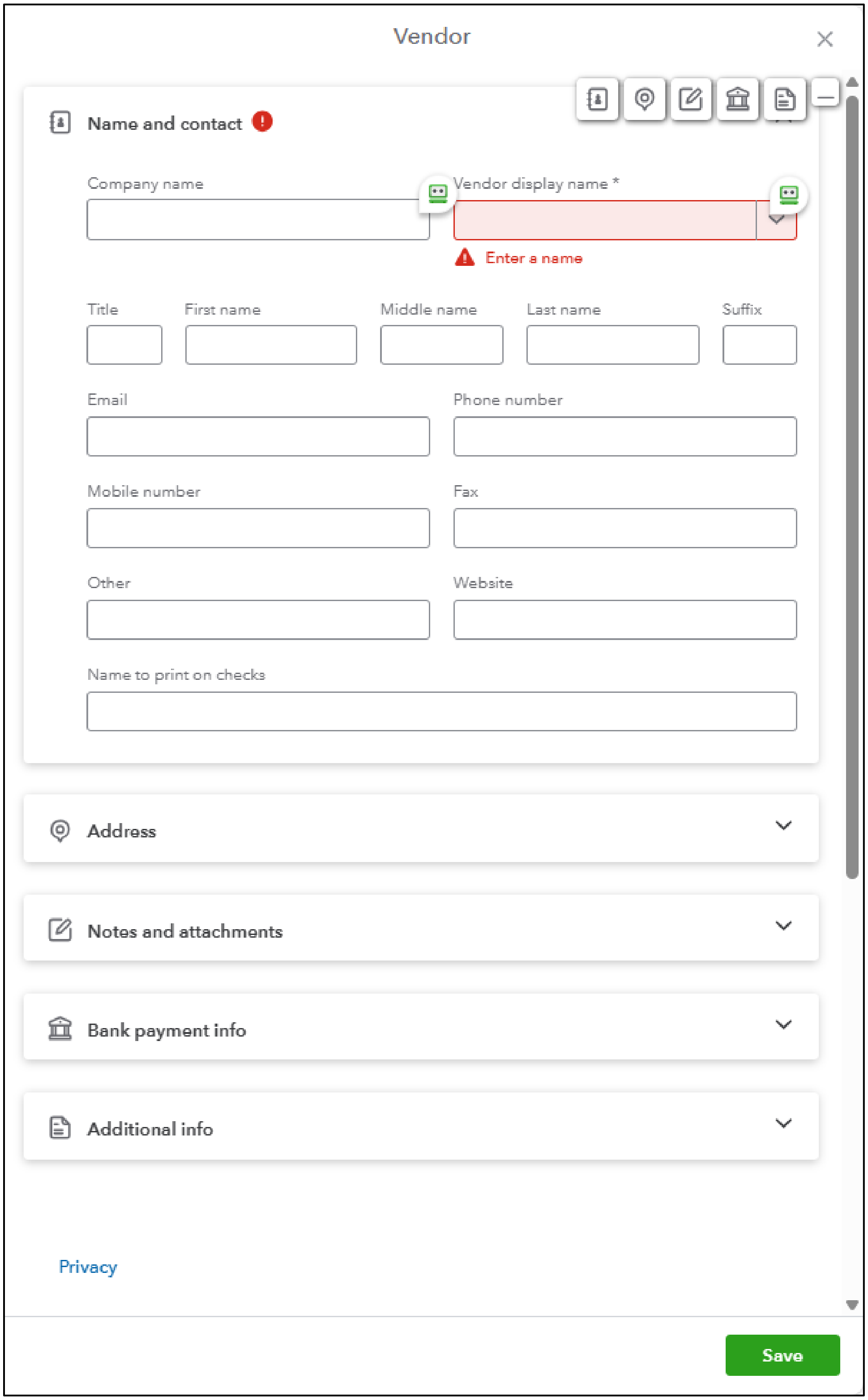


Figure 43 - QBO's Window For Adding And Editing Vendor Information

As discussed in the previous chapter, you should enter the necessary vendor master file information into each section. For example, enter fundamental data such as a vendor's name and contact information in the **Name and contact** section. Similarly, enter the relevant data, such as street address, city, state, and zip code, in the **Address** section.

The **Notes and attachments** section can be a great place to store PDFs and similar documents related to a vendor. For example, you may consider storing W-9 forms, contract copies, and other documents here.

If you plan to issue payments electronically to vendors, you must store the required fields in the **Bank payment info** section. The required information includes the vendor's bank account and routing numbers.

Finally, the **Additional info** section pictured prompts for additional information, including the following items:

- The vendor's tax identification number or Social Security Number
- Whether to track payments to vendors for purposes of issuing Forms 1099
- Expense rates, such as a vendor's hourly billing rate
- Default payment terms for a vendor, such as "Net 30"
- A vendor's account number
- The default general ledger account to use when recording a transaction
- The opening balance for a vendor and the "as of" date for that balance (only used when setting up QBO initially)

!	If you are involved in setting up QBO for your company or a client, avoid the temptation to enter only minimum information about vendors under the premise that you (or someone else) will add the remainder of the data later. Adding all the data when initially setting up QBO is typically far more efficient.

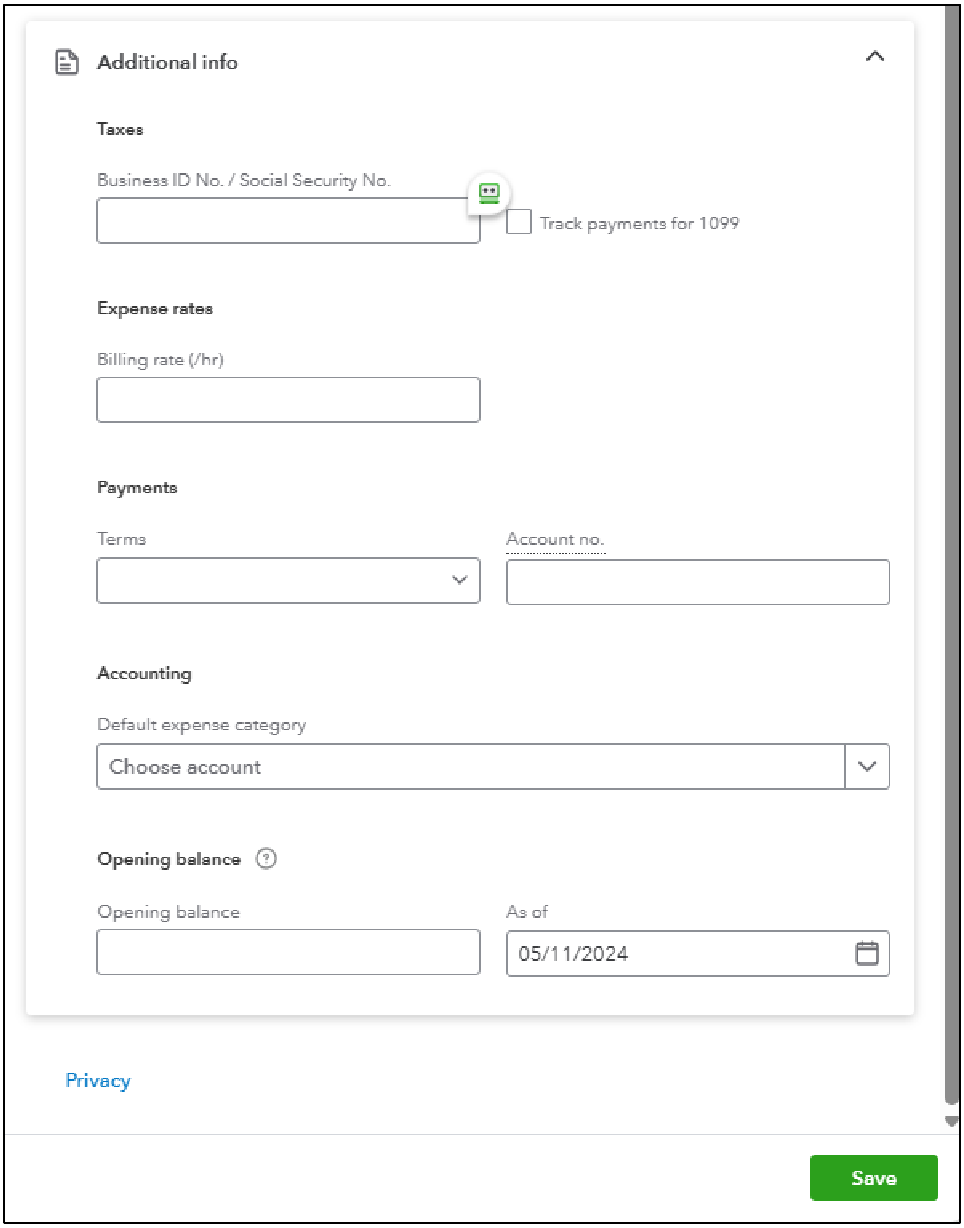


Figure 44 - Additional Information Section Of QBO's Vendor Data Entry Window

Importing Vendor Information Into QuickBooks Online

As with other forms of master file information, you can import vendor information into QBO, too. Not surprisingly, the process for importing this type of information mirrors the import processes discussed elsewhere in this text.

First, arrange your existing data into the following columns in an Excel spreadsheet to import vendor information.

- Name
- Company
- Email
- Phone
- Mobile
- Fax
- Website
- Street
- City
- State
- Zip
- Country
- Opening Balance
- Date
- Tax ID

Next, click **Import vendors**, as shown in **Figure 45**.

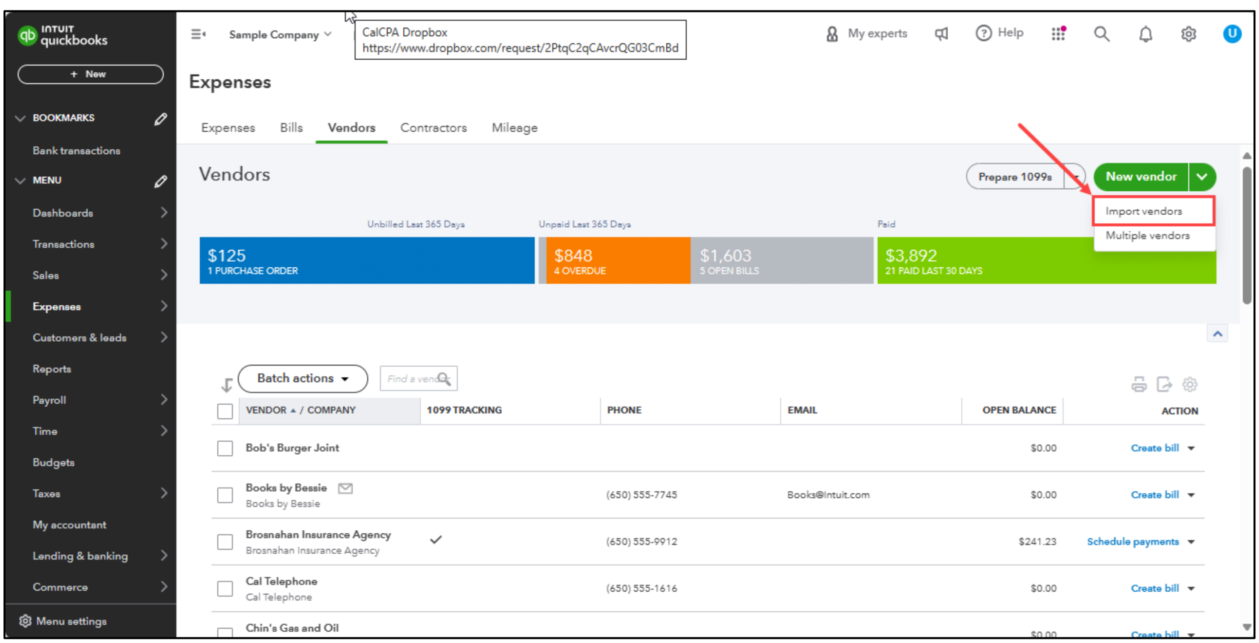


Figure 45 - Importing Vendors Into QuickBooks Online

After choosing to import vendors, select the file containing the vendor information and click **Next**, as shown in **Figure 46**. QBO then presents the data you will import in a preview pane, where you can make any necessary corrections. Assuming none are required, click **Next**, then **Import** to complete the data import process.

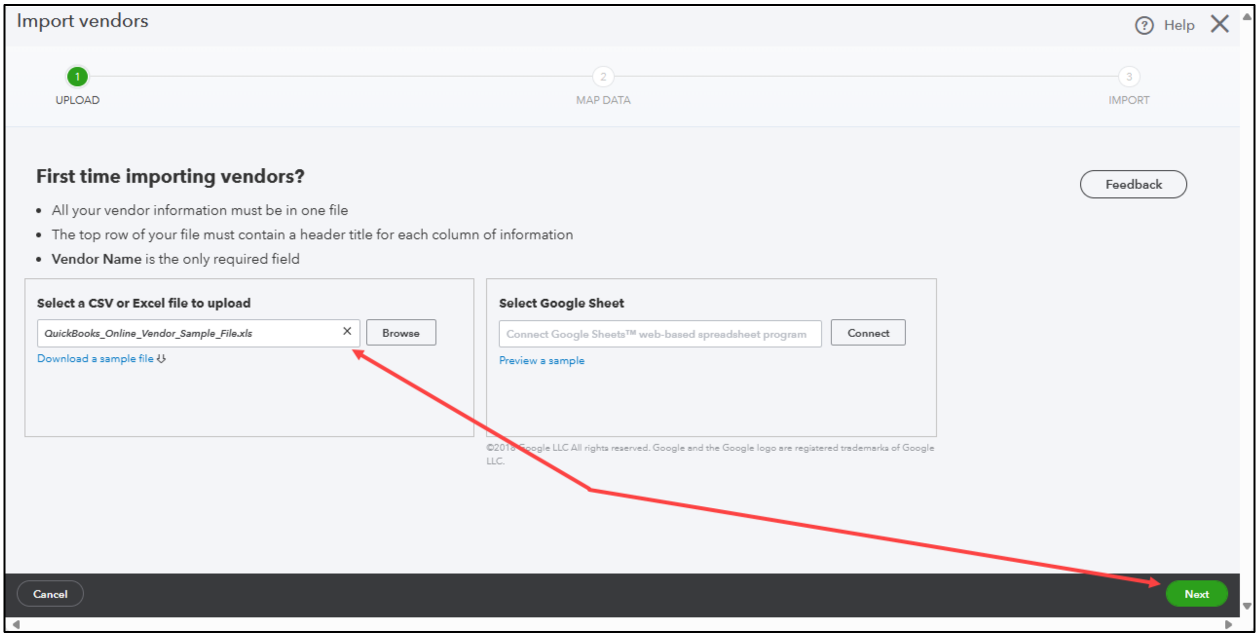


Figure 46 - Importing An Excel File Containing Vendor Information Into QBO

Of course, no matter the method you choose to add vendors – manual data entry or import – you can edit fundamental vendor information anytime. For example, if a vendor changes location, you can return to the address section of the data entry window and make any necessary adjustments.

Initiating And Managing Purchase Orders In QuickBooks Online

Although not required by QBO, purchase orders can help you maintain internal control over items and services purchased, the vendors you use, and the amounts you pay for products and services. However, before you can use purchase orders, you must have a QBO subscription that supports them and enable this option. We discussed both topics previously in this text.

Assuming the two prerequisites above are in place, click **New Purchase Order** to initiate a new purchase order, an example of which **Figure 47** displays.

Among other items, the purchase order includes vendor information, terms, the product(s) ordered, pricing information, delivery address, and shipping instructions. It also allows one to enter a message to the vendor and memo text. Further, you can attach a document, such as a PDF, to the purchase order to provide more clarity.

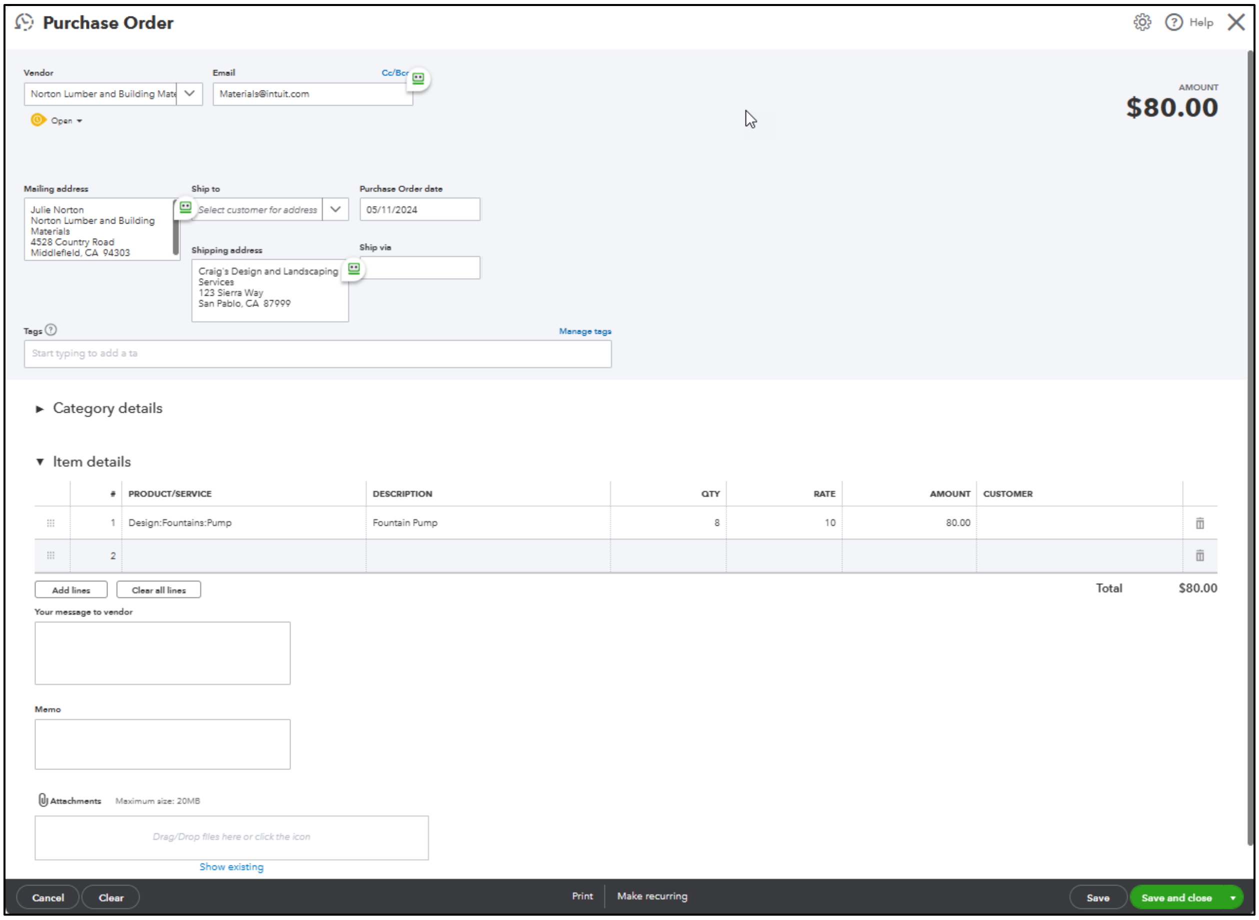


Figure 47 - Sample Purchase Order In QBO

In addition to the details mentioned above, you can expand the **Category** details section of the form to specify which account to debit for the expenditure when you do not use items on the purchase order.

Once you enter the transaction's data, you can choose from several options to save your work.

1. Near the lower right corner of the window, you can click **Save**. This option would be helpful if you have not completed all the data entry but want to save your work, perhaps while you shift to another task.

2. Also, the **Save and close** button is near the window's lower right corner. This option would be helpful if you have completed your data entry, want to save it, and desire to close the purchase order window.

3. Additionally, you can click the arrow in the **Save and close** button to choose a **Save and new** option or a **Save and send** option. The **Save and new** option saves the existing transaction and opens a new purchase order entry window. On the other hand, the **Save and send** option saves the transaction and prepares it for emailing to the named vendor.

Figure 48 illustrates the dialog that appears immediately before sending the purchase order via email.

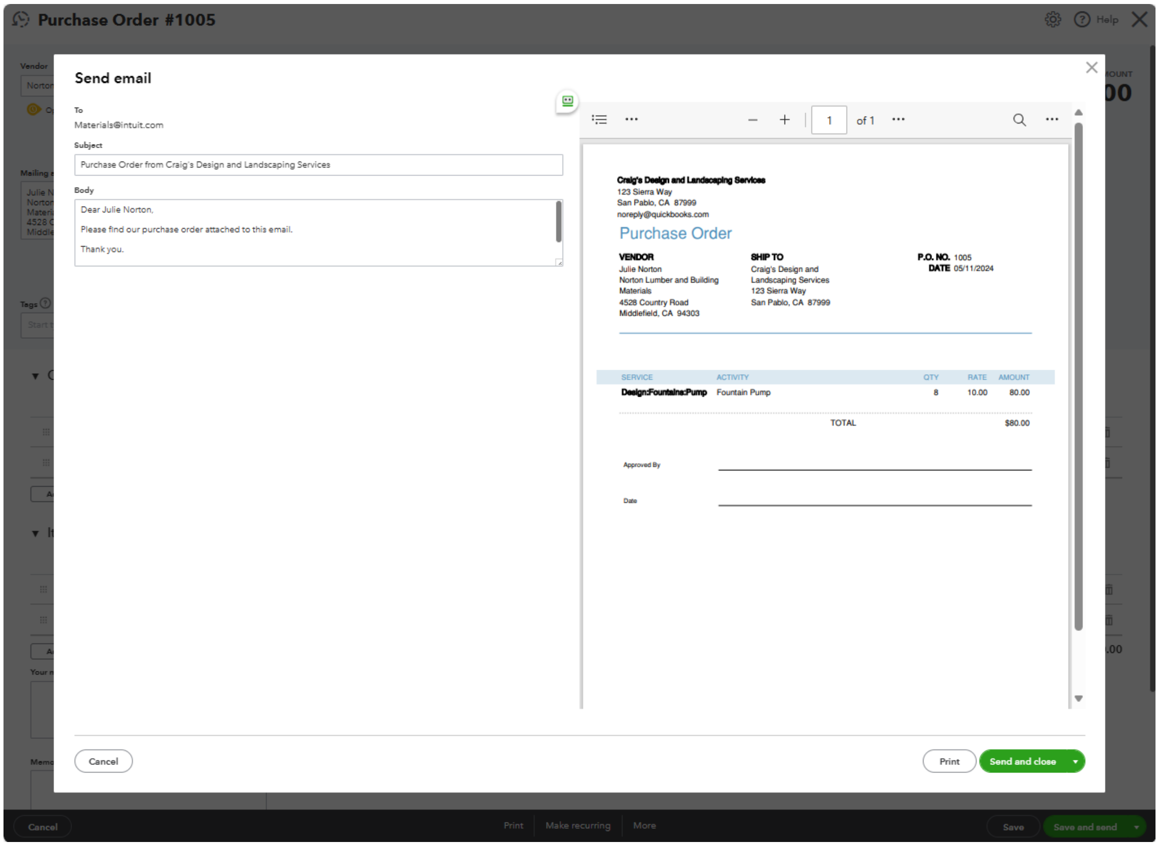


Figure 48 - Using The Save And Send Option For A Purchase Order

Receiving Goods Associated With A Purchase Order

Receiving goods in QuickBooks Online after issuing a purchase order (PO) involves several detailed steps to ensure that the inventory and financial records update accurately. First, you should open the relevant purchase order in QBO. Next, you should verify that the items you received are what you ordered and in good condition. If those conditions do not exist, you should contact the merchant to resolve any issues. On the other hand, if you want to record the received goods against the purchase order, click **Expenses** and then choose the vendor to whom you issued the purchase order. Next, select the purchase order you used to order the goods and choose the **Copy to bill option**, as shown in **Figure 49**.

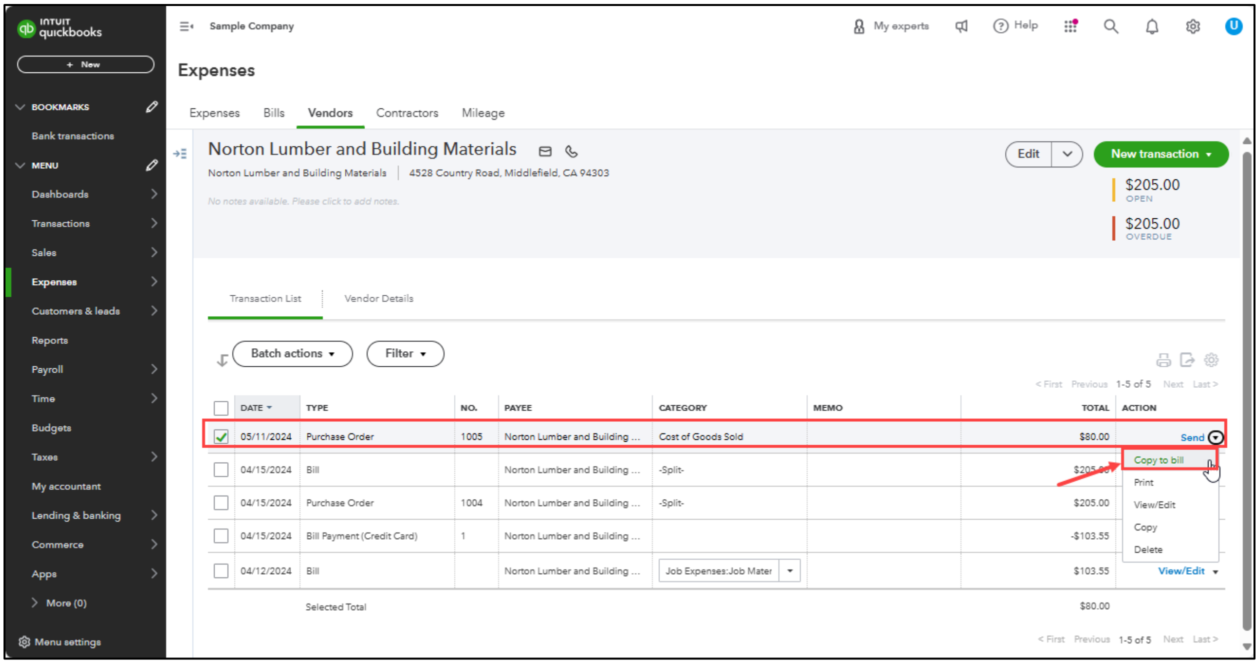


Figure 49 - Copying Purchase Order Data To A Bill

QBO then displays the window shown in **Figure 50**. You can change the quantity of goods received here if necessary. QBO will automatically close the purchase order if the quantity received matches the quantity ordered.

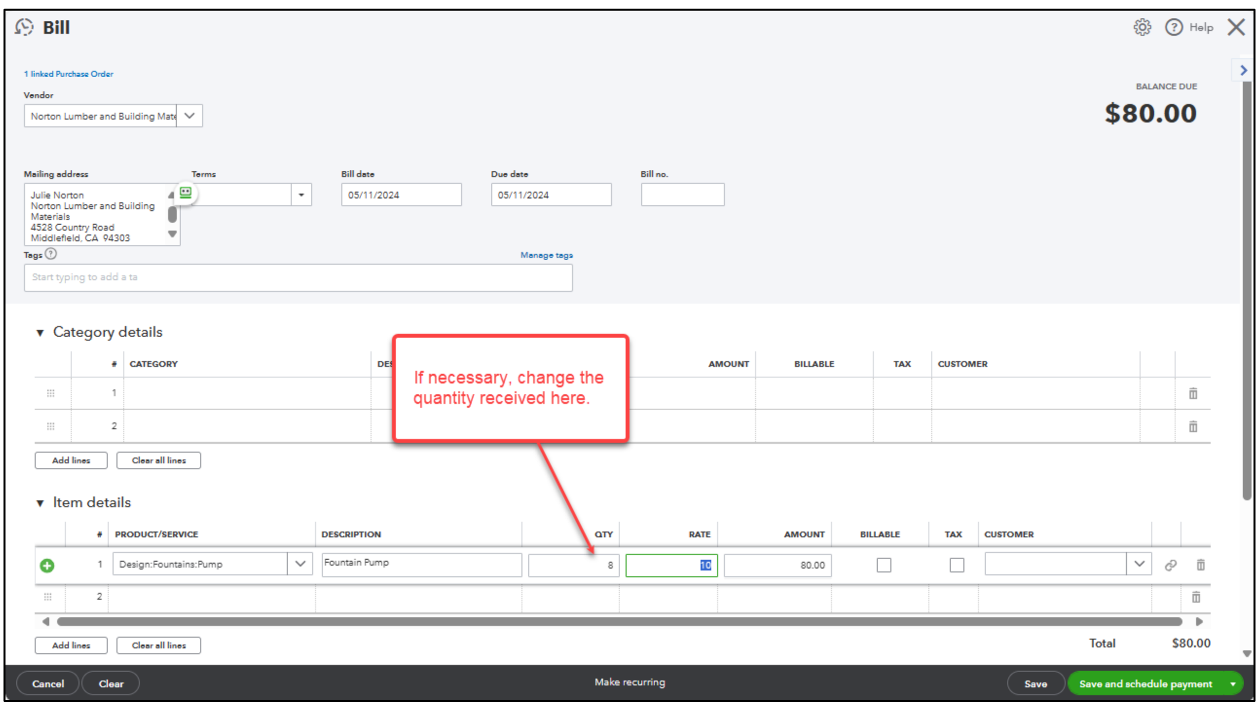


Figure 50 - Receiving Goods Against A Purchase Order

On the other hand, if you need to close the purchase order manually – perhaps because the vendor has notified you they will be unable to supply all the items ordered – you can do so manually. Specifically, return to the purchase order and toggle its status to **Closed**, as shown below in **Figure 51**.

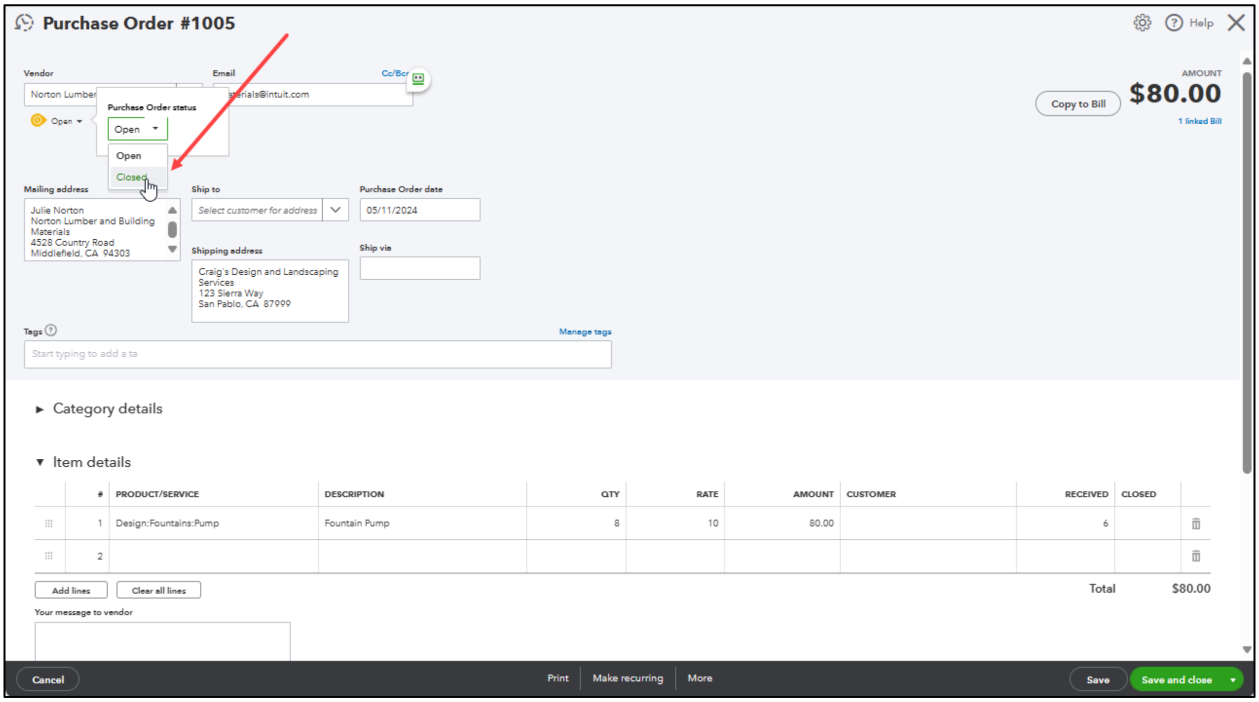


Figure 51 - Closing A Purchase Order Manually In QBO

Recording And Paying Accounts Payable Bills

Of course, many accounts payable transactions will not involve purchase orders. Instead, the organization will receive a bill from a vendor and should pay it according to the terms previously agreed, such as "Due on Receipt," "2/10, Net 30," "Net 15," or "Net 30." In these cases, recording the accounts payable transaction and initiating the related payment are relatively straightforward tasks, as detailed below.

Manually Recording An Accounts Payable Bill

Suppose a company running QBO receives a bill from its insurance company for $1,215 covering six months of property and casualty insurance. Typically, businesses do not use purchase orders for such transactions, so no such document exists. Instead, the bill often arrives in the mail. When it does, someone must enter the bill's details in QBO, as shown in **Figure 51**.

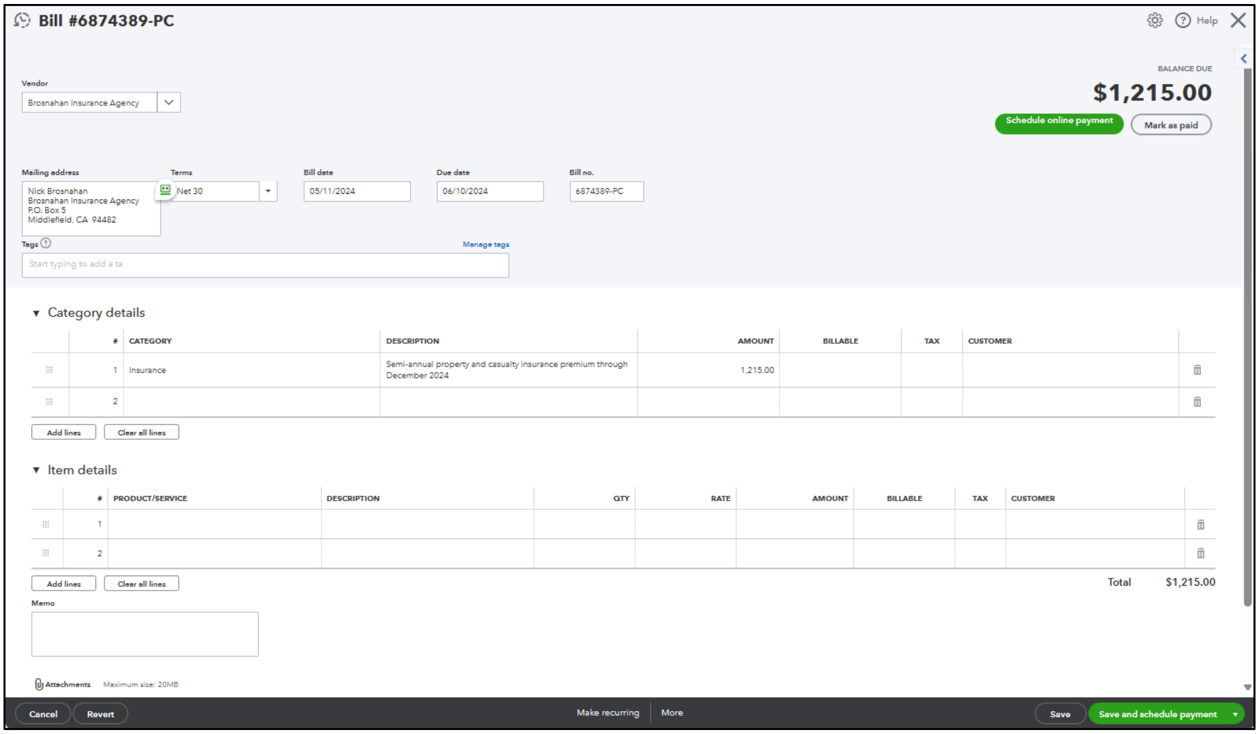


Figure 52 - Recording An Accounts Payable Bill In QBO

In a simple case like this, settling the debt is all that remains. However, other circumstances may alter the transaction's flow, such as when the company bills the expenditure to a third party.

Processing Billable Expenses

If a company incurs an expense that is to be reimbursed by another party, you can mark the expense as "billable" in QBO. To do so, check the "Billable" box when recording the accounts payable transaction and indicate the customer who will reimburse the expenditure, as shown in **Figure 53**. Upon doing so, the transaction will be "tagged" to that customer, and you can easily add it to a bill you send. **Figure 54** displays how to add the billable expense with a simple mouse click.

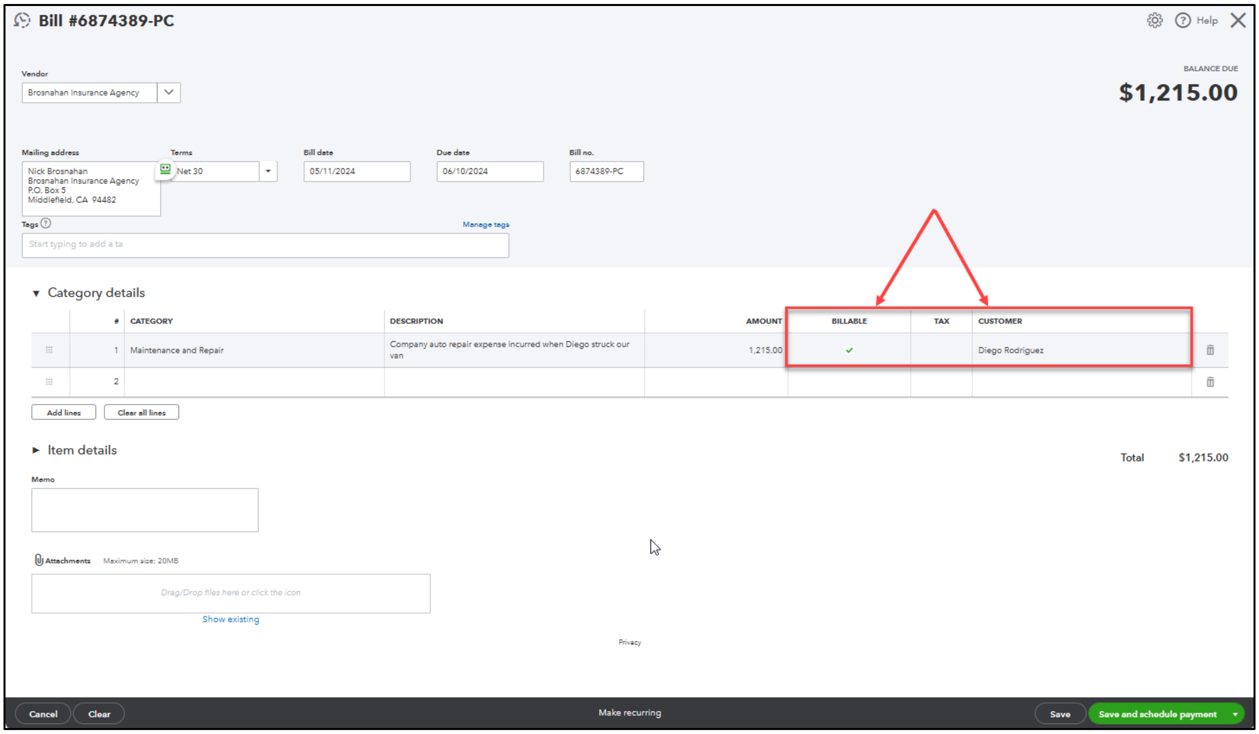


Figure 53 - Marking An Accounts Payable Transaction As Billable

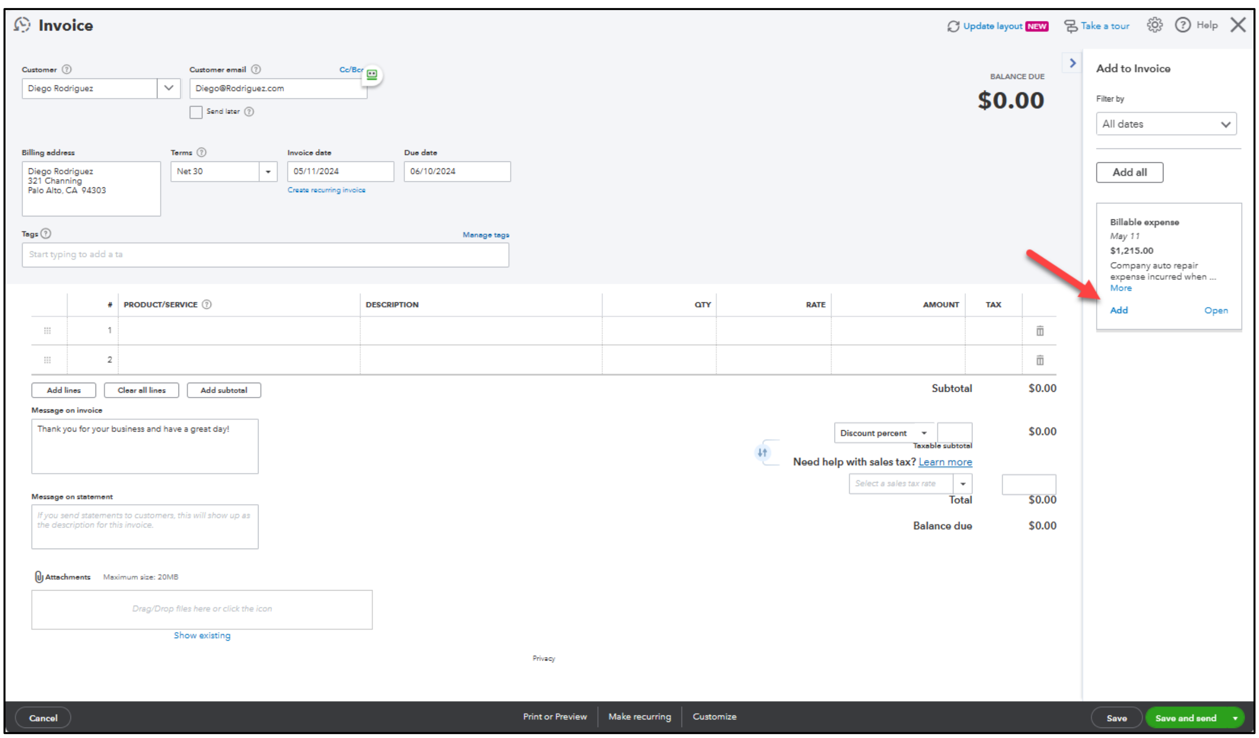


Figure 54 - Adding A Reimbursable Expense To An Invoice

Uploading Bills Electronically

You can choose to upload bills electronically rather than manually enter them. Potential advantages of this method include improved accuracy and reduced time spent on mundane clerical tasks.

To upload a bill electronically, follow these steps.

1. Save the bill on your computer.
2. Navigate to **Bills** and click **Add bill** near the upper right corner of the screen, followed by **Upload from computer**, as shown in **Figure 55**.

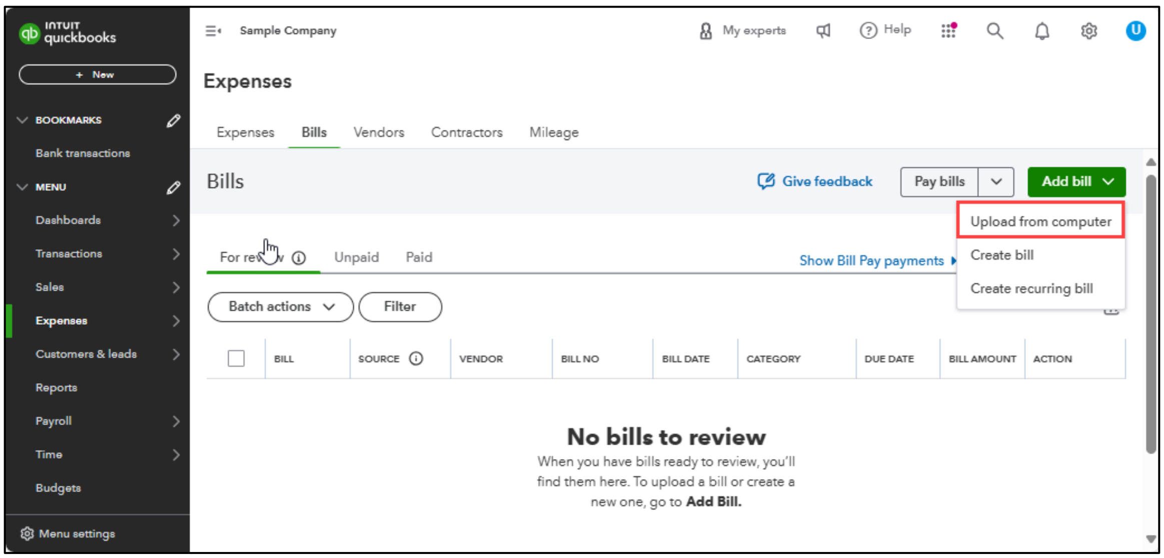


Figure 55 - Uploading A Bill To QuickBooks Online

3. Next, drag and drop the bill into the window pictured in **Figure 56**.

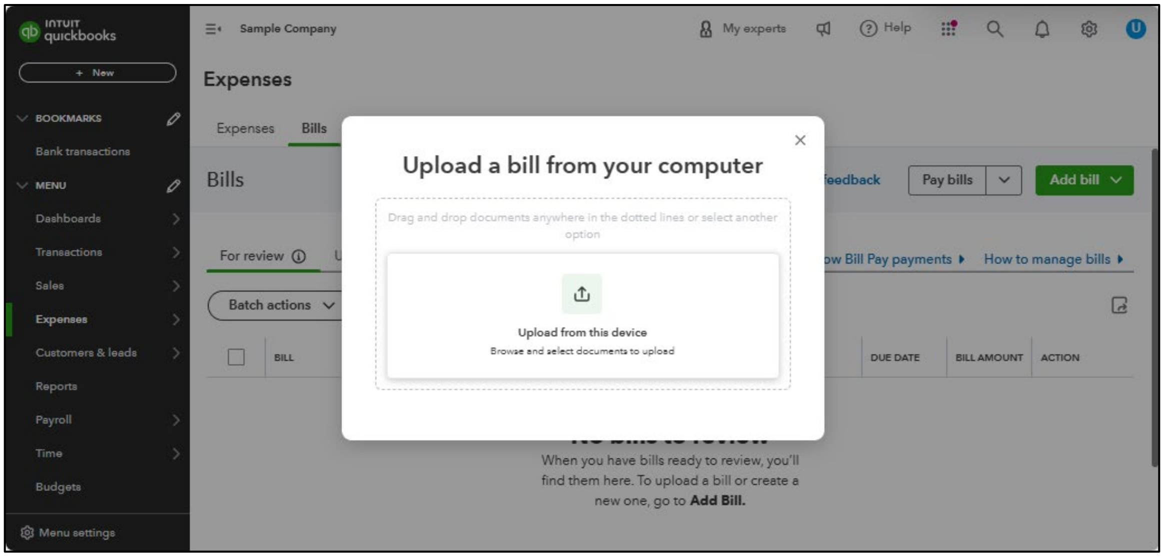


Figure 56 – Location For Uploading A Bill To QuickBooks Online

Once you upload the bill, QBO processes it and allows you to verify the transaction. Specifically, click **Review** in the window pictured in **Figure 57**.

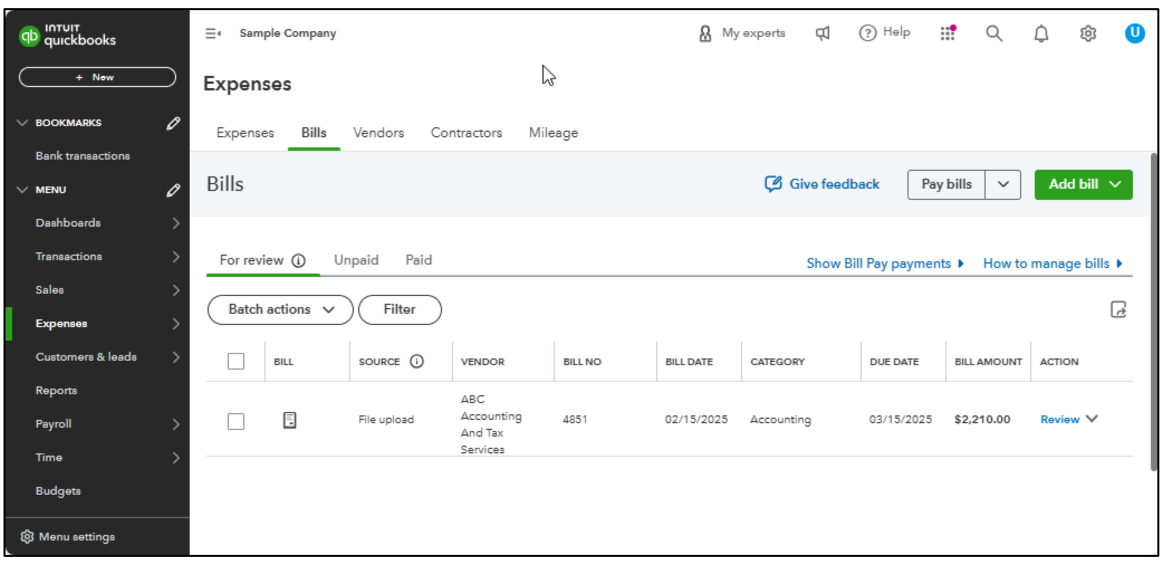


Figure 57 - Queue For Bills To Review

Upon doing so, QBO presents the window pictured in **Figure 58**. Here, you can review and edit the bill imported by QBO. Upon clicking **Save and close**, QBO saves the transaction as if you entered it manually.

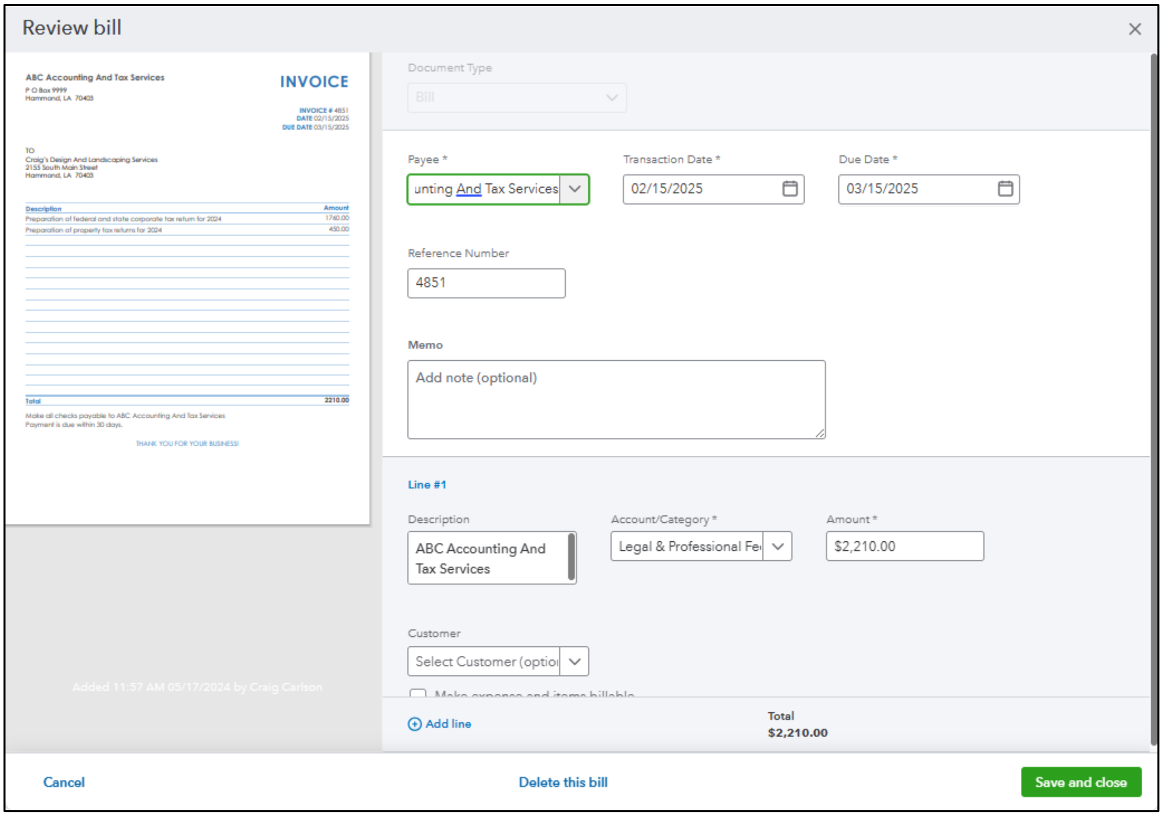


Figure 58 – Reviewing, Editing, And Approving Details From An Uploaded Bill

Authorizing Payments And Paying The Bills

Of course, all valid debts require payment, and QBO provides multiple options for paying vendors, ranging from simple, manual processes to electronic bill payments.

Paying Bills Manually By Writing Checks

In some situations, paying a bill manually by writing a check might be the appropriate transaction. To effect this form of payment, first complete the manual check. Next, open the bill you will pay with the check you created and click **Mark as Paid**, as shown in **Figure 59**.

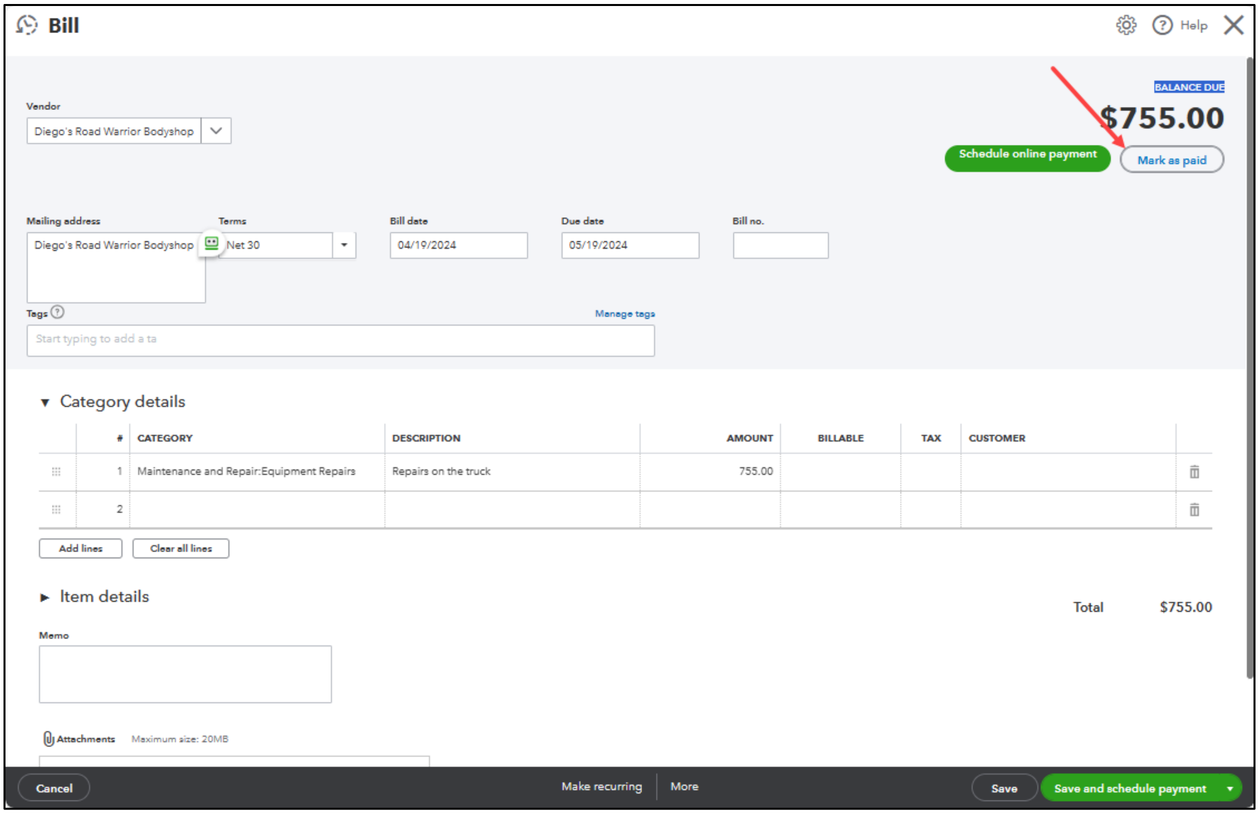


Figure 59 - Marking A Bill As Paid

Next, in the resulting **Bill Payment** window, add the relevant details of the payment, as shown in **Figure 60**.

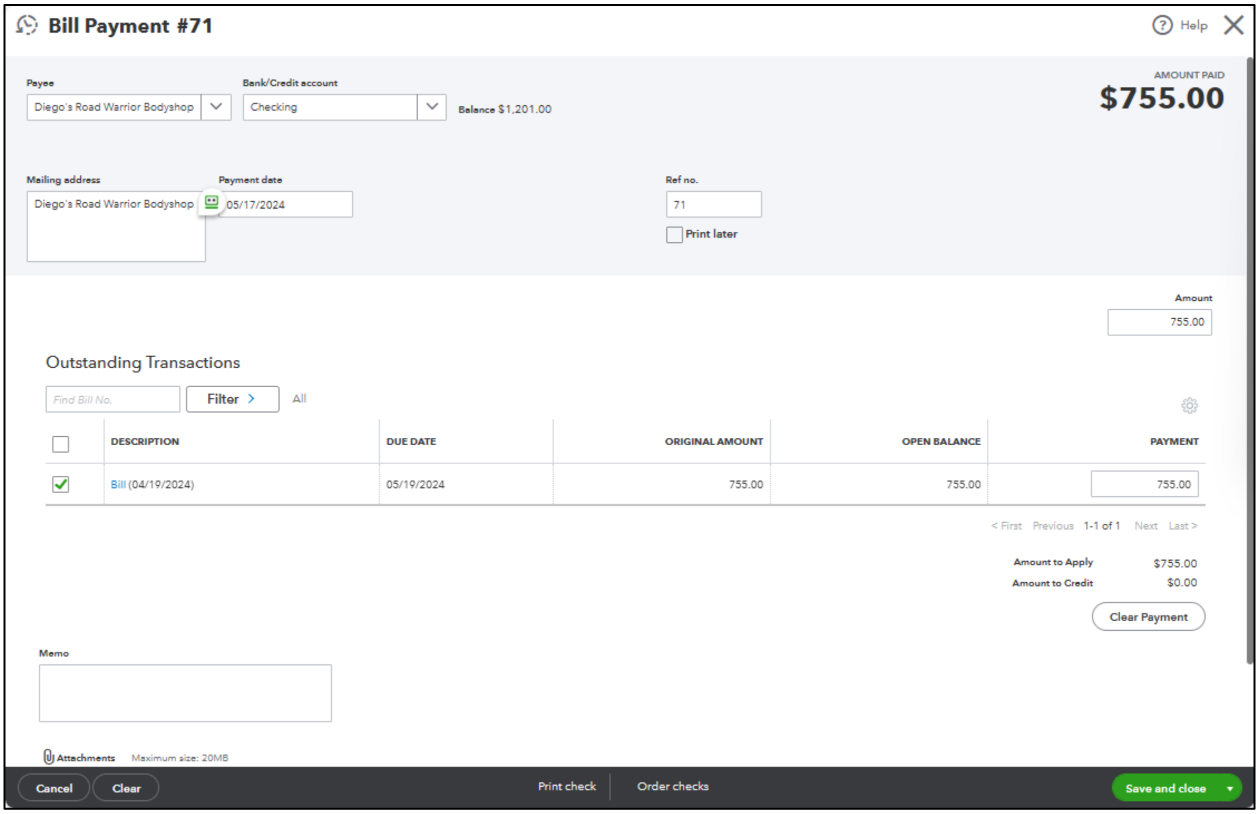


Figure 60 - Adding Bill Payment Details

Finally, click **Save and close** to complete the process.

Paying Bills With A Credit Or Debit Card

If you choose to pay a bill via a credit or debit card, the process is similar to that described above. Begin by selecting the bill to pay and clicking **Mark as paid**, as described previously. Then, like paying with a check, enter the relevant payment details, including the credit or debit card used to pay the bill, as shown in **Figure 61**. Click **Save and close** to record the payment.

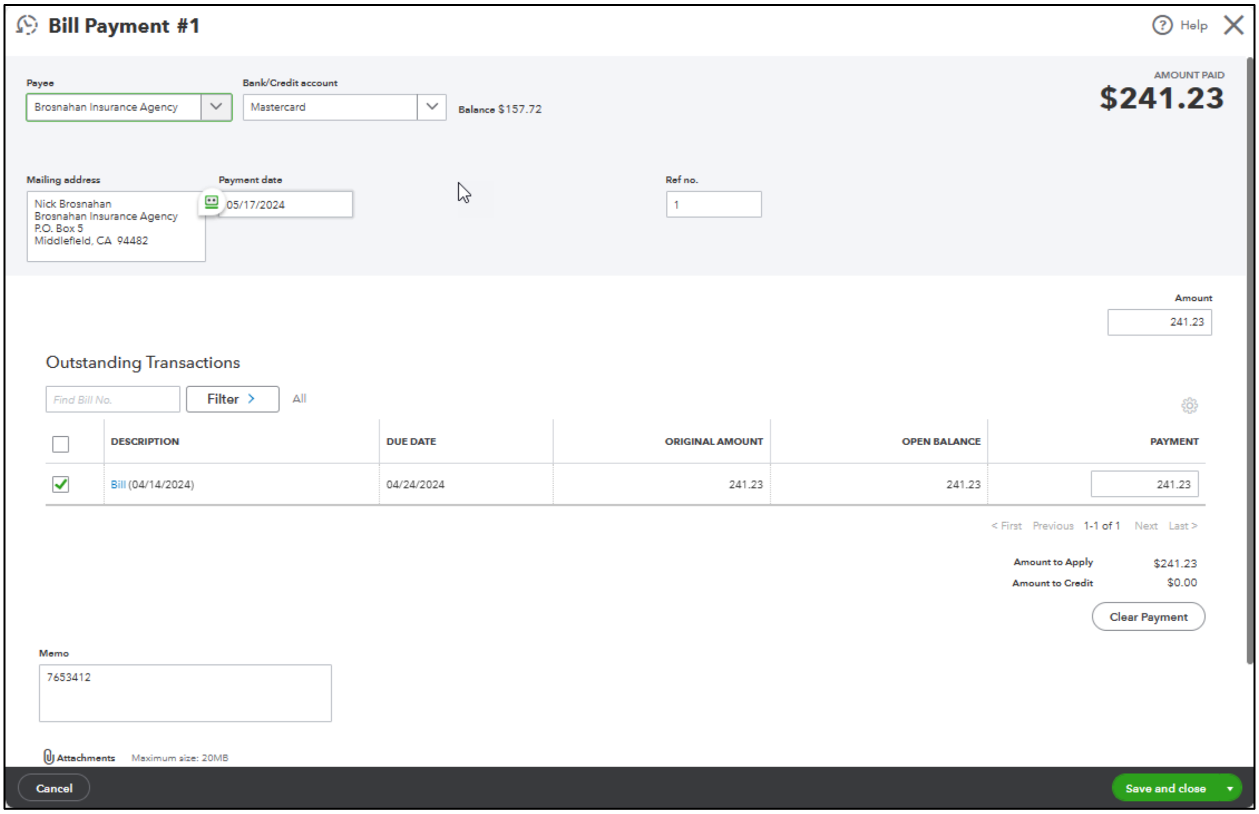


Figure 61 - Paying A Bill With A Credit Or Debit Card

Printing Checks Through QuickBooks Online

Another way to pay bills is to use QBO to generate and print checks that you will distribute to creditors. Because of its "batch" process, this method works well when you need to pay numerous bills.

To begin, click **Pay Bills** and, as shown in **Figure 62**, select the bills you wish to pay from the list of unpaid bills.

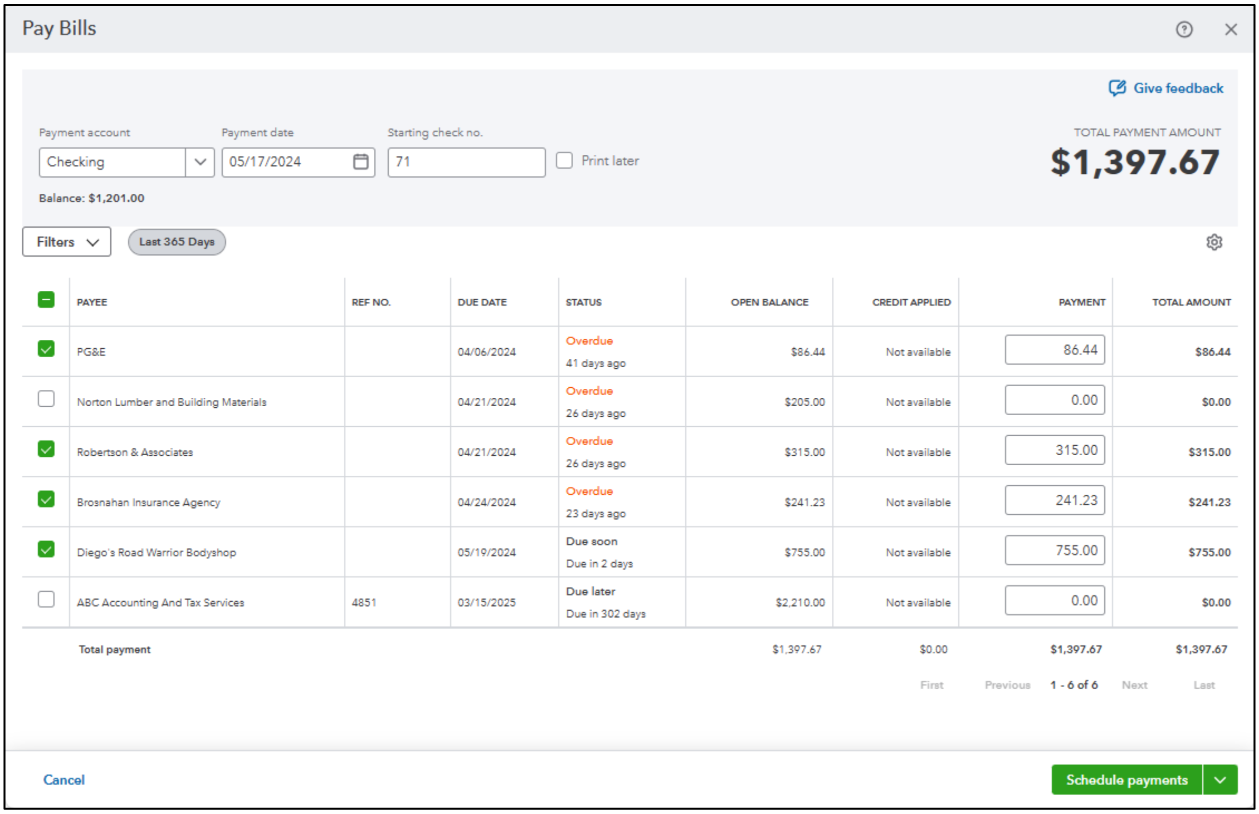


Figure 62 - Selecting Multiple Bills To Pay Via Printed Checks In QBO

Before QBO prints the checks, it displays a "preview" window showing all the checks to print. **Figure 63** presents a sample of this report.

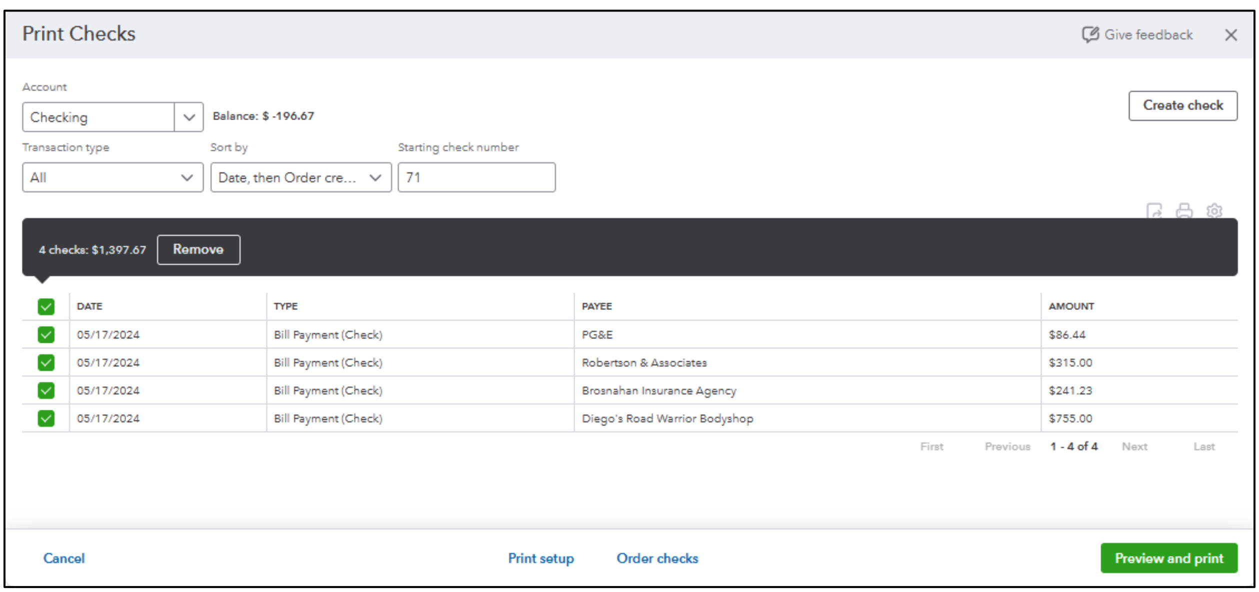


Figure 63 - Check Preview Report Generated By QBO

Assuming you want to generate the checks, click **Preview and print** near the window's lower right corner. At that point, QBO previews the checks to print, as shown in **Figure 64**.

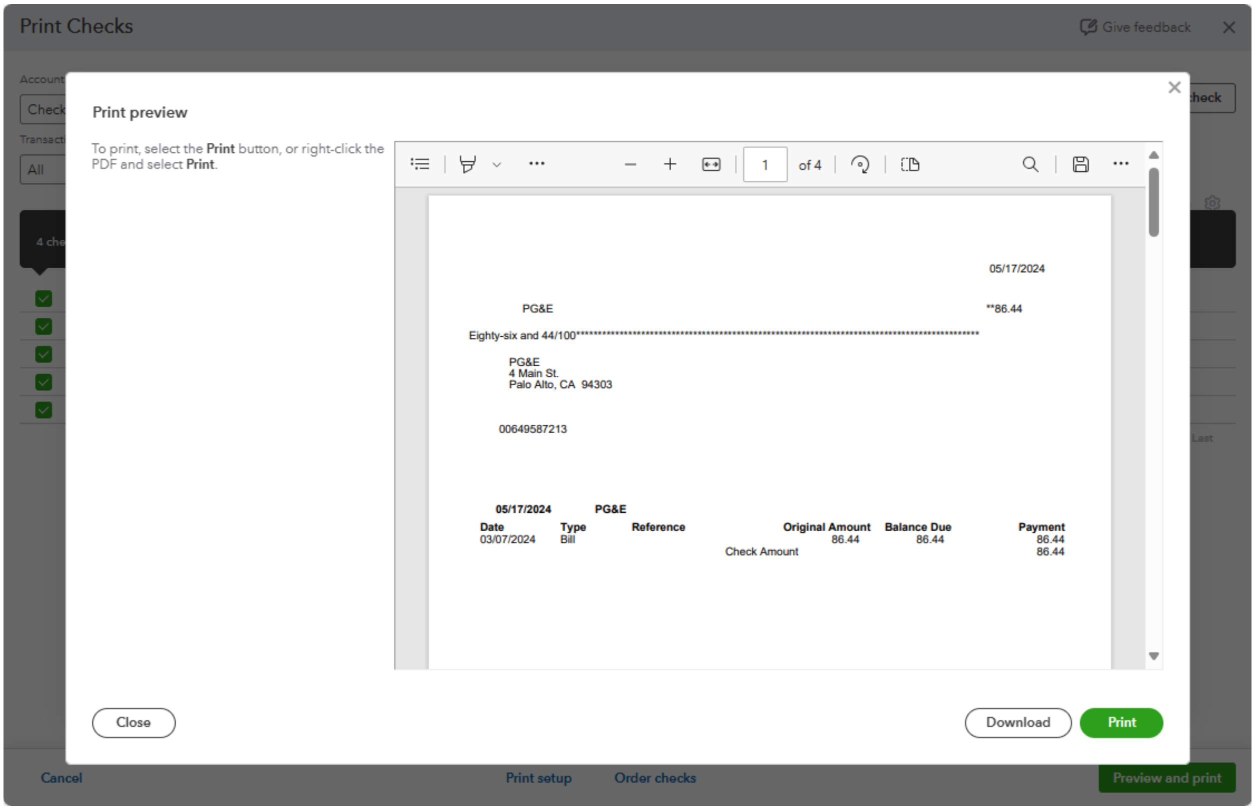


Figure 64 - Previewing Checks To Be Printed By QBO

Finally, to generate the checks, click **Print** near the lower right corner of Figure 64. To complete the process, confirm that QBO printed all the checks correctly or, if not, indicate which checks require reprinting. At the end of this process, QBO marks all the bills paid via printed checks as "paid," and they no longer appear in Accounts Payable.

Initiating Electronic Bill Payments

The last option for paying bills – one that has grown exponentially in popularity – is to initiate electronic payments in QBO. Formerly provisioned through a third-party add-in by Melio, Intuit brought this process fully "in-house" in May 2024 through the **QuickBooks Bill Pay** service. With QuickBooks Bill Pay, you can pay your vendors electronically, manage 1099s, and assign custom roles and permissions to team members.[3]

[3] QuickBooks Bill Pay features depend upon your choice of subscription. For more details, including up-to-date pricing information, please visit https://quickbooks.intuit.com/bill-pay/.

Comparing QuickBooks Bill Pay Subscriptions

If you choose to use QuickBooks Bill Pay, the first decision point is which subscription to use. Currently, Intuit offers three subscription options, and the following table summarizes the features and pricing for each.

	Basic	Premium	Elite
ACH Payments	5 free transactions per month	40 free transactions per month	Unlimited transactions
Additional Users Included	The number of users available with QuickBooks Bill Pay aligns with the number of licensed users you have in QuickBooks Online.		
Automated Bill Creation	Yes	Yes	Yes
Auto-Match Transactions	Yes	Yes	Yes
Unlimited 1099 Filing		Yes	Yes
Roles And Permissions			Yes
Bill Approval Workflows			Yes
Pricing	Free	$15 per month	$90 per month

Table 2 – Summary Of QuickBooks Bill Pay Subscription Offerings

Companies that use QuickBooks Bill Pay will benefit from the ease and speed of paying vendor bills. Instead of the time-consuming, tedious tasks associated with generating manual payments, Bill Pay automation provides substantial time savings.

According to Intuit, to pay a bill using Bill Pay, follow these steps:

1. Sign in to QBO.
2. Select **Expenses**, then **Bills**.
3. Create a new bill or select an existing bill.
4. Select **Schedule Payment** or **Save and Schedule Payment.** Note that if you create a new bill, you can schedule it by clicking **Save and Schedule Payment**.
5. Schedule directly from **Expenses**, **Vendors**, or **Bills** for an unpaid bill.
6. Select the bank account you want to use as your funding source. The total amount of the bill appears by default, but you can select **Edit** to schedule a partial payment.

7. In the **Payment account in QuickBooks** dropdown, select the corresponding account from your QuickBooks chart of accounts to sync your payment information. You can also create a new account in QuickBooks to track your bill payment information.
8. Click **Next**.
9. Select your payee's payment method and fill in any needed info:
    - If your vendor is a **payable network vendor**, then you don't need to type your vendor's payment info. Instead, you'll see a preview of the payee's auto-populated contact details to review and pay with an ACH transfer.
10. Select the **Withdrawal date** you want the funds to come out of your bank account. You can select up to 90 days in advance.
11. Click **Next**.
12. Review the payment details. If everything looks good, click **Schedule payment**. If you need to fix anything, select **Back**. If you decide not to schedule this payment, click **Cancel**.

Figure 65 illustrates the process of initiating an online bill payment in QBO.

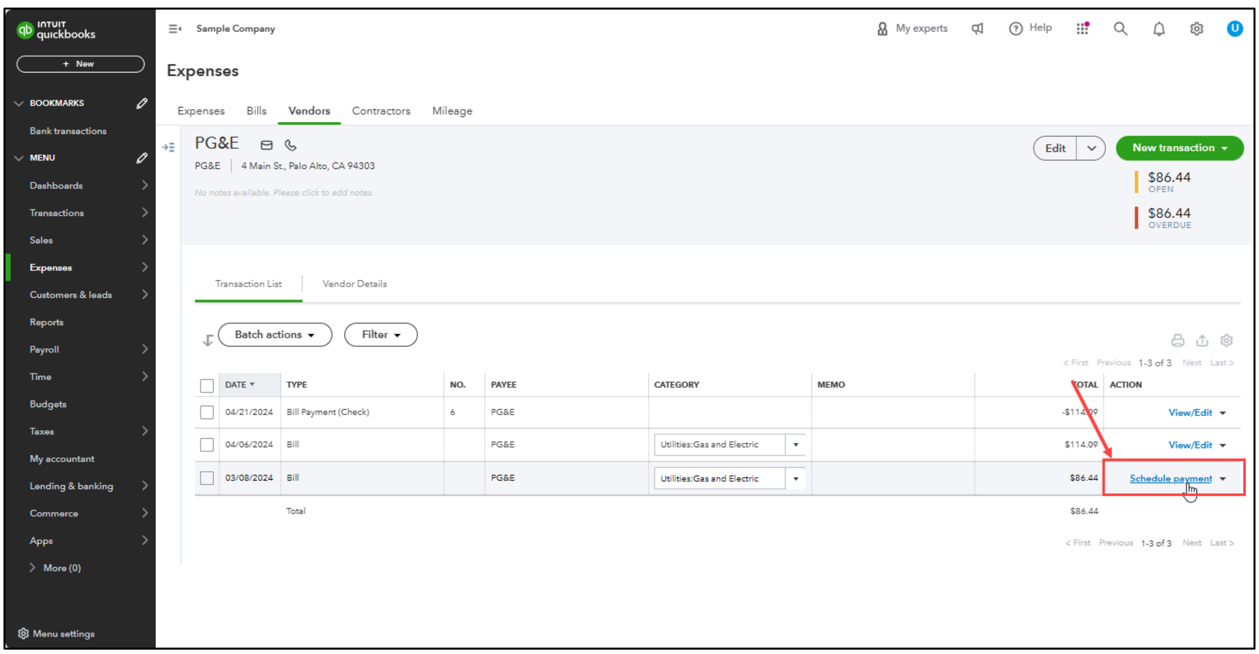


Figure 65 - Scheduling A Payment For A Bill In QBO

That's it! The steps outlined above allow you to pay your vendors quickly, accurately, and securely. Further, you won't have to worry about whether your vendors receive their payments, nor will you incur postage costs for mailing checks to vendors. Additionally, this unified solution will significantly streamline the process for generating 1099s.

Limitations Associated With Bill Pay

Despite the advantages outlined above, QuickBooks Bill Pay has some limitations, as detailed below.

1. QuickBooks Bill Pay currently supports US payments in US dollars only.
2. Bill payment amounts cannot exceed $450,000.
3. To support payments, you must configure roles and permissions in QuickBooks Online Advanced or Bill Pay Elite.
4. Only administrators can subscribe to and manage QuickBooks Bill Payment subscriptions.

Expenses And Vendors Focused Reports	Payables Focused Reports
Check Detail	Accounts Payable Aging Summary
1099 Transaction Detail	Accounts Payable Aging Detail
Open Purchase Order	Bills And Applied Payments
Open Purchase Order Detail	Bill Payment List
Open Purchase Order Detail	1099 Contractor Balance Detail
Transaction List By Vendor	1099 Contractor Balance Summary
Purchases By Vendor Detail	Unpaid Bills
Vendor Contact List	Vendor Balance Summary
Expenses By Vendor Summary	Vendor Balance Detail

?	Are there any critical revenue and receivables-related features you might need that are unavailable in QBO? If so, how might you resolve their absence?

Payroll Processing In QuickBooks Online

Chapter 5

In addition to using QuickBooks Online to manage traditional accounting and reporting functions, many small businesses will benefit from payroll processing through the QBO platform. In this chapter, you will learn how to use QBO to process payroll and the options available.

Learning Objectives

Upon completing this chapter, you should be able to:

- List the steps necessary to set up payroll in QBO;
- Add employee information to a QBO payroll subscription;
- Identify the steps needed to pay team members and process payroll taxes; and
- Create payroll-related reports used to manage the business more effectively.

Establishing A QuickBooks Online Payroll Subscription

The first step toward processing payroll in QBO is recognizing that QBO offers integration options for various Intuit payroll subscriptions. The cost of these subscriptions is in addition to the QBO subscription.

Presently, Intuit offers three levels of payroll subscriptions, each designed to meet the varying needs of businesses of different types and sizes. Following is a summary of the features and costs associated with these subscriptions.

Payroll Core

The Payroll Core subscription is the least expensive option for processing payroll in QuickBooks Online and provides fundamental payroll processing features. At a monthly cost of $45 plus $6 per employee, it is the least expensive of QBO's payroll processing options.

Included in Payroll Core are the following services:

- Payroll Core provides full-service payroll, including automatically calculating, filing, and paying payroll taxes;
- Payroll Core supports automated payroll for salaried team members;
- Payroll Core provides next-day direct deposit of team member compensation; and

- Payroll Core offers support for an unlimited number of Forms 1099-MISC and 1099-NEC, including electronic filing.

Payroll Premium

As its name implies, Payroll Premium offers more advantages and utilities than Payroll Core. Of course, these additional features drive a higher monthly subscription fee of $80 plus $8 per employee. In addition to the features provided in a Payroll Core subscription, subscribers receive 24/7 expanded support, expert review of their payroll setup, and time-tracking, submission, and approval from any location, including GPS tracking if desired.

Payroll Elite

Subscribers to Payroll Elite experience all the benefits of the other two payroll options, plus tax penalty protection and access to a personal HR advisor who can advise on HR issues and customized handbooks and policies.

Note that all three plans – Core, Premium, and Elite – include access to the following features:

- Employee portals,
- Optional health benefits for your team,
- 401(k) plans, and
- Workers' compensation administration.

Additionally, subscribers to Premium and Elite also have access to an HR support center to assist with topics such as customized job descriptions and best practices on job descriptions, hiring practices, and similar matters.

Establishing And Editing Team Member Information

Of course, you must establish all the information necessary to run payroll before you can process payroll. To do so, click **Payroll** from the left menu and choose **Add** or **Edit** payroll information. Doing so opens a data entry window similar to that pictured in **Figure 66**. As needed, you can edit this data to meet company and employee needs.

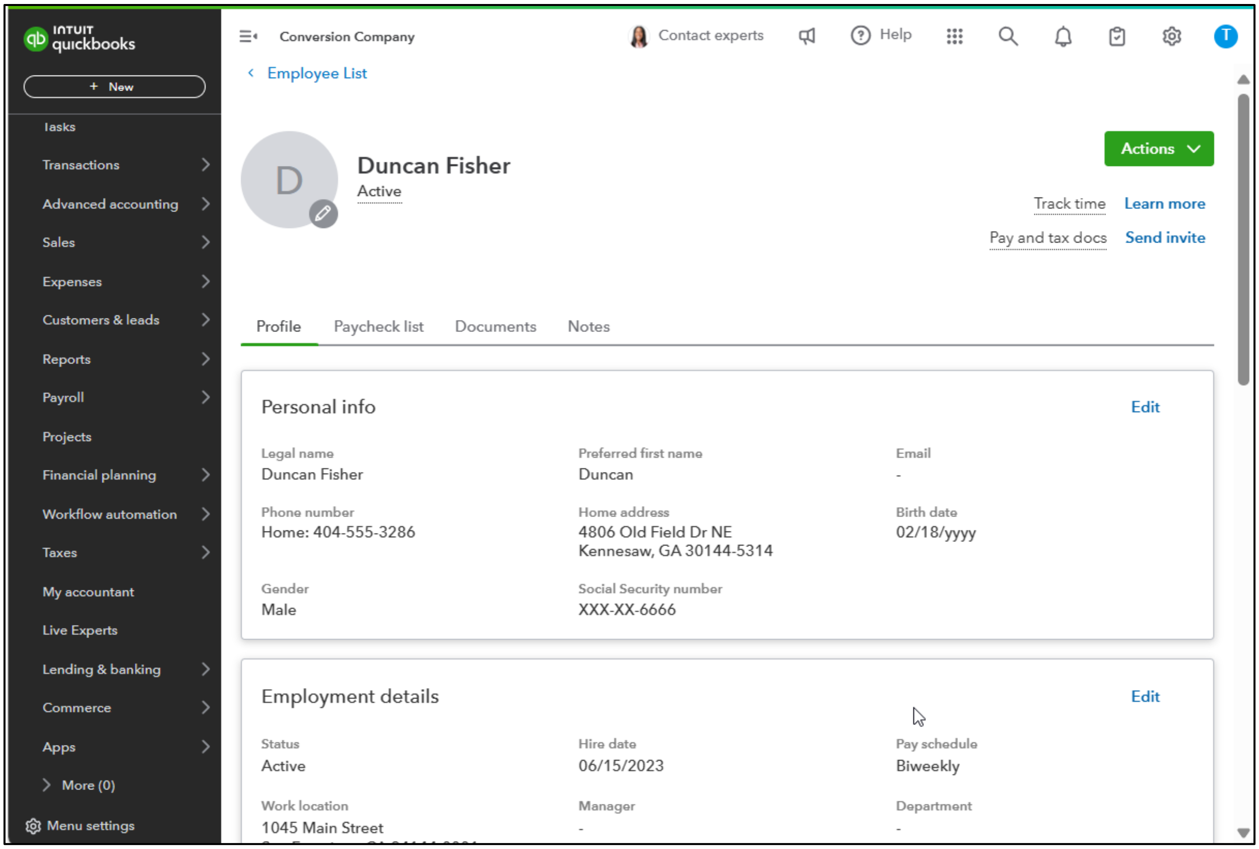


Figure 66 - Adding and Editing Payroll Data In QuickBooks Online

Adding Time Information To Payroll Records

For hourly team members, QBO provides a time sheet where team members can enter the time worked during a pay period. **Figure 67** provides an example of the weekly time sheet. Notice that the timesheet includes an option to track time at the Customer or Job level, if necessary or desired. Additionally, single-entry time sheets are also available.

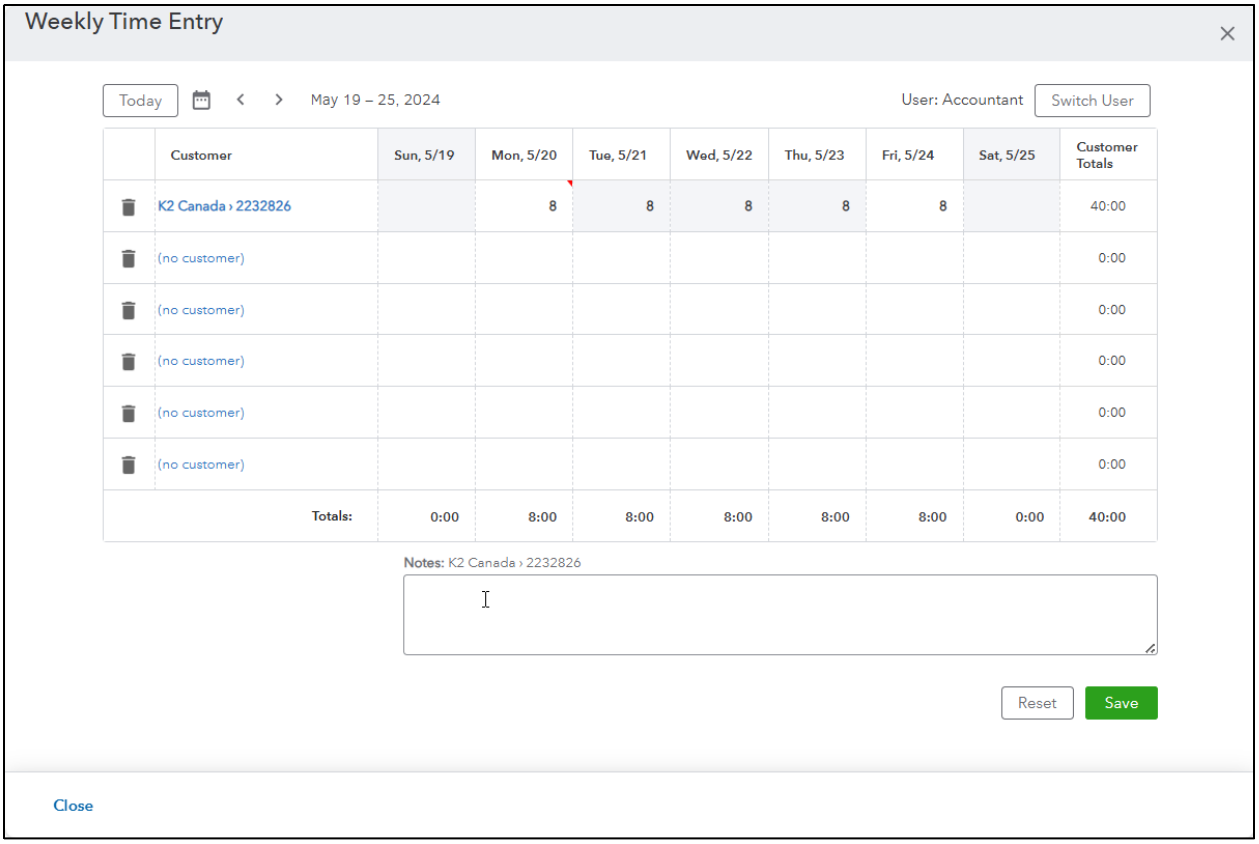


Figure 67 - Example Of QBO's Weekly Time Sheet

Running Payroll

Regardless of whether you have salaried or hourly team members, or both, you will need to pay them. The easiest way to do this, where practical, is to use QBO's **Auto Payroll** feature. With this feature enabled, you can designate payroll for specific team members to run on a defined schedule without any end-user intervention. With this feature enabled, payroll runs on schedule without requiring manual effort. Further, payroll tax payments and filings are automated, minimizing the time necessary to manage payroll.

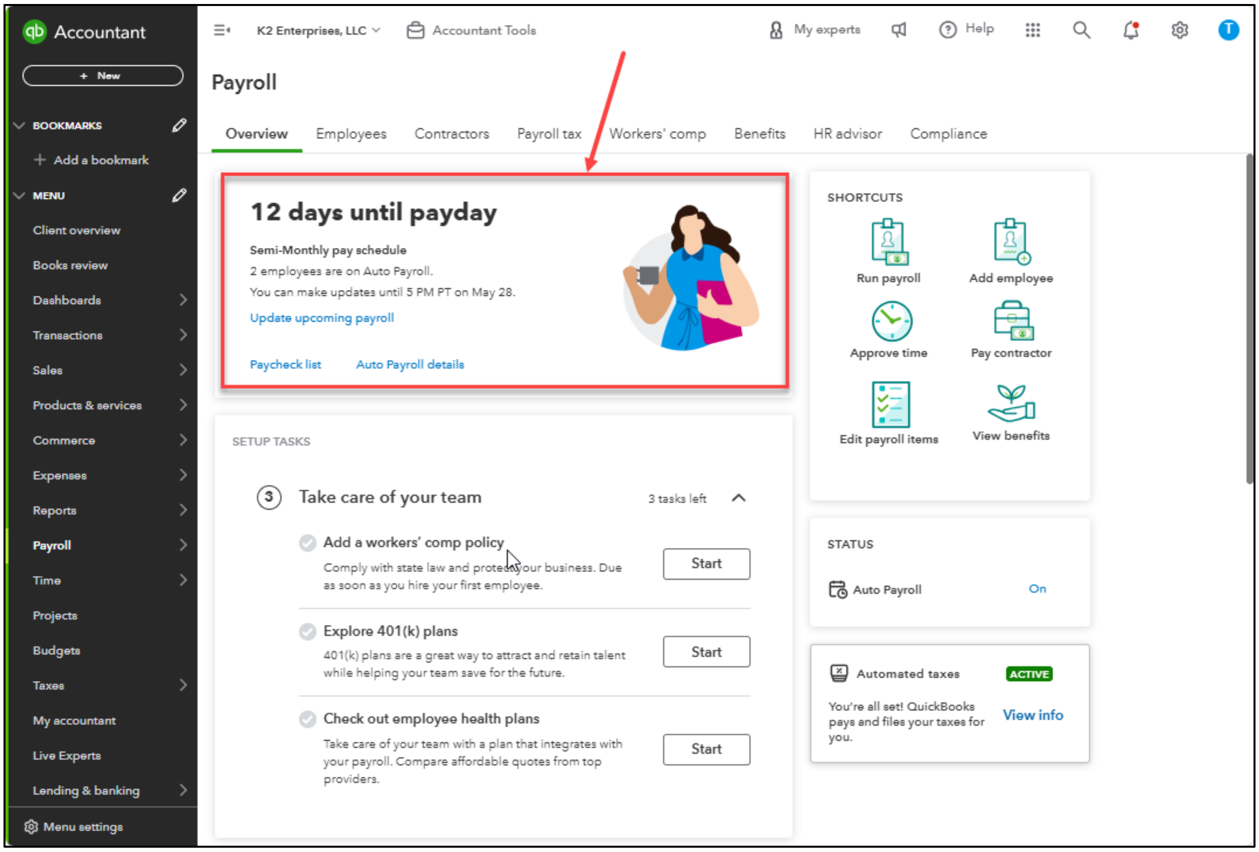


Figure 68 - Summary Of QBO's Auto Payroll

Of course, QBO's payroll subscriptions also allow you to run payroll on-demand if necessary or desirable.

Payroll Tax Filings

Recalling the previous discussion on QBO payroll subscriptions, all subscription offerings provide full-service payroll, including automatic tax filings and payments. Thus, no manual effort is required throughout the year to ensure all taxes are reported and paid on time.

You can view and download PDF copies of tax forms at any time. To do so, click **Taxes**, followed by **Payroll tax**, to access the window pictured in **Figure 69**.

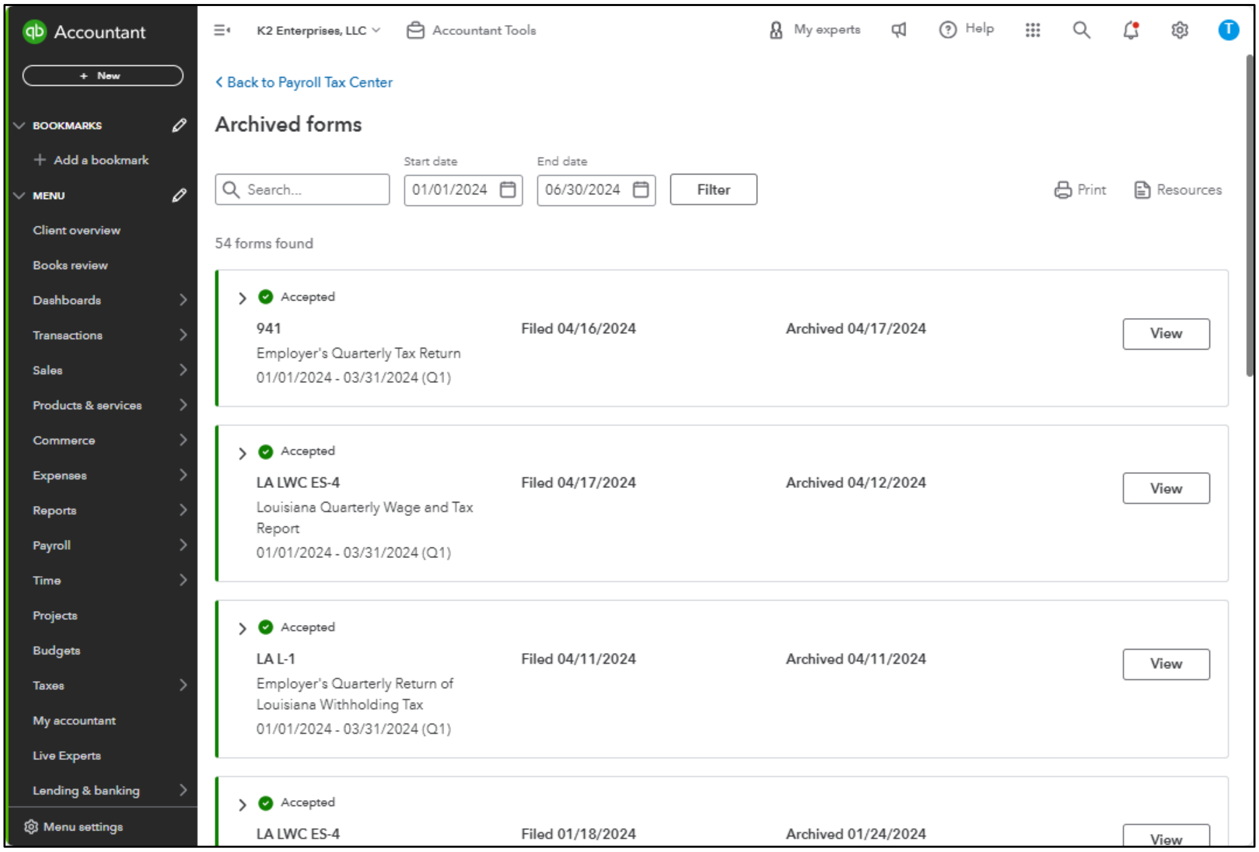


Figure 69 - Viewing And Downloading Completed Payroll Tax Returns

QuickBooks Online Payroll Reports

QBO provides a variety of employee and payroll reports that should be more than sufficient for most small and growing businesses.

Employee And Payroll Focused Reports	
Recent/Edited Time Activities	Payroll Summary
Time Activities by Employee Detail	Vacation And Sick Leave
Employee Contact List	Retirement Plans
Paycheck History	State Mandated Retirement Plans
Contractor Payments	Payroll Tax Liability
Payroll Deductions/Contributions	Payroll Tax Payments

Payroll Summary By Employee	Total Payroll Cost
Employee Directory	Total Pay
Employee Details	Payroll Tax And Wage Summary
Multiple Worksites	Worker's Compensation
Payroll Details	Recent/Edited Time Activities
Payroll Item List	Time Activities By Employee Detail

? Which payroll-related features are you most likely to use in QBO? Which will likely not benefit you?

Financial And Operational Reporting In QuickBooks Online

Chapter
6

Presently, over seven million businesses use QuickBooks Online (QBO). However, these businesses often struggle to get the reports they need. In some cases, they are limited because of their chosen subscription. In others, necessary reports are available, yet users do not know how to access them.

In this chapter, you will learn how to create and customize your reports in QBO. You will learn about **Standard**, **Custom**, and **Management** reports. You will also learn about the new **Spreadsheet Sync** tool that allows you to create customized reports, including multi-company reports in Excel.

Learning Objectives

Upon completing this chapter, you should be able to:

- Differentiate between report types in QBO;
- List the steps necessary to create custom reports;
- Identify how Management Reports differ from traditional reports; and
- Specify how to use the new Spreadsheet Sync feature in QBO.

QuickBooks Online Reporting Fundamentals

The first major QBO reporting issue to address is that the reports available to you vary based on your QBO subscription. For example, QuickBooks Online Simple Start subscribers will have a substantially smaller set of available reports than QuickBooks Online Essentials users. Similarly, those using QuickBooks Online Essentials will have fewer reporting options than those using QuickBooks Online Plus. Finally, QuickBooks Online Plus users will have fewer reporting options than QuickBooks Online Advanced users. **Figure 70** depicts the QuickBooks Online reporting hierarchy.

To illustrate, consider the following reporting differences that exist across the subscriptions:

- **Simple Start** contains a limited number of reports. Although it includes profit and loss statements and a balance sheet, it offers relatively few operational reports, such as a detailed accounts receivable report or *any* form of accounts payable report. However, these limitations may not be problematic for Simple Start users, as they tend to operate small businesses with simple accounting and reporting needs.

- **Essentials** provides a widely expanded set of reports compared to Simple Start. Additional report types in Essentials include an expanded set of operational reports and a relatively robust set of accounts payable reports. The reporting options in Essentials begin to address the needs of slightly larger businesses than those that might opt for Simple Start. For example, Essentials provides accounts payable aging reports to help manage vendor bills.

- **QuickBooks Online Plus** extends QBO's reporting options by incorporating numerous employee-related reports, 1099-oriented reports, and additional job/project-related reports.

- **QuickBooks Online Advanced** provides the most robust reports available with any QBO subscription. The reporting lineup in Advanced includes tools such as **Management Reports** and **Spreadsheet Sync**, two compelling options for enhanced financial and operational reporting. Other reporting options available in Advanced include inventory valuation reports, open purchase order reports, comparative balance sheets, and profit and loss statements.

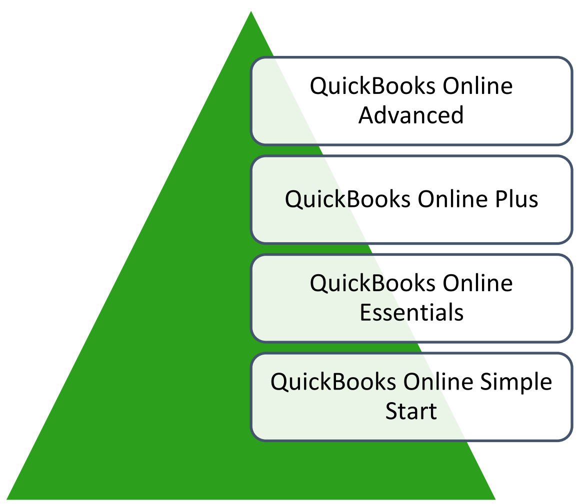


Figure 70 - QuickBooks Online Reporting Hierarchy

Intuit thoroughly compares the reporting options available in Plus, Online, and Simple Start at https://k2e.fyi/qbo-reports.

Customizing QuickBooks Online Reports

As indicated above, QBO provides a full complement of pre-built reports to meet most businesses' needs. However, the number of pre-built reports in QBO varies by subscription. Regardless of your QBO subscription, you can access all reports from the **Reports** tab. On the Reports tab, you will notice that QBO categorizes the available reports to you in several sections, including *Favorites*, *Business overview*, *Who owes you*, *Sales and customers*, *What you owe*, *Expenses and vendors*, *Sales tax*, *Employees*, *For my accountant*, and *Payroll*.

You can easily add any report to your **Favorites** section by clicking the “star” icon next to a report. Adding a report to the Favorites section allows quick and easy recall of that report, including any customizations you might have made and saved with it.

When working in QBO, you can access customization options to ensure your reports meet your needs. Once you customize a report, you can memorize it and save it in QBO. Of course, the advantage of saving a Custom Report is that you can quickly recall it – complete with your customizations – whenever needed.

To customize a report in QBO, begin by selecting the report; in this example, we will customize an income statement. After choosing the base report, add any customizations you may desire. Unfortunately, some users perceive the list of available customizations to be limited. This perception arises because of the presentation of the initial report. Specifically, notice how the report, presented near the top of **Figure 71,** does not initially show all available customization options. However, by scrolling the “elevator” upward, several customization options appear, including those listed below.

- Report period
- Display columns by
- Accounting method
- Compare another period
- Show non-zero or active only

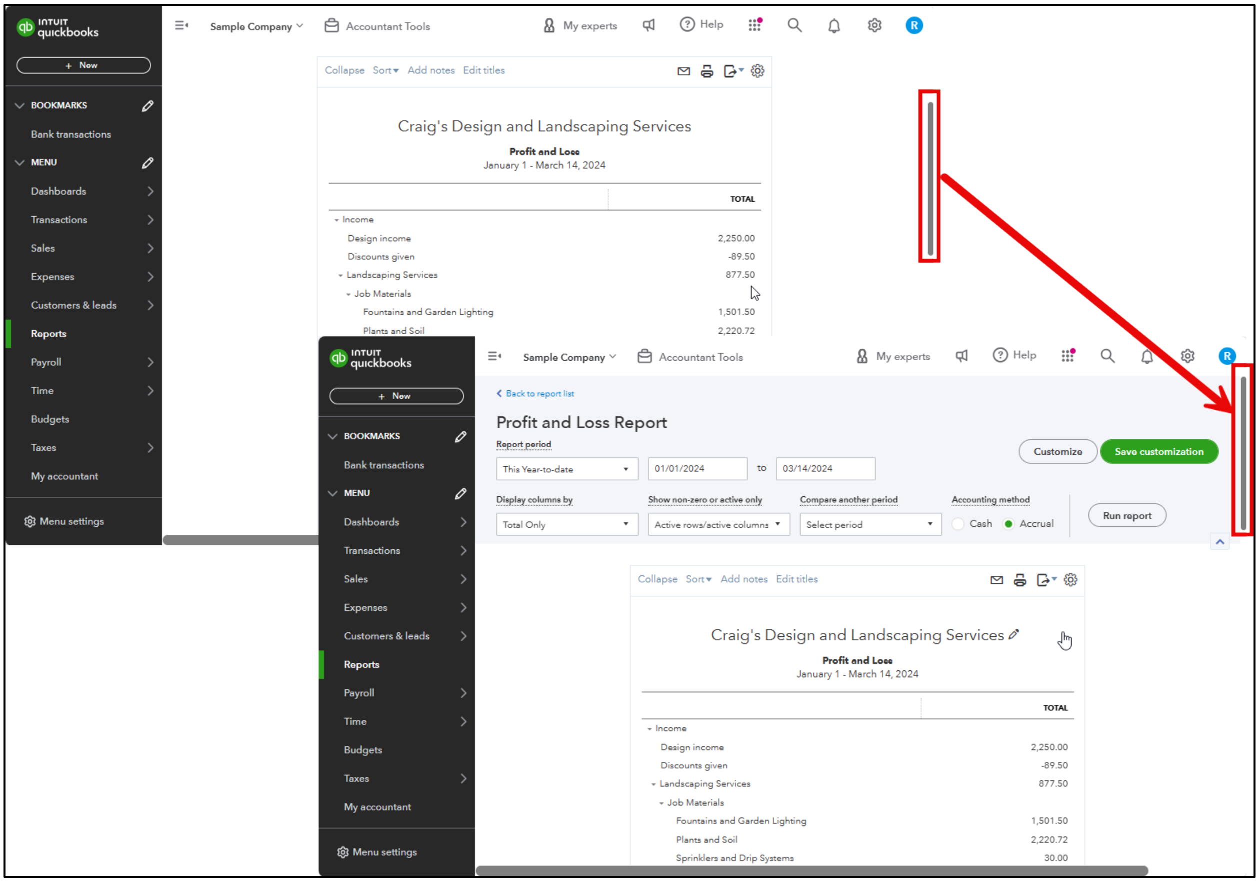


Figure 71 - Accessing All Customization Options In A QBO Report

Further, clicking the **Customize** button near the top of the window opens an even more exhaustive listing of customization options, shown in **Figure 72**.

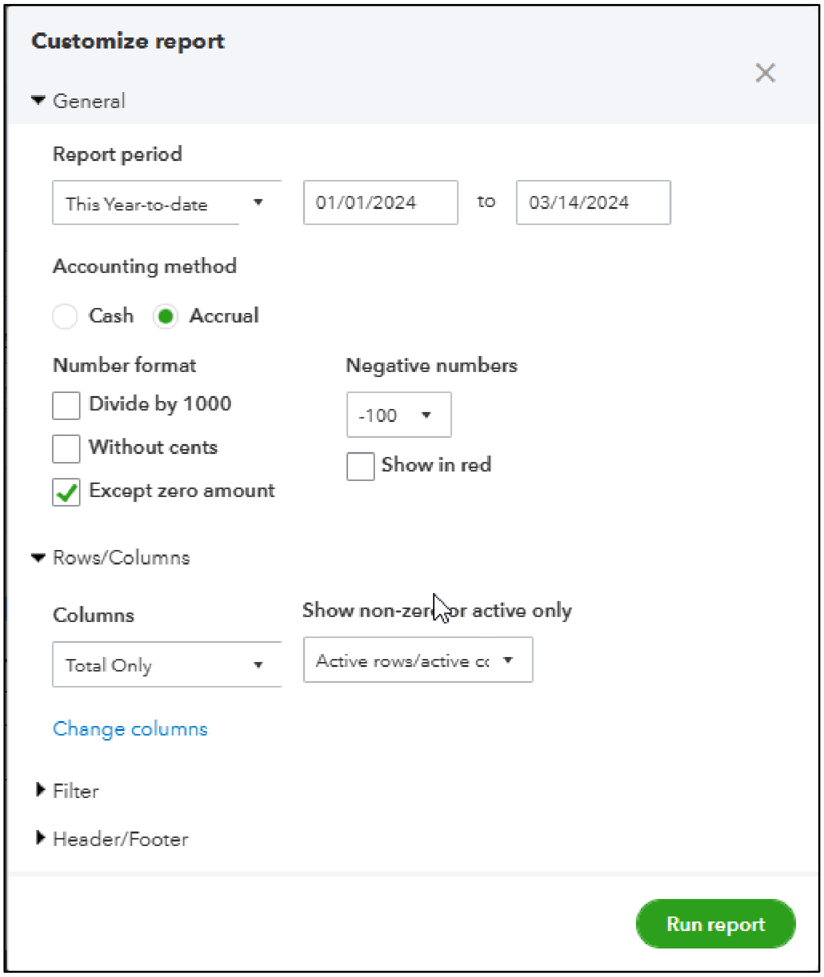


Figure 72 - More Customization Options In QuickBooks Online

Note that the customization options available for a given report vary by report type. For example, fewer customization options will be available in a Vendor Contact List report than in a Profit and Loss Report. Nonetheless, the customization options available on most reports more than satisfy the needs of most users.

The number of customizations you can make to a report is extensive, providing the flexibility you need to create reports that meet your needs. However, the option to add customizations is not immediately visible to users. You can click the **Customize** button to access a "deeper" level of customization options than those visible directly on the report. Moreover, upon adding your customizations, you can save the report with the customizations embedded so you can recall it quickly later. When you create a custom report and choose to save it, you will notice a **Share with** option in the **Save customization** dialog box. Selecting **All** in this field makes the report available to others on your team.

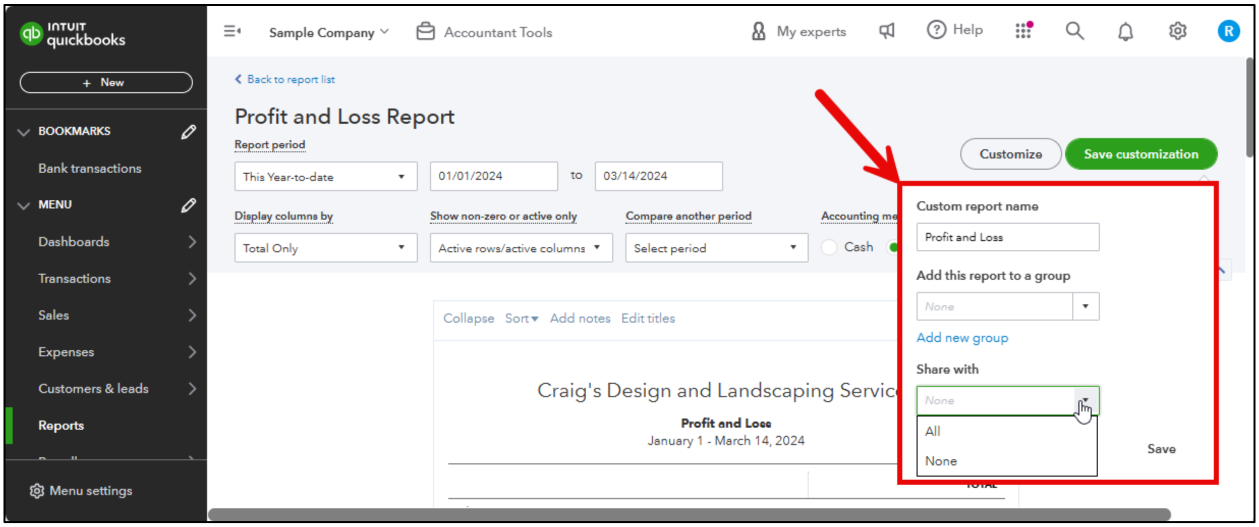


Figure 73 - Sharing A Customized QBO Report With Other Team Members

Miscellaneous QuickBooks Online Reporting Techniques

You can use other QBO reporting features besides the "traditional" customization options outlined above. Knowing and using these miscellaneous techniques can save significant time on certain tasks.

Emailing Reports From Within QBO

For instance, suppose you need to email a specific report to someone, whether they work in your organization or are external. In that case, click the email icon highlighted in **Figure 74**.

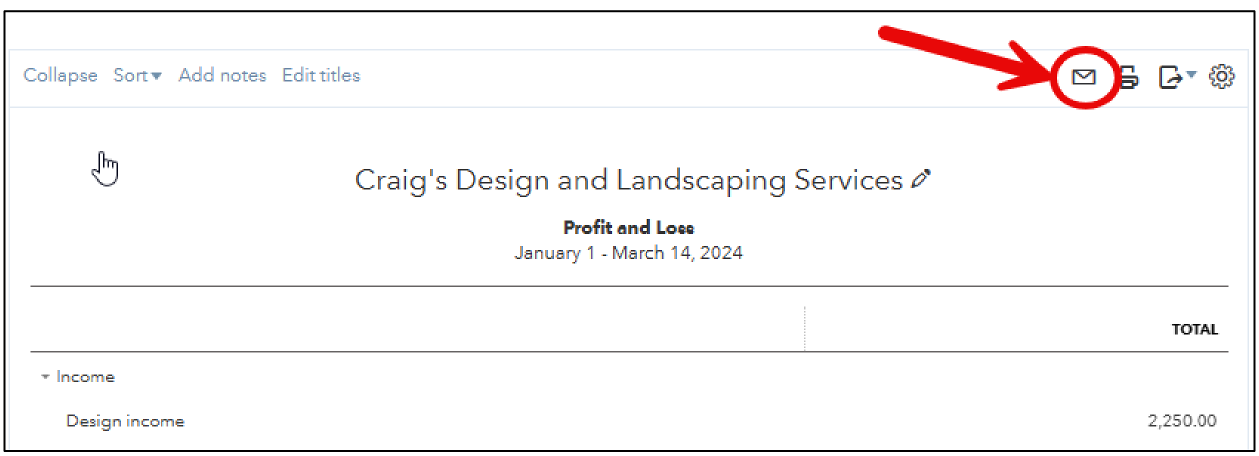


Figure 74 - Emailing A Report From QBO

Upon clicking the icon, QBO will present a window asking if you want to print, email, or save the report as a PDF. If you choose the email option, QBO will prompt you for email addresses, subject lines, and the text of your transmittal message, as shown in **Figure 75**. Of course, the advantage of this feature is that it streamlines what could otherwise be a cumbersome process: generating a PDF copy of the report and emailing it to others.

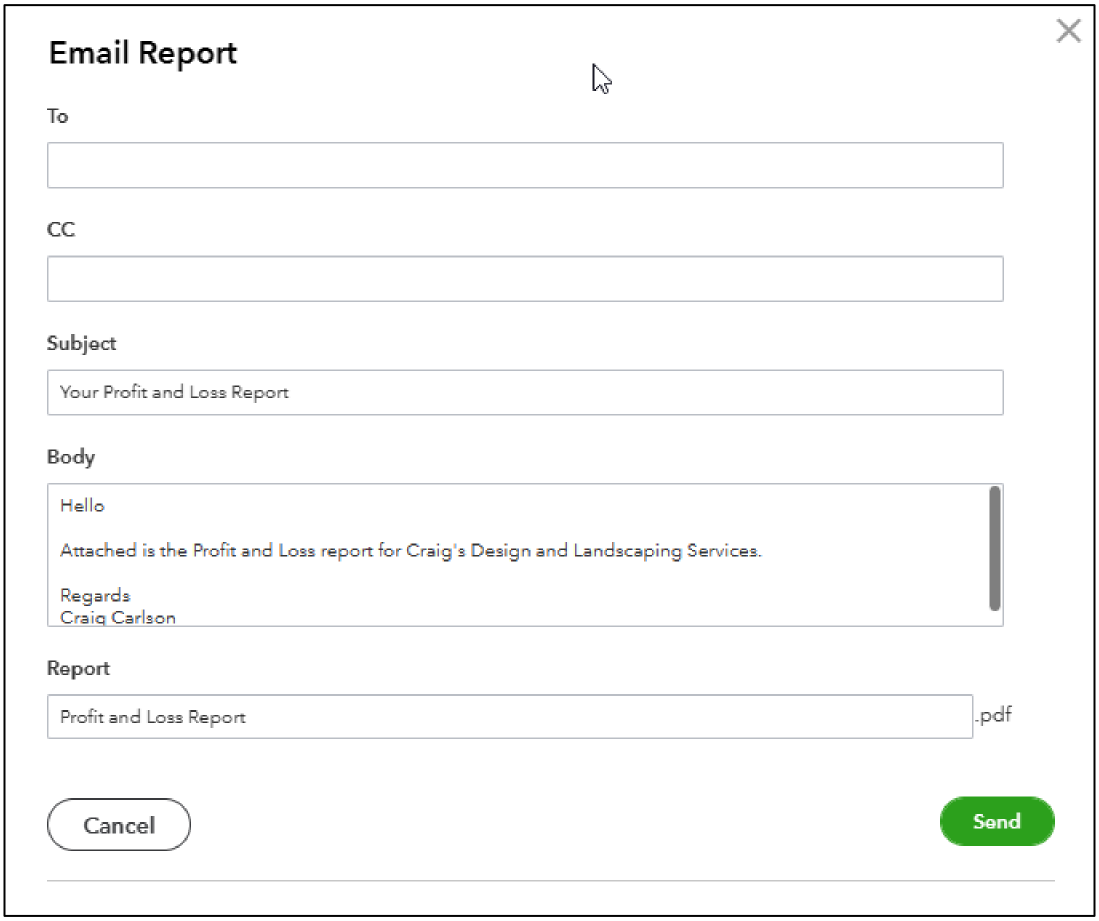


Figure 75 - Emailing A Report From Within QBO

Further, if you click the print icon in the upper-right corner of the window, you will experience a streamlined process for printing the report. If you click the **Export** option, you can quickly export the report to an Excel or PDF document.

Viewing Multiple Reports Simultaneously In QuickBooks Online

For many users, QBO presents a frustrating challenge when attempting to display multiple reports simultaneously. For example, an accountant might need to view both a balance sheet and a profit and loss statement simultaneously. However, because QBO is browser-based, there is no built-in option to open multiple windows simultaneously, each containing a different report.

Using a bit of imagination, you can solve this problem quickly. To do so, open one of the reports you want to see. Next, copy the URL for that report. Then open a new browser tab and paste the URL into it. Finally, re-size the windows to meet your needs. *Voila,* you now have multiple reports displayed simultaneously in QBO. Understand that QBO imposes no limitation on how many browser windows you may have open simultaneously, and each window can contain a different report or data screen. From a practical perspective, you can use this technique to open multiple “windows” simultaneously, each with varying content. Moreover, you can even bookmark browser windows with pre-filled URLs to access data even more quickly.

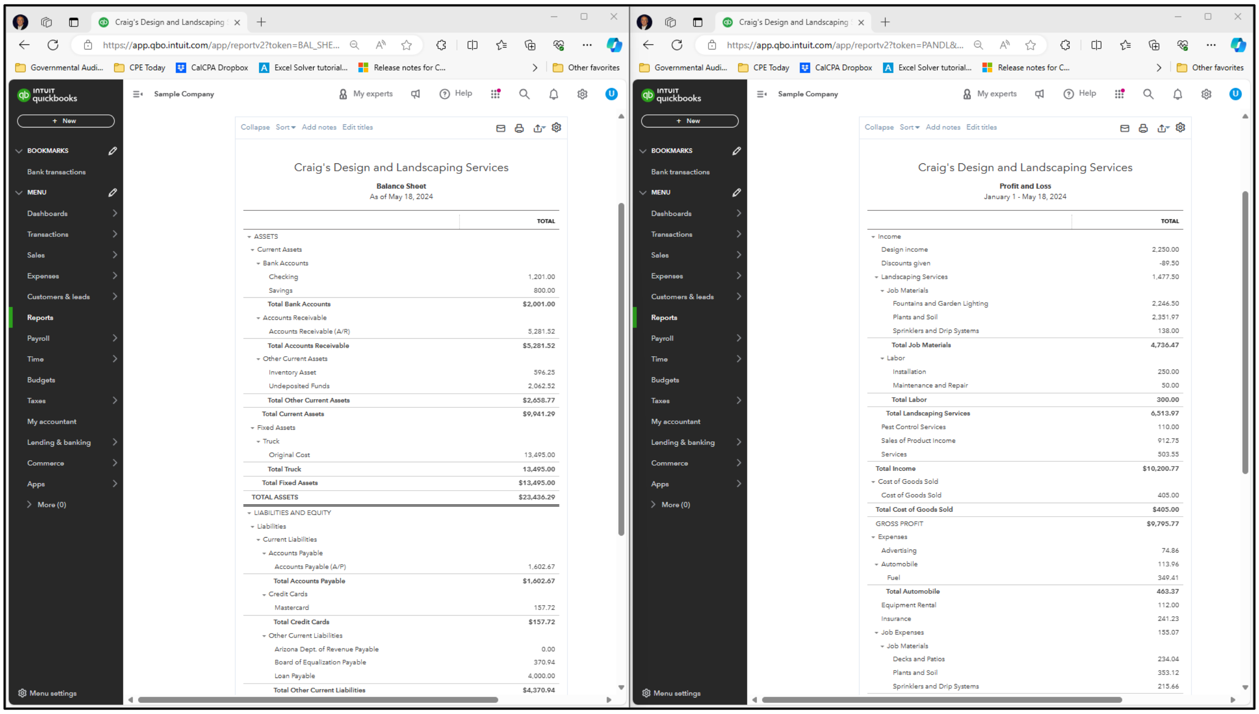


Figure 76 - Multiple Reports From The Same QBO Company Open Simultaneously In Two Brower Windows

Management Reports in QuickBooks Online

One of the most overlooked reporting features in QBO is **Management Reports**. With Management Reports, you can create presentation-quality financial statements and other operational reports that you can tailor to meet your specific reporting needs. For example, you can customize Management Reports to include cover pages, tables of contents, and management discussion and analysis. Moreover, with Management Reports, you can create a “report book” to generate the entire complement of reports with a single mouse click. Additionally, you can email these reports directly from within QBO, saving additional time.

Perhaps the best way to create a Management Report is to copy and edit an existing one. To do so, click **Management Reports** in the **Report Center**. Then click **Copy** from the drop-down menu in the **Action** column, as shown in Figure 77.

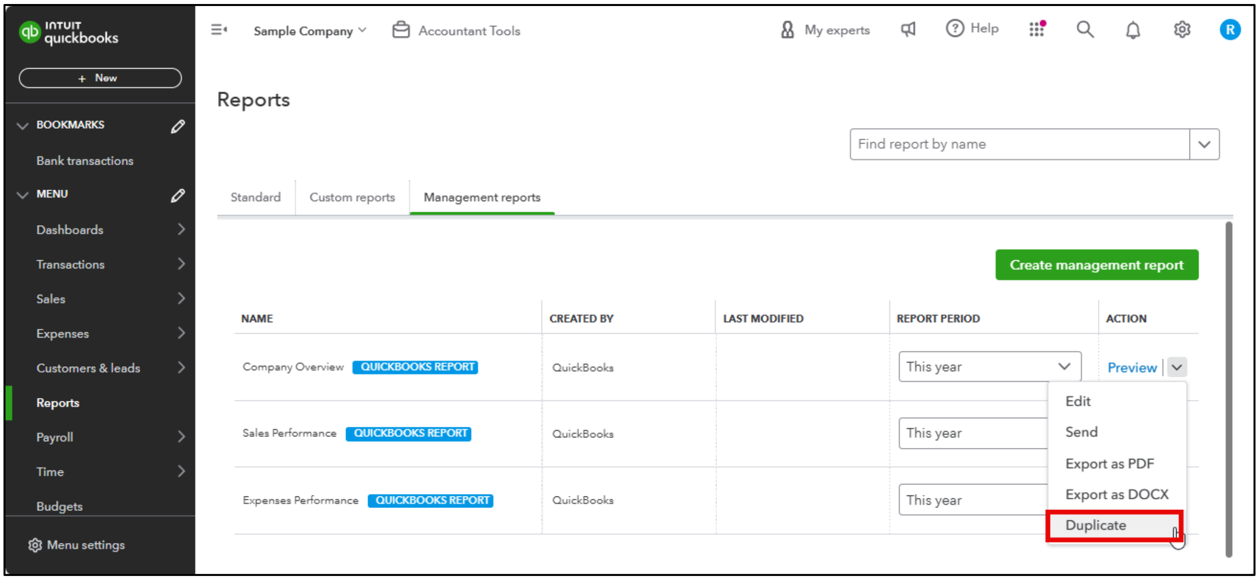


Figure 77 - Creating a Customized Management Report

Next, select the report created in the previous step and click **Edit** from the Action column's drop-down list. You can add or change items within the report to meet your needs.

To understand the process more clearly, let's delve into the various components of a QBO Management Report. Specifically, Management Reports can contain one or more of the following items.

Cover Page – Generally, you would create a cover page to provide an aesthetically pleasing "front-end" to your Management Report. **Figure 78** shows cover pages can contain titles, subtitles, the period ending date, the date prepared, the report's author, and a disclaimer. You would also use cover pages to apply an overall theme to your Management Report. If desired, you can even include a logo on the cover page.

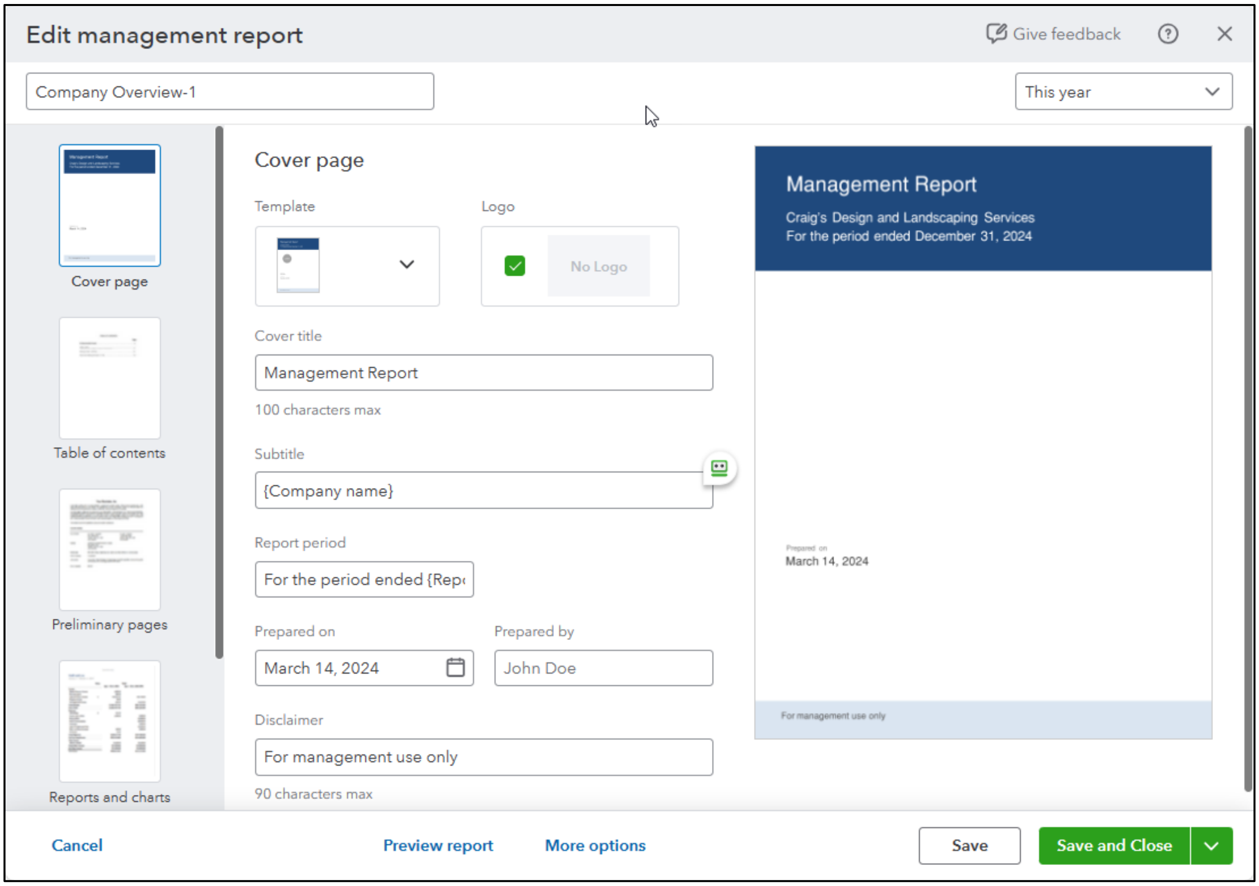


Figure 78 - Components Of A Management Report Cover Page

The second component of a Management Report is a table of contents. You can modify the table of contents title, but QuickBooks Online generates the table automatically from the contents of the subsequent pages.

Preliminary pages are the third component of a Management Report. Often, this page includes introductory comments from a senior executive that foreshadow the numerical data presented in the form of financial statements and charts on subsequent pages. Preliminary pages are optional.

Reports and charts follow preliminary pages. Generally, this segment of a Management Report contains financial statements and other reports generated by QBO. For example, in this section, you might include a Balance Sheet, an Income Statement, an Accounts Receivable Aging Report, and an Accounts Payable Aging Report. Further, you can control the appearance of the data in this section, as shown in **Figure 79**.

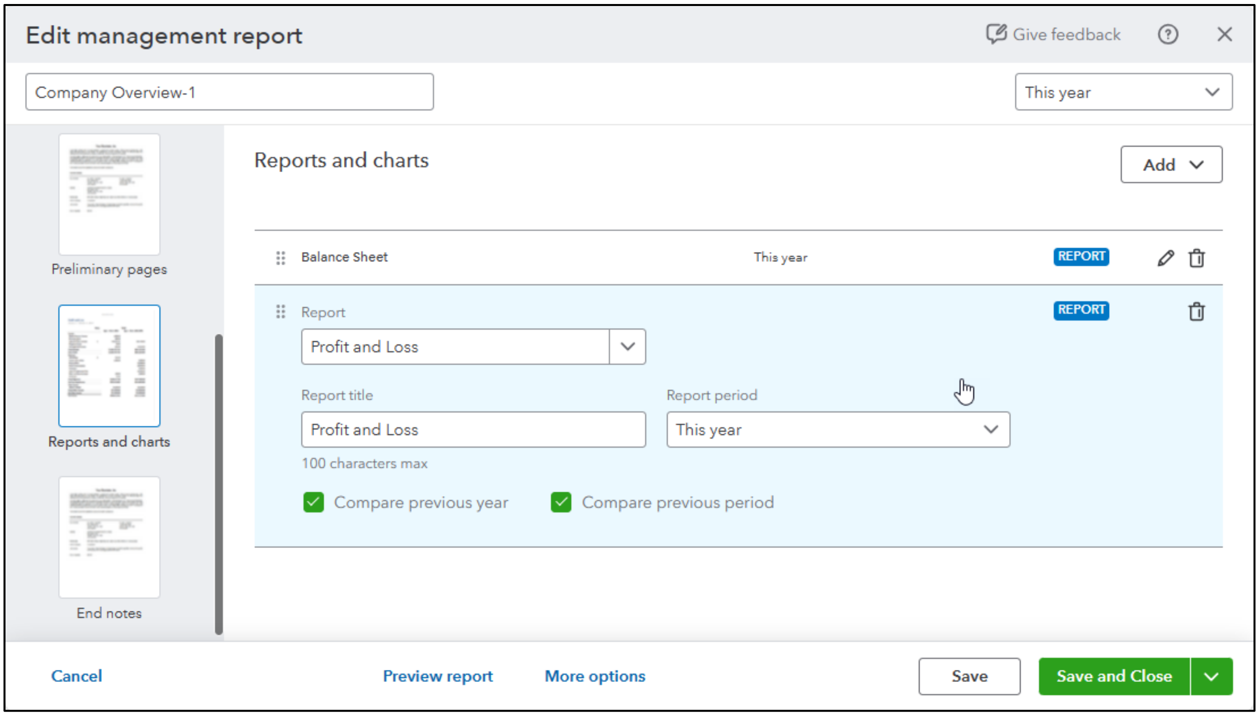


Figure 79 - Controlling The Content Of A QuickBooks Online Profit And Loss Statement In A Management Report

Lastly, you can include notes in your Management Report. These end notes consist of free-form text, as shown in **Figure 80**.

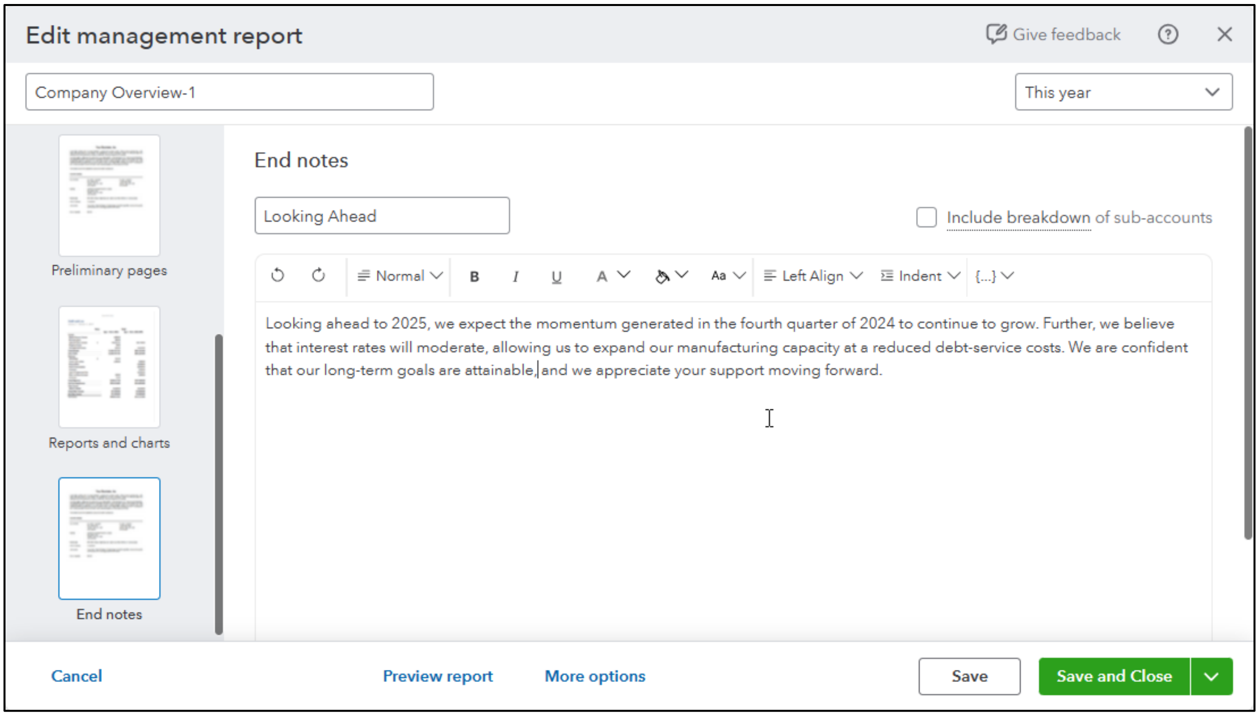


Figure 80 - Adding End Notes To A QuickBooks Online Management Report

Finally, when it is time to share the customized Management Report with others, you can do so from the **Action** column by choosing the **Send** option to email it, or by exporting it to a **PDF** or **DOCX** file and sharing it another way.

Another valuable aspect of the Management Reports feature is the ability to add virtually any QuickBooks Online Report to a Management Report. For instance, suppose you wanted to include QBO's **Income by Customer Summary Report** in a Management Report. To do so, locate the report you wish to add and click the ellipses next to the report. Then, click the **Add to Management** reports option, as shown in **Figure 81**.

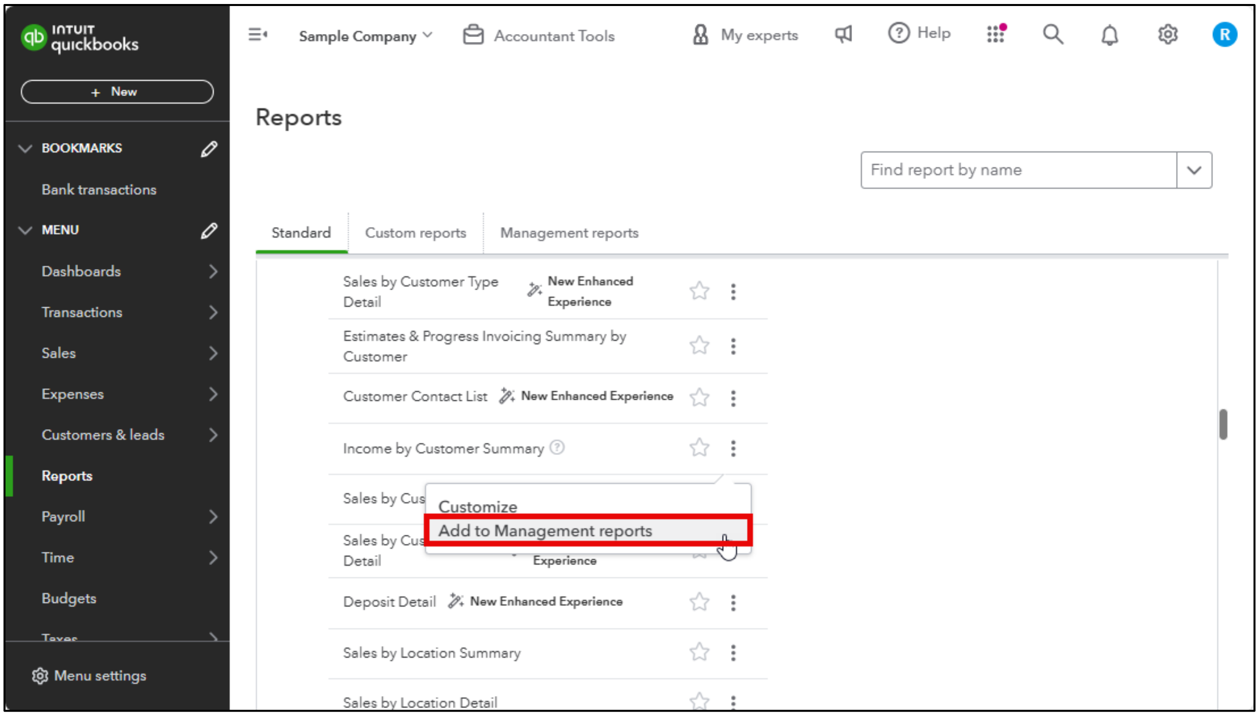


Figure 81 - Adding A QBO Report To A Management Report

Finally, choose whether to add the selected report to a new Management Report or an existing one. **Figure 82** illustrates that process.

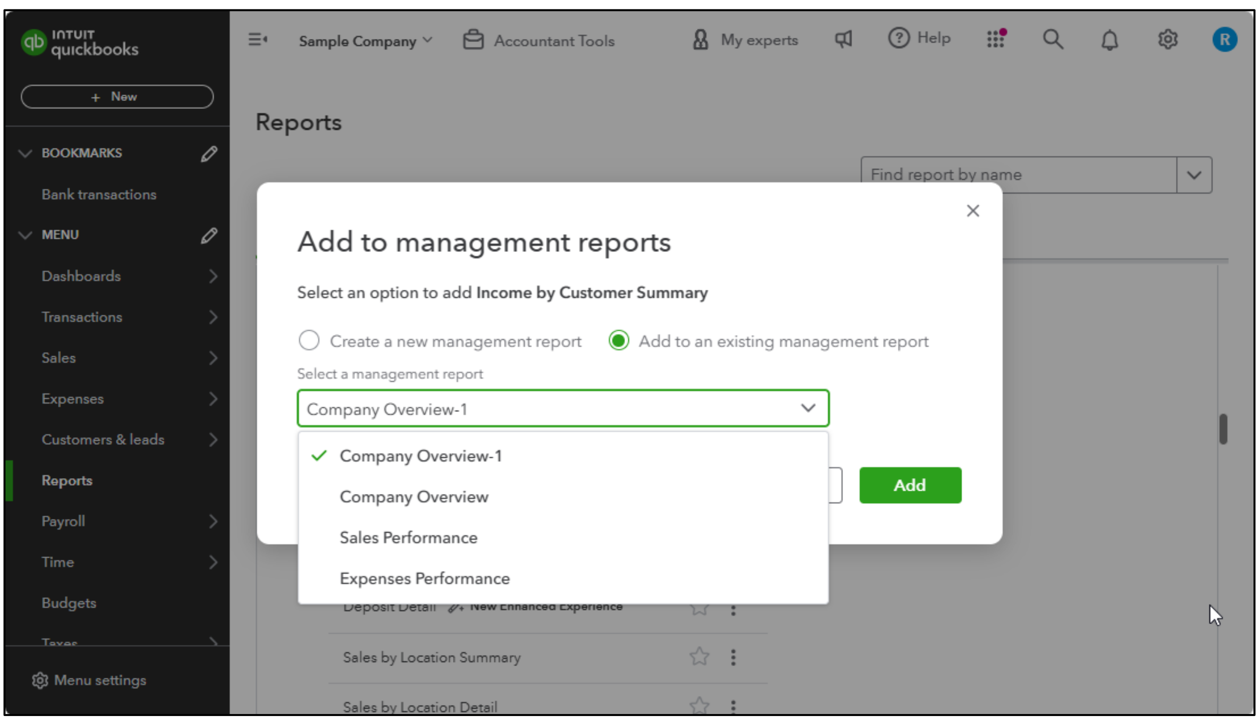


Figure 82 – Designating The Destination Management Report For Adding A QBO Report

In sum, Management Reports provide QBO subscribers an excellent option for creating presentation-quality financial statements and reports that draw their financial data directly from QBO. This tool can save countless hours when preparing financial statements and other reports destined for distribution inside and outside the organization.

QuickBooks Online Spreadsheet Sync Feature

QuickBooks Online Spreadsheet Sync is a powerful tool available exclusively for QuickBooks Online Advanced users. It seamlessly integrates your Excel spreadsheets with your QuickBooks data, allowing you to leverage the strengths of both platforms for more efficient accounting and deeper business insights.

Key Spreadsheet Sync Features

Key features associated with Spreadsheet Sync include the following.

- **Two-way Data Flow:** Spreadsheet Sync facilitates linking data directly from your QuickBooks Online company file into Excel spreadsheets. This feature eliminates the need for manual data entry, reducing errors and saving time. You can then edit the data within Excel, such as modifying invoices or adding product descriptions, and push the changes back to QBO.

- **Customizable Reporting:** With your QuickBooks data readily available in Excel, you can create custom reports and pivot tables tailored to your needs. As a result, users can analyze trends, identify areas for improvement, and gain a more comprehensive understanding of the company's financial position.

- **Batch Updates:** Spreadsheet Sync allows for efficient batch editing of transactions. Imagine needing to apply a standard discount to a group of invoices. Spreadsheet Sync lets you select multiple invoices, apply the discount in Excel, and send the updated information back to QuickBooks in one go.

- **Data Integrity:** Since changes made in QuickBooks sync back to Excel, Spreadsheet Sync ensures consistency and reduces the risk of discrepancies between your accounting software and spreadsheets.

The following potential benefits await QBO users who take advantage of Spreadsheet Sync.

- **Increased Efficiency:** Automating data transfer between QuickBooks and Excel eliminates tedious manual data entry, saving you valuable time and resources.

- **Improved Accuracy:** Spreadsheet Sync minimizes manual data manipulation and, in turn, reduces the chance of errors creeping into your financial records.

- **Enhanced Reporting:** The ability to create custom reports and analyze data in Excel empowers you to make data-driven decisions and gain a clearer picture of your business performance.

- **Flexibility:** Spreadsheet Sync offers the flexibility to work with your familiar Excel environment while keeping your data updated.

To use Spreadsheet Sync, you must have a Microsoft 365 subscription for Excel. To activate the tool, navigate to the **Settings** menu within QuickBooks Online Advanced and select **Spreadsheet Sync**. The tool integrates seamlessly with Excel, adding a Spreadsheet Sync button to Excel's Ribbon. You can sign in using your QuickBooks credentials, access data templates, and initiate data transfers through this button. Also, it is essential to remember that Spreadsheet Sync is currently only available with the **QuickBooks Online Advanced** plan. If you have any other QBO subscription, Spreadsheet Sync will not work.

Spreadsheet Sync In Action

To see Spreadsheet Sync in action, let's assume you want to create a series of Excel-based financial statements and operational reports. Furthermore, you want the QuickBooks Online data linked to the Excel report, so you only need to refresh it rather than rebuild it periodically.

After activating Spreadsheet Sync as described above, you are ready to begin your Spreadsheet Sync journey. First, click **Build Reports** from the Ribbon's Spreadsheet Sync tab. Next, as shown in **Figure 83**, select the report you wish to add to your Excel workbook. Next, click **Select data to get** to indicate cash versus accrual basis reporting and to apply filters to selected fields. The filter options include class, location, customer, and item.

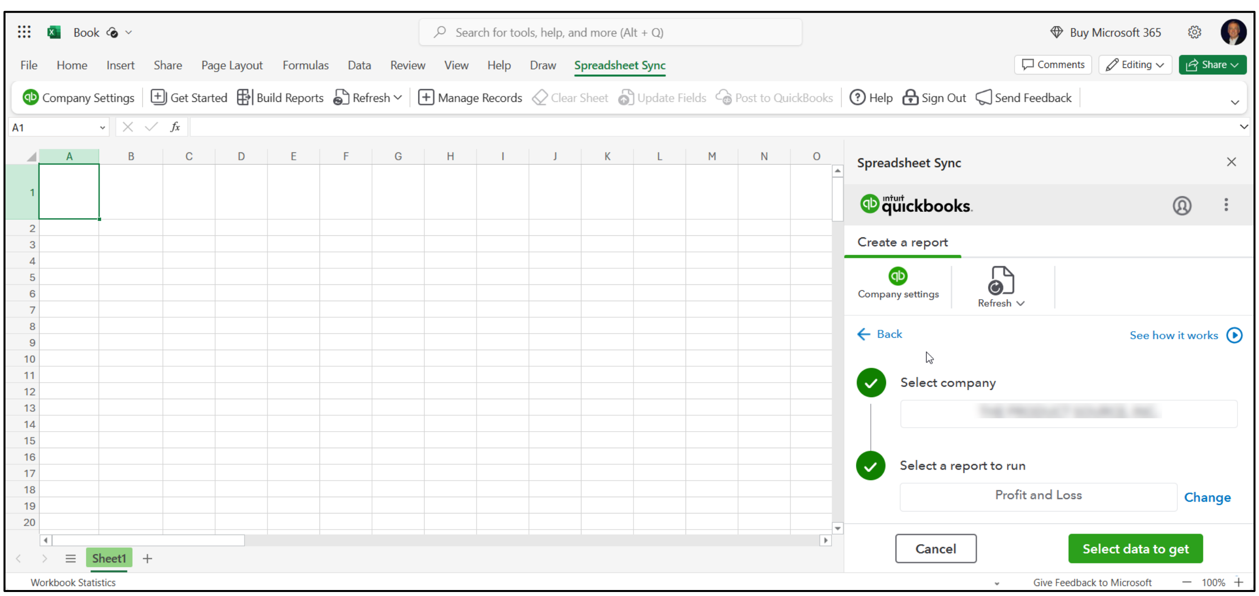


Figure 83 - Creating A Profit And Loss Statement Using Spreadsheet Sync

Figure 84 presents the completed Profit and Loss Statement added through Spreadsheet Sync.

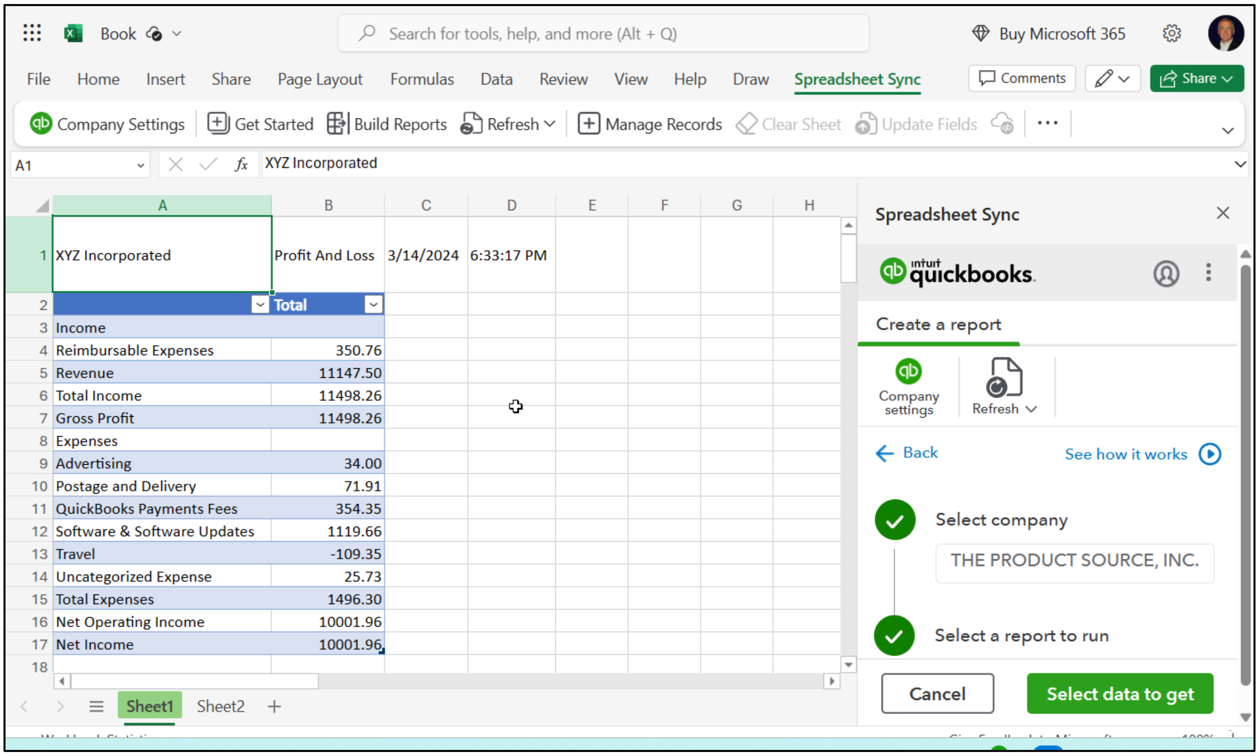


Figure 84 – Profit And Loss Statement Added To Excel Through Spreadsheet Sync

Upon completing the process, your initial report may look like the one pictured in **Figure 84**. Of course, you can add any Excel-based formatting to make the report look more polished and professional.

You can also add other reports to the same workbook. For example, let us now add a balance sheet to the workbook. To do so, repeat the previous process, except choose the balance sheet.

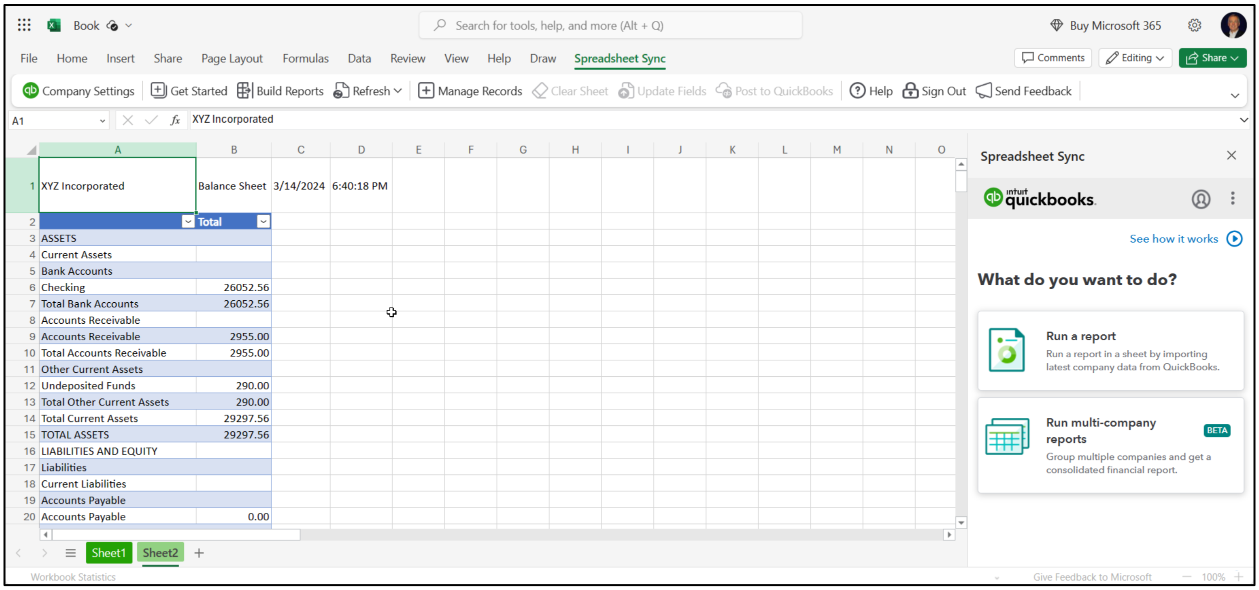


Figure 85 - Adding A Balance Sheet To Excel Through Spreadsheet Sync

Notably, we could continue to add other financial and operational reports to the same Excel workbook using Spreadsheet Sync. We could also apply any Excel-based formats we desired to the Excel-based reports. Further, the data flowing from QuickBooks Online into Excel is linked, allowing us to update the report with fresh data on demand. If the need to consolidate data from multiple QBO companies arises, we could also use Spreadsheet Sync to do so.

Spreadsheet Sync Summary

QuickBooks Online Spreadsheet Sync offers a compelling option for businesses that require a robust accounting solution and can leverage advanced data analysis tools. Spreadsheet Sync empowers you to streamline workflows, improve data accuracy, and gain deeper insights into your financial operations by bridging the gap between QuickBooks and Excel.

Summary

With its roots firmly in the small-business space, many perceive QuickBooks Online as lacking robust reporting options. However, that's not necessarily true, particularly if you subscribe to QuickBooks Online Plus or QuickBooks Online Advanced. Both subscription offerings provide robust options for creating accurate, aesthetically pleasing reports from your QBO data. Don't remain mired in outdated reporting processes – take advantage of these tools today!

?	How does financial and operational reporting in QBO compare to reporting in QBD? Are there any critical reports you might need that are unavailable in QBO?

Establishing And Monitoring Internal Controls In QuickBooks Online

Chapter 7

Despite formidable competition from companies such as Xero, Zoho, Wave, and others, QuickBooks Online remains the market leader in small business accounting software in the United States. Estimates peg the number of QuickBooks Online companies in the US at approximately 7,000,000. Unfortunately, many companies using QBO have failed to implement adequate internal control structures, leading to waste, inefficiencies, theft, and fraud. In this chapter, you will learn about the QBO and internal controls at a macro level, setting the stage for more detailed discussions about implementing appropriate internal controls in QuickBooks environments in Chapters Two, Three, and Four.

Learning Objectives

Upon completing this chapter, you should be able to:

- Identify some of the risks associated with failing to implement appropriate internal controls;
- List examples of some internal control-related features that may not be available in all QBO subscriptions; and
- Cite the steps necessary to activate critical QBO-based internal controls.

What Are The Risks?

A somewhat textbook-oriented definition of internal controls states the following:

Internal controls are the policies and procedures that an organization implements to help ensure that organizational objectives are met and that fraud, theft, and other desired outcomes are mitigated to a prudently acceptable level, as defined by cost-benefit analysis. A vital component of an effective internal control structure is segregating duties such that different team members are responsible for authorizing a transaction, the recordkeeping associated with a transaction, and custody of the related assets.

Fraud Risks Can Decimate A Small Business

As indicated above, internal control exists to help reduce the risks of unwanted and undesired outcomes, including fraud. Unfortunately, fraud risks remain at epidemic levels, including small businesses that utilize QuickBooks Online. To understand the significance of these risks, consider some of the data published by The Association of Certified Fraud Examiners in their bi-annual *Occupational Fraud 2024: A Report To The Nations*.

Who is Committing Fraud?

It would be misleading to imply that only one group or class of employees commits fraud. According to a PwC report, 36% of responding organizations had experienced at least one economic crime; at this frequency, it is clear that employees commit fraud across all levels of organizations. The ACFE report indicates that managerial and executive employees commit over half of all frauds (60%). Further, when an owner/executive or manager commits fraud, the loss is significantly higher than in those cases where a rank-and-file employee commits the act, as shown in **Figure 86**.

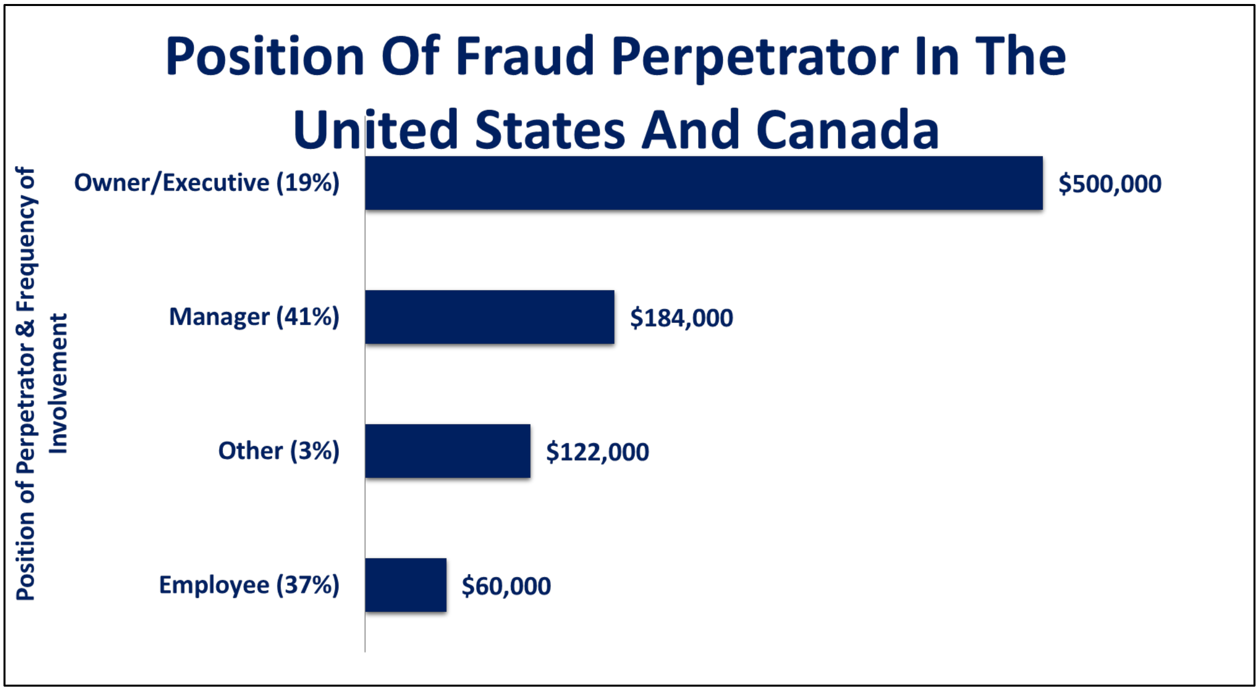


Figure 86 - Position of Perpetrator Chart

There is a correlation between an employee's tenure and the amount of fraud loss. As shown in **Figure 87**According to the ACFE report, employees with longer tenure at an organization commit more costly fraud than team members with shorter tenure. This condition is at least partially attributable to most organizations' higher trust in longer-tenured employees. It also shows that, in many cases, senior managers and employees with higher earnings have longer tenure than those with fewer responsibilities and smaller incomes.

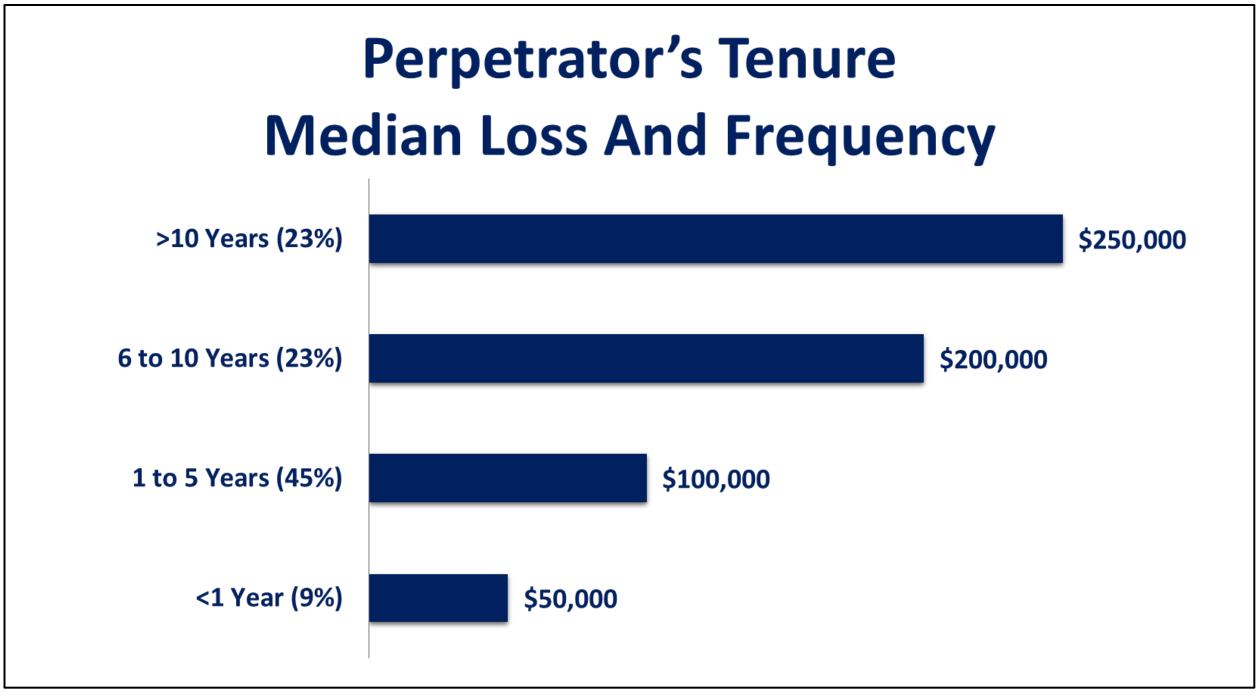


Figure 87 - Perpetrators' Tenure Compared to Median Loss

An interesting statistic associated with perpetrators' positions is that frauds committed by higher-level perpetrators take, on average, longer to detect than frauds committed by lower-level perpetrators, as confirmed in **Figure 88**.

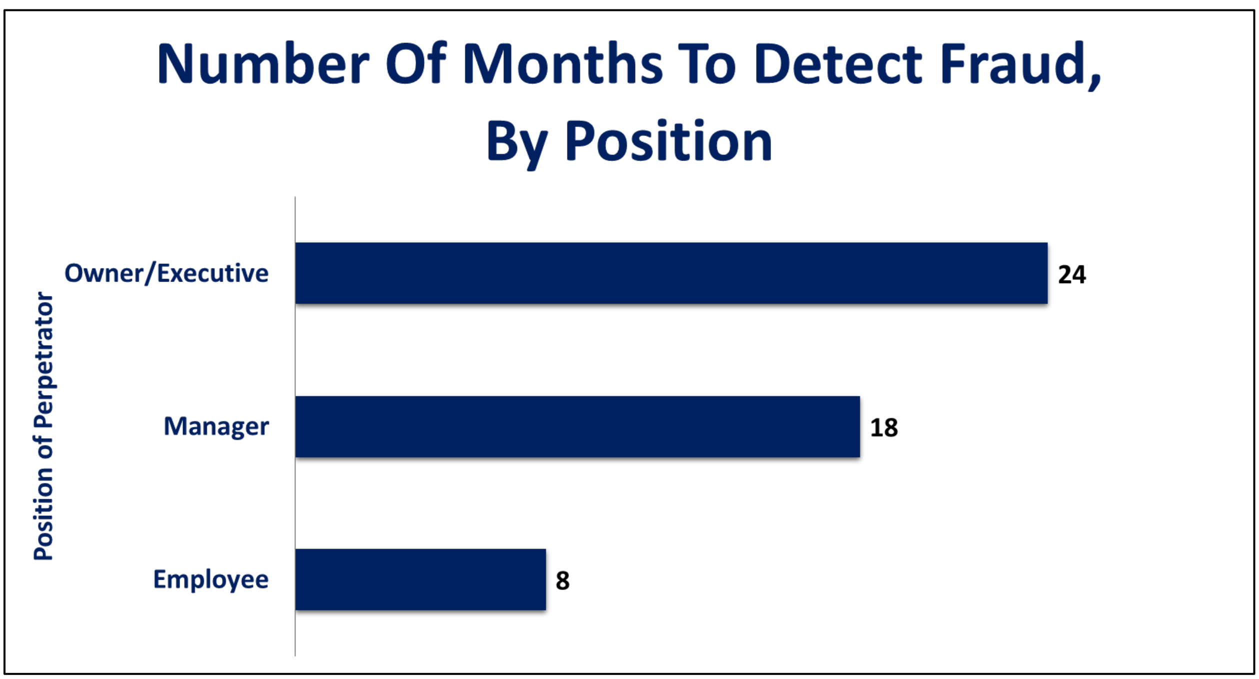


Figure 88 - Months to Detect Fraud by Position of Perpetrator

The ACFE reports also indicate that just one employee does not always commit fraud. More specifically, as shown in **Figure 89**, collusion among two or more persons is involved in over half of all scams.

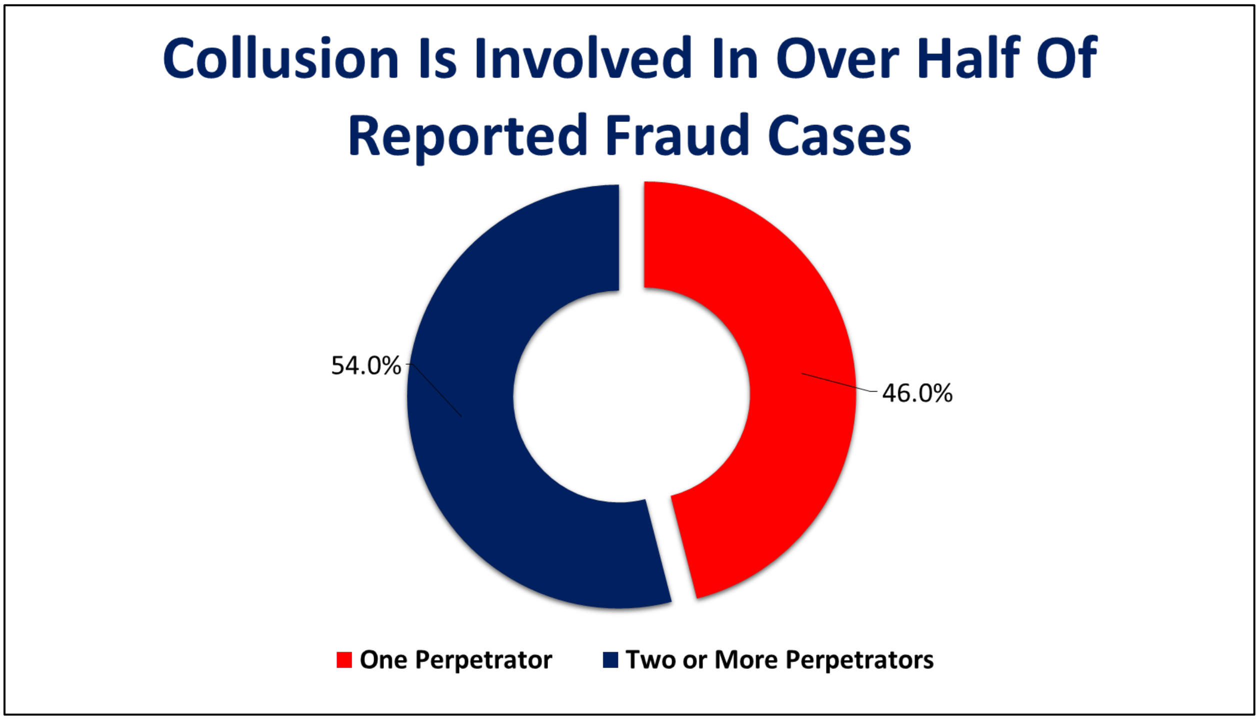


Figure 89 - Number of Perpetrators Chart

As shown in **Figure 90**, the median loss is significantly higher when collusion exists.

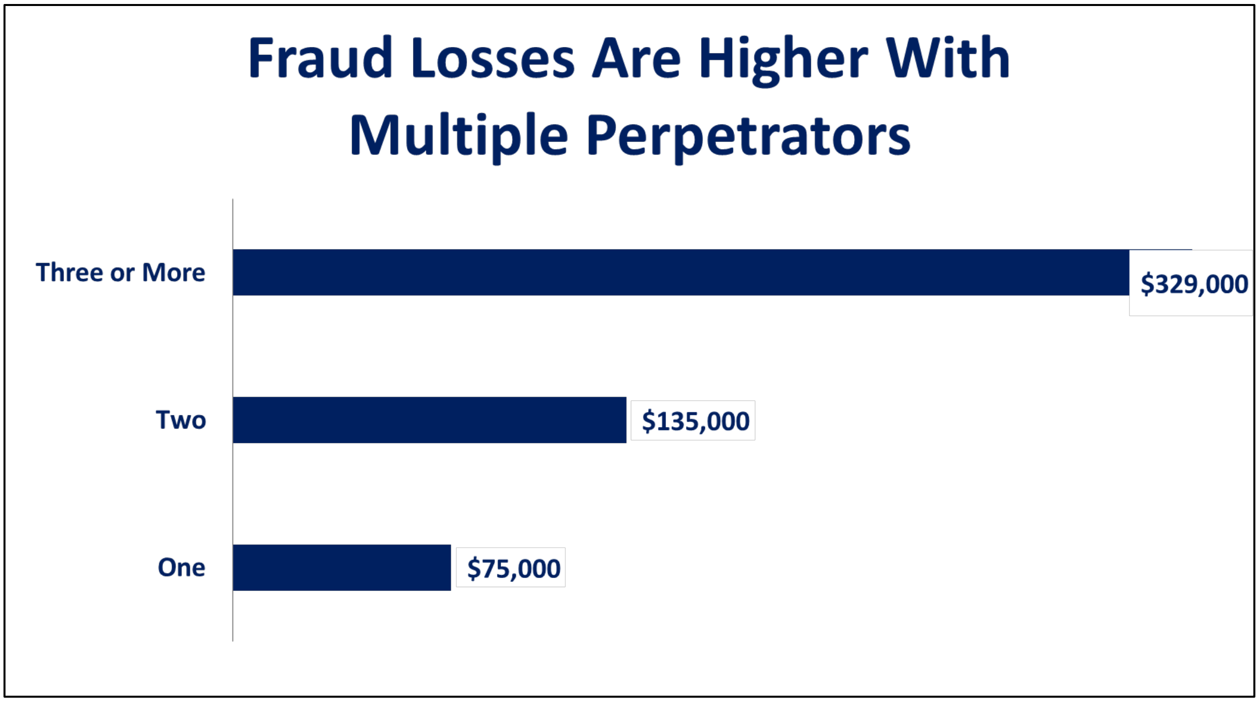


Figure 90 - Fraud Losses by Number of Perpetrators

One common question involves the history of those charged with committing occupational fraud. As shown in **Figure 91**, 87% of the perpetrators identified in the ACFE report had no prior fraud charges or convictions.

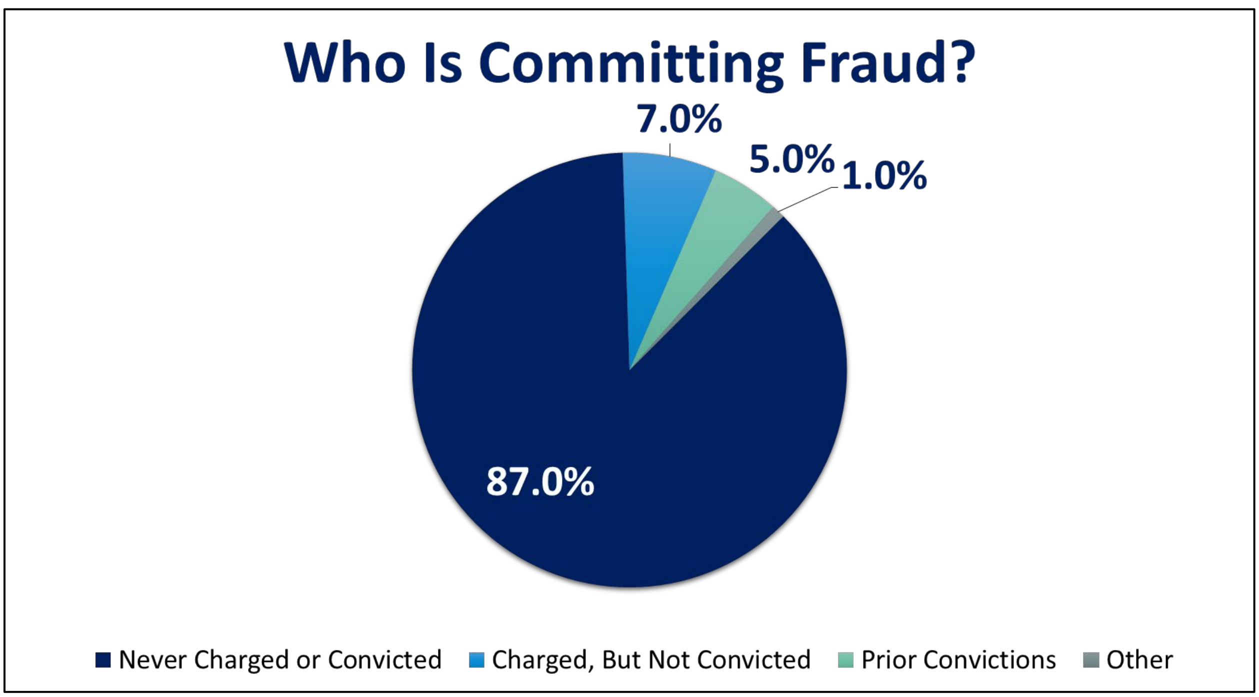


Figure 91 - Perpetrators' Prior Criminal History Chart

?	With the benefit of hindsight applied to an instance of occupational fraud with which you are familiar, what could have or should have been some of the early warning signs that the person(s) committing the fraud was facing financial difficulty?

What Types of Frauds Are Being Committed?

The ACFE defines occupational fraud as:

> *The use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets.*

These frauds have four common characteristics.

1. The activities are **clandestine**. When committing occupational fraud, perpetrators attempt to conceal their actions. These attempts might involve altering or destroying documents, failing to record transactions, or deleting information from computer systems.
2. The activities **violate the perpetrator's fiduciary responsibilities** and positions of trust within the employing organization. Employers entrust all team members with some level of fiduciary responsibility. When an employee commits fraud against an employer, they breach that trust. As demonstrated in the previous section, employees in whom employers place large amounts of trust are in positions to commit fraud of greater magnitude.
3. The activities are committed for **personal enrichment**, either directly or indirectly. For example, criminals do not commit fraud as a hobby. Instead, there is some financial gain to derive from the activity. This gain can accrue directly to the perpetrator or benefit a third party of the perpetrator's choosing – for example, a family member.
4. The activities **exact a cost on the employing organization**. Because frauds enrich their perpetrators, the employing organization has an offsetting loss. The scam might result in direct asset loss or in less apparent losses, such as reputational damage and loss of investor confidence.

There are three types of occupational fraud: misappropriation of assets, corruption, and financial statement fraud. As shown in **Figure 92**, asset misappropriation is the leading source of fraud, according to the ACFE, though financial statement fraud is the costliest.

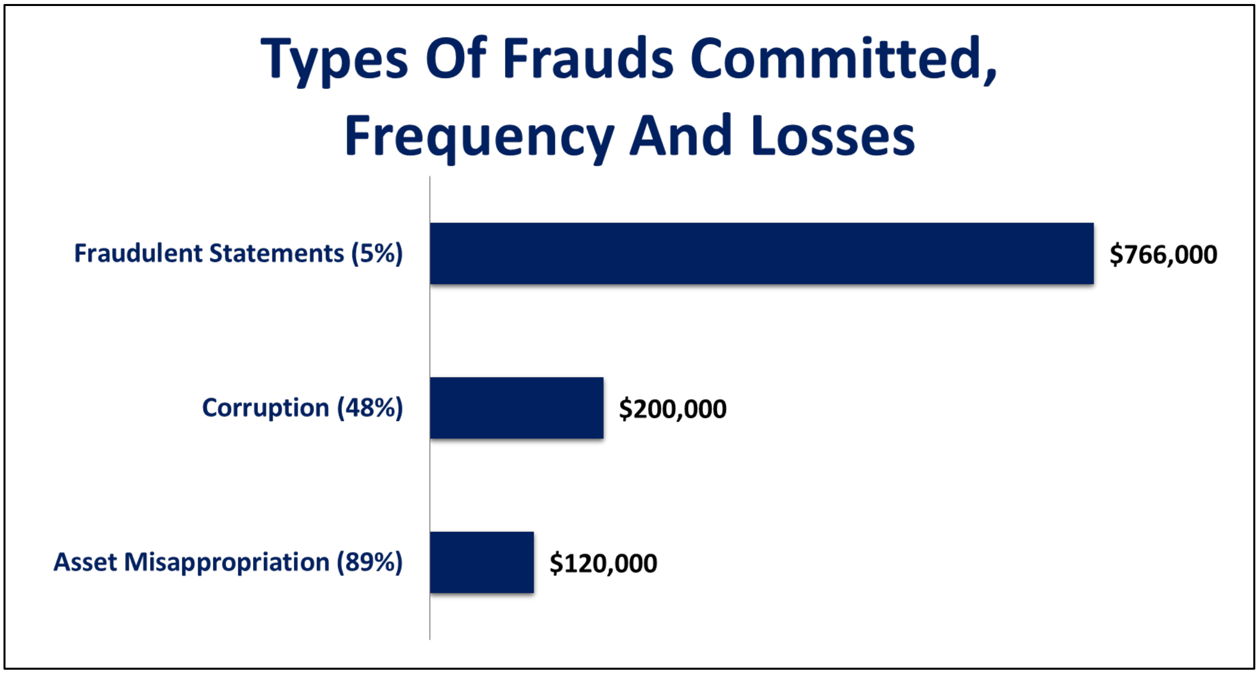


Figure 92 - Relative Frequency of Fraud and Associated Loss *(Percentages do not total to 100% because some fraud instances involve more than one fraudulent activity.)*

In an asset misappropriation scheme, cash is the asset most often stolen, according to the ACFE. **Figure 93** details asset misappropriations, including the three cash misappropriation schemes. These three types of cash fraud schemes are:

1. Those involving cash receipts (skimming and cash larceny);

2. Those involving cash disbursements (billing, check tampering, expense reimbursement, payroll, and register disbursements); and

3. Those involving cash on hand.

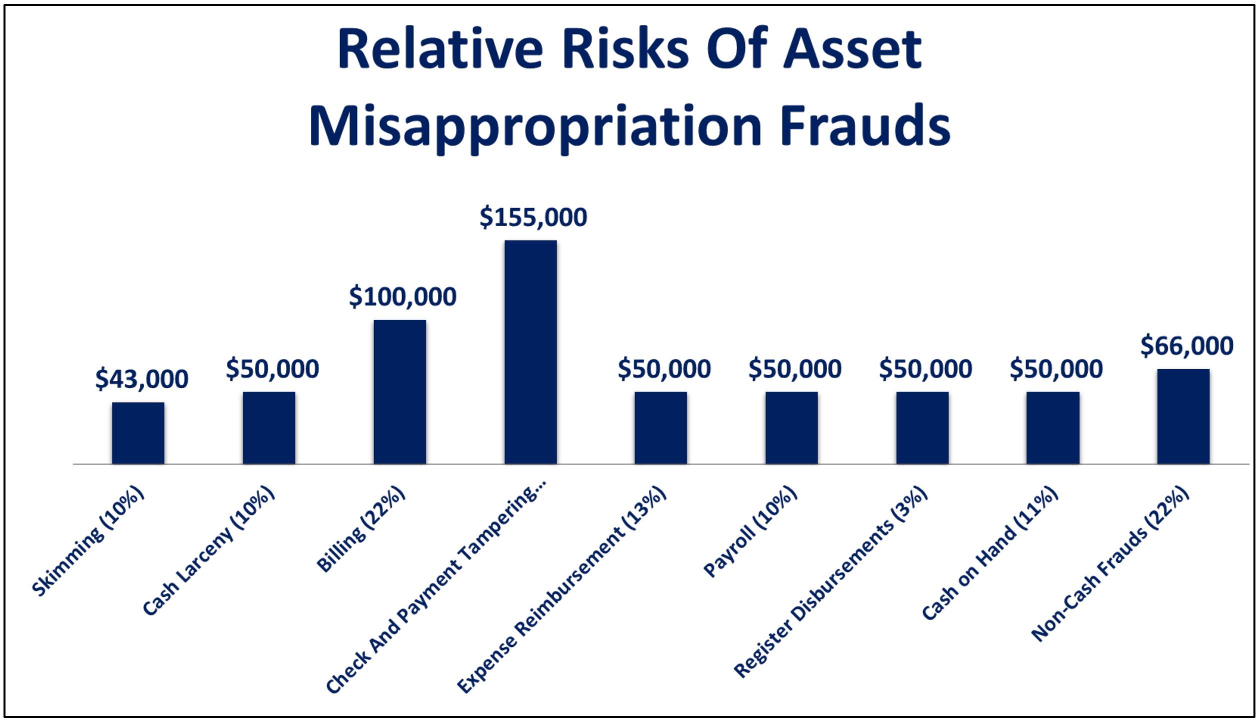


Figure 93 - Breakdown of Asset Misappropriations *(Percentages do not necessarily total 100% because some frauds include more than one fraudulent activity.)*

How Much is Fraud Costing?

As stated earlier, the ACFE estimates the cost of occupational fraud at 5% of an organization's annual revenues; in the United States, this amounts to over $1 trillion annually, or over $8,200 per full-time employee. According to the ACFE, public and private companies realized median fraud losses of $150,000 per incident. Further, national governmental organizations reported estimated median losses of $210,000, while nonprofit organizations reported median losses of $76,000.

In addition to the variation in fraud losses based on the type of organization involved, fraud losses also vary based on the victim's industry, as indicated in **Table 3.**

Industry	Median Loss
Mining	$550,000
Wholesale Trade	$361,000
Manufacturing	$267,000
Construction	$250,000
Real Estate	$200,000
Government & Public Administration	$200,000
Insurance	$190,000
Services (Other)	$170,000
Information	$166,000
Agriculture, Forestry, Fishing, & Hunting	$165,000
Energy	$152,000
Technology	$145,000
Transportation & Warehousing	$121,000
Banking/Financial Services	$120,000
Utilities	$100,000
Service - Professional	$100,000
Health Care	$100,000
Food Service and Hospitality	$100,000
Religious, Charitable, or Social Services	$85,000
Education	$50,000
Retail	$48,000
Arts, Entertainment, & Recreation	$44,000

Table 3 - Median Fraud Losses by Industry

By organization size, **Figure 94** depicts the frequency and median loss of fraud.

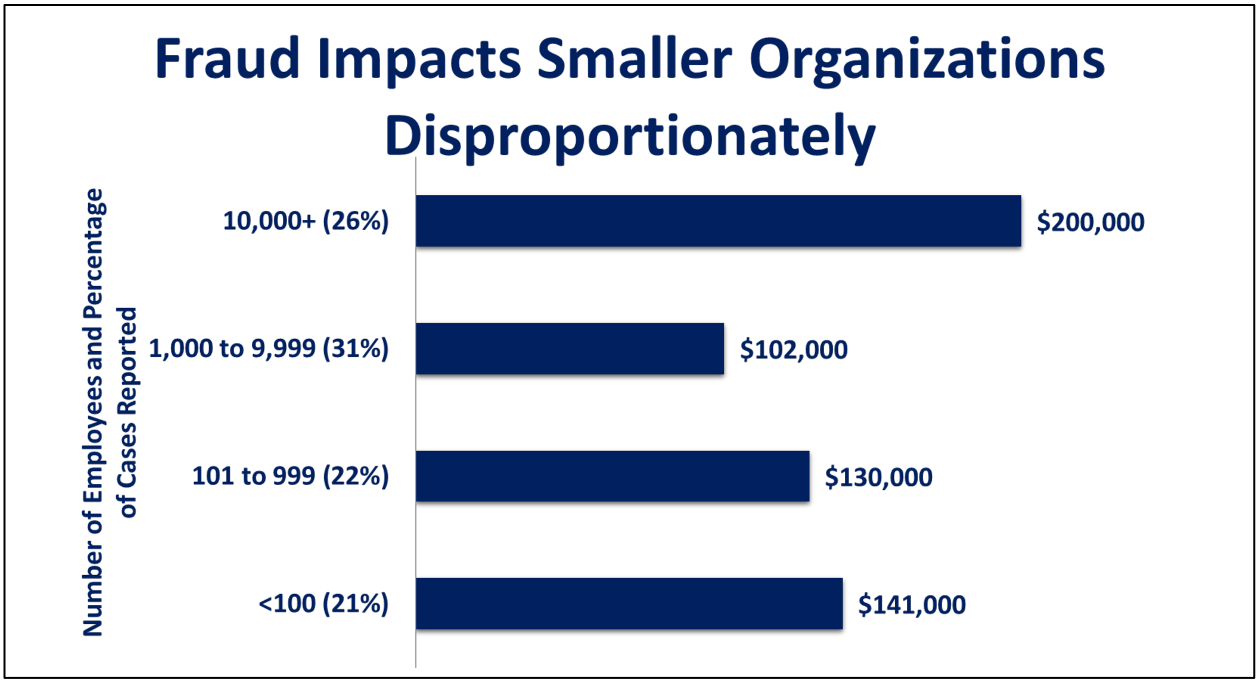


Figure 94 - Losses by Number of Employees Chart

Fraud Schemes in Small Businesses, Including Those Utilizing QuickBooks Online

Given the disproportionate impact of fraud on small businesses (those with fewer than 100 employees), it is helpful to understand the types of fraud committed most frequently in these organizations. For example, small businesses are less often victims of corruption fraud than larger organizations (44% of cases in small companies versus 52% in larger organizations). However, small businesses are susceptible to many other fraud schemes at a greater rate than their larger counterparts, as shown in **Figure 95**. This chart should be instructive for owners and managers working in small businesses and trusted advisors providing services to small companies when allocating anti-fraud resources.

Figure 95 - Fraud Scheme by Size of Victim

What Are the Internal Control Weaknesses That Contribute to Occupational Fraud?

How can large and small organizations continue to experience such sizeable occupational fraud losses? One key reason is the internal control structures – or lack thereof! – in many organizations. **Figure 96** illustrates that the lack of internal controls, override of existing internal controls, and lack of management review are primarily responsible for many occupational frauds.

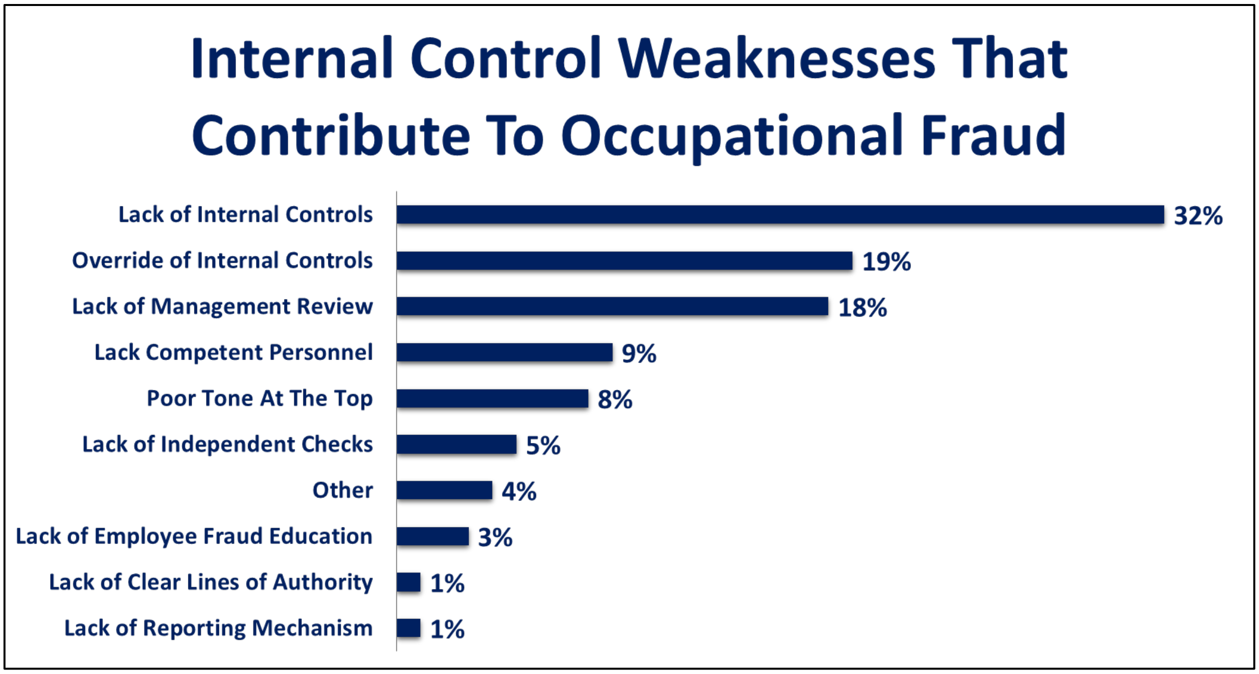


Figure 96 – Internal Control Weaknesses That Contribute to Occupational Fraud

How Is Fraud Being Detected?

When considering fraud detection, many accountants and auditors instinctively assume that internal controls are the primary source. In fact, according to the ACFE report, tips were the number one source of fraud detection. This fact is significant in its own right. However, when you view it in light of the Sarbanes-Oxley requirement that mandates audit committees establish a means of "anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters," it takes on even greater significance.

Figure 97 presents a summarization of how frauds are initially detected. Interestingly, accidental detection is more likely than detection through more established measures, such as account reconciliations, document examinations, and external audits.

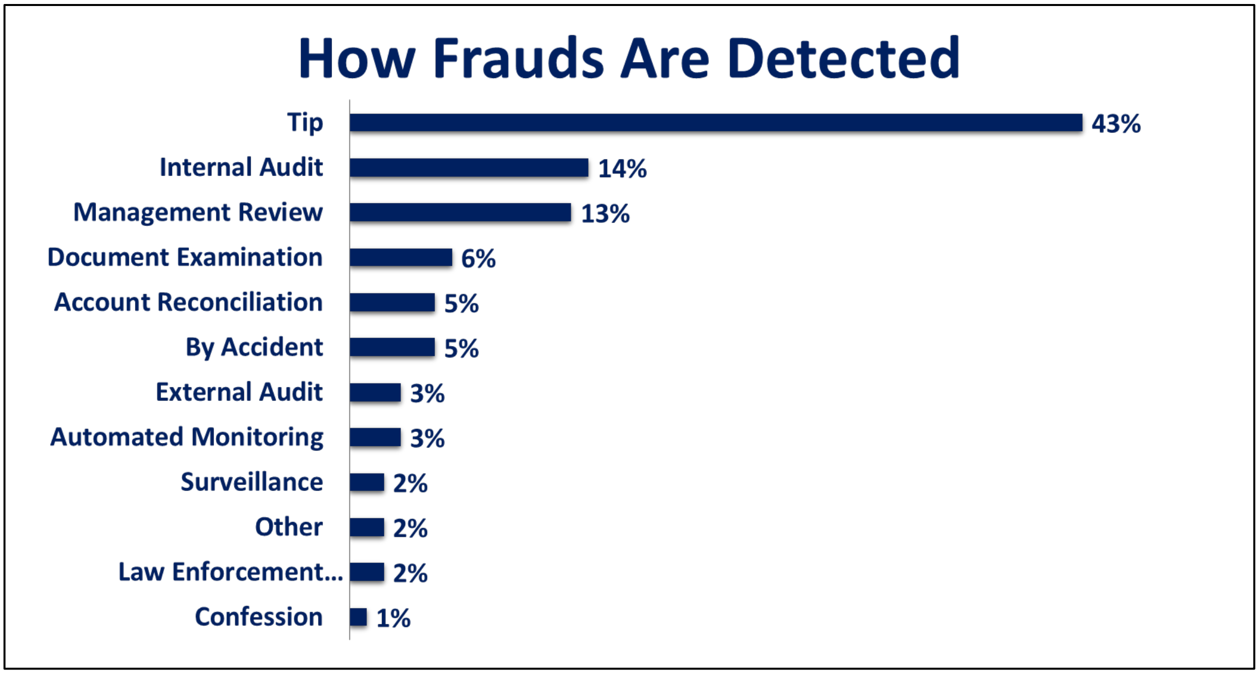


Figure 97 - How Frauds Are Detected Chart *(Percentages may not total 100% due to rounding.)*

Figure 98 – Sources of Tips for Occupational Fraud
(Percentages may not total 100% due to rounding.)

?	Given the fraud statistics outlined in this section, where do you see vulnerabilities in your organization or a client's? What internal control activities could you implement to reduce the organization's exposure to theft and fraud?

Internal Control Options To Consider In QuickBooks Online

Given the breadth and depth of the losses outlined above, it is apparent that small businesses — including those running QBO — must take better advantage of internal control options and opportunities. Of course, these will vary by subscription, with QuickBooks Solopreneur offering the fewest options and QuickBooks Online Advanced offering the most.

Preventive Controls, Including Authentication Controls

As the name implies, **preventive controls** are measures put in place to prevent unwanted actions. One of the most visible forms of preventive internal control is assigning unique user IDs and passwords to all authorized users. If you enable this control, you will prevent unauthorized users from accessing your QBO data. However, for this control to be effective, appropriate password "hygiene" must be in place, including the following measures:

- User passwords must be sufficiently long (minimum of 12 characters) to prevent unauthorized persons from guessing them. Further, if there is reason to believe a password is compromised, change it immediately.

- Team members should never share passwords.

- Where available, establish user rights and permissions for each team member to control their access levels with QBO and other applications. Note that QuickBooks Online Plus and Advanced offer "deeper" options to enable a more granular approach to individual user rights on the platform.

To illustrate, **Figure 99** shows some of the broad rights you can assign to users with QBO Plus. Further, **Figure 100** illustrates some detailed user rights you can assign to users with QBO Plus. Assigning these types of rights prevents users who do not have these rights assigned to their profiles from performing actions they do not have permission to perform.

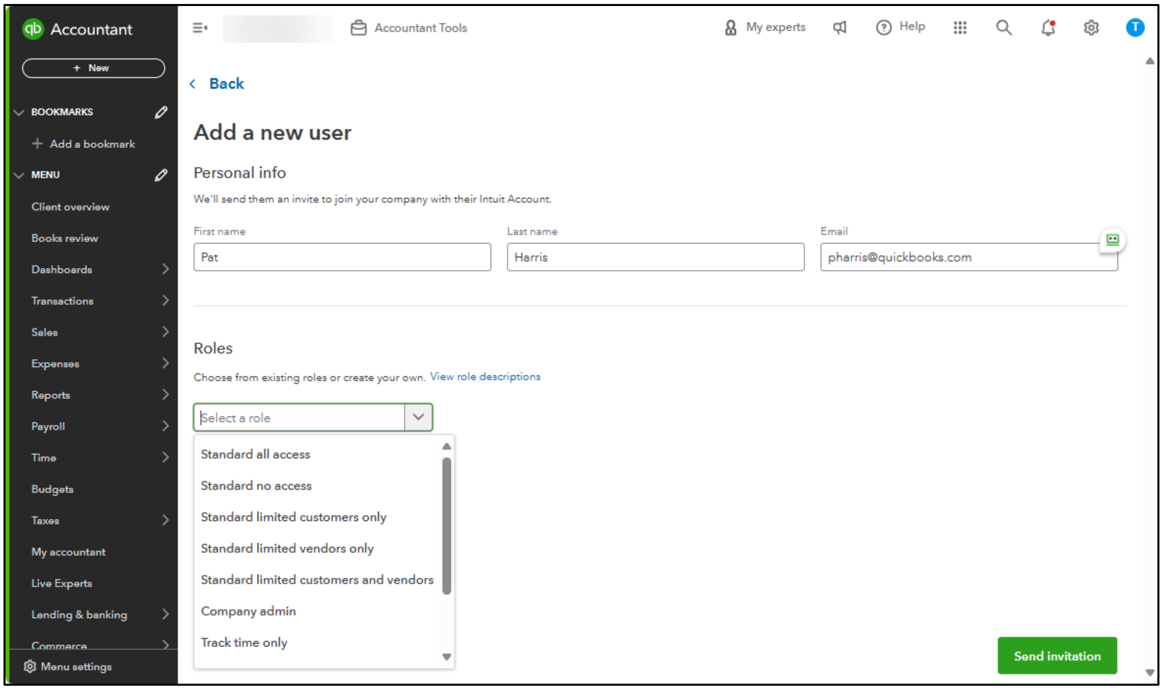


Figure 99 - Adding "Broad-Level" User Rights Using QBO Plus

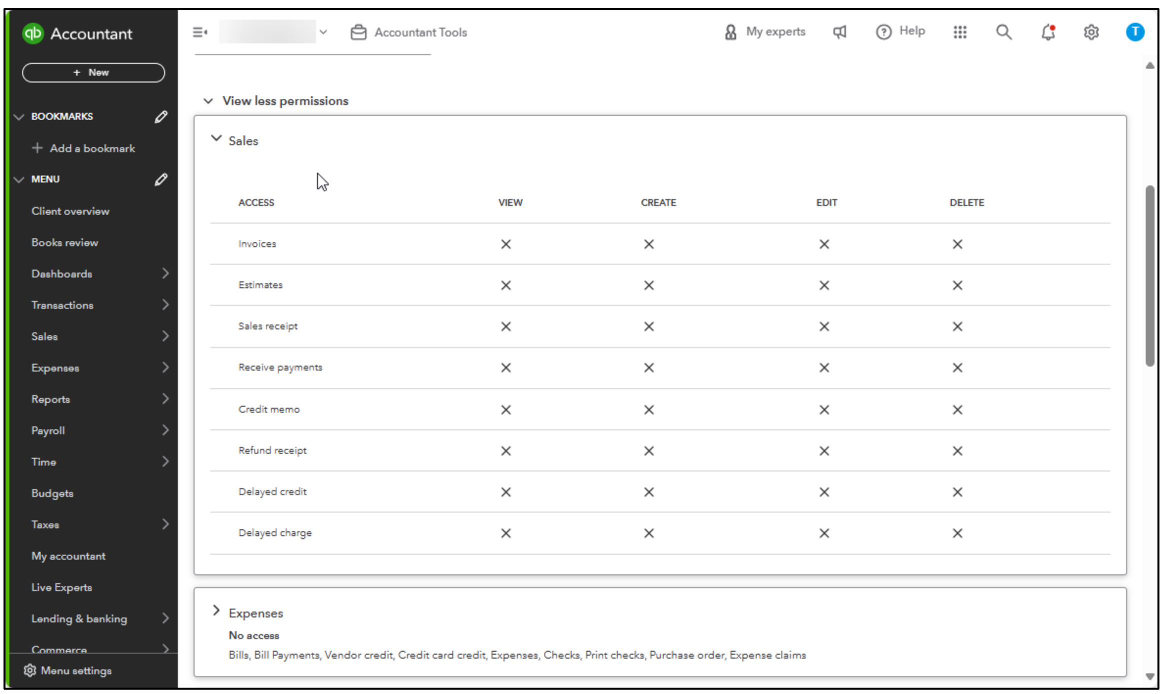


Figure 100 - Adding Detailed User Rights Using QBO Plus

If a company uses QBO Advanced, even more detailed user rights options are available. Specifically, you assign each user one or more roles in QBO Advanced, and the rights for each role then propagate to each user assigned that role.

The types of permissions illustrated above serve as preventive controls because they prevent users without the appropriate permissions from performing tasks in QBO that they do not have permission to perform.

Automated Workflows

Another form of preventive internal control available in QBO is *automated workflows*. Automated workflows allow you to establish predefined rules regarding the workflow of certain transactions. For instance, suppose you wanted to ensure that all bills over $10,000 receive managerial approval before you pay them. If you use QBO Advanced, you can enforce this form of control, as shown in **Figure 101**.

Figure 101 - Custom Workflows In QuickBooks Online Advanced

Once you create and activate a rule like the one above, all transactions meeting the defined criteria will be subject to it, and the platform will send appropriate notifications to all participants in the process.

Detective Controls

Detective controls are another important form of internal control. They help managers understand what happened in the past. Analyzing budget vs. actual reports is one standard option for implementing detective controls.

Another example of detective controls is QBO's **Audit Log** report. The Audit Log helps users to identify "who" did "what," and "when" they did it. For example, **Figure 102** illustrates the user who reconciled the checking account and added a journal entry on May 9. If more details were necessary, the manager could click on the hyperlinks associated with both transactions.

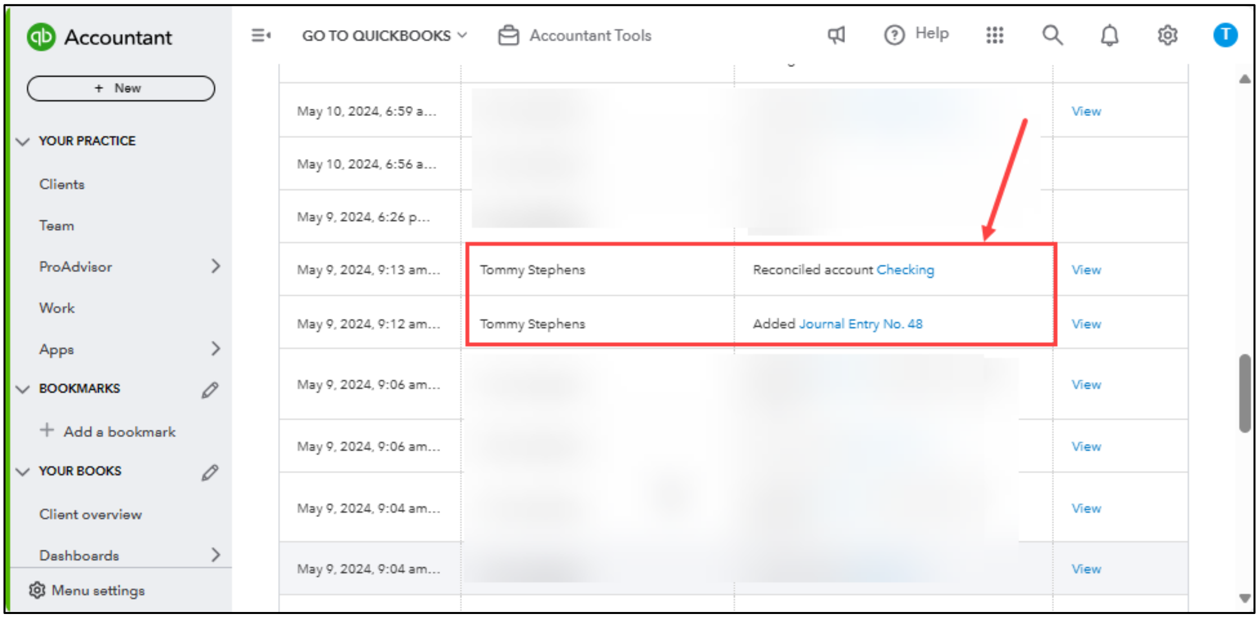


Figure 102 - QuickBooks Online's Audit Log Represents An Example Of Internal Control

Deterrent Controls

Deterrent controls are actions taken to dissuade users from taking actions they should not. For instance, if a team member who might be susceptible to taking cash from the cash drawer knows that a manager conducts surprise cash counts fairly frequently, that team member might be less inclined to steal from the company. All other internal control procedures serve as deterrent controls at some level.

Compensating Controls

The last form of internal control to mention is **compensating controls**. Compensating controls are actions taken to address weaknesses in the internal control structure that cannot otherwise be overcome. For example, in a QBO-based small business, you may not have a way to properly segregate duties for authorizing transactions, recording transactions, and maintaining custody of assets. In this situation, you may turn to a QBO-generated report to help you identify transactions or events that require additional attention.

Budgeting in QuickBooks Online

As indicated above, budgeting can be an effective internal control, particularly when management thoroughly investigates significant variances between budgeted and realized results. QuickBooks Online's budgeting capabilities differ slightly from those of the Desktop application. With the Online service, you can create budgets only at the profit-and-loss level;

QuickBooks Online does not support balance-sheet budgets. However, Online does support customer-level budgets. One budgeting feature that QuickBooks Online provides but the desktop application does not is the ability to have multiple versions of the budget for the same planning period.

Additionally, the Online service allows you to enter your budget data and create budget-versus-actual reports at monthly, quarterly, or annual intervals. On the other hand, Desktop works only with monthly budgeting cycles. As shown in **Figure 124**, change your budget interval, select the appropriate option from the **Enter by:** drop-down list.

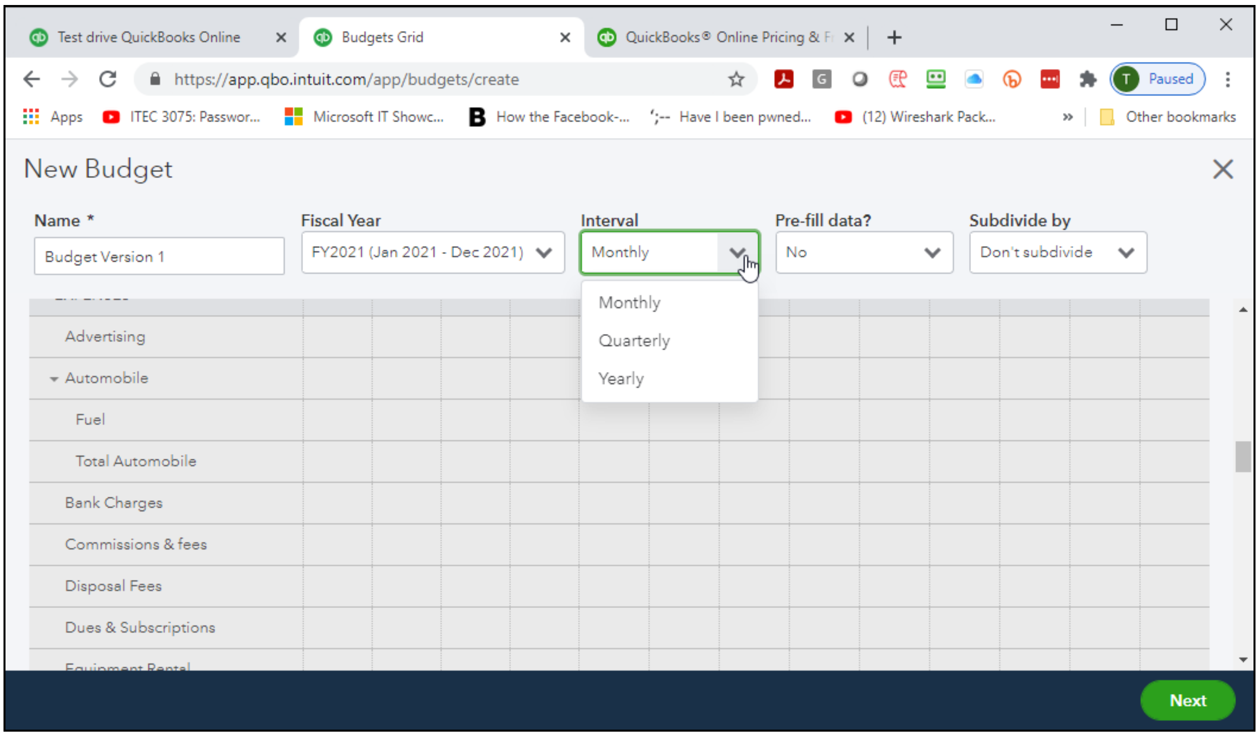


Figure 103 - Entering Budget Data in QuickBooks Online

?	In what ways does QuickBooks Online offer improved budgeting capabilities compared to desktop versions of QuickBooks?