

INTUIT PROFESSIONAL EDUCATION

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# QuickBooks Files: Sharing, Managing, and Maintaining Data Integrity



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# TABLE OF CONTENTS

|   |           |
|---|-----------|
| <b>INTRODUCTION .....</b>   | <b>5</b>  |
| LEARNING OBJECTIVES.....  | 5         |
| ABOUT THIS COURSE .....   | 5         |
| ABOUT QUICKBOOKS ACCOUNTANT EDITION .....   | 6         |
| <b>CHAPTER 1: INSTALLING QUICKBOOKS ON A NETWORK.....</b>   | <b>7</b>  |
| UNDERSTANDING THE INSTALLATION OPTIONS .....  | 7         |
| SETTING UP FOR ONE USER.....  | 8         |
| SETTING UP FOR MORE THAN ONE USER.....  | 9         |
| Installing QuickBooks and the Database Server Manager.....  | 9         |
| Installing the Database Server Only.....  | 11        |
| <b>CHAPTER 2: MANAGING INFORMATION QUALITY .....</b>  | <b>15</b> |
| ENTERING OPENING BALANCES .....   | 15        |
| Entering Balances for Balance Sheet accounts other than Bank Accounts, A/R, A/P, Inventory, and Sales Taxes Payable ..... | 15        |
| Entering Outstanding Bank Checks and Deposits .....   | 17        |
| Entering Accounts Receivable and Accounts Payable Transactions .....  | 18        |
| Entering Details for Non-Posting Items.....   | 19        |
| Entering Mid-Year Income and Expenses.....  | 19        |
| Adjusting Sales Taxes Payable .....   | 19        |
| Establishing Inventory Balances .....   | 21        |
| Clearing Opening Balance Equity .....   | 21        |
| Verifying File Setup.....   | 22        |
| Completing the Setup Process .....  | 22        |
| USING OPENING BALANCE EQUITY TO DETECT SETUP ISSUES.....  | 23        |
| Transactions Posted to Opening Balance Equity.....  | 25        |
| Incomplete or Inaccurate Data File Setup.....   | 26        |
| Opening Balance Entered in New Account or Edit Account Window .....   | 28        |
| Total Value Entered in the New Inventory Item Setup Window.....   | 29        |
| TROUBLESHOOTING INVENTORY .....   | 32        |
| Negative On Hand Quantity .....   | 33        |
| Selling "Negative" Without a Cost .....   | 33        |
| Selling "Negative" With a Prior Average Cost .....  | 34        |
| Correcting and Avoiding Incorrect Inventory Valuations .....  | 34        |
| TROUBLESHOOTING UNDEPOSITED FUNDS .....   | 35        |
| Using Undeposited Funds Correctly .....   | 35        |
| Recognizing Common Client Errors with Undeposited Funds .....   | 37        |
| Correcting the Error .....  | 38        |
| Handling Correct Balances in Undeposited Funds.....   | 39        |
| USING REPORTS TO LOCATE CHANGES TO PREVIOUS PERIODS.....  | 40        |
| Using the Audit Trail.....  | 40        |
| Using the Closing Date Exception Report.....  | 41        |
| Using the Voided/Deleted Transactions Report .....  | 41        |
| IDENTIFYING CHANGES TO PRIOR PERIOD DATA.....   | 43        |
| Finding Changes Made to the Account Fields in Item Setup Windows .....  | 43        |
| Merging Accounts .....  | 44        |
| Changing Account Types.....   | 44        |
| Preventing Changes to Previous Reporting Periods.....   | 45        |
| <b>CHAPTER 3: MAINTAINING QUICKBOOKS DATA FILES.....</b>  | <b>47</b> |
| WORKING WITH BACKUP FILES .....   | 47        |
| Creating Backup Files.....  | 47        |
| Restoring Backup Files .....  | 47        |
| Understanding What's Included in Backup Files.....  | 50        |

|  |           |
|--|-----------|
| CLEANING UP COMPANY DATA FILES .....                         | 51        |
| VERIFYING AND REBUILDING DATA FILES .....                    | 54        |
| Verifying Data Files .....                                   | 54        |
| Rebuilding Data Files .....                                  | 54        |
| <b>CHAPTER 4: ACCESSING CLIENT DATA .....</b>                | <b>57</b> |
| USING ACCOUNTANT'S COPY .....                                | 57        |
| Creating an Accountant's Copy .....                          | 58        |
| Restoring an Accountant's Copy File .....                    | 60        |
| Exporting Changes for the Client .....                       | 60        |
| Importing Changes (Client) .....                             | 61        |
| USING QUICKBOOKS PORTABLE COMPANY FILES .....                | 61        |
| Creating Portable Company Files .....                        | 62        |
| Restoring Portable Company Files .....                       | 62        |
| WORKING WITH REMOTE ACCESS .....                             | 63        |
| Establishing Remote Access Sessions .....                    | 64        |
| <b>APPENDIX A: MANAGING DATA FILES CHECKLIST .....</b>       | <b>69</b> |
| BEST PRACTICES CHECKLIST FOR MANAGING DATA FILES .....       | 69        |
| <b>APPENDIX B: UNDERSTANDING QUICKBOOKS FILE TYPES .....</b> | <b>71</b> |
| SUMMARY OF KEY FILE TYPES IN QUICKBOOKS .....                | 71        |

**INTRODUCTION**

Learning Objectives

About this Course

About QuickBooks Accountant Edition

# INTRODUCTION

## Learning Objectives

In this training session you will learn how to:

- Install QuickBooks on a network
- Identify and correct common setup errors
- Troubleshoot issues with inventory
- Troubleshoot Undeposited Funds
- Protect QuickBooks data
- Use various tools available to access client data

## About this Course

Given the popularity of QuickBooks in the marketplace, there is a strong chance that many of your small business clients use QuickBooks. In this course, you'll learn how to install QuickBooks on a network and how to configure it for multiple users. You'll learn how to identify and correct some common setup errors. You'll also learn about the tools available in QuickBooks to help protect and maintain your clients' data. Finally, you'll learn about different ways you can access your clients' data files.

There is a fundamental assumption in this course that participants already have a solid working knowledge of QuickBooks operations such as establishing preferences, entering and editing items, and recording transactions such as bills, invoices, and checks. As such, this course is not designed to provide an in-depth review of matters such as these.

## About QuickBooks Accountant Edition

QuickBooks 2008 Premier Accountant edition and QuickBooks Enterprise Solutions Version 8.0 Accountant Edition will be used as the demonstration software in this manual and the related webinar. QuickBooks Enterprise Version 8.0 and Premier Accountant Edition 2008 include all of the features of the QuickBooks Enterprise and Premier Editions with the additional features needed to help accountants support clients who use QuickBooks. QuickBooks Premier Accountant Edition 2008 and QuickBooks Enterprise Solutions Accountant Edition 8.0 include all of the features available in each industry-specific edition of QuickBooks: Contractor Edition, Non-Profit Edition, Professional Services Edition, Manufacturing and Wholesale Edition, and Retail Edition. For each of these industry types, Accountant Edition includes:

- Industry-Specific Reports and Memorized Reports
- Industry-Specific Help Menu Content
- Industry-Specific Form Templates
- Industry-Specific Sample Company Data Files

QuickBooks Premier Accountant Edition 2008 can read all editions of QuickBooks 2008 (Simple Start, Pro, Premier and Premier: Industry-Specific editions) without converting the data. The accountant can open the client's data file, make changes using the Accountant Edition and return the file to the client for them to restore using their own edition of QuickBooks 2008. QuickBooks Enterprise Solutions 8.0 Accountant Edition functions in this same way with all editions of QuickBooks Enterprise Solutions 8.0.

QuickBooks Premier Accountant Edition and QuickBooks Enterprise Solutions Accountant Edition are included in the benefits of the QuickBooks ProAdvisor program.

## INSTALLING QUICKBOOKS ON A NETWORK

Understanding the Installation Options

Setting up for One User

Setting up for More than One User

# CHAPTER 1: INSTALLING QUICKBOOKS ON A NETWORK

## Understanding the Installation Options

Networked installations that can support multiple simultaneous users of QuickBooks are now more commonplace than ever. In this section we'll review the configuration options available to support a networked configuration of QuickBooks 2008 and some of the key terms and best practices that you should be familiar with.

There are three typical ways to install QuickBooks:

- One user (previously referred to as a standard installation)
- For more than one user—QuickBooks and Database Server Installation
- For more than one user—Database Server Installation Only

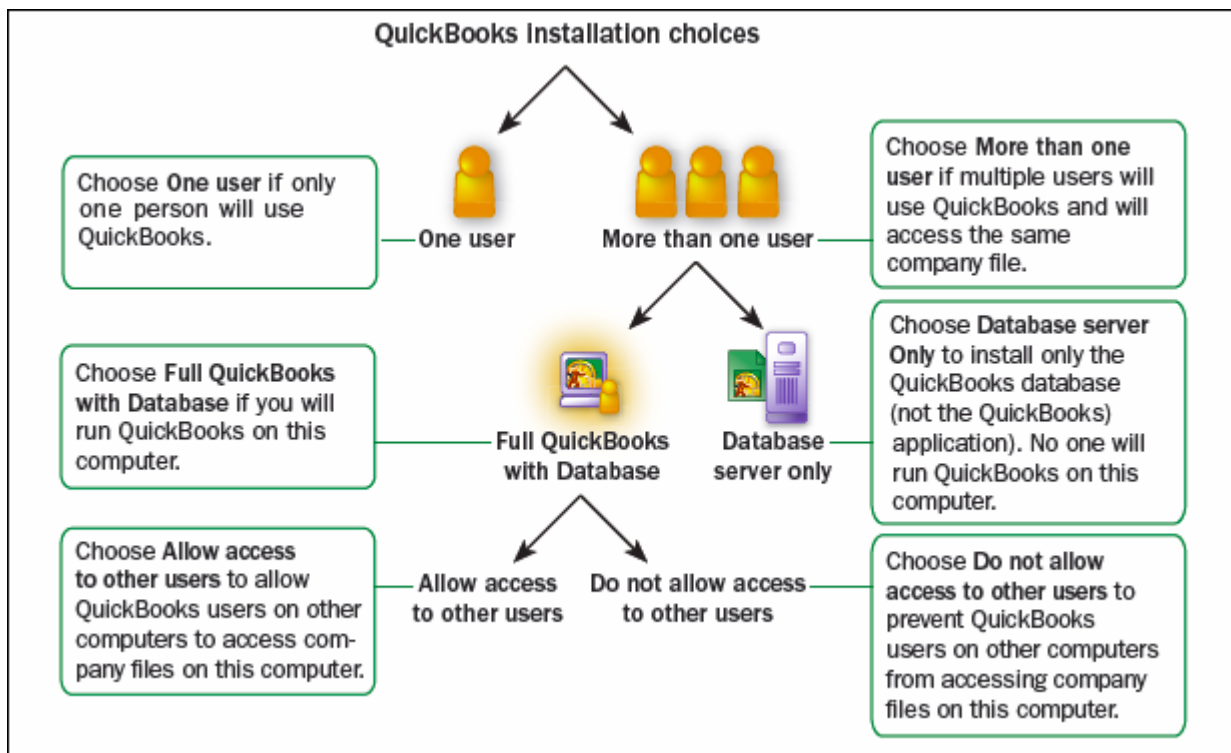


Figure 1 – QuickBooks Installation Options

All QuickBooks 2008 versions that support multi-user access contain an updated installation wizard that provides step-by-step instructions and guidance on how to choose the correct installation type.

It's important to know the difference between multi-user access and multi-user mode.

- Enabling *multi-user access* configures QuickBooks to act as the host for the company files, which allows other users on the network to access those files from remote machines. This means that the computer that holds the copy of QuickBooks (that's configured for Multi-User Access) is the QuickBooks data file server for the network.
- Enabling *multi-user mode* for a company file is a way to permit multiple users on the network to work in the same company file simultaneously (but the file is located on the computer acting as the QuickBooks data file server). *Multi-user mode* is a configuration option that applies only to the currently open QuickBooks file.

## Setting up for One User

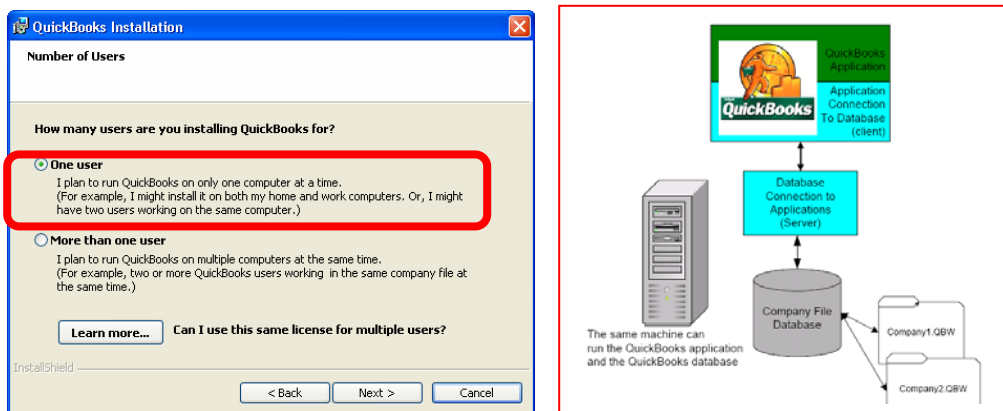


Figure 2 – Selecting the One user Option in the Installation Wizard

This installation type allows for one user at a time to use QuickBooks on one computer at a time. This option is also used to install QuickBooks on a “client” computer in a networked installation. When you install using this option you are installing both the application and the database on the same computer.



## Setting up for More than One User

Select this option when more than one user working from more than one computer will be accessing the QuickBooks Data file simultaneously and when QuickBooks is installed on the computer that also “holds” the QuickBooks data file. All other computers (client) computers are installed using the *one user option*.

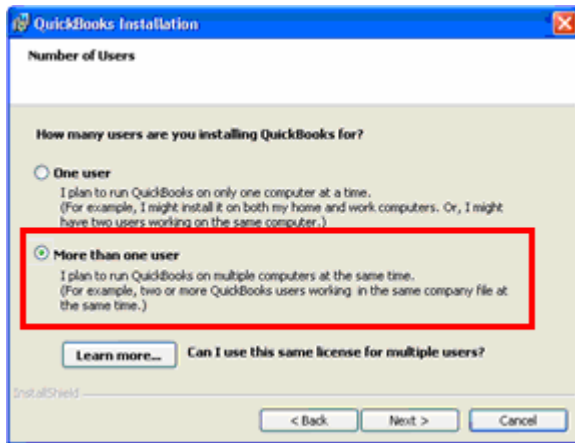


Figure 3 – Selecting to Install for More than One User

When you select the *More than one user* option, two choices are available for the software installation on the data file server:

- Install QuickBooks software and the Database Server Manager
- Install only the Database Server Manager

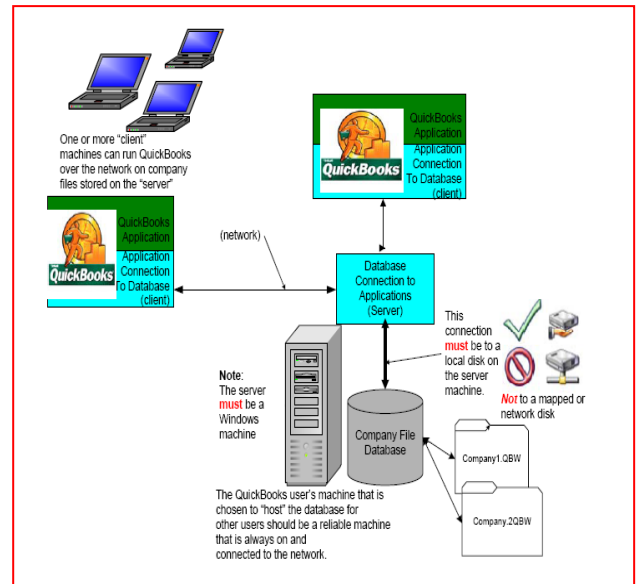
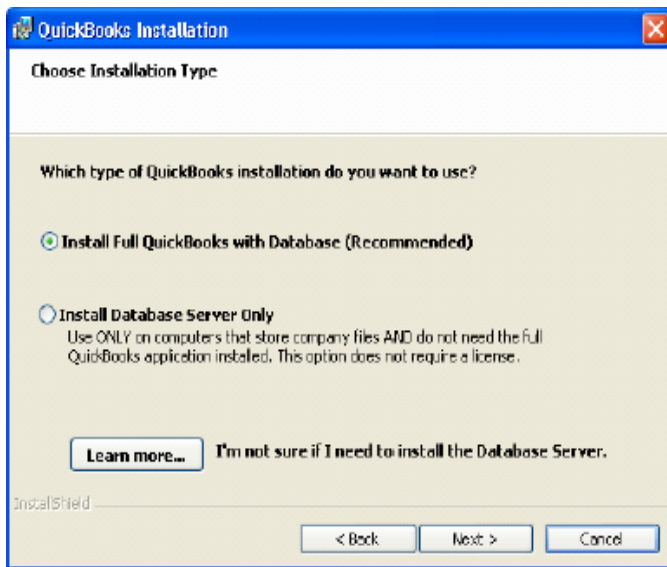
## Installing QuickBooks and the Database Server Manager

Select this option to install both the QuickBooks application and the Database Server Manager to have access to the company file from the server and to also provide access to that file to other users on the network. If no one is using QuickBooks on the server computer, the file can still be shared even though QuickBooks is not open on that computer.

The QuickBooks Database Server Manager is a utility that manages access to all of the company files on the QuickBooks data file server. It has two components:

- The database server manager, which controls access to the company files across the network. This program runs as a Windows service and starts automatically when you start the computer.

- The server manager monitor utility provides a way for users to access, configure, and control the database server manager.



**Figure 4 – Choosing to Install the QuickBooks Application and Database**

The advantage of installing both the software and the Database Server Manager (as in the configuration above) is that some tasks can't be performed across the network. This configuration allows you to open QuickBooks on the server when those tasks are required. For example, when you want to update a company file across a network or to run Verify and Rebuild on the file from across the network.

## Installing the Database Server Only

When you select this option, the wizard displays the location to which the application will be installed. When the installation is complete, QuickBooks launches the Database Server Manager utility automatically.

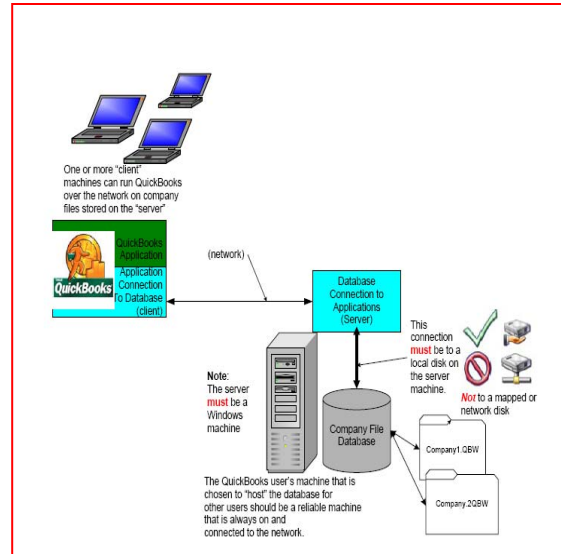
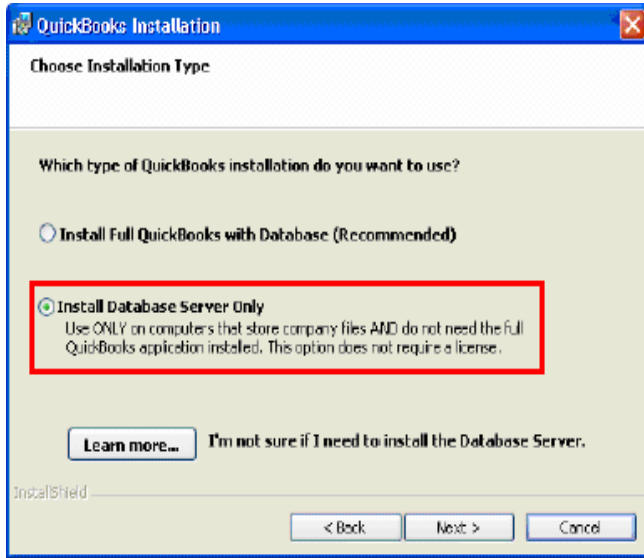
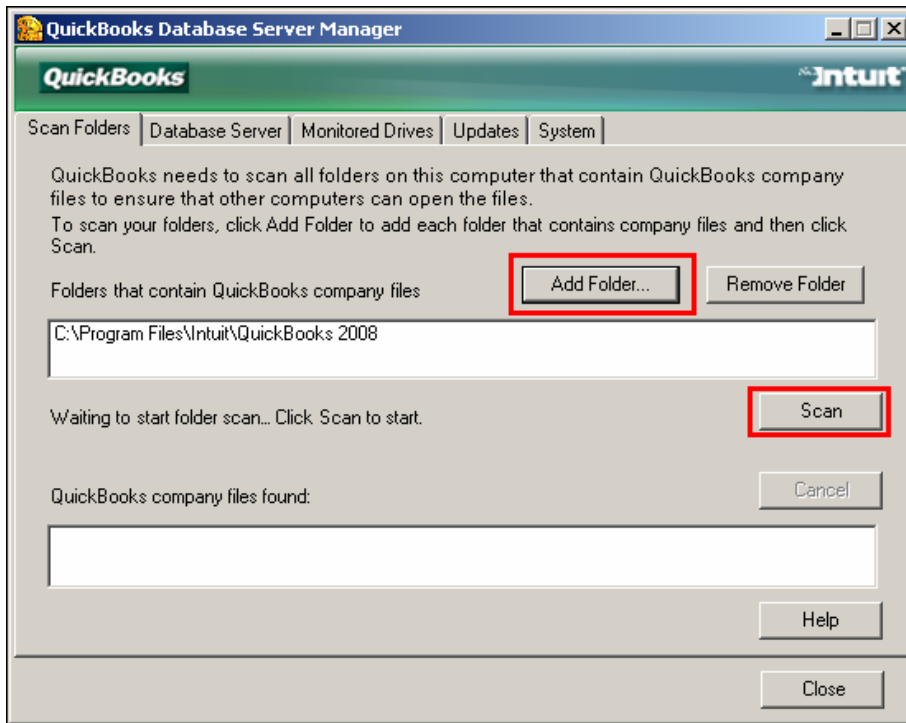


Figure 5 – Choosing to Install the Database Server Only

The QuickBooks Database Server Manager contains several tabs (see **Figure 6**) to help you access the information you need. A description of what you'll find on each tab follows.

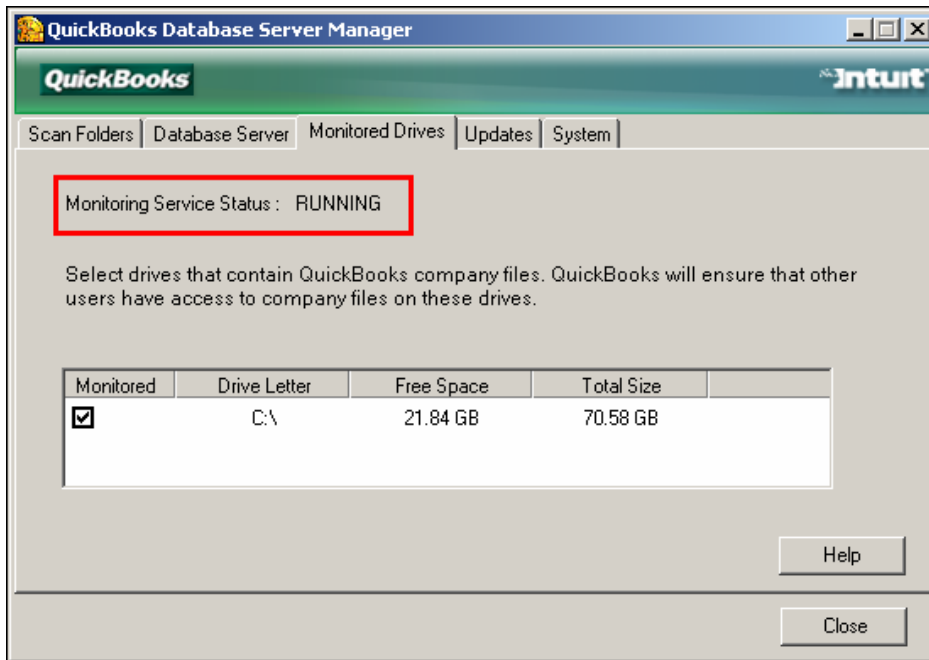


**Figure 6 – Selecting Folders to Scan**

**Scan Folders Tab** – Use this tab to specify the folders that have QuickBooks data files and to initiate the first scan of those folders. During the scanning process, the Database Server Manager creates .ND files for every QuickBooks file that requires access across the network. You must initialize a scan after QuickBooks 2008 has been installed on the data file server (and then copies the QuickBooks company file or files to the server). After the initial scan, if the monitoring service is turned on, the Database Server Manager will watch for new files and create the needed **ND** files.

The **ND** file is a Network Descriptor file that contains location information (server name, IP Address) about a company file. The **ND** file is stored in the same folder as the company file. It must exist in order for users on client computers to open a company file that is located on the QuickBooks data file server.

**Database Server Tab** – Displays the current statistics of the database server as well as the current QuickBooks company file in use and the name of the logged in user.



**Figure 7 – Selecting Drives to Scan Continuously**

**Monitored Drives Tab** – The Monitored Drives tab scans every hard drive it finds on the computer (including USB hard drives). The drives selected in this window are continually monitored to see whether a new .QBW or .QBA file has been added to the drive after the initial scan. This feature performs continuous, ongoing monitoring when the Database Server Manager tool is running. We recommend that you specify the drives to monitor and let the tool run. This will ensure that company files that are created on (or moved to) this computer in the future can be opened by remote users.

**Updates Tab** – Provides a link to the QuickBooks 2008 Updates web site from which you can download updates to the QuickBooks Database Server Manager.



#### **MANAGING INFORMATION QUALITY**

Entering Opening Balances

Using Opening Balance Equity to Detect Setup Issues

Troubleshooting Inventory

Troubleshooting Undeposited Funds

Using Reports to Locate Changes Made to Prior Periods

Identifying Changes to Prior Period Data

## **CHAPTER 2: MANAGING INFORMATION QUALITY**

Many of the errors and issues uncovered when analyzing a client's QuickBooks data file have their roots in the setup process. Because QuickBooks is often installed and data files created by end users rather than accountants, in many cases the setup process is not properly completed. As a result, the quality and integrity of the financial information provided by the system can be compromised. In this chapter, we will discuss some of the most common setup errors and how to use the Opening Balance Equity Account as a means to detect and correct them.

In addition, we'll look at how the improper use of certain program features can affect the reliability and usability key management reports—and how to make corrections to the data.

### **Entering opening balances**

While there are various methods you can use to create a new data file, the following steps describe a method that can be used when starting a new data file at the beginning of a fiscal year. These steps are designed to help ensure that you have entered all of the necessary details to reconcile the checking account and to manage Accounts Receivable and Accounts Payable whether clients file their tax returns on a cash or accrual basis.

### **Entering Balances for Balance Sheet accounts other than Bank Accounts, A/R, A/P, Inventory, and Sales Taxes Payable**

Use a journal entry to enter balances for accounts other than bank, accounts receivable, accounts payable, inventory, and sales tax payable.

#### **To enter opening balances for accounts other than those listed above:**

1. Create a journal entry for the opening balances of all balance sheet accounts except bank accounts, Accounts Receivable, Accounts Payable, Inventory, and Sales Taxes Payable. Date the entry as of the last day of the prior fiscal year as shown in **Figure 8**.

- Post the difference in debits and credits to Opening Bal Equity, the QuickBooks clearing account used for offsetting setup entries.

Although not shown here, a debit of \$1600.00 would be required to balance and save this entry.

Note that there are no entries for income or expense accounts. This is because, in this example, we are creating a new file with a start date at the beginning of a new fiscal year. If the start date is not at the beginning of a fiscal year, use a General Journal entry to enter the year-to date amounts in the appropriate income and expense accounts.

**Make General Journal Entries**

Previous Next Print... Find History Reverse Reports

Date: 12/31/2007 Entry No.: Opening Bal  Adjusting Entry

| Account                  | Debit     | Credit    | Memo                   | Name | Billable? |
|--------------------------|-----------|-----------|------------------------|------|-----------|
| Pre-paid Insurance       | 1,200.00  |           | Setup opening balances |      |           |
| Trucks                   | 20,000.00 |           | Setup opening balances |      |           |
| Accumulated Depreciation |           | 12,800.00 | Setup opening balances |      |           |
| Equipment Loan           |           | 10,000.00 | Setup opening balances |      |           |
| Opening Bal Equity       |           |           | Setup opening balances |      |           |
| Totals                   |           | 21,200.00 | 22,800.00              |      |           |

Show List of Entries Save & Close Save & New Clear

Figure 8 – Using a Journal Entry to Enter Beginning Balances



3. Enter the opening balance (the ending balance from the last month of the previous years' bank statement) of each bank account directly into the account, as shown in **Figure 9**.

When you enter the opening balances this way, QuickBooks posts the offsetting balance to Opening Bal Equity and insures that the amount entered appears as the Beginning Balance in the first bank reconciliation.

**Enter Opening Balance: Bank Account**

Enter the ending date and balance from the last bank statement you received before your [QuickBooks start date](#).

**Attention:** If this account **did not** have a balance before your QuickBooks start date, click **Cancel** and use a transaction to put money in this account. [Example transactions](#)

Statement Ending Balance: 12,900.00

Statement Ending Date: 12/31/2007

OK Cancel Help

Figure 9 – Entering Opening Bank Account Balances

## Entering Outstanding Bank Checks and Deposits

All outstanding bank transactions – checks and deposits – that occurred prior to the Start Date should be entered directly into the account register for the appropriate bank account. This ensures that the transactions will appear in the first bank reconciliation.

### To enter outstanding checks and deposits:

1. From the **Lists** menu, choose **Chart of Accounts**.
2. Double-click on the bank account to open the register.

- Enter each outstanding transaction, dated at the transaction date.

If you use the Enter Bank Account Balances as above, then you do not need to post an offset to the Opening Balance Equity account. It is already done.

| Date       | Number  | Payee                          | Payment  | Deposit   | Balance   |
|------------|---------|--------------------------------|----------|-----------|-----------|
| Type       | Account | Memo                           |          |           |           |
| 12/15/2007 | 1121    | USA Insurance                  | 1,835.00 |           | -1,835.00 |
|            | CHK     | Insurance Expense              |          |           |           |
| 12/21/2007 | 1124    | Johnson Real Estate Management | 3,000.00 |           | -4,835.00 |
|            | CHK     | Rent Expense                   |          |           |           |
| 12/31/2007 | DEP     | Opening Bal Equity             |          | 12,900.00 | 8,065.00  |
|            |         | Account Opening Balance        |          |           |           |

After entering all reconciling transactions, the ending balance per the register should match the reconciled bank balance.

Figure 10 – Entering Outstanding Individual Checks

The Ending Balance, after entering all outstanding checks and deposits, should equal the account balance for the account in the Trial Balance as of the Start Date.

## Entering Accounts Receivable and Accounts Payable Transactions

- Create an invoice for each open invoice in Accounts Receivable as shown in **Figure 11**.  
Date each invoice as of the transaction date and include all details – customer, terms, etc.
- Do the same for each open A/R Credit Memo.

3. Create a bill for each unpaid bill in Accounts Payable and any open A/P bill credits.  
Date the bills and bill credits as of their transaction dates and include all details.

Customer: Job  
John Doe

Template Print Preview  
Intuit Prod...

**Invoice**

Bill To  
John Doe  
345 Cherry Lane  
Middlefield, CA 64482

Date 12/21/2007 Invoice # 2112  
Ship To

P.O. Number Terms Rep Ship Via F.O.B.  
Net 30 12/21/2007

| Quantity | Item Code     | Description         | Price Each | Amount | Tax    |
|----------|---------------|---------------------|------------|--------|--------|
| 1        | Product Sales | Landscaping Product | 159.99     | 159.99 | Non    |
|          |               |                     |            |        | Total  |
|          |               |                     |            |        | 159.99 |

Customer Message Tax MA Sales Tax (5.0%) 0.00

Figure 11 – Entering Open Invoices as of the End of the Previous Fiscal Year

Entering each open Accounts Receivable Invoice and Accounts Payable Bill insures that the aging of accounts is accurate. Furthermore, payments by customers or to vendors can be matched to a specific Invoice or Bill, and detailed job costing and class tracking information is preserved.

## Entering Details for Non-Posting Items

Similar to entering all open customer invoices and vendor bills, record all open Purchase Orders, Estimates, and Sales Orders. Date each transaction as of the transaction date and make sure to enter all necessary details.

If you have received items on an open Purchase Order, enter the detail only for those items that have not been received. Likewise, if you have progress billed a customer for a part of an Estimate or shipped and delivered part of a Sales Order, enter only the remaining amounts to be invoiced.

## Entering Mid-Year Income and Expenses

If the company file is being setup in mid-year, enter a journal entry that summarizes the year-to-date balances in all income and expense accounts as of the Start Date. Post the difference in debits and credits to Opening Balance Equity.

## Adjusting Sales Taxes Payable

The opening balance for Sales Taxes Payable must be adjusted to the amount indicated in the Trial Balance as of the Start Date. This adjustment should be made after all open invoices are entered because recording open Invoices affect the balance in Sales Taxes Payable.

The amount of the adjustment will be the amount on the Trial Balance less any amounts recorded in Sales Taxes Payable as a result of recording open invoices. For example, if the Trial Balance indicated that the balance of Sales Taxes Payable was \$398, and the amount in the Sales Taxes Payable account after entering open Invoices was \$27, the amount of the adjustment to be entered would be \$371.

**To enter the adjustment:**

1. From the **Vendors** menu, choose **Sales Tax** and then choose **Adjust Sales Tax Due** from the submenu.
2. Enter a separate sales tax adjustment for each sales tax authority.

**Figure 12** shows an opening adjustment to Sales Taxes Payable.

The screenshot shows a dialog box titled "Sales Tax Adjustment". It contains the following fields and options:

- Adjustment Date:** 12/31/2007 (with a calendar icon)
- Entry No.:** A001
- Class:** (empty dropdown)
- Sales Tax Vendor:** State Board of Equalization (dropdown)
- Adjustment Account:** Opening Bal Equity (dropdown)
- Adjustment:**
  - Increase Sales Tax By
  - Reduce Sales Tax By
  - Amount:** 371.00
- Memo:** Adjust Sales Tax to Opening Balance
- Buttons:** OK, Cancel, Help

**Figure 12 – Entering a Sales Tax Adjustment**

## Establishing Inventory Balances

If the company uses the inventory features of QuickBooks, adjust the recorded quantities and values to actual quantities and values as of the start date. Do so by establishing the quantities on hand and valuation when creating the Inventory item, as shown in **Figure 13**.

The screenshot shows the 'New Item' dialog box in QuickBooks. The 'Type' is set to 'Inventory Part'. The 'Item Name/Number' is 'Widget'. The 'Cost' is 75.00 and the 'Sales Price' is 120.00. The 'On Hand' quantity is 12 and the 'Total Value' is 900.00. The 'As of' date is 12/31/2007. The 'Inventory Information' section is expanded, showing the 'Asset Account' as 'Inventory Asset', 'Reorder Point' as an empty field, 'On Hand' as 12, 'Total Value' as 900.00, and 'As of' as 12/31/2007.

**Figure 13 – Entering Inventory Information**

Following the steps outlined above ensures that all opening balance information is entered correctly. You are now ready to complete the setup process and verify the accuracy of the company file setup.

## Clearing Opening Balance Equity

1. Run a **Trial Balance** as of the start date and confirm the balances of all accounts except Retained Earnings.
2. Make any adjustments necessary using the procedures laid out above.

If you entered open bills and invoices, several income and expense accounts will contain balances. These balances will be closed to Retained Earnings automatically on the day after the Start Date – the first day of the new fiscal year.

3. Note the balance of the Opening Balance Equity account.
4. Once you have verified the account balances, create a journal entry to close the balance of Opening Balance Equity to Retained Earnings.

If the company is a sole proprietorship Opening Balance Equity will be closed to the Owner's Equity account. If the company is a partnership, the balance will be closed to the individual partner's equity accounts.

5. From the **Company** menu, choose **Make General Journal Entries**.

- Enter the journal entry that closes the balance of Opening Balance Equity to Retained Earnings, as shown in **Figure 14**.

The screenshot shows a software window titled "Make General Journal Entries". At the top, there are navigation buttons: Previous, Next, Print..., Find, History, Reverse, and Reports. Below these, the Date is set to 12/31/2007 and the Entry No. is 4. The "Adjusting Entry" checkbox is checked. The main area is a table with columns: Account, Debit, Credit, Memo, Name, and Billable?. The table contains two rows: "Opening Bal Equity" with a debit of 12,300.00 and a memo "To clear balance in opening balance...", and "Retained Earnings" with a credit of 12,300.00 and the same memo. A Totals row at the bottom shows 12,300.00 for both Debit and Credit. At the bottom of the window are buttons for "Show List of Entries", "Save & Close", "Save & New", and "Clear".

| Account            | Debit     | Credit    | Memo                                   | Name | Billable? |
|--------------------|-----------|-----------|--|------|-----------|
| Opening Bal Equity | 12,300.00 |           | To clear balance in opening balance... |      |           |
| Retained Earnings  |           | 12,300.00 | To clear balance in opening balance... |      |           |
| Totals             |           | 12,300.00 | 12,300.00                              |      |           |

**Figure 14 – Making the Entry to Clear Opening Balance Equity**

## Verifying File Setup

After you have closed the Opening Balance Equity account, verify the accuracy of the Balance Sheet by completing the following procedures:

- Run a Balance Sheet dated the first day of the new fiscal year – the day after the start date.  
The account balances should match those on the source Trial Balance.
- If you created the company in mid-year, print a year-to-date Profit & Loss report and make sure that the amounts agree with your source documents.
- Run a Customer Balance Detail report and tie the Accounts Receivable subsidiary ledger to your source documents.
- Run the Vendor Balance Detail report and tie the Accounts Payable subsidiary ledger to your source documents.
- Run the Inventory Valuation Detail report and tie the Inventory quantities on hand to your physical inventory.

## Completing the Setup Process

Now that setup is essentially complete, there are a few remaining tasks to wrap-up the process:

- Back up the newly created company file.
- Set a closing date and closing date password.

## Using Opening Balance Equity to Detect Setup Issues

The Opening Balance Equity account is a clearing account created automatically by QuickBooks for use during data file setup. As you enter each beginning balance into QuickBooks, the balance is offset by an entry to Opening Balance Equity.

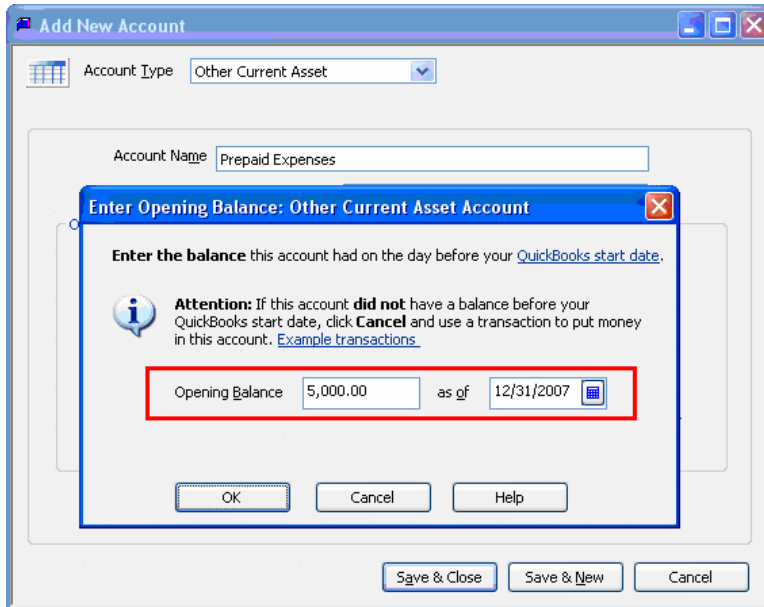


Figure 15 – Entering Opening Balances for New Accounts

QuickBooks automates these offsets if you enter balances in the Opening Balance field of the New Account window or if you enter an amount in the Total Value field in the New Item window.

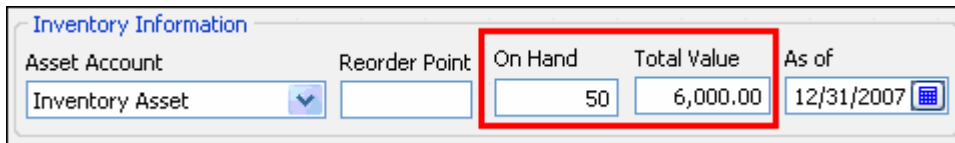
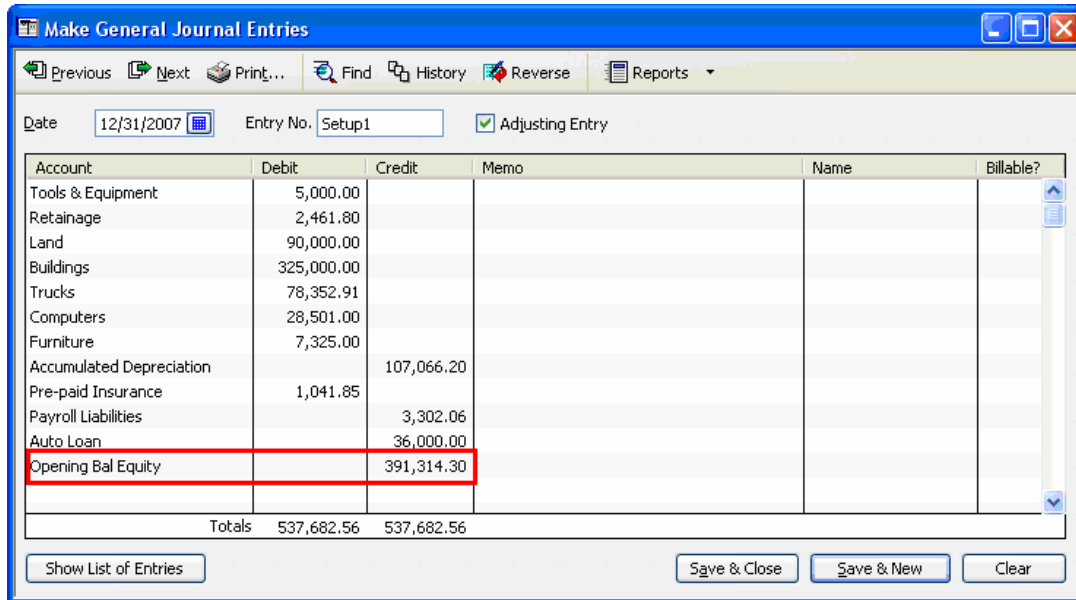


Figure 16 – Total Value Field in New Item Window

During setup, you enter every beginning Balance Sheet balance *except* Retained Earnings. For certain accounts you may choose to enter the beginning balances using a journal entry. Since you will include some Balance Sheet accounts and exclude others, you need to plug an amount to force the Journal Entry to balance. You will code the amount to Opening Balance Equity.



**Figure 17 – Journal Entry for Setup**

Once the setup of all other Balance Sheet balances is complete, the balance in Opening Balance Equity will equal Retained Earnings. When you clear the balance in Opening Balance Equity and offset to Retained Earnings, the data file setup will be complete.

The process is similar for the entry of year to date income and expense in a mid-year setup. As you enter Income, Cost of Goods Sold, and Expense information for each month or quarter, you will post the net income or net loss to Opening Balance Equity. If there is net income for the period, you will credit Opening Balance Equity, and if there is a net loss for the period you will debit Opening Balance Equity. You can use this same method to set all year-to-date balances as of the start date using a single journal entry. However, the client will have no monthly or quarterly income statements for the period between the beginning of the fiscal year and your QuickBooks start date.



After the file setup is complete, consider making the Opening Balance Equity account inactive. If the client uses the data file properly, there should never be a balance in Opening Balance Equity after you complete the data file setup. *However*, if certain bookkeeping tasks are not done properly, QuickBooks may post offsetting entries to Opening Balance Equity automatically.

In the following section, we review many of the most common causes for a non-zero balance in Opening Balance Equity, methods for determining those causes (errors), and the steps to correct the resulting over-statement or under-statement in equity.

## Transactions Posted to Opening Balance Equity

Some clients may use the Opening Balance Equity account as a “suspense” account – posting transactions to Opening Balance Equity when they don’t know the proper account to use. For example, the Chart of Accounts below shows a debit balance in Opening Balance Equity of \$500.

| Equity              |                          |
|---------------------|--------------------------|
| Opening Bal Equity  | -500.00                  |
| Retained Earnings   | 464,183.32               |
| Net Income          | <u>44,606.25</u>         |
| <b>Total Equity</b> | <u><b>508,289.57</b></u> |

Figure 18 – Debit to Opening Balance Equity

This type of post to Opening Balance Equity is the easiest to correct.

### To changes transactions posted to Opening Balance Equity:

1. Use the Opening Balance Equity register or run a QuickReport on the Opening Balance Equity account to locate the transaction.

Expand the date range as necessary.

| Rock Castle Construction |            |     |                       |          |                      |                    |                       |
|--------------------------|------------|-----|-----------------------|----------|----------------------|--------------------|-----------------------|
| Transactions by Account  |            |     |                       |          |                      |                    |                       |
| Type                     | Date       | Num | Name                  | Split    | Debit                | Credit             | Balance               |
| Opening Bal Equity       |            |     |                       |          |                      |                    | 0.00                  |
| ▶ Check                  | 01/15/2008 | 304 | Perry Windows & Doors | Checking | 500.00               |                    | -500.00 ◀             |
| Total Opening Bal Equity |            |     |                       |          | <u>500.00</u>        | <u>0.00</u>        | <u>-500.00</u>        |
| <b>TOTAL</b>             |            |     |                       |          | <u><b>500.00</b></u> | <u><b>0.00</b></u> | <u><b>-500.00</b></u> |

Figure 19 – Checking for Transactions Posted to Opening Balance Equity

- Open the transaction the client posted to Open Bal Equity and then edit the transaction so that it offsets to the proper account(s) instead.

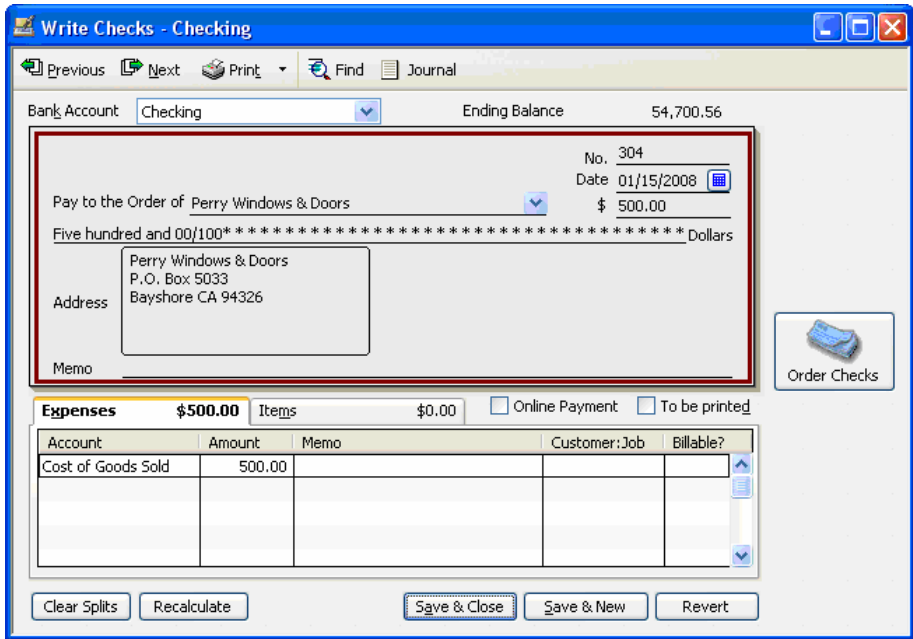


Figure 20 – Correcting a Transaction Posted Incorrectly

- Make the Opening Balance Equity account inactive and set up a new account called “Suspense” or “Ask Accountant.”

### Incomplete or Inaccurate Data File Setup

If the QuickBooks data file was set up correctly, the Opening Balance Equity account balance should be zero the day before the client began using the file. The balance could also zero on a subsequent fiscal year-end if any issues with setup were corrected as of a subsequent fiscal year end.

**To determine if the data file setup is incomplete or inaccurate:**

1. Create a QuickReport for Opening Balance Equity (or open the account register) to determine if the account has ever carried a zero balance.

If the balance does not zero on the client’s start date – or on a fiscal year-end after the client’s start date – the data file setup is incomplete.

| <b>Rock Castle Construction<br/>Account QuickReport</b> |            |                                  |                   |             |             |   |
|---|------------|----------------------------------|-------------------|-------------|-------------|---|
| Type  | Date       | Memo                             | Split             | Amount      | Balance     |   |
| <b>Opening Bal Equity</b>                               |            |                                  |                   |             |             |   |
| ▶ General Journal                                       | 10/31/1998 | Filing cabinets 10/29/98         | Furniture         | 1,250.00    | 1,250.00    | ◀ |
| General Journal   | 06/30/2005 | Hardware & furniture             | Furniture         | 3,975.00    | 5,225.00    |   |
| General Journal   | 06/30/2005 | Hardware & furniture             | Furniture         | 4,001.00    | 9,226.00    |   |
| Transfer  | 09/30/2005 | Opening Balance                  | CalOil Card       | -65.88      | 9,160.12    |   |
| Transfer  | 12/31/2005 | Opening Balance                  | Checking          | 120,571.57  | 129,731.69  |   |
| Transfer  | 12/31/2005 | Opening Balance                  | Trucks            | 18,602.91   | 148,334.60  |   |
| Transfer  | 12/31/2005 | Opening Balance                  | Trucks            | 15,250.00   | 163,584.60  |   |
| Transfer  | 12/31/2005 | Opening Balance                  | Note Payable      | -20,500.00  | 143,084.60  |   |
| Transfer  | 12/31/2005 | Opening Balance                  | Savings           | 29,500.00   | 172,584.60  |   |
| Transfer  | 12/31/2005 | Opening Balance                  | Owner's Con...    | -25,000.00  | 147,584.60  |   |
| General Journal   | 12/31/2005 | Account Opening Balance          | Truck Loan        | -16,852.91  | 130,731.69  |   |
| Transfer  | 12/31/2005 | VOID:                            | Depreciation      | 0.00        | 130,731.69  |   |
| Deposit   | 12/31/2005 | Account Opening Balance          | Tools & Equip...  | 5,000.00    | 135,731.69  |   |
| General Journal   | 10/01/2006 | Account Opening Balance          | Bank of Anyc...   | -20,801.07  | 114,930.62  |   |
| General Journal   | 09/30/2007 | Account Opening Balance          | Sales Tax Pa...   | -860.31     | 114,070.31  |   |
| General Journal   | 09/30/2007 | Opening balance as of start date | Payroll Liabil... | -3,781.99   | 110,288.32  |   |
| General Journal   | 09/30/2007 | Account Opening Balance          | Equipment Lo...   | -4,343.11   | 105,945.21  |   |
| General Journal   | 09/30/2007 | Land and Building                | Land              | 415,000.00  | 520,945.21  |   |
| Transfer  | 09/30/2007 | To Complete Data File Setup      | Retained Earn...  | -520,945.21 | 0.00        |   |
| Total Opening Bal Equity                                |            |                                  |                   | 0.00        | 0.00        |   |
| <b>TOTAL</b>  |            |                                  |                   | <b>0.00</b> | <b>0.00</b> |   |

**Figure 21 – Checking for a Zero Balance**

2. To force the Opening Balance Equity account to clear, enter the missing Balance Sheet balances and adjust any incorrect opening balances.

Use source documents provided by the client to complete the data file setup (e.g. presented financial statements or a tax return). When completing the data file setup for the client you have four options:

- **Option 1:** Enter the missing beginning balances *as of the client’s QuickBooks start date* using the client’s tax return or presented financial statements.

Since Opening Balance Equity doesn’t show on the client’s tax return or presented financial statements, you will zero the balance in Opening Balance Equity when you correct beginning balances and enter any missing Balance Sheet information. When you enter and/or correct beginning balances as of the client’s QuickBooks start date, consider the impact that the retroactive entries and adjustments will have on closed and future reporting periods. Review the QuickBooks financial statements for each subsequent fiscal year end and adjust year end balances as necessary to agree to the corresponding tax return or presented financial statements if necessary.

- **Option 2:** Correct the missing beginning balances as of the client's *most recent* fiscal year-end – using the client's tax return or presented financial statements.

Unlike Option 1 you don't have to worry about the impact of the adjustments on prior period financial statements since you will adjust the *most recent* fiscal year-end to the client's tax return or presented financial statements. Consider, though, that historical year end financial statements for unadjusted periods will remain incorrect.

- **Option 3:** Ignore the issue (temporarily) and make Balance Sheet corrections in QuickBooks at the end of the *current* fiscal year – using the tax return or presented financial statements.

As with Option 2 above, historical information in QuickBooks will be incorrect. You should advise the client not to make management decisions based on Balance Sheet reports dated before the date of your adjustments.

- **Option 4:** Start over with a new data file.

Use the client's tax return or presented financial statements to set beginning balances in the new file. When you set up QuickBooks correctly, you clear the balance in Opening Balance Equity before the client begins using the new file. It may be best to use this option if the client's data file contains numerous setup and/or data entry errors or if the data file is large and is performing poorly.

## Opening Balance Entered in New Account or Edit Account Window

To determine if an opening balance was entered in an account record:

1. If the Opening Balance Equity account has a balance, open the account register or run a QuickReport for the account.

Refer to the Memo field on transactions dated after the client's start date. If the memo reads "Account Opening Balance," the client used the Opening Balance field in a New Account setup window.

The screenshot shows the 'Add New Account' window with 'Account Type' set to 'Fixed Asset' and 'Account Name' set to 'Back Hoe'. A sub-dialog box 'Enter Opening Balance: Fixed Asset Account' is displayed, prompting the user to enter the value of the asset(s) on the day before the QuickBooks start date. The 'Opening Balance' is entered as 60,000.00 as of 01/18/2008. An attention message states: 'Attention: If your business did not own the asset(s) before your QuickBooks start date, did **Cancel** and use a transaction to put money in this account. Example transactions.' Below the dialog are 'OK', 'Cancel', and 'Help' buttons. At the bottom of the 'Add New Account' window are 'Save & Close', 'Save & New', and 'Cancel' buttons.

The 'Rock Castle Construction Account QuickReport' table is as follows:

| Type                     | Date       | Num        | Memo                    | Split    | Amount           | Balance          |
|--------------------------|------------|------------|-------------------------|----------|------------------|------------------|
| Opening Bal Equity       |            |            |                         |          |                  | 0.00             |
| General Journal          | 01/18/2008 | 2007-12-12 | Account Opening Balance | Back Hoe | 60,000.00        | 60,000.00        |
| Total Opening Bal Equity |            |            |                         |          | 60,000.00        | 60,000.00        |
| <b>TOTAL</b>             |            |            |                         |          | <b>60,000.00</b> | <b>60,000.00</b> |

Figure 22 – Determining if an Opening Balance was Entered When Creating an Account

The Opening Balance field on the New Account setup window is designed for use during data file setup only. You should never use this field for daily entries. When you enter an amount in this field, QuickBooks debits or credits the account to set the opening balance and then offsets the entry to Opening Balance Equity.

These “post-setup” entries to Opening Balance Equity are usually duplicated elsewhere on the General Ledger – since each new Balance Sheet account is related to a transaction the user needs to enter as part of the regular bookkeeping process. For example:

- **Bank Accounts**—If the company opens a new bank account and then enters the opening balance in the opening balance field, it will also record the check or funds transfer they used to open the account. If the owner opened the account using personal funds, the bookkeeper will record a deposit to the bank account (debit) that includes a credit to Owner Investment or Due to Owner.
- **Fixed Assets**—If a user entered a number in the Opening Balance field in a new Fixed Asset account setup window to record the purchase of a computer, for example, he or she would duplicate the entry later when recording the check or credit card charge used to purchase the computer.
- **Liabilities**—If the client uses the Opening Balance field when setting up a new Other Current Liability account, he or she will also record cash deposited into the bank account as a result of the loan or other offset.

Regardless of the type of Balance Sheet account, the duplicate transaction should be reversed or deleted and the initial entry (which used Opening Balance Equity as the offset account) adjusted to record a debit or credit to the correct offsetting account.

## Total Value Entered in the New Inventory Item Setup Window

1. If Opening Balance Equity has a balance, open the account register or run a QuickReport.
2. Refer to the Memo field on transactions dated *after* the client’s start date.

If the memo includes the name of an inventory item followed by “Opening Balance,” the client entered an amount in the Total Value field of a New Inventory Item setup window.

The screenshot shows the 'New Item' window with the following details:

- Type:** Inventory Part
- Item Name/Number:** New Part
- Unit of Measure:** (Empty)
- Purchase Information:**
  - Description on Purchase Transactions: New Part
  - Cost: 50.00
  - COGS Account: Cost of Goods Sold
  - Preferred Vendor: (Empty)
- Sales Information:**
  - Description on Sales Transactions: New Part
  - Sales Price: 150.00
  - Tax Code: Tax
  - Income Account: Income
- Inventory Information:** (Highlighted with a red box)
  - Asset Account: Inventory Asset
  - Reorder Point: (Empty)
  - On Hand: 30
  - Total Value: 1,500.00
  - As of: 01/20/2008

Figure 23 – Total Value Entered During Inventory Item Setup

The Total Value field on the New Inventory Item setup window is designed for use during data file setup only. This field should never be used for daily entry. When you enter an amount in this field, QuickBooks debits Inventory Asset and credits Opening Balance Equity.

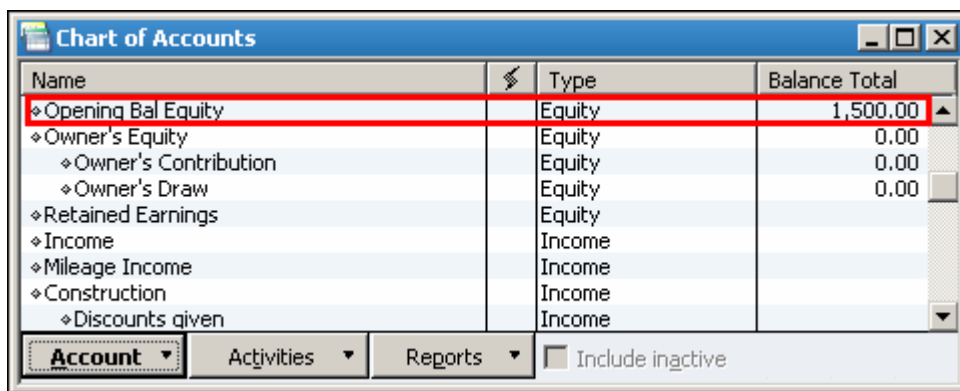


Figure 24 – Opening Balance Equity Account in Chart of Accounts

In addition, these post-setup entries to Opening Balance Equity can be inadvertently duplicated during the process of physically receiving the inventory into stock. Consider the following example:

Entry 1: A user creates a new inventory item called “New Part.” In the Item Setup window the user enters “30” in the Quantity on Hand field and \$1,500.00 in the Total Value field (Debit Inventory Asset/Credit Opening Balance Equity). See the Inventory Item Setup window in **Figure 23**.

Entry 2: The company enters a bill for the item from the supplier. On the bill they enter “30” in the Qty column and New Part in the Item column (Debit Inventory Asset/Credit Accounts Payable).

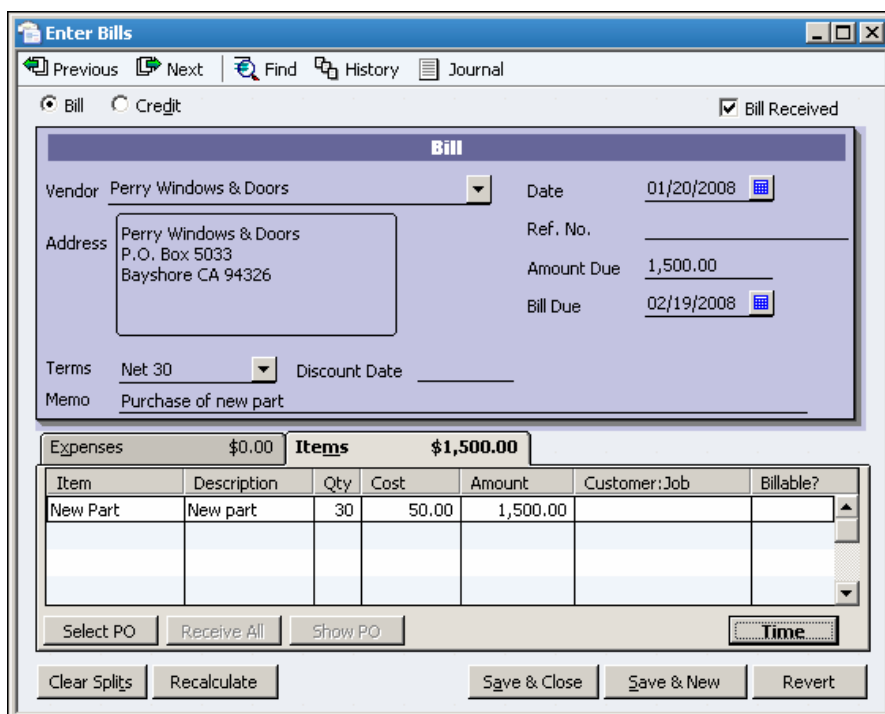


Figure 25 – Entering Items on Bill Creates a Duplicate Entry to Opening Balance Equity

There is now a \$1,500 overstatement in Inventory Asset value and 30 extra “New Part” items on the Inventory Stock Status by Item report.

| Rock Castle Construction<br>Inventory Valuation Summary |                         |            |          |                  |                |             |                  |                 |
|---|-------------------------|------------|----------|------------------|----------------|-------------|------------------|-----------------|
|   | Item Description        | On Hand    | Avg Cost | Asset Value      | % of Tot Asset | Sales Price | Retail Value     | % of Tot Retail |
| <b>New Part</b>   | New Part                | 60         | 50.00    | 3,000.00         | 11.5%          | 150.00      | 9,000.00         | 27.0%           |
| <b>Wood Door</b>  |                         |            |          |                  |                |             |                  |                 |
| Exterior  | Exterior door - #P-...  | 3          | 69.73    | 209.21           | 0.8%           | 120.00      | 360.00           | 1.1%            |
| Interior  | Interior door - P-18... | 32         | 68.50    | 2,192.00         | 8.4%           | 72.00       | 2,304.00         | 6.9%            |
| Wood Door - Other                                       |                         | 0          | 1,750.00 | 0.00             | 0.0%           | 0.00        | 0.00             | 0.0%            |
| <b>Total Wood Door</b>                                  |                         | <b>35</b>  |          | <b>2,401.21</b>  | <b>9.2%</b>    |             | <b>2,664.00</b>  | <b>8.0%</b>     |
| <b>Total Inventory</b>                                  |                         | <b>882</b> |          | <b>25,636.54</b> | <b>98.2%</b>   |             | <b>33,326.00</b> | <b>100.0%</b>   |

Figure 26 – Overstatement on Inventory Valuation Summary Report

To correct this issue you have the following options:

- **Option 1:** If the client has already adjusted inventory per a physical inventory count.

Assuming that transactions including the “New Part” are entered correctly, the next physical inventory count would have shown an excess of 30 “New Parts” on hand. In this instance the client should have posted the offset for the New Part adjustment to Opening Balance Equity however, he or she most likely would have entered an Inventory Adjustment to reduce the “New Part” quantity on hand by 30 units - crediting Inventory Asset and debiting whatever adjustment account was used (for the purpose of this example we will assume the adjustment account is Cost of Goods Sold). As a result, this inventory adjustment creates an overstatement in Cost of Good Sold of \$1,500.00 – the average cost of the 30 “New Part” items. (Credit Inventory/Debit Cost of Goods Sold.)

The screenshot shows a software window titled "Adjust Quantity/Value on Hand". It contains the following fields and data:

- Adjustment Date: 12/31/2004
- Ref. No.: YE ADJ
- Customer: Job
- Adjustment Account: Cost of Goods Sold

| Item            | Description     | Current Qty | New Qty   | Current Value   | New Value       |
|-----------------|-----------------|-------------|-----------|-----------------|-----------------|
| Cabinets        |                 | 0           |           | 0.00            |                 |
| Cabinets:...    |                 | 2           |           | 19,948.64       |                 |
| Cabinets:...    |                 | 2           |           | 3,000.00        |                 |
| Door Frame      |                 | 2           |           | 24.00           |                 |
| Hardware        |                 | 2           |           | 0.00            |                 |
| Hardware...     |                 | 2           |           | 6.00            |                 |
| Hardware...     |                 | 2           |           | 54.00           |                 |
| Hardware...     |                 | 2           |           | 69.90           |                 |
| <b>New Part</b> | <b>New Part</b> | <b>60</b>   | <b>30</b> | <b>3,000.00</b> | <b>1,500.00</b> |
| Wood Door       |                 | 0           |           | 0.00            |                 |

At the bottom of the window, there is a checked box for "Value Adjustment" and a memo field containing "To Adjust New Part for Overstatement". The "Total Value of Adjustment" is displayed as -1,500.00. Buttons for "Save & Close", "Save & New", and "Cancel" are visible at the bottom.

Figure 27 – Inventory Adjustment to Reduce Quantity on Hand to Match Physical Inventory Count

To correct this overstatement, enter an adjusting entry to zero Opening Balance Equity (debit \$1,500.00) for the New Part opening balance entry. Offset the entry to Cost of Goods Sold (credit \$1,500.00) to correct the overstatement created by the client's inventory adjustment.

| Date       | Number  | Payee                    | Increase | Decrease | Balance  |
|------------|---------|--------------------------|----------|----------|----------|
| Type       | Account | Memo                     |          |          |          |
| 06/17/2004 | INV ADJ | Inventory Asset          | 1,500.00 |          | 1,500.00 |
|            |         | New Part Opening balance |          |          |          |
| 12/31/2004 | YE ADJ  |                          |          | 1,500.00 | 0.00     |
|            | GENJRNL | Cost of Goods Sold       |          |          |          |
|            |         | Use of Total Value Field |          |          |          |

Ending balance 0.00

Figure 28 – Journal Entry to Zero Out Opening Balance Equity Account

Repeat this process for all other Inventory-related opening balances in the Opening Balance Equity account register, or if you prefer you can enter a single adjustment to Opening Balance Equity for the total of all *inventory* opening balance entries.

- **Option 2:** When the client has not conducted a physical inventory count since creating the Opening Balance Equity entry.

Confirm that the Opening Balance Equity entry is overstated (e.g., due to the use of the “New Part” Item on a purchase form as described above). Then, delete the Opening Balance Entry.

When you delete the Opening Balance Equity entry, you decrease the balance in Opening Balance Equity and decrease the balance in Inventory Asset. You will also decrease the quantity on hand that the client entered when he or she set up the inventory item. Since all of these accounts and quantities are overstated, reducing the balances and quantities corrects inventory and clears Opening Balance Equity.

You should use this option *only* if the client duplicated the entry (e.g., on a purchase form) *and* if the user has not already entered an inventory adjustment to adjust quantity on hand (e.g. as part of a physical inventory). If the client did not enter a duplicate transaction, edit the Inventory Adjustment so it posts to the appropriate offset account (e.g., cash, Accounts Payable, etc.)

## Troubleshooting Inventory

While the previous section explored how inventory valuation can be over or understated as a result of improper setup methods, the following section expands on this topic and then discusses how improper and/or inconsistent bookkeeping processes can cause incorrect average cost calculations, which in turn can lead to incorrect Profit and Loss reporting.



## Negative On Hand Quantity

QuickBooks allows you to sell inventory on sales forms even when it does not show a sufficient on hand quantity which, in turn, drives inventory quantity on hand negative. In the absence of actual cost, QuickBooks guesses at the cost of the inventory and then adjusts the Cost of Goods Sold in two different ways:

If the purchase form or inventory adjustment is dated prior to the invoice that causes inventory to be negative, QuickBooks adjusts Cost of Goods Sold on the invoice.

If the purchase form or inventory adjustment to receive inventory is dated after the invoice that causes inventory to be negative, QuickBooks adjusts Cost of Goods Sold on the purchase form, not the original invoice. Because the adjustment takes place on the Purchase form, the Cost of Goods Sold does not always track accurately by Class or by Customer:Job.

The fastest way to identify these adjustments is to run a Quick Report for the Cost of Goods Sold account and look for either a bill or an item receipt that contains inventory items in the list of transactions contained in the report. You can also use the Inventory Valuation Detail Report and scan it for negative on-hand quantities.

## Selling “Negative” Without a Cost

One of the most common errors clients make when creating an Inventory item is leaving the Cost field blank.

The screenshot shows the 'Inventory Item Setup' dialog box in QuickBooks. The 'Type' is set to 'Inventory Part'. The 'Item Name/Number' is 'NO-COST'. The 'Unit of Measure' is 'U/M Set'. The 'Purchase Information' section has a red box around the 'Cost' field, which is set to '0.00'. The 'Sales Information' section has 'Sales Price' set to '0.00'. The 'COGS Account' is '50100 · Cost of Goo...'. The 'Preferred Vendor' is blank. The 'Income Account' is '40100 · Constructio...'. The 'Inventory Information' table shows 'Asset Account' as '12100 · Inventory Asset', 'Reorder Point' as blank, 'On Hand' as 0, 'Avg. Cost' as 0.00, 'On P.O.' as 0, and 'On Sales Order' as 0.

| Asset Account           | Reorder Point | On Hand | Avg. Cost | On P.O. | On Sales Order |
|-------------------------|---------------|---------|-----------|---------|----------------|
| 12100 · Inventory Asset |               | 0       | 0.00      | 0       | 0              |

Figure 29 – No Cost Entered During Inventory Item Setup

When the item is sold with no cost associated with it, gross profit is overstated and the profitability picture at the customer level is distorted. If the client enters a bill, item receipt, or inventory adjustment for the item in question in the same period and associates that purchase with the customer then both reports will be restored to their correct state. If, however, the purchase transaction is posted in a later period (or even a later fiscal year) the results on the client's P&L can be significant with a likely overstatement in gross profit for the period.

## Selling “Negative” With a Prior Average Cost

If a client sells an item (with an average cost) causing the on-hand quantity for that item to go negative, QuickBooks records to the Cost of Goods sold account a total cost for the transaction based on the quantity and whatever average cost it had on record at the time of the sale. If the purchase of the item (which restores the on-hand quantity back to a positive value) is recorded with an actual per unit cost different than the cost recorded at the time of the sale of the item, QuickBooks posts the difference in this cost to the Cost of Goods Sold amount for the original sales transaction.

| 9:45 AM                           |            | Inventory Sample Company      |     |               |      |       |     |                 |              |             |  |
|-----------------------------------|------------|-------------------------------|-----|---------------|------|-------|-----|-----------------|--------------|-------------|--|
| 12/20/07                          |            | Transaction Detail By Account |     |               |      |       |     |                 |              |             |  |
| Accrual Basis                     |            | December 2012                 |     |               |      |       |     |                 |              |             |  |
| Type                              | Date       | Num                           | Adj | Name          | Memo | Class | Clr | Split           | Debit        | Credit      |  |
| <b>50100 · Cost of Goods Sold</b> |            |                               |     |               |      |       |     |                 |              |             |  |
| Invoice                           | 12/17/2012 | 1107                          |     | Weeks, Amanda |      |       |     | 11000 · Acco... | 10.00        |             |  |
| Bill                              | 12/31/2012 |                               |     | AAA Supply    |      |       |     | 20000 · Acco... | 4.00         |             |  |
| Total 50100 · Cost of Goods Sold  |            |                               |     |               |      |       |     |                 | 14.00        | 0.00        |  |
| <b>TOTAL</b>                      |            |                               |     |               |      |       |     |                 | <b>14.00</b> | <b>0.00</b> |  |

In this example an inventory item with an average cost of \$10.00 was sold on 12/17/07. On 12/31/07 the item was purchased at a cost of \$14.00 and recorded in QuickBooks with a bill. The additional \$4.00 of cost is now applied to the COGS for the sale.

Figure 30 – Additional Cost Applied to COGS

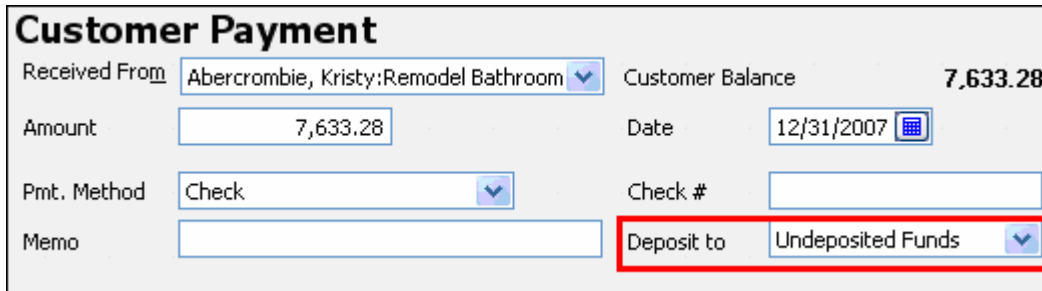
## Correcting and Avoiding Incorrect Inventory Valuations

When entering the purchase transaction or an inventory adjustment to replenish the stock for an item sold with from negative on-hand quantities, date the inventory adjustment *before* the date of the sales form on which inventory went negative. QuickBooks removes the adjustment to Cost of Goods Sold from the purchase transaction and adjusts the Cost of Goods Sold on the sales form instead. In addition, if you backdate an Inventory Adjustment, QuickBooks re-calculates the average cost calculation for each sales transaction dated on or after the date of the inventory adjustment. Inventory adjustments to the quantity on hand affect sales forms on which QuickBooks “guesses” only. Inventory adjustments to the *value* of an inventory item may impact *all* sales forms.

Advise clients with inventory to conduct a physical inventory at year-end and to make adjustments to inventory counts and values *before* giving you the file. You’ll want to ensure that the average cost for the inventory item is corrected, even given the purchase form auto-adjustments entered by QuickBooks. Then, consult with the client regarding the importance of selling inventory only when the system shows a sufficient quantity on hand – even if they must enter an inventory adjustment just prior to entering the sales form. Ideally, clients will count the inventory for the part(s) they are trying to sell and then enter an Inventory adjustment per the actual count.

## Troubleshooting Undeposited Funds

Undeposited Funds is a clearing account (Other Current Asset type) that QuickBooks uses to track receipts from customers that are applied to Accounts Receivable but are not yet deposited at the bank. When clients receive payments from customers (using either the Sales Receipt or Receive Payments window), they have the option of posting the receipts to the Undeposited Funds clearing account (debit).



**Customer Payment**

|               |                                      |                  |                   |
|---------------|--------------------------------------|------------------|-------------------|
| Received From | Abercrombie, Kristy:Remodel Bathroom | Customer Balance | 7,633.28          |
| Amount        | 7,633.28                             | Date             | 12/31/2007        |
| Pmt. Method   | Check                                | Check #          |                   |
| Memo          |                                      | Deposit to       | Undeposited Funds |

Figure 31 – Customer Payment Deposited to Undeposited Funds Account

Then, when the receipts are deposited using the Make Deposits window, QuickBooks reduces the balance in Undeposited Funds (credit) and increases a bank account balance (debit).

You may find that clients record receipts and cash sales to Undeposited Funds, but never use these Undeposited Funds to create deposits. This results in an overstatement in Undeposited Funds (that never cleared) and an overstatement in income (usually).

## Using Undeposited Funds Correctly

### To use the Undeposited Funds account correctly:

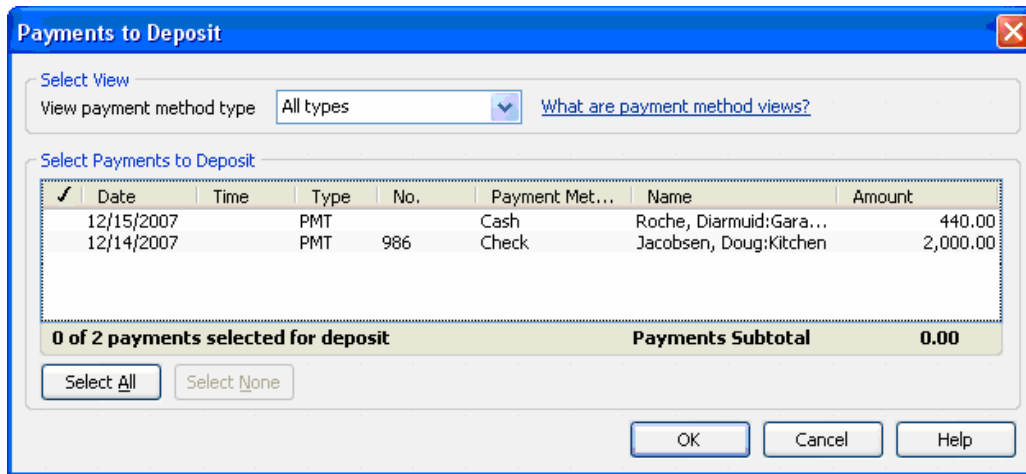
1. Record customer receipts (Receive Payments and/or Sales Receipts windows) and post the receipts to the Undeposited Funds account by setting the Customers preference to have customer payments and sales receipts deposited to the account automatically or by selecting Undeposited Funds from the Deposit to drop-down list.

If the transaction is an Accounts Receivable payment (Receive Payments), QuickBooks credits Accounts Receivable and debits Undeposited Funds. If the transaction is a cash sale (Sales Receipt), QuickBooks credits income and debits Undeposited Funds.

Sales Receipts will often post to multiple types of accounts (e.g., liabilities like Sales Tax Payable). Income, however, is the most common.

2. Open the Make Deposit window when you're ready to deposit the customer receipts to clear the balance in Undeposited Funds.

QuickBooks then displays the Payments to Deposit window that segregates the receipts by type. See **Figure 32**.

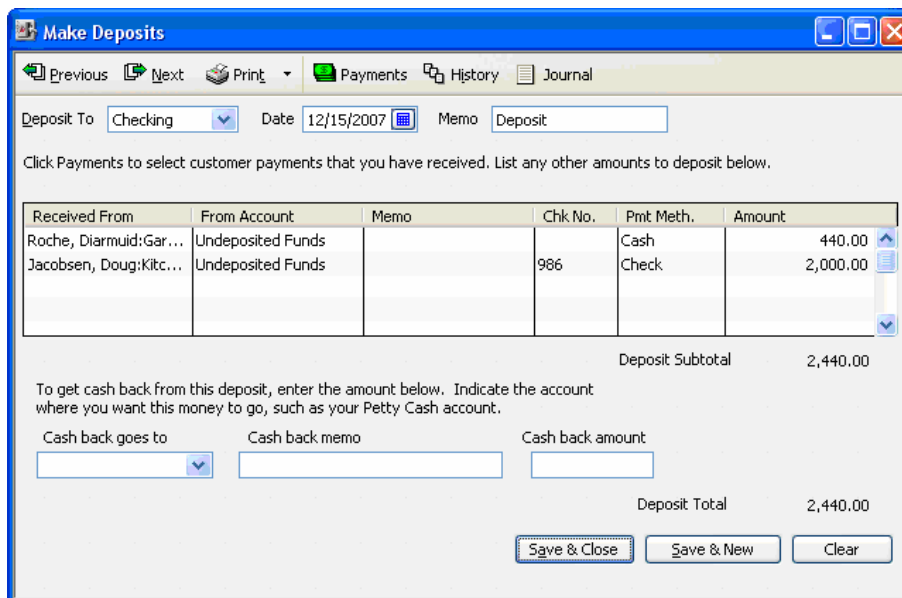


**Figure 32 – Select Payments to Deposit**

3. Select which receipts to include on the deposit.

QuickBooks automatically creates the deposit detail.

The deposit debits a bank account (to increase the balance) and credits Undeposited Funds (to clear). See **Figure 33**.



**Figure 33 – Clearing the Balance in Undeposited Funds**

## Recognizing Common Client Errors with Undeposited Funds

The following is an example of a common error related to working with Undeposited Funds.

1. The client records customer receipts and posts the receipts to the Undeposited Funds account.

**Customer Payment**

Received From: Baker, Chris:Family Room Customer Balance: 1,040.00

Amount: 1,040.00 Date: 12/15/2007

Pmt. Method: Check Check #: 5643

Memo: [Where does this payment go?](#)

Process credit card payment when saving

Find a Customer/Invoice...

| ✓      | Date       | Number | Orig. Amt. | Amt. Due | Payment  |
|--------|------------|--------|------------|----------|----------|
| ✓      | 12/15/2007 | 74     | 1,040.00   | 1,040.00 | 1,040.00 |
| Totals |            |        | 1,040.00   | 1,040.00 | 1,040.00 |

**Figure 34 – Payment Posted to Undeposited Funds**

2. (Where the error occurs) The client enters the deposit in the *bank account register*, bypassing the Payments to Deposit window. (See the **Figure 35**).

**Checking**

Go to... Print... Edit Transaction QuickReport Download Bank Statement

| Date       | Number | Type | Account | Payee | Memo                     | Payment | ✓ | Deposit  | Balance   |
|------------|--------|------|---------|-------|--------------------------|---------|---|----------|-----------|
| 12/15/2007 |        | DEP  | Income  |       | Payment from Chris Baker |         |   | 1,040.00 | 56,698.81 |

**Figure 35 – Deposit Listed in Bank Account Register Erroneously**

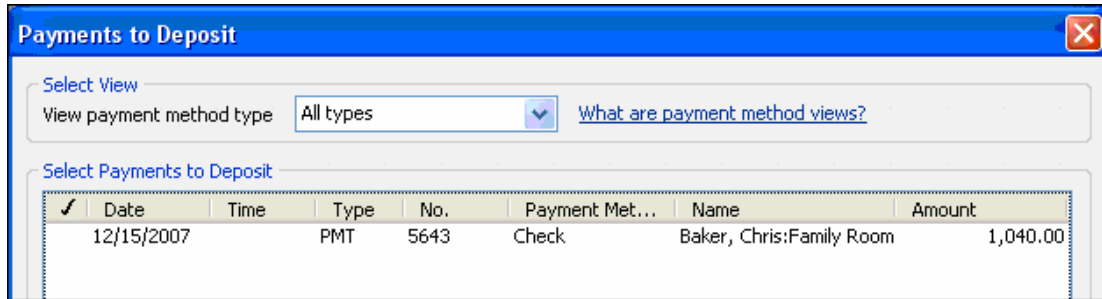
Recording deposits in the bank account register debits a bank account and credits whatever account the client enters in the “account” field of the register entry (usually income). This results in an overstatement in income and an overstatement in Undeposited Funds.

## Correcting the Error

The following procedure describes how to correct the error described previously.

1. From the **Banking** menu, choose **Make Deposits**.

QuickBooks displays the Payments to Deposit window. The total Undeposited Funds on this window will agree to your Balance Sheet. (Make sure the date of your Balance Sheet allows for all Undeposited Funds activity.)



**Figure 36 – Payment Listed in the Payments to Deposit Window**

Discuss the details with the client to make sure the receipts on this window are already deposited in the bank. Receipts dated more than 30 days in the past are mostly likely deposited into QuickBooks through other methods.

2. Close the Payments to Deposit window and look for the deposits the client entered directly into the register.

Each register entry will probably be the exact amount of the Undeposited Funds (Payment to Deposit) for that day. If not, the register entry will almost always be located within a week of the Undeposited Funds.

3. Note the offset account(s) and create a total for each account.

We will assume the client posted every register deposit to income as shown **Figure 37** for this example.

| Date       | Number | Payee   | Payment                  | ✓ | Deposit  | Balance   |
|------------|--------|---------|--------------------------|---|----------|-----------|
|            | Type   | Account | Memo                     |   |          |           |
| 12/15/2007 | DEP    | Income  | Payment from Chris Baker |   | 1,040.00 | 56,698.81 |

**Figure 37 – Deposits Posted in Bank Account Register**

4. Return to the Payments to Deposit window.
5. Select all of the payments that you need to clear from Undeposited Funds. QuickBooks creates a single deposit.
6. On the first blank line of the deposit, enter the income account (or appropriate account in the “From Account” column).
7. Enter a negative amount in the Amount column to zero the deposit.

The transaction credits Undeposited Funds (to correct the overstatement) and debits income (to correct the overstatement).

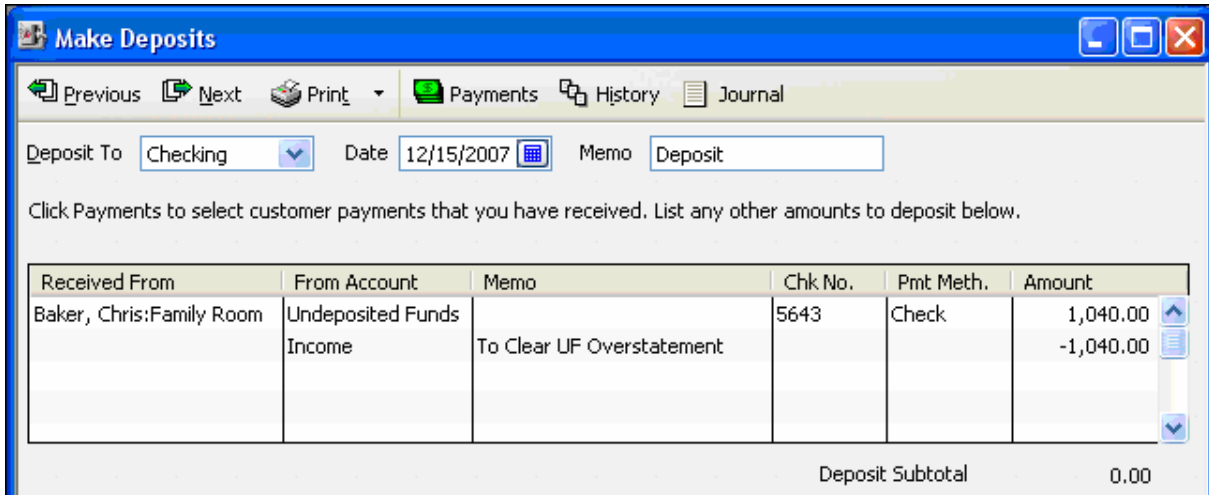


Figure 38 – Clearing the Overstatement in Undeposited Funds

If you want the adjustment to income to show in the Adjustments column of the Working Trial Balance, use a journal entry to debit Undeposited Funds and credit Income instead. Then, open the Make Deposits window. Your adjusting entry will show as a negative line on the deposit to zero the balance—similar to the image above.

## Handling Correct Balances in Undeposited Funds

Many times the balance in Undeposited Funds will be accurate. For example, a client could enter customer receipts into QuickBooks on December 29 and group the receipts with Undeposited Funds. Then, the client could enter a deposit (correctly) on January 2 to clear Undeposited Funds and to increase cash. If you are using your client's data file to prepare a tax return or financial statement as of December 31, there will be a *correct* balance in Undeposited Funds, representing cash on hand (though not in the bank) at year end.

### To adjust balances:

1. Enter an adjusting entry that credits Undeposited Funds (to zero) and debits cash (or another appropriate offset). See **Figure 39**.

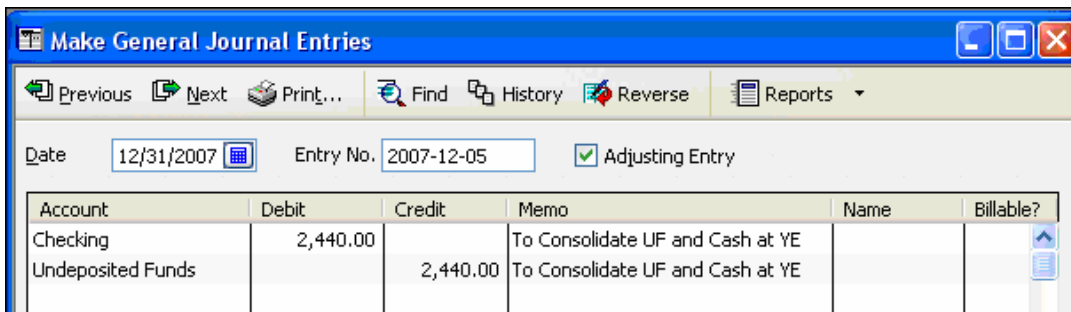


Figure 39 – Adjusting Entry to Credit Undeposited Funds

2. Enter a reversing entry on January 1 to debit Undeposited Funds and credit cash.

- Open the Make Deposits widow.

The adjusting entry shows as a negative line entry in the Payments to Deposit window. The reversal will show as a positive line entry in the window.

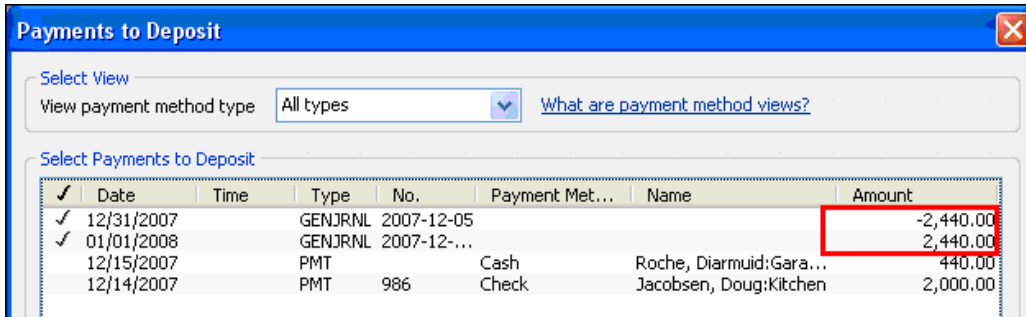


Figure 40 – Adjusting Entries in Payments to Deposit Window

- Select the entry (negative) and the reversal (positive) and click **OK**. QuickBooks creates a “deposit” with positive and negative offsetting amounts.
- Date the deposit as of the financial reporting date (12/31/2007), then save the deposit.

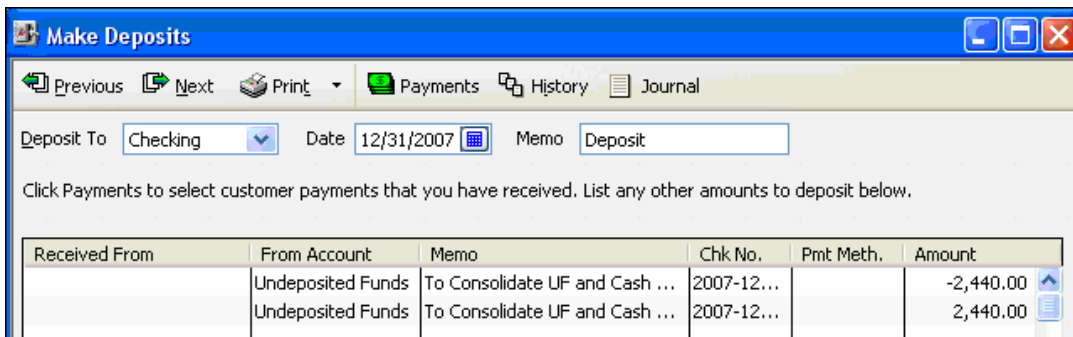


Figure 41 – Deposit of Undeposited Funds

The deposit you record above will have no effect on the General Ledger. However, if you do not perform these steps, the adjusting entry (and reversal) will show in the Payments to Deposit window indefinitely.

## Using Reports to Locate Changes to Previous Periods

### Using the Audit Trail

The audit trail lists all transactions entered into the file and the complete history of edits, deletions and/or voids for those transactions. If a client makes a change to a prior period transaction, the audit trail records that change. However, consider the following when using the audit trail to troubleshoot the Beginning Balance column:



If the client has been using QuickBooks for six months or more, the audit trail report will probably contain a fair amount of data. Normally, you can use filters to streamline the amount of data and to locate individual transactions. However, the data on the audit trail report includes deleted transactions. Since QuickBooks filters do not consistently work on “hard text” data, the filters for hard text will provide less than consistent results.

The Audit Trail is a powerful report, especially when searching for fraudulent behavior. However, due to the filtering limitations in QuickBooks for this report, exporting the report to Excel with the Auto-filtering option on the Advanced tab of the Export window selected will give you greater filtering capabilities.

## Using the Closing Date Exception Report

The Closing Date Exception Report tracks changes made to transactions dated on or before the Closing Date. The report shows the original posts (debits and credits) as well as the current condition of the transaction. You can use this information to enter an adjusting entry that resets the Prior Period Ending balances and then reverse your entry in the current period.

The image in **Figure 42** shows a user-voided a transfer. The Closing Date is set to 12/31/2006 and the transfer is dated 12/31/2005.

| Rock Castle Construction                  |                  |        |            |                     |                                     |                      |          |          |  |
|---|------------------|--------|------------|---------------------|-------------------------------------|----------------------|----------|----------|--|
| Closing Date Exception Report             |                  |        |            |                     |                                     |                      |          |          |  |
| Books Closed As of December 31, 2006      |                  |        |            |                     |                                     |                      |          |          |  |
| Entered/Last Modified                     | Last modified by | State  | Date       | Name                | Memo                                | Account              | Debit    | Credit   |  |
| Transactions entered or modified by Admin |                  |        |            |                     |                                     |                      |          |          |  |
| General Journal                           |                  |        |            |                     |                                     |                      |          |          |  |
| 12/15/2007 12:49:36                       | Admin            | Latest | 09/30/2006 | Annual Depreciation | <b>VOID: Depreciation on Trucks</b> | Trucks:Depreciation  | 0.00     |          |  |
|   |                  |        |            | Annual Depreciation |                                     | Depreciation Expe... | 0.00     |          |  |
| 09/25/2002 13:54:25                       | Unknown user     | Prior  | 09/30/2006 | Annual Depreciation | Depreciation on Trucks              | Trucks:Depreciation  |          | 3,000.00 |  |
|   |                  |        |            | Annual Depreciation |                                     | Depreciation Expe... | 3,000.00 |          |  |

**Figure 42 – User-Voided Transfer**

### To correct the 12/31/2006 balances:

1. Edit the Transfer to restore the original detail.

You can double-click on the Transfer shown in the report above to quickly access the transaction. If the Current Transaction section shows a deleted transaction, you cannot double-click to show the transaction. You will have to re-enter the transaction or enter an adjusting entry (option 2 below).

2. Enter an adjusting entry that debits Opening Balance Equity and Credits Trucks: Depreciation.

This report is the most useful when troubleshooting changes to the previous reporting period. However, the report above populates only while the Closing Date is turned on. Adding a Closing Date after the fact will not retroactively populate the report.

## Using the Voided/Deleted Transactions Report

If the client uses QuickBooks 2005 or later, QuickBooks creates an activity log of all voids and deletions of existing transactions. This report is a great alternative when the client does not set a closing date or temporarily removes the closing date.

This report is not dependent on the closing date because QuickBooks tracks the activity whether or not the transaction is dated in a previous reporting period. This “always on” report is also not dependent on any other preference settings.

Most users do not intentionally enter or edit transactions in closed periods. Instead, many simply need to void or delete transactions from the previous accounting period (e.g., checks that will never clear or invoices they wish to write off) and do not consider the impact of these deletions and voids on the previous year's General Ledger. The Voided/Deleted Transactions report tracks many (and in some cases all) of the changes to closed financial periods.

**To locate transactions voided or deleted in previous fiscal reporting periods:**

1. From the **Reports** menu, choose **Accountant & Taxes**, and then choose **Voided/Deleted Transactions**.
2. Look for transactions dated in the previous reporting period that were modified in the current report period.

| Rock Castle Construction            |                       |            |     |              |       |          |                |           |  |
|-------------------------------------|-----------------------|------------|-----|--------------|-------|----------|----------------|-----------|--|
| Voided/Deleted Transactions Summary |                       |            |     |              |       |          |                |           |  |
| Entered/Last Modified               |                       |            |     |              |       |          |                |           |  |
| Action                              | Entered/Last Modified | Date       | Num | Name         | Memo  | Account  | Split          | Amount    |  |
| <b>Check 125</b>                    |                       |            |     |              |       |          |                |           |  |
| Voided Transaction                  | 12/15/2007 01:49:48   | 12/31/2006 | 125 | Hamlin Metal | VOID: | Checking | Job Expense... | 0.00      |  |
| Changed Transact...                 | 09/25/2002 13:54:25   | 12/31/2006 | 125 | Hamlin Metal |       | Checking | Job Expense... | -1,000.00 |  |

On December 15, 2007 a user voided a transaction dated December 31, 2006. This change impacted the 12/31/2006 balances.

**Figure 43 – Prior Period Transactions Voided in Current Period**

To display more information about a transaction, double-click on the Original Transaction line. QuickBooks then displays the original transaction posted to the General Ledger in debits and credits.

| Rock Castle Construction                                |                       |            |     |              |              |                     |                |             |          |
|---|-----------------------|------------|-----|--------------|--------------|---------------------|----------------|-------------|----------|
| Voided/Deleted Transactions Detail                      |                       |            |     |              |              |                     |                |             |          |
| Entered/Last Modified                                   |                       |            |     |              |              |                     |                |             |          |
| Action  | Entered/Last Modified | Date       | Num | Name         | Memo         | Account             | Split          | Debit       | Credit   |
| <b>Transactions entered or modified by Admin</b>        |                       |            |     |              |              |                     |                |             |          |
| <b>Check 125</b>  |                       |            |     |              |              |                     |                |             |          |
| Voided Transaction                                      | 12/15/2007 01:49:48   | 12/31/2006 | 125 | Hamlin Metal | <b>VOID:</b> | Checking            | Job Expense... | <b>0.00</b> |          |
|   |                       |            |     | Hamlin Metal |              | Job Expenses:Sub... | Checking       | <b>0.00</b> |          |
| Changed Transact...                                     | 09/25/2002 13:54:25   | 12/31/2006 | 125 | Hamlin Metal |              | Checking            | Job Expense... |             | 1,000.00 |
|   |                       |            |     | Hamlin Metal |              | Job Expenses:Sub... | Checking       | 1,000.00    |          |
| <b>Transactions entered or modified by Unknown user</b> |                       |            |     |              |              |                     |                |             |          |
| <b>Check 125</b>  |                       |            |     |              |              |                     |                |             |          |
| Voided Transaction                                      | 12/15/2007 01:49:48   | 12/31/2006 | 125 | Hamlin Metal | <b>VOID:</b> | Checking            | Job Expense... | <b>0.00</b> |          |
|   |                       |            |     | Hamlin Metal |              | Job Expenses:Sub... | Checking       | <b>0.00</b> |          |
| Changed Transact...                                     | 09/25/2002 13:54:25   | 12/31/2006 | 125 | Hamlin Metal |              | Checking            | Job Expense... |             | 1,000.00 |
|   |                       |            |     | Hamlin Metal |              | Job Expenses:Sub... | Checking       | 1,000.00    |          |

**Figure 44 – Transaction Details Displayed**

3. Enter a Journal Entry to restore the General Ledger to its original condition as of 12/31/2006 (i.e., pre-void/pre-deletion).

Numerous transactions may be voided and/or deleted. You could adjust all of these with a single journal entry if you prefer. Alternatively, you can adjust the actual voided transaction to re-enter the original detail, or if the user deleted the transaction you can re-enter it with the original information.

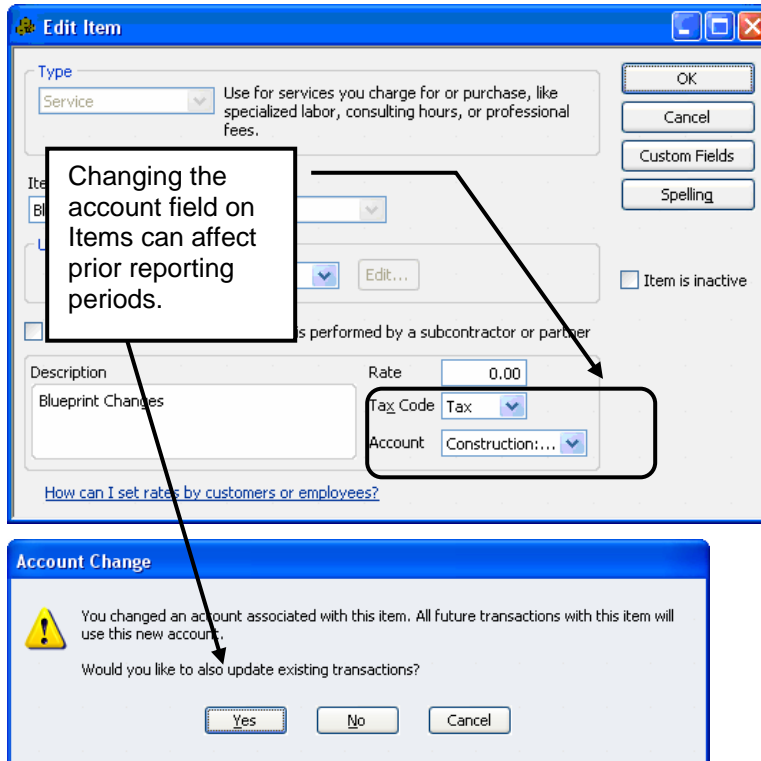
4. If the user needs to void or delete the transaction (i.e. if the void/deletion was not an accident), enter a reversing journal entry dated during the current financial period (e.g. 01/01/2007).

## Identifying Changes to Prior Period Data

There are certain changes to QuickBooks that you cannot track using any of the methods described in this document.

## Finding Changes Made to the Account Fields in Item Setup Windows

When you make a change to the account(s) with which an item is associated, QuickBooks gives you the option of making the change retroactive to all financial periods in which the Item was used.



**Figure 45 – Message Regarding Changing Existing Transactions**

If the user clicks “Yes” on the window shown **Figure 45**, QuickBooks changes the way each transaction that uses the item posts to the General Ledger, including transactions in previous reporting periods. This type of change is protected by the closing date. However, QuickBooks does not track the changes on the closing date Exception report, the Audit Trail report, or any other QuickBooks report.

When you make changes to the account field(s) in Payroll Item or Fixed Asset Item setup windows, QuickBooks always makes the changes to the General Ledger retroactive. Also, changes to the account field(s) in Payroll Items and Fixed Asset Items are not protected by the Closing Date.

If a client makes changes to the Account field in Item, Payroll Item, or Fixed Asset Item setup windows, you can either edit the Items to restore the original account(s), or you can enter an adjusting entry to reverse the impact of the account change on the General Ledger.

If the change to the account field is appropriate, enter a Journal Entry to adjust the prior period and then leave the new account in the Item, Payroll Item, or Fixed Asset Item record. That way, all transactions dated in the *current* period that use the Item, Payroll Item or Fixed Asset item will post accurately. If the change to the account field is incorrect, edit the Item, Payroll Item or Fixed Asset Item setup window to restore the original account(s) and make your changes retroactive (if prompted).

**Note:** When you edit the account field(s) in Payroll Items, QuickBooks does not change historical payroll information, just the impact of payroll transactions on the General Ledger. When you edit the Account field in Fixed Asset items, QuickBooks does not change the depreciation schedules, just the General Ledger postings for transactions that include the Fixed Asset Item (e.g., a check used to purchase the Fixed Asset).

## Merging Accounts

When you merge two accounts together, QuickBooks combines all of the General Ledger activity for both accounts. For example, if you rename an expense account called Travel so that it has the same account number or account name as an expense account called Meals & Entertainment, QuickBooks edits each transaction in the data file that posted to the Travel account and replaces it with the Meals & Entertainment account.

QuickBooks also changes each Item, Payroll Item, or Fixed Asset item that posts to that account (if applicable) so that they include the Meals & Entertainment account. The transactions that include the Item, Payroll Item, or Fixed Asset Item then post differently to the General Ledger as a result of merging the accounts.

If a closing date is set, the closing date prevents users from merging accounts unless the user has the authority to bypass the closing date and then enter the closing date password (if the password is set). However, changes to previous reporting periods as the result of accounting mergers do not appear on the Closing Date Exception Report or on the Audit Trail.

### To locate account mergers:

1. Compare the Trial Balance in your files with the current Trial Balance produced by QuickBooks.

When you see missing account(s) on the current Trial Balance, refer to the Chart of Accounts to see if the account still exists.

2. Include inactive accounts when viewing the Chart of Accounts.

If the account is not on the Chart of Accounts, it is safe to assume that the client merged the account with another account. If the account still exists but now carries a zero balance, the client probably entered an adjusting entry to clear the account balance, or the client edited previously recorded transactions to clear the account balance. If the client entered or modified transactions to clear the account balance, QuickBooks will include that activity in the Closing Date Exception report – provided that the Closing Date was set at the time of the changes.

**Note:** If the client merged two accounts together, the merger is irreversible. You will have to re-create the missing account and then enter an adjusting entry to correct of the changes to the previous reporting period(s).

## Changing Account Types

You can edit most account types in QuickBooks. When you change the type of an account, QuickBooks places the account balance in a different section of the financial statements. This type of change is always retroactive.

For example, if you change the type of an account from “Other Current Asset” to “Expense,” QuickBooks will move the Debit balance in the account from the Balance Sheet to the Income Statement. Needless to say, this type of change may have a material impact on financial statements, including financial statements in previous reporting periods.

Changes to account types are not protected by the Closing Date are not tracked on the Closing Date Exception report – or on any other QuickBooks report. However, you can easily locate this type of change by comparing printed copies of the financial statements with the current financial statements generated in the QuickBooks data file.

Unlike account merges, this type of change is reversible – unless the client changed to an account type that doesn't allow changes like Accounts Receivable or Accounts Payable. If you learn that a client changed the type of an account, simply change the type back and you will restore the integrity of prior period reports – and the current year's beginning balances.

## Preventing Changes to Previous Reporting Periods

You can prevent changes to previous reporting periods by setting a closing date and protecting it with a password. The Closing Date prevents users from adding, editing, voiding, or deleting transactions dated on or before the Closing Date. The Closing Date could be accurately named the "Locking Date" since this describes the effect of this date on the data file.

### To prevent changes to prior periods:

1. Open the Accounting preferences and then choose Set Closing Date.

When setting a Closing Date you can enter any day during the year. Strategic options include the last day of the previous fiscal year, previous quarter or previous month. If you choose the latter, you or the client should set the Closing Date after entering any monthly adjusting entries and after you or the client completes the bank reconciliation for the month.

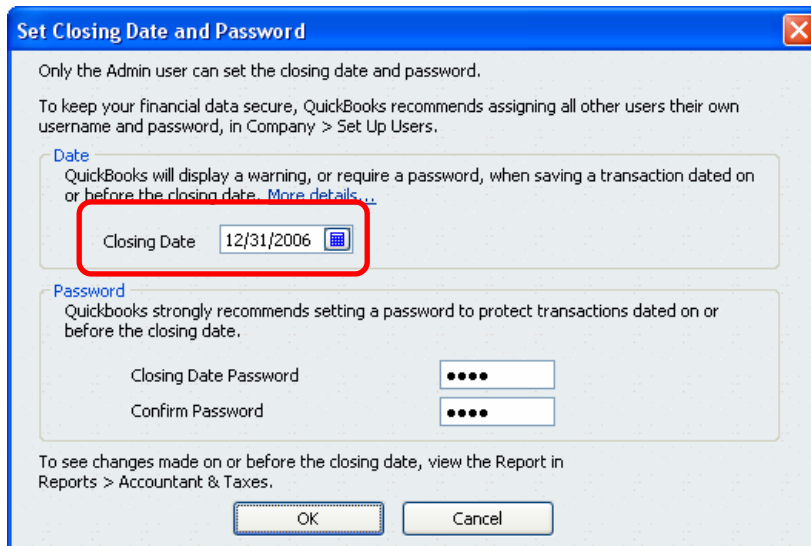


Figure 46 – Setting a Closing Date and Closing Date Password

2. Set a Closing Date Password by entering a password in the Set Closing Date and Password window.

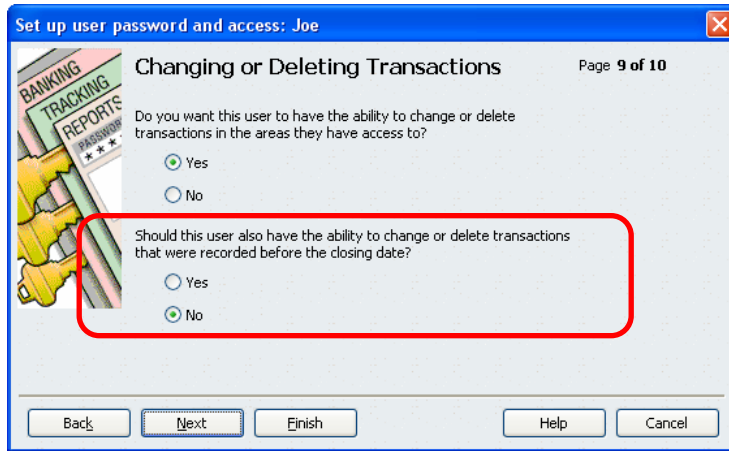
Once a password is set, all users (including the Administrator) must enter a password before making changes to closed periods.

The Administrator of the file can always bypass the closing date. Other users can also bypass the closing date if their user permissions allow them to do so. If the Administrator (or other users with the rights to bypass the closing date) attempt to add, edit, void, or delete a transaction dated on or before the closing date, QuickBooks displays a message.

Since the Administrator of the file can always edit or remove the closing date password, hiding the password from the client is not advised. Instead, you can make the password itself a message that he or she should not make changes to the previous reporting period. For example, you could use "Don't do this" or "Call Accountant" as the closing date password.

3. Edit user permissions to prevent users from bypassing the closing date.

You can prevent users from recording, editing, or deleting transactions dated on or before the closing date by denying access during the user setup process.



**Figure 47 – Denying Permission to Change Prior Period Transactions**

Even if the user knows the Closing Date password, (s)he will not be able to make the change without logging off and then logging back in as the Administrator of the file (assuming (s)he knows the Administrator password).

4. Create a User Profile (i.e., Alternate Login) for the QuickBooks Administrator.

It is best to discourage your clients from using QuickBooks as the Administrator of the file. Even in a single-user environment there should be at least three QuickBooks users: Admin, Owner, and CPA/Consultant. (You do not have to purchase multiple licenses of QuickBooks to set up additional user profiles.)

When you set up the user profile for the Owner (and all other user profiles), prevent the user from making changes to closed periods as described above. Though the owner could always log on as the Administrator and then make the change, the extra steps involved will reduce the likelihood of changes to the previous period.

#### MAINTAINING QUICKBOOKS DATA FILES

Working with Backup Files

Cleaning Up Company Data Files

Verifying and Rebuilding Data Files

## CHAPTER 3: MAINTAINING QUICKBOOKS DATA FILES

### Working with Backup Files

In the past, exchanging data with clients via the use of QuickBooks backup files was one of the simplest and most straightforward means of receiving the data necessary to support clients. However, the one major drawback was that the client would lose any data entered into the file when restoring the file returned by the accountant or consultant. Further, with the implementation of the new QuickBooks database structure in the 2006 version, the increased file size of the backup files made them a less convenient way of sharing files via e-mail. As discussed later in this course, you should consider the use of portable company files and the accountant's copy instead.

Although backup files may no longer be the method of choice for gathering data from clients, we'll cover the process for creating and working with backup files here as they are still an important factor in helping your clients protect their data. As an accountant or consultant, it is important that you help clients establish and maintain a backup routine. You may even provide off site storage of their files.

We recommend that you and your clients use backup files for the protection of data only and not as a means of providing you a way of working in their QuickBooks data.

### Creating Backup Files

The backup process has been modified in recent version, so you may want to review the steps in the QuickBooks in-product Help so that you are prepared to walk clients through the new process.

Once a backup file has been created, the client can send it to you in a number of ways, including burning the backup file to a CD, e-mailing the file as an attachment to a message (though typically backup files are too large to e-mail), uploading through a FTP site, or copying the file to a USB flash drive and providing the drive to you.

### Restoring Backup Files

When restoring a backup file, the version of QuickBooks you are using must be the same or a newer version than the version that the client is using. For instance, an accountant using QuickBooks Premier Accountant Edition 2008 can restore client data from QuickBooks Pro 2006, but an accountant using QuickBooks: Premier Accountant Edition 2006 could *not* restore client data from QuickBooks: Pro 2008.

#### To restore a data file:

1. From the **File** menu, choose **Open or Restore Company** to open the window shown in **Figure 48**.

2. Select the **Restore a backup copy (.QBB)** option and click **Next**.

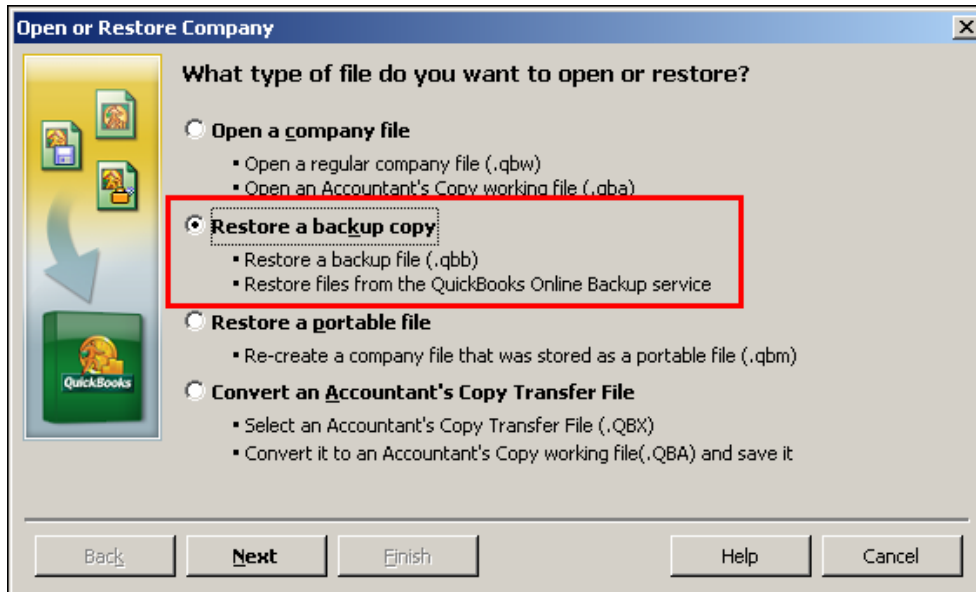


Figure 48 - Restoring a Backup file

3. Assuming that the file is stored on a local resource, select the **Local backup** option in **Figure 49** and click **Next**.

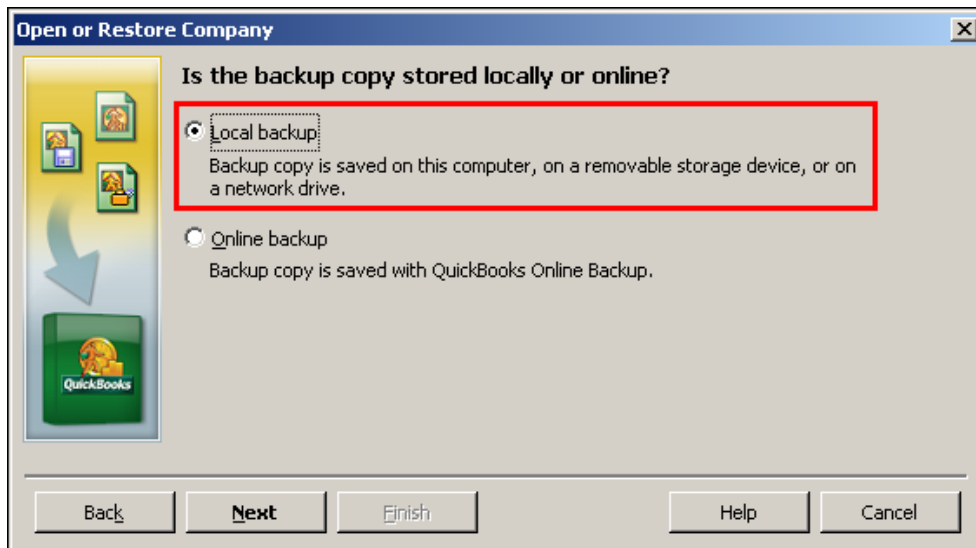
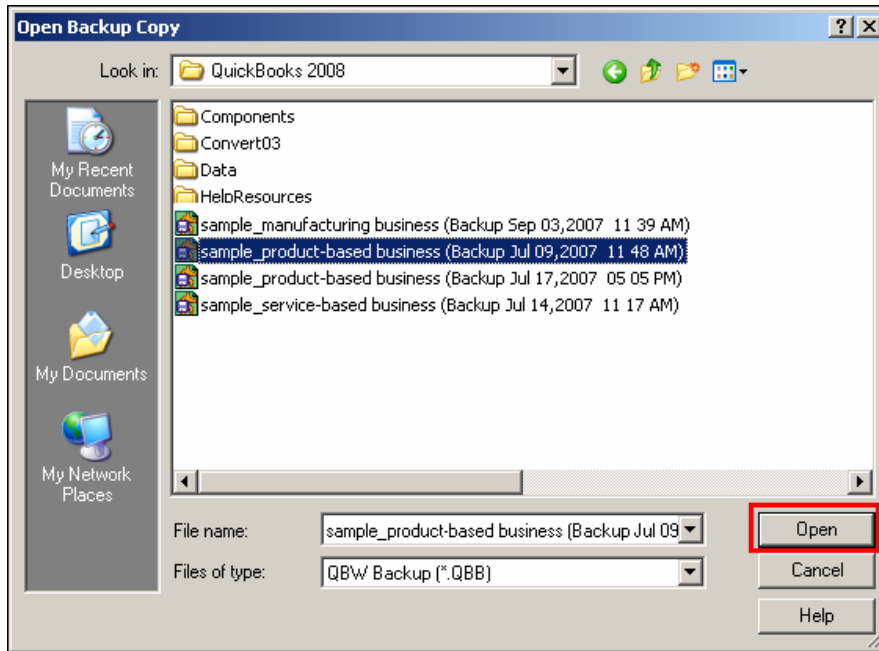


Figure 49 - Restore a local backup



4. Choose the backup file to be restored (see **Figure 50**) and click **Open**.



**Figure 50 - Choose the backup file to be restored**

5. Indicate the file name and folder where the backup is to be restored (see **Figure 51**) and click **Save**.

Restoring a backup file (.QBB) to the same file name and folder as a QuickBooks working file (.QBW) overwrites the working file, potentially causing loss of data. Before clicking **Save**, be sure that the filename and folder are correct and that the intention is to save over an existing .QBW file.

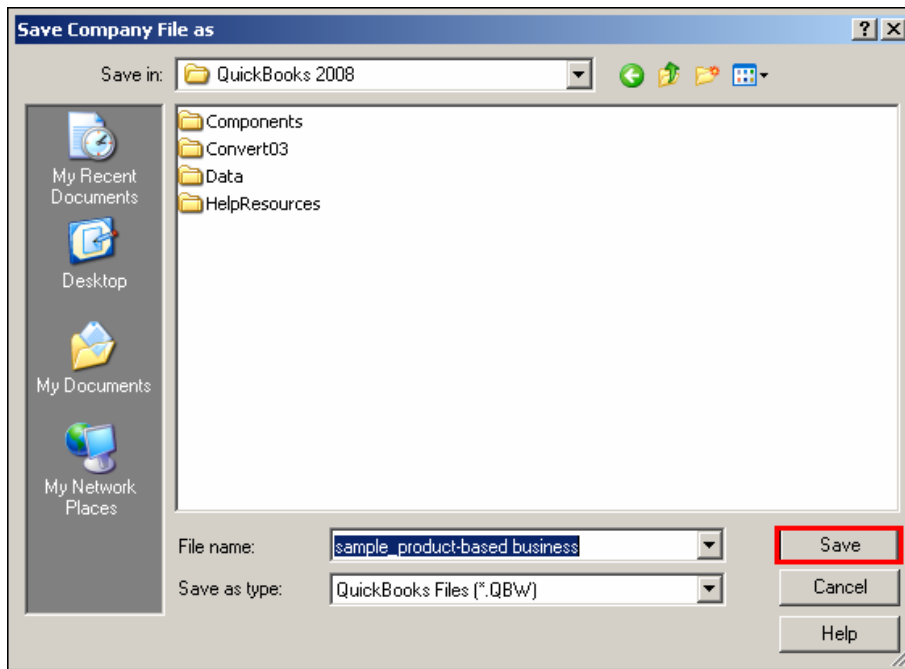


Figure 51 - Saving the restored file

## Understanding What's Included in Backup Files

In QuickBooks 2008, files for the following integrated applications and features are included with the QuickBooks backup file:

- Financial Statement Designer
- Loan Manager
- Logos, Templates, Images
- QuickBooks Letters
- Business Manager
- Cash Flow Projector

In QuickBooks 2008, the following files are *not* included in a backup file:

- Fixed Asset Manager
- Certain Payroll Forms

In QuickBooks 2006 and earlier versions, of the items listed above, only QuickBooks Letters were included in the backup file. When working with clients on earlier versions, those files have to be backed up within the launched application, separate from the QuickBooks back-up process.

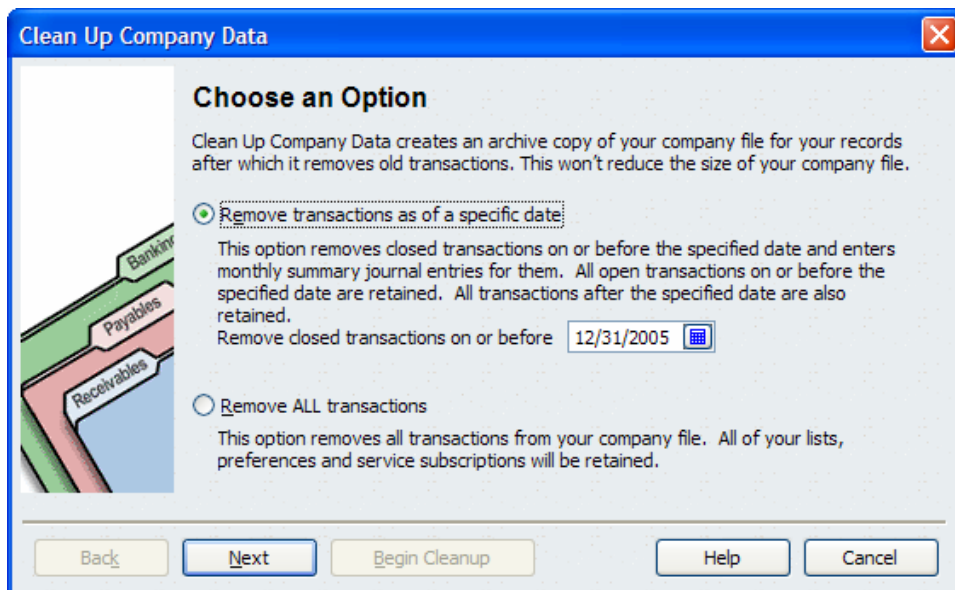
## Cleaning Up Company Data Files

On occasion, you may wish to remove “old” transactions from a data file. Reasons for doing so include performance improvement, internal control considerations, privacy of payroll data, and “scrubbing” a data file so that it can be used as a “template” for a new company data file. Whatever the reason for needing to delete old transactions, QuickBooks provides a utility which does precisely that – **Clean Up Company Data**.

Formerly known as **Archive & Condense**, the **Clean Up Company Data** function deletes transactions that occurred prior to a user-specified date; instead, QuickBooks records summary journal entries on a monthly basis to reflect the net amount of the activity in the deleted transactions. As such, deleting transactions does not impact any account balances and comparative financial statements which include prior periods may be generated. QuickBooks does not record journal entries for any open transactions in the file. Those will remain open even after condensing and not included in the journal entries created by QuickBooks.

### To begin the Clean Up process:

- From the **File** menu, choose **Utilities**, and then choose **Clean Up Company Data** to open the window shown in **Figure 52**.



**Figure 52 - Choosing which way to clean up Company Data**

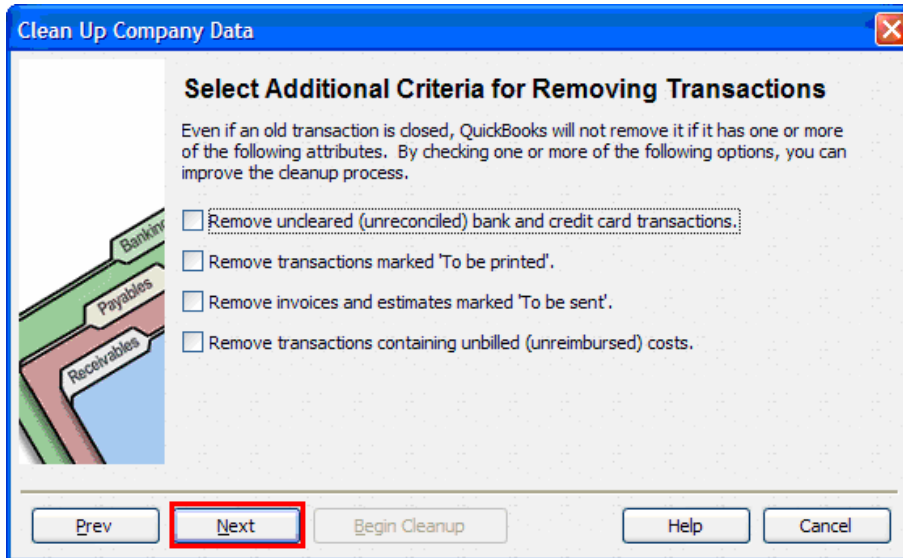
On the Clean Up Company Data window, you select between “removing transactions as of a specific date” and “removing all transactions”. Selecting “removing transactions as of a specific date” causes QuickBooks to remove from the database all transactions that are closed or cleared through the specified date. Notably, certain transactions are not removed during the Clean Up process; these include:

- Transactions with open balances
- Payroll transactions for the current year
- Online checks that have not been sent or have a pending payment inquiry
- Transactions linked to transactions that have an open balance or are not in the clean up period
- Fixed Asset items

Selecting “remove all transactions” causes QuickBooks to remove all transactions from the database, though list information is still retained. When you select this option, even transactions with open balances are removed from the database.

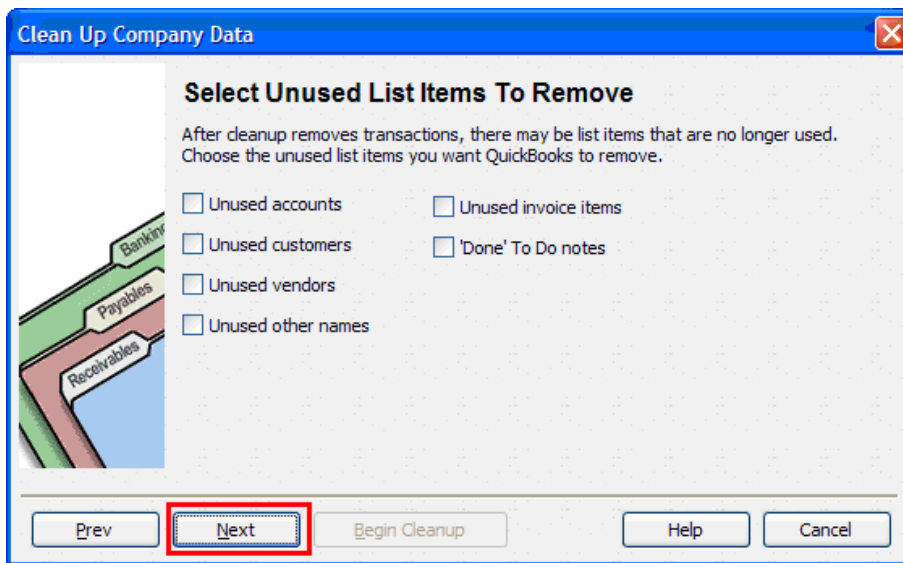
Note that selecting “remove all transactions” **does not** remove list entries or preferences from the QuickBooks data file. Therefore, this is a useful function when seeking to create a replica of a data file that contains list entries and preferences, but no transactions or account balances.

In the window shown in **Figure 53**, you may select additional criteria to be applied to transactions during the Clean Up process.



**Figure 53 - Additional Criteria for Transactions to be Cleaned Up**

As shown **Figure 54**, you have the option of removing certain list entries that haven't been used since the condense date.



**Figure 54 - Choosing List Items to Remove**

The remainder of the process consists of the following:

- Creating a backup of the company data file
- Verifying the integrity of the data file
- Creating an archive copy of the data file
- Removing the transactions and list entries as directed by the user-specified criteria

The Clean Up process can take as little as a few minutes to complete or as much as several hours. The company file must be in single-user mode to initiate and complete this process; therefore, it's often a good idea to run this as an overnight procedure so as not to impede other users.

Once the process is complete, you will be able to access the archive copy of the data file, just as they would access any other data file. The archive copy, however, should only be used to view data and generate reports. It is also good practice to rename the archive file so that a user doesn't open the archive file by accident when they mean to be in the cleaned up file.

Prior to the 2006 release of QuickBooks, the Archive and Condense feature was used to not only remove old transactions from the data file and create an archive copy of the data, but also to "shrink" the size of the data file. In some cases, this was critically important to maintain processing speed and capability.

Beginning with the Clean Up Company Data process introduced with QuickBooks 2006, the size of the data file is not reduced when older transactions are removed.

# Verifying and Rebuilding Data Files

## Verifying Data Files

From time to time, databases in general – and QuickBooks data files specifically – can become corrupted. Reasons for database corruption vary, but can include power surges, spikes, and outages. Oftentimes, QuickBooks data files display tell-tale signs of data file corruption; examples include an out-of-balance trial balance; accounts receivable detail or accounts payable detail not agreeing to general ledger amounts; and net income per the income statement not agreeing with net income per the balance sheet.

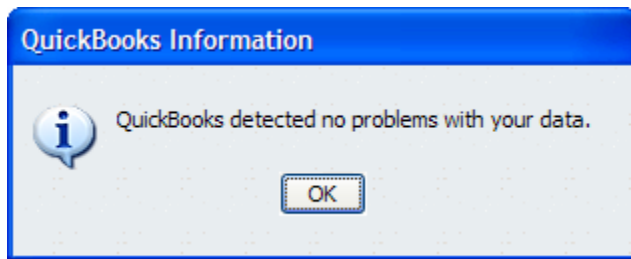
Whatever the reason for corruption, it can often be detected early by running the **Verify Data** utility.

### To run Verify Data:

- From the **File** menu, choose **Utilities**, and then choose **Verify Data** from the submenu.

This utility executes tests against the data file, verifying the integrity of the database.

When the tests complete successfully – that is, with no integrity issues detected – the window shown in **Figure 55** is displayed.



**Figure 55 - No Problems detected with the Verify Data Process**

If data file corruption is detected, QuickBooks displays a message indicating that the file is corrupted and recommending that you run the **Rebuild Data** utility.

Note that when running the Verify Data process, the file should be in single-user mode. Further, because the chances of successfully rebuilding the data file are increased if data file corruption is detected relatively soon after it first appears, it is recommended that the **Verify Data** process be run periodically (perhaps monthly) as a form of preventive maintenance on the data file.

## Rebuilding Data Files

When a data file has become corrupted, the Rebuild Data utility can often repair the file with no loss of data.

### To rebuild data:

1. From the **File** menu, choose **Utilities**, and then choose **Rebuild Data** from the submenu.
2. Click **OK** to start the mandatory backup process.

Once the backup is complete, the Rebuild Data process launches automatically.

Once the Rebuild Data process is complete, a message displays, advising you of the status of the utility.

As stated previously, the chances of the Rebuild Data process successfully repairing a damaged data file are increased when the damage is detected relatively soon after it first occurs. Accordingly, the Verify Data utility should be run on a periodic, scheduled basis. Should the Rebuild Data process fail to repair a corrupted data file, other options for repairing the file are available, including contacting QuickBooks Technical Support.

Before calling technical support, you may want to try to fix the transactions that are causing the problem.

### To identify transactions that may be causing problems in a file:

1. Press **CTRL + 1**, then **CTRL +2**, which opens the Tech Help application.

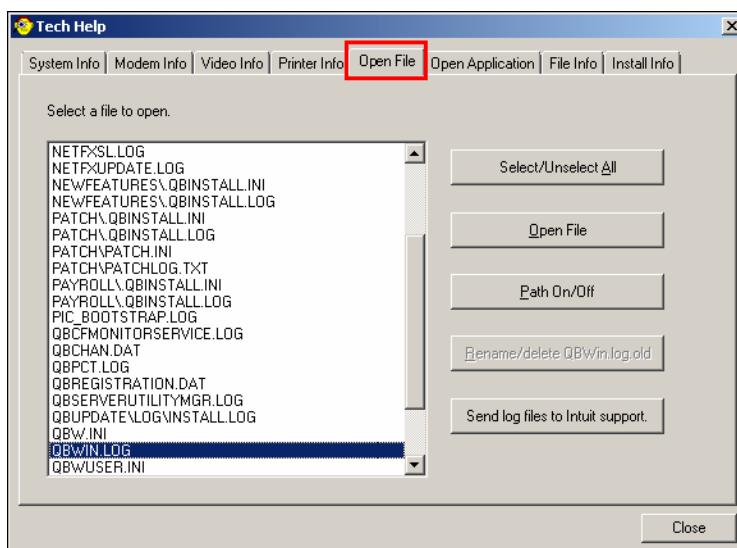


Figure 56 – The Tech Help Window

2. Click the **Open File** tab and then highlight the **QBWIN.LOG** file and choose **Open File**.

### 3. Scroll to the bottom of the log where it lists the errors that the Rebuild process found.

```
***** BEGIN VERIFY LOG *****
verify.c (426) : CHECKPOINT: Sat Dec 15 10:47:50 Verifying data, file name: C:\Users\public\Documents\Intuit\QuickBooks\Sample Company Files\QuickBooks 2008
DBSQLFileManager.cpp (4990) : CHECKPOINT: Sat Dec 15 10:48:01 Database validation completed. No error detected
verify.c (12055) : CHECKPOINT: Sat Dec 15 10:48:01 Testing for duplicate IDs
verify.c (12125) : CHECKPOINT: Sat Dec 15 10:48:02 Duplicate ID test completed
CPStutl.c (1603) : CHECKPOINT: Sat Dec 15 10:48:02 QB-CPS Installer starting: C:\Program Files\Intuit\QuickBooks 2008\Components\Payroll\PATCHSTAGING\CPS.DAT
PayComponentUpdater.cpp (1421) : CHECKPOINT: Sat Dec 15 10:48:02 Read 45 bytes from the sections in the C:\Program Files\Intuit\QuickBooks 2008\Components\Payroll\PATCHSTAGING\CPS.DAT
PayComponentUpdater.cpp (1355) : CHECKPOINT: Sat Dec 15 10:48:02 QB-CPS Installer ending: C:\Program Files\Intuit\QuickBooks 2008\Components\Payroll\PATCHSTAGING\CPS.DAT
PayComponentUpdater.cpp (1421) : CHECKPOINT: Sat Dec 15 10:48:02 QB-CPS Installer starting: C:\Program Files\Intuit\QuickBooks 2008\Components\Payroll\STAGING\CPS.DAT
PayComponentUpdater.cpp (1355) : CHECKPOINT: Sat Dec 15 10:48:02 QB-CPS Installer ending: C:\Program Files\Intuit\QuickBooks 2008\Components\Payroll\STAGING\CPS.DAT
CPStutl.c (1603) : CHECKPOINT: Sat Dec 15 10:48:02 QB-CPS Installer starting: C:\Program Files\Intuit\QuickBooks 2008\Components\Payroll\PATCHSTAGING\UPS.DAT
PayComponentUpdater.cpp (1421) : CHECKPOINT: Sat Dec 15 10:48:02 Read 87 bytes from the sections in the C:\Program Files\Intuit\QuickBooks 2008\Components\Payroll\PATCHSTAGING\UPS.DAT
PayComponentUpdater.cpp (1355) : CHECKPOINT: Sat Dec 15 10:48:02 QB-CPS Installer ending: C:\Program Files\Intuit\QuickBooks 2008\Components\Payroll\PATCHSTAGING\UPS.DAT
CPStutl.c (1603) : CHECKPOINT: Sat Dec 15 10:48:02 QB-CPS Installer starting: C:\Program Files\Intuit\QuickBooks 2008\Components\Payroll\STAGING\UPS.DAT
PayComponentUpdater.cpp (1421) : CHECKPOINT: Sat Dec 15 10:48:02 Read 87 bytes from the sections in the C:\Program Files\Intuit\QuickBooks 2008\Components\Payroll\STAGING\UPS.DAT
PayComponentUpdater.cpp (1355) : CHECKPOINT: Sat Dec 15 10:48:02 QB-CPS Installer ending: C:\Program Files\Intuit\QuickBooks 2008\Components\Payroll\STAGING\UPS.DAT
FileUpdater.cpp (516) : CHECKPOINT: Sat Dec 15 10:48:04 File and Pay Installer starting: C:\Program Files\Intuit\QuickBooks 2008\Components\Payroll\PATCHSTAGING\UPS.DAT
PayComponentUpdater.cpp (1421) : CHECKPOINT: Sat Dec 15 10:48:04 Read 48 bytes from the sections in the C:\Program Files\Intuit\QuickBooks 2008\Components\Payroll\PATCHSTAGING\UPS.DAT
PayComponentUpdater.cpp (1355) : CHECKPOINT: Sat Dec 15 10:48:04 QB-CPS Installer ending: C:\Program Files\Intuit\QuickBooks 2008\Components\Payroll\PATCHSTAGING\UPS.DAT
verify.c (543) : CHECKPOINT: Sat Dec 15 10:48:05 Beginning Transaction verify/rebuild
verify.c (12456) : CHECKPOINT: Sat Dec 15 10:48:05 Check for inventory targets on targets with no inventory item
verify.c (12493) : CHECKPOINT: Sat Dec 15 10:48:05 COMPLETED check for inventory targets on targets with no inventory item
verify.c (613) : CHECKPOINT: Sat Dec 15 10:48:07 ending Transaction verify/rebuild
prefuser.c (19631) : CHECKPOINT: Sat Dec 15 10:48:08 Permissions Analysis Starting...
prefuser.c (19582) : CHECKPOINT: Sat Dec 15 10:48:09 Permissions: cannot find an association for role Accounts Receivable, entitlement Employee center
prefuser.c (19665) : CHECKPOINT: Sat Dec 15 10:48:09 Permissions Analysis Finished.
verify.c (738) : CHECKPOINT: Sat Dec 15 10:48:09
***** END VERIFY LOG *****
```

Figure 57 – QBWIN.Log

### 4. Make note of the errors, then find those transactions in the file and fix them.

There is an option on the Open File tab to send log files to Intuit support, which can be helpful when speaking with QuickBooks Technical Support about a problem with the QuickBooks data file.

Creating daily backups, implementing effective general computer security practices, and limiting access to the QuickBooks data file are also effective in preventing damaged data files.



## ACCESSING CLIENT DATA

Using Accountant's Copy  
Using Portable Company Files  
Working with Remote Access

# CHAPTER 4: ACCESSING CLIENT DATA

## Using Accountant's Copy

For a number of years, QuickBooks has offered a feature known as the Accountant's Review Copy that was designed to allow accountants to make changes to client data files and export those changes to a file that can be imported by the client, thus eliminating the need for the client to re-key accountant's changes. This process was substantially improved in recent versions and many of the limitations formerly imposed by the Accountant's Copy have been eliminated.

For QuickBooks 2008, while an Accountant's Copy exists, the client CAN perform the following tasks and functions in the current period while the accountant works simultaneous in a previous period:

Features added to the 2008 version of the Accountant's Copy include the following:

- The ability for clients to easily create, encrypt and upload an Accountant's Copy to a secure server for the accountant to access, download and process.
- Backwards compatibility with Accountant's Copy files created in QuickBooks 2007. Keep in mind, however, that while you can work on a client's 2007 Accountant's Copy file using 2008 Accountant Edition, you cannot use the 2008 enhancements with that client's file.
- Ability to merge accounts in the Chart of Accounts.
- When the accountant is working in the Accountant's copy, the fields that can be changed and sent back to the client are shaded differently than other fields so that there's less confusion on what changes that the accountant is making will be sent back to the client and which will not. Those that are not shaded will not update the client's file when the update file is imported as shown in **Figure 58**.

The screenshot shows a 'Bill' form in QuickBooks. The form has a light blue background with a darker blue header. The fields are as follows:

|         |   |               |            |
|---------|---|---------------|------------|
| Vendor  | Thomas Kitchen & Bath                                     | Date          | 07/27/2007 |
| Address | Thomas Kitchen & Bath<br>608 Main St<br>Bayshore CA 94326 | Ref. No.      | 8059       |
| Terms   | Net 30  | Amount Due    | 585.00     |
| Memo    |   | Bill Due      | 08/26/2007 |
|         |   | Discount Date |            |

The highlighted fields (shaded in a darker blue) are: Vendor, Date, Ref. No., Amount Due, and Bill Due. The unshaded fields are: Address, Terms, and Memo.

**Figure 58 – Highlighted Fields Indicate which Information will be Returned to Client's File**

For a complete and up-to-date list of what you can do in the accountant's copy file, search the QuickBooks in-product Help for "accountant's copy."

## Creating an Accountant's Copy

To create an Accountant's Copy (client):

1. From the **File** menu, choose **Accountant's Copy**, (in Accountant Edition) choose **Client Activities**, and then choose **Send to Accountant**.
2. Click **Next** to open the window seen in **Figure 59**.
3. Enter a dividing date.

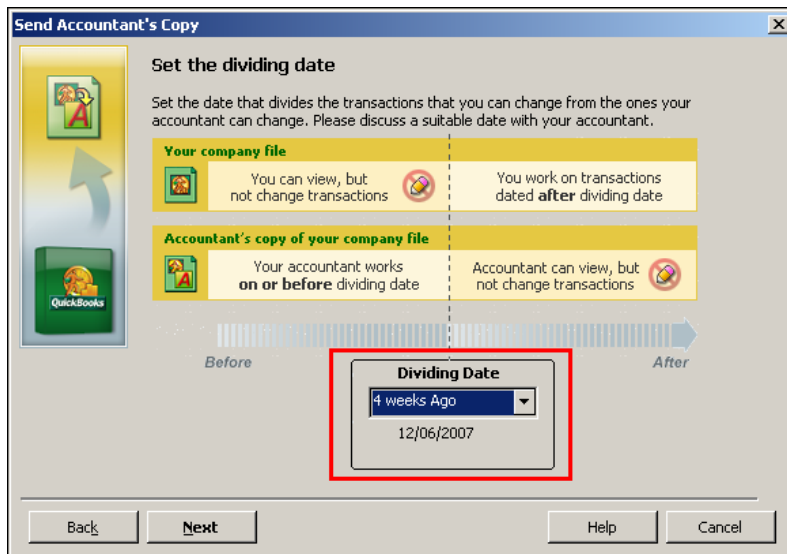


Figure 59 - Setting the Dividing Date

The Dividing Date is used to specify which transactions the client and the accountant may work on simultaneously while an Accountant's Copy is in use. The presence of the Dividing Date makes it possible for existing transactions to be edited by the accountant in the Accountant's Copy. The Dividing Date must be a date in the past; it cannot be a date in the future.

4. Click **Next**.  
This begins the process of creating and sending the Accountant's Copy transfer file.
5. Enter an e-mail address for the file sender and recipient and click **Next**.

6. Enter a “strong” password – one that contains at least one capital letter and one number.  
This password is for you to use to download the file from the secure server to which QuickBooks posts the file. Advise clients NOT to include the password in the notes area.



Figure 60 – Setting a Password before sending the file

7. Click **Send**.

Once the file has been uploaded, you'll receive a notification e-mail that contains a link to download the file. The client receives an e-mail confirming that the file upload was successful.

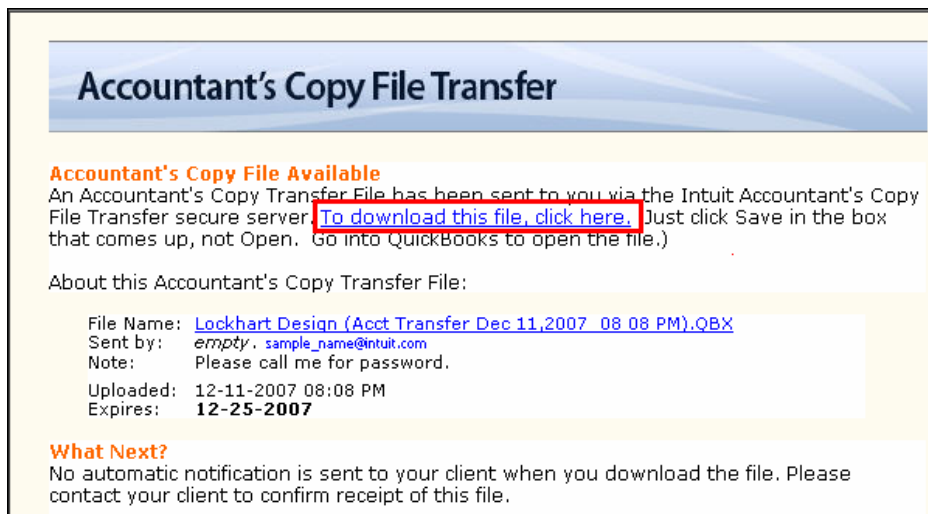


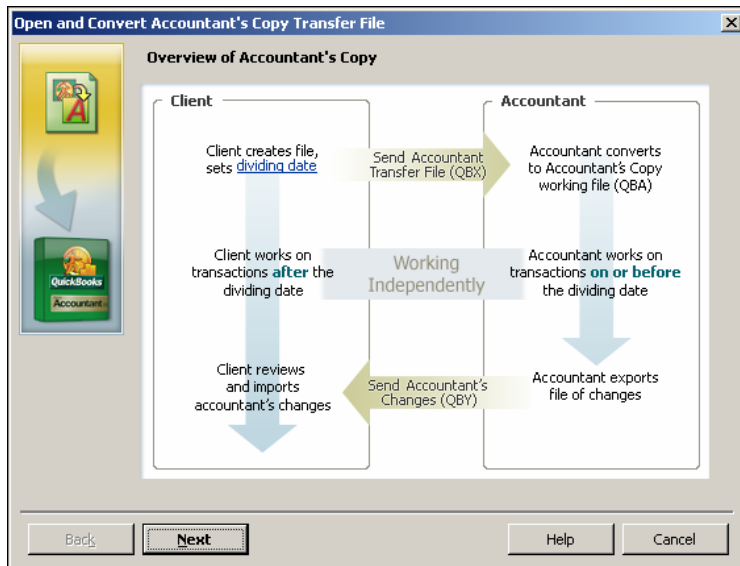
Figure 61 – Receiving Notice of Accountant Copy File Available

## Restoring an Accountant's Copy File

After you've received an Accountant's Copy file (.QBX file) from a client, you need to restore the file and convert it to an Accountant's Copy working file with (.QBA).

### To convert an accountant's copy file (accountant):

1. From the **File** menu, choose **Accountant's Copy**, and then select **Open & Convert Accountant's Copy Transfer File** to open the window shown in **Figure 62**.



**Figure 62 - Converting an Accountant's Copy Transfer File**

2. Click **Next**.
3. In the window that displays, specify the name of the Accountant's Copy transfer file to be converted and click **Open**.

Once the file has been converted and opened, you may work in the file.

## Exporting Changes for the Client

After all changes have been entered into the .QBA file, you can export the changes to a file that can be imported by the client.

### To initiate the process of sending the changes to the client:

1. From the **File** menu, choose **Accountant's Copy**, and then choose **View/Export Changes for Client** from the submenu to open the window shown in **Figure 63**.

Here, all changes you made can be reviewed and a note entered to the client, if necessary. It is important print or save the information on this screen before exporting, so that you'll have documentation of the changes that were made to the file. QuickBooks does not store a list of the changes in the data file.

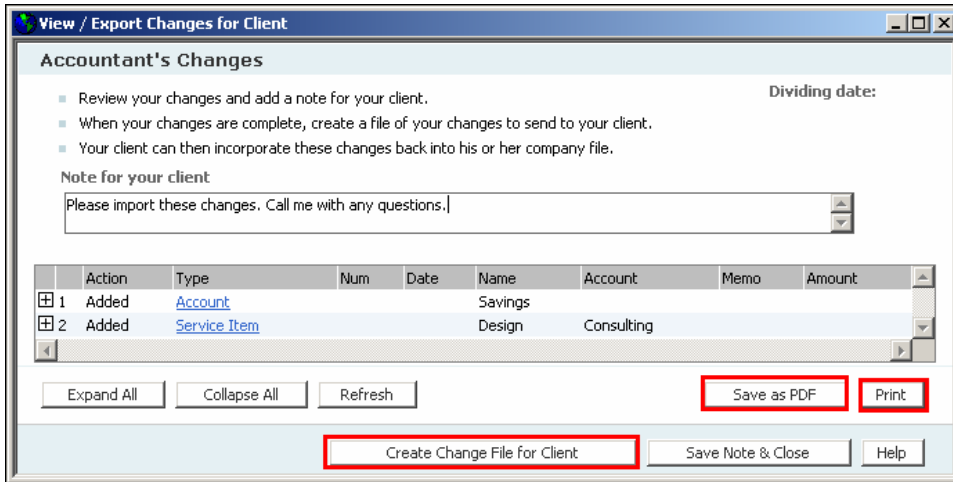


Figure 63 - View/Export Changes for Client

2. Click **Create Change File for Client** to send the changes to a file that can be imported by the client.

## Importing Changes (Client)

After the changes have been exported by the accountant, the file created will result in an Accountant's Change File with a .QBY extension, which contains only the changes you entered. Once provided to the client, the client can import these changes into their .QBW file.

### To import the .QBY file (client):

1. From the **File** menu, choose **Accountant's Copy**, and then choose **Import Accountant's Changes** from the submenu.
2. Select the .QBY file to import.
3. Print or Save the changes file.
4. Click **Import** to import the changes into the master data file.

## Using QuickBooks Portable Company Files

Beginning with QuickBooks 2006, a new database was used to store QuickBooks transactional and list data. Though the new database provides superior performance and stability as compared to the database used prior to 2006, one of the side effects associated with the new database is that file sizes (including backup copies) are larger than they were in previous versions of QuickBooks. Accordingly, Portable Company Files (.QBM) were introduced as a means of allowing users to create compressed copies of data files that can be more easily exchanged with accountants and other off-site users. Portable Company Files can be restored into fully-functioning QuickBooks working files.

Portable Company Files contain QuickBooks financial data only and do not contain all of the information stored in QuickBooks backup files. Most notably, Portable Company Files do not contain the transaction log file (.TLG) or QuickBooks Letters, images, or templates.

While you should continue to use QuickBooks backup files to protect client's data from potential loss, you may want to use Portable Company Files to do the following:

- E-mail company files when you don't need all of the other information included in a backup file (these files are smaller than backup files).
- Move company data.
- Share/view client data when overwriting the client's file is not an issue.

## Creating Portable Company Files

To create a Portable Company File:

1. From the **File** menu, choose **Save Copy or Backup** to open the window shown in **Figure 64**.
2. Select the **Portable company file** option and click **Next**.

Note that you must be logged in as an Administrator in order to create the Portable Company File.

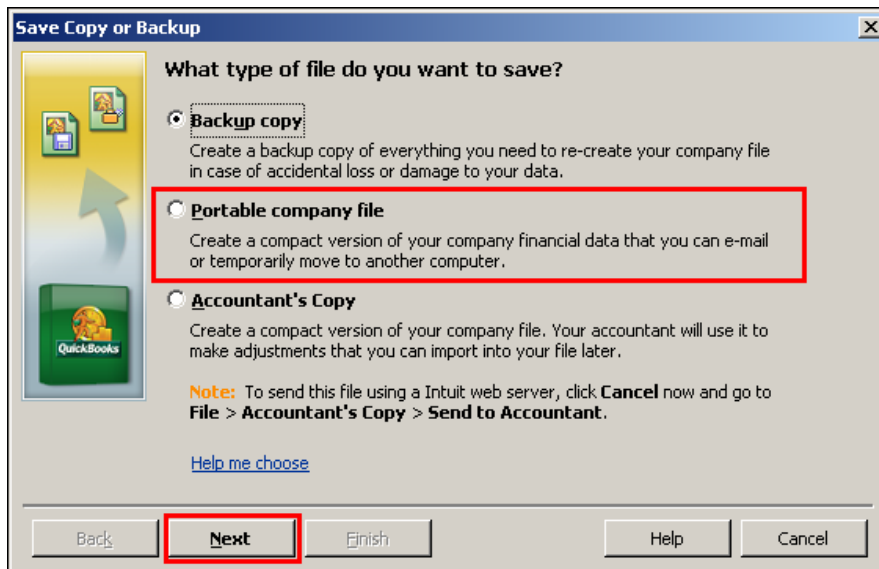


Figure 64 - Creating a Portable Company File

3. Enter the file name and folder for the .QBM file and click **Save**.

Upon saving, the portable company file is ready to be e-mailed or otherwise provided by the client to the accountant.

## Restoring Portable Company Files

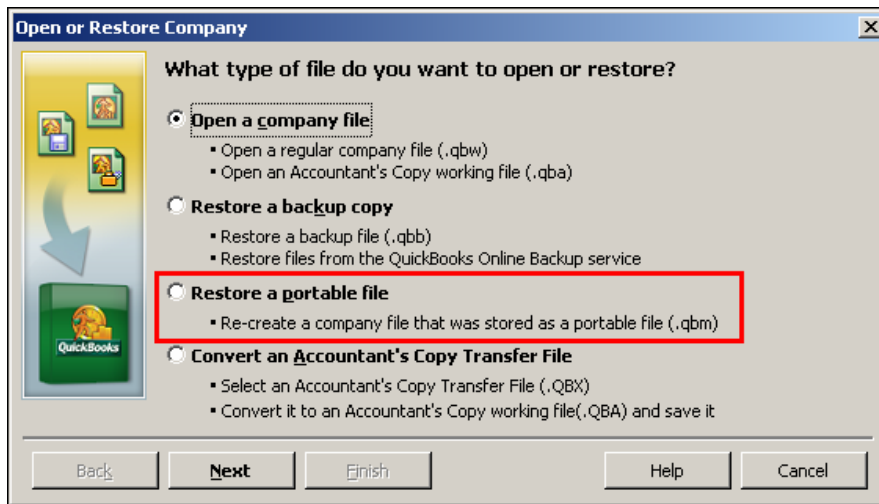
Once you have received a Portable Company file from a client, you must restore the file before you can use it. The process of restoring the file creates a fully-functioning QuickBooks data file from the Portable Company File.

**Important:** QuickBooks files are not backwards compatible. If you upgrade the file to a higher version and return the file to the client, the client will have to upgrade his or her version of QuickBooks as well to work in the QuickBooks file again. If you are planning on returning the file to the client and the client is not upgrading, be sure to work in the same version of QuickBooks as the client. (This applies to portable company files, backup files, and working QuickBooks files.)

If you are not sure of the client's version, mouse over the filename in Windows Explorer to display a message with information about in which version the file was most recently opened.

### To restore a Portable Company File:

1. From the **File** menu, choose **Open or Restore Company** to open the window in **Figure 65**.



**Figure 65 - Restoring a Portable Company File**

2. Select the **Restore a portable file (.QBM)** option and click **Next** to continue.
3. Select the file to be restored and click **Open** to restore the Portable Company File to a fully-functioning QuickBooks data file.

Once the Portable Company File has been restored, you can make any changes or entries that may be required, keeping in mind that if you send the file back to the client, any work he or she has done in the file will be overwritten when they restore the file.

## Working with Remote Access

The QuickBooks Remote Access service gives you the ability to work with QuickBooks over the Internet from a remote computer. If you need to make changes in a client's file—or even set up a new file—you can do so with this service. When you log in via Remote Access, you are working directly on the client's computer using his or her version of QuickBooks, so there are no issues with version control and no need to e-mail files back and forth.

QuickBooks Remote Access functionality is based on technology available from WebEx. All that is required to use this functionality is that both the remote and host computer have an Internet connection available and Web browser software installed. WebEx is firewall-friendly, meaning sessions can be established quickly with no need for interaction from network administrators. Further, the sessions are secured by 128 bit Secured Socket Layer (SSL) encryption. While connected via WebEx, remote users have full control over the desktop and are able to remotely execute any command that they would be able to execute locally.

QuickBooks 2008 Premier Accountant Edition and Enterprise Solutions V 8.0 Accountant Edition users receive 12 months free\* QuickBooks Remote Access service.

The free subscription lets you do the following:

- Use the QuickBooks Remote Access service with two clients' QuickBooks files.
- Use the QuickBooks Remote Access service for an unlimited number of meetings, including access to clients' QuickBooks files.
- Print files from a remote computer to your current location.
- Transfer files from one computer to another.
- Record and play back remote sessions—for training and support.
- Send e-mail invitations for support sessions to clients.

\*The free service includes access to QuickBooks files only and begins at the time of registration for the QuickBooks Remote Access Service. Terms and conditions subject to change.

- As a Certified QuickBooks ProAdvisor, you can take advantage of Remote Access to assist client by providing a variety of support services, including training, data file backups, generating reports and analyses, preparing tax returns, performing internal control reviews, bookkeeping, and correcting errors. With Remote Access, you can perform these services in real-time on the "live" QuickBooks data file without being physically present at the client location. For the consultant, this translates into a more efficient use of time; for the client, it translates into faster response when questions arise.

Remote Access is not the optimal QuickBooks solution in cases where large numbers of employees need continuous remote connectivity to the accounting data. In those cases, QuickBooks Online Edition or QuickBooks Enterprise Solutions with terminal services might be better alternatives. When a relatively small and discrete number of people need the ability to occasionally access a QuickBooks data file from a remote location, QuickBooks Remote Access can provide that capability with little trouble and expense. QuickBooks Remote Access requires that there be a computer dedicated to the user that is going to remote in. When QuickBooks Remote Access is used, the computer that it is accessing can only be used by the remote user. Multiple users cannot access the same computer simultaneously.

## **Establishing Remote Access Sessions**

### **Attended Remote Access Connections**

Establishing an attended Remote Access connection can occur in one of two forms:

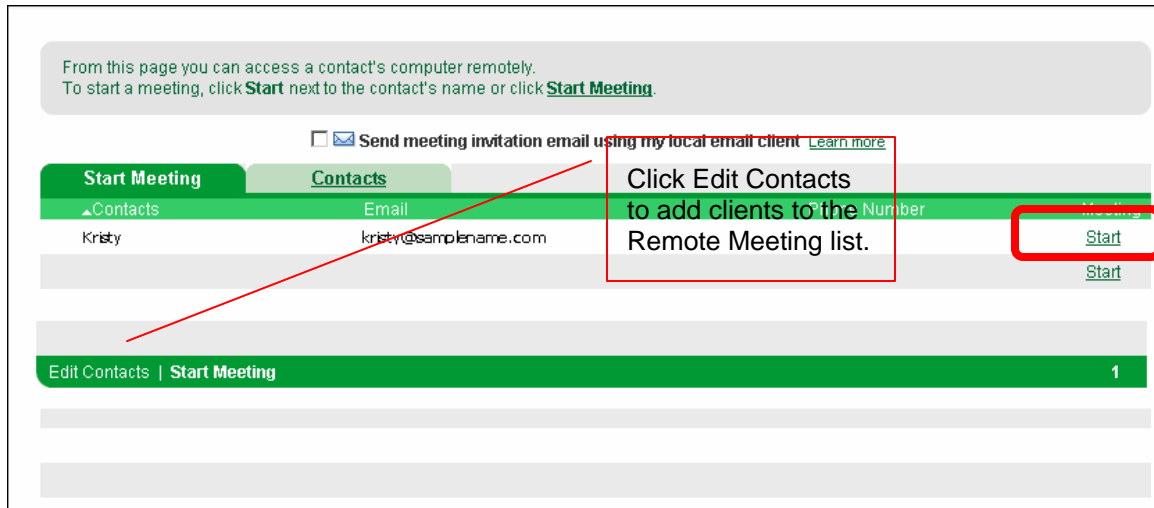
- An e-mail can be sent by WebEx to the client inviting the client to attend the session (for users of Platinum) or
- A URL can be provided to the client to enter into the Web browser.

Most users will find the e-mail method far easier to use.



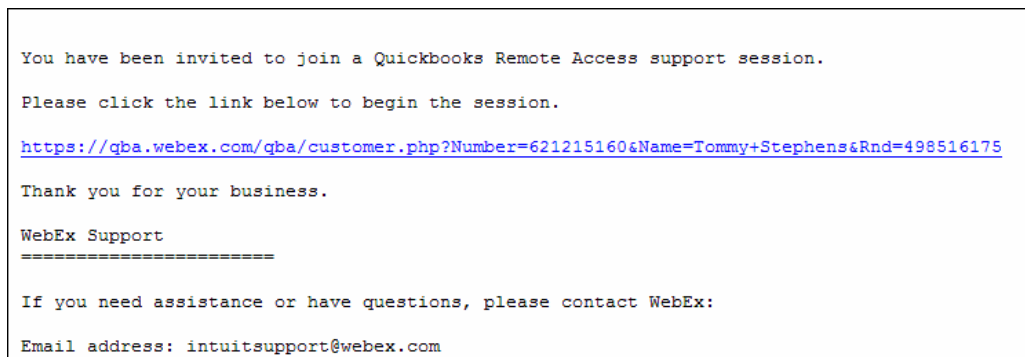
**To send the e-mail invitation and begin the Remote Access session:**

1. From the **Accountant** menu, choose **Remote Access** to open the window in **Figure 66**.
2. Click to put a checkmark next to the customer to invite to the session and click **Invite**.



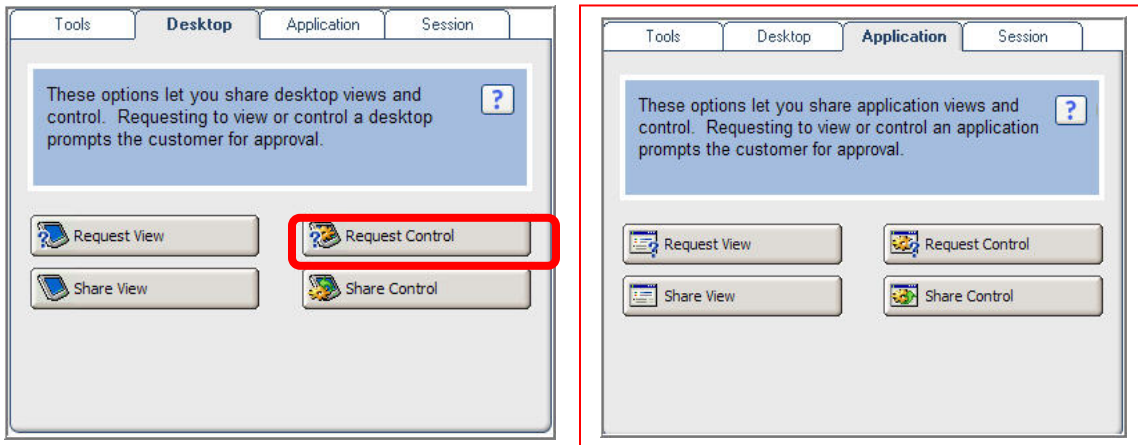
**Figure 66 -- Creating an Invitation to a Remote Session**

An e-mail invitation is sent to the client asking the recipient to click on a link allowing the accountant to join the support session as shown in **Figure 67**.



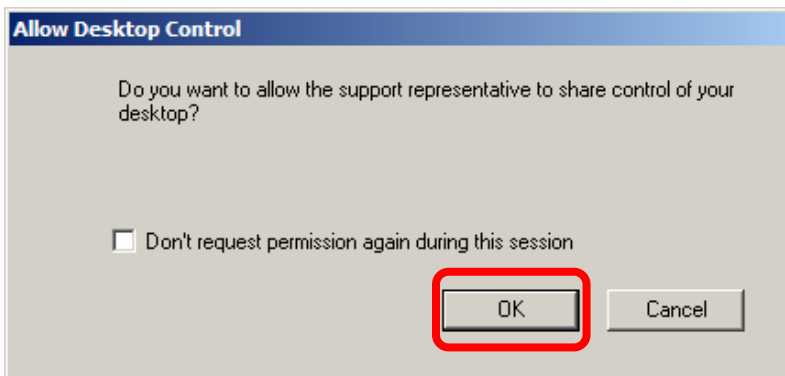
**Figure 67 – Invitation to WebEx Session**

Clicking the link embedded in the e-mail allows the customer to join the Remote Access session. Once the client has joined the session you can control the session using the available control options shown in **Figure 68**.



**Figure 68 – Remote Session Host Control Panel**

Once control has been requested by the remote user, the customer sees the following window, asking the customer if control may be passed to the remote user. It should be noted that until the customer responds **OK** to the message shown in **Figure 69**, the remote user cannot access or view any information on the remote computer.



**Figure 69 - Allow Desktop Control**

Once the desktop has been shared, the remote user may perform virtually any function inside QuickBooks or any other application to which the remote user has access privileges. The customer will see on the remote computer's monitor everything the remote user does, making Remote Access an excellent training vehicle.

### **Unattended Remote Access Sessions**

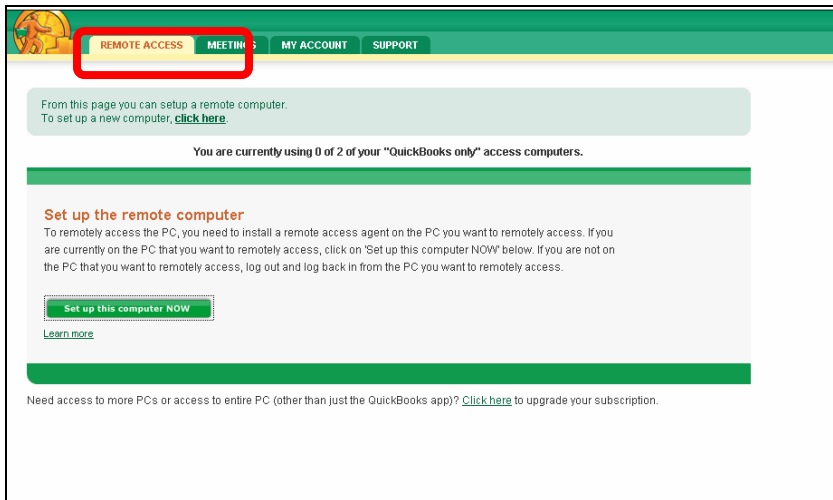
The previous section focused on establishing connections where the customer had to affirmatively allow the remote user to take control of the desktop. QuickBooks Remote Access also allows connections to occur in unattended mode; that is, no one has to be at the remote computer to assist in establishing the connection. This can be a very useful tool for those seeking to access their own data files while away from the office and for those providing accounting and support services to clients. Essentially, unattended Remote Access sessions provide for 24/7/365 access to not only QuickBooks data but also any other application on a remote computer as well (depending on service level).

Configuring the remote computer to allow unattended Remote Access sessions is a straightforward process. On the computer that you want to access remotely, the **Access Anywhere Agent** must be installed. If you are not on the PC that you want to set up for remote access you'll need to log in locally from that PC.

**To install the Access Anywhere Agent on a computer:**

1. Select the Remote Access tab then follow the remote computer set up wizard by clicking on the "Set up this computer NOW" button

The Access Anywhere Agent will be downloaded onto the computer, ready to configure with an access code (password) and other options.



**Figure 70 - Setting up a computer for unattended remote access**

With the Access Anywhere Agent installed and running in the background, it is possible to connect to the remote computer.

2. In the **My Computers** window, place a checkmark next to the computer to which you desire to connect, and click **Connect**.

The connection is established without any intervention required by anyone at the site of the remote computer. Of course, the remote computer must be turned on and an active Internet connection established in order to connect to it.

When performing unattended sessions, you may want to make a practice of logging in using your own QuickBooks user ID instead of logging in as the QuickBooks Administrator. This will make it easier for your clients to identify those activities you performed in the file using the audit trail.



## APPENDIX A: MANAGING DATA FILES CHECKLIST

### Best Practices Checklist for Managing Data Files

- ☑ Limit access to the QuickBooks data file to only those users with a specific need, as determined by job descriptions. Create user profiles and passwords.
- ☑ Back up the data file on a daily basis and store backups in a secure, off-site storage facility. For many users, utilizing QuickBooks Online Backup service is a very cost-effective means of implementing this practice.
- ☑ Ensure that the overall information technology environment is adequately secured and protected from unauthorized access.
- ☑ Install a commercial-grade firewall and monitor both in-bound and out-bound traffic.
- ☑ Install anti-virus software and ensure that virus signatures are updated frequently.
- ☑ Routinely download and install operating system, desktop application, and QuickBooks updates, security patches, and service packs.
- ☑ Protect computer hardware with surge protection devices and uninterruptible power supplies to minimize the chances of hardware damage and data file corruption in the event of an unstable power supply.
- ☑ Periodically run the QuickBooks Verify Data process to ensure that the data file is free of corruption.
- ☑ From time-to-time utilize QuickBooks Clean Up Company Data process to remove unnecessary transactions from the data file and place them in an archive copy of the company's data file.



## APPENDIX B: UNDERSTANDING QUICKBOOKS FILE TYPES

### Summary of Key File Types in QuickBooks

| Extension | File type  | Description   |
|-----------|--|---|
| .IIF      | Intuit Interchange Format file                     | You can import and export lists and/or transactions using text files with an .IIF extension.  |
| ND        | QuickBooks Network Data File                       | A configuration file that allows access to the QuickBooks company file. Do not delete this configuration file.  |
| .QBA      | Accountant's Copy working file                     | When a client exports QuickBooks data for the accountant to review, the accountant restores the export file on his or her computer as a file with a .QBA extension.   |
| .QBA.TLG  | transaction log file (for Accountant's Copy)       | When you back up an Accountant's Copy, QuickBooks starts a log of transactions that you've entered since the last time you backed up. In case of accidental loss of data, Intuit Technical Support can use your most recent backup in conjunction with the transaction log file to recover your data. |
| .QBB      | QuickBooks backup file                             | When you back up a company file, QuickBooks saves the backup file with a .QBB extension. To open a .QBB file, go to the File menu and click Restore. Double-clicking the file and choosing Open from the File menu will not restore or open a backup file.  |
| .QBM      | QuickBooks portable company file                   | When you want to e-mail or move a company file, QuickBooks creates a compressed version of the company file with a .QBM extension.  |
| .QBW      | QuickBooks for Windows company file                | When you create a company file, QuickBooks saves the file with a .QBW extension. For example, if you enter MyBusiness as the company name, QuickBooks saves the file as MyBusiness.QBW.   |
| .QBW.TLG  | transaction log file (for QuickBooks company file) | When you back up a company file, QuickBooks starts a log of transactions that you've entered since the last time you backed up. In case of accidental loss of data, Intuit Technical Support can use the most recent backup in conjunction with the transaction log file to recover your data.        |
| .QBX      | Accountant's Copy (export file)                    | When a client exports QuickBooks data for the accountant to review, QuickBooks creates an Accountant's Copy with a .QBX extension.  |
| .QBY      | Accountant's Copy (import file)                    | When you (the accountant/consultant) are finished making changes in an Accountant's Copy, you provide the client with an .QBY file to be imported into his or her company file.   |

