

Accounting System Applications
Lesson 9
Comments and Processing Notes

Note: These comments do not replace the material in the chapter. They are intended to reinforce and highlight important data from the text as well as to review relevant accounting principles. You should always thoroughly read your text while completing the tutorial steps.

Lesson 9 Comments

Chapter 9 is a continuation of Chapter 8. You will process purchase and sales transactions for the company you created in Chapter 8. You will then complete the accounting cycle by generating a Trial Balance, preparing adjusting entries, generating an Adjusted Trial Balance, running financial statements, and closing the accounting period. You have completed all of these steps in previous lessons with the exception of closing the accounting period. In addition to the material presented in this chapter of your textbook, notes have been attached below on customizing the layout of the Ledger report.

The Closing Process

Recall that accounts are broken into two categories: permanent and temporary.

Temporary accounts are accounts whose balances are accumulated for one accounting period only. At the end of the accounting period, the balances in the temporary accounts are closed, or zeroed out, so that new balances can be accumulated for the next period. **Permanent** accounts are accounts whose balances do not close. The balances of permanent accounts are carried forward indefinitely.

Temporary Accounts

Revenues

Expenses

Income Summary

Drawing (also called Withdrawals) for sole proprietorships and partnerships

OR

Dividends for corporations

Note that you can remember these accounts with the acronym **REID**.

Permanent Accounts

Assets

Liabilities

Owner's Equity or Stockholder's Equity

Note that these are the **Balance Sheet accounts**.

Memorized Transactions

A new task you will learn in this lesson is how to memorize a transaction. Some transactions are recurring and use the same accounts and amounts each time the transaction is recorded. An example is rent. In most situations, rent, at least for a period of time, is set at a specific amount that does not change. Each time the rent is paid, it requires a debit to Rent Expense and a credit to Cash for the rental payment amount and is payable to the same company. QuickBooks offers the ability to memorize transactions such as these. Recalling a memorized transaction helps make the QuickBooks user more efficient by reducing the amount of data to be entered to complete a transaction.

What to Memorize

Any type of transaction can be memorized and any amount of information can be memorized. For example, you may have a recurring transaction payable to the same company for the same expense each month, but the amount changes. In this case, you would enter the static (unchanging) data and leave the variable (changing) data to be filled in when the transaction is recorded.

You must use your judgment on which transactions to memorize but generally transactions that recur frequently with at least two pieces of static data are good candidates for memorization.

Adjusting the Layout of the Ledger

On the next page are instructions on adjusting the layout of the ledger you will print in this lesson. You can also apply these skills to adjust most QuickBooks reports.

ACCT 2380, Microcomputer Applications Creating a Traditional Ledger Layout in QuickBooks

Illustrations

Below is a Ledger Report generated in QuickBooks using the default settings. Each item shown in bold represents a separate account. Notice the information contained in and the layout of the report.

10:48 AM
12/15/07

Student Rock Castle Construction
General Ledger
As of December 15, 2007

Accrual Basis

Type	Date	Num	Name	Memo	Split	Amount	Balance
Tools & Equipment							5,000.00
Total Tools & Equipment							5,000.00
Employee Loans							0.00
Check	12/01/2007	267	Gregg O. Schneider	Reimbursen...	Checking	62.00	62.00
Total Employee Loans							62.00
1120 · Inventory Asset							7,930.29
Invoice	12/01/2007	63	Pretell Real Estate:...	Light pine kit...	1200 · Accou...	-1,500.00	6,430.29
Invoice	12/01/2007	63	Pretell Real Estate:...	Cabinet Pulls	1200 · Accou...	-9.54	6,420.75
Invoice	12/01/2007	65	Robson, Darci:Rob...	Interior woo...	1200 · Accou...	0.00	6,420.75
Invoice	12/01/2007	65	Robson, Darci:Rob...	Standard Do...	1200 · Accou...	0.00	6,420.75
Invoice	12/01/2007	65	Robson, Darci:Rob...	Locking inte...	1200 · Accou...	0.00	6,420.75

Recall the ledger layout used in Principles of Accounting as illustrated below.

Accounts Receivable		Acct. No. 106		
Date	Explanation	Debit	Credit	Balance
Dec. 31	Balance			0
Jan. 11		5,500		5,500
Feb. 11		5,500		0

Objective

The objective of these instructions is to format the QuickBooks ledger to look more like a traditional ledger.

Instructions

Complete the following steps to change the columns of the ledger in QuickBooks.

- With the Ledger Report displayed on the screen, click the Modify Report command button.
- From the Modify Reports command, make sure the Display tab is selected.
- In the Columns section, click Type, Num, Name, Split, and Amount to remove these items from the report (*each of these items should currently have a check mark beside it.*)
- Next, click Debit and Credit to add these items to the report.
- The Date, Memo (explanation), and Balance columns remain from the default setup.

The ledger now looks as follows:

11:09 AM

12/15/07

Accrual Basis

**Student Rock Castle Construction
General Ledger
As of December 15, 2007**

◇ Date ◇	◇ Memo ◇	◇ Debit ◇	◇ Credit ◇	◇ Balance ◇
Barter Account				0.00
12/15/2007	See Bill #200...	45.00		45.00
12/15/2007	5-487		45.00	0.00
Total Barter Account		45.00	45.00	0.00
1200 - Accounts Receivable				40,925.01
12/01/2007		12,412.18		53,337.19
12/01/2007		440.00		53,777.19
12/01/2007		445.00		54,222.19
12/01/2007	Finance Cha...	37.58		54,259.77
12/02/2007			1,223.00	53,036.77
12/02/2007			445.00	52,591.77
12/03/2007			1,200.00	51,391.77

More Adjustments

Note that you cannot fully read the Memo column in the illustration above. To adjust column widths in a report, place your mouse over the diamond between column headings.

11:09 AM

12/15/07

Accrual Basis

**Student Rock Castle Construction
General Ledger
As of December 15, 2007**

◇ Date ◇	◇ Memo ◇	◇ Debit ◇	◇ Credit ◇	◇ Balance ◇
Barter Account				0.00
12/15/2007	See Bill #200...	45.00		45.00
12/15/2007	5-487		45.00	0.00
Total Barter Account		45.00	45.00	0.00
1200 - Accounts Receivable				40,925.01
12/01/2007		12,412.18		53,337.19
12/01/2007		440.00		53,777.19
12/01/2007		445.00		54,222.19
12/01/2007	Finance Cha...	37.58		54,259.77
12/02/2007			1,223.00	53,036.77
12/02/2007			445.00	52,591.77
12/03/2007			1,200.00	51,391.77

Use the sizing arrow to increase or decrease the width of any column. In the report below, the Memo column has been increased and the size of the Debit, Credit, and Balance columns has been decreased.

11:09 AM

12/15/07

Accrual Basis

Student Rock Castle Construction
General Ledger
As of December 15, 2007

◇	Date	◇	Memo	◇	Debit	◇	Credit	◇	Balance	◇
Barter Account										
	12/15/2007		See Bill #20001		45.00				45.00	
	12/15/2007		5-487				45.00		0.00	
	Total Barter Account					45.00		45.00	0.00	
1200 - Accounts Receivable										
	12/01/2007				12,412.18				53,337.19	
	12/01/2007				440.00				53,777.19	
	12/01/2007				445.00				54,222.19	
	12/01/2007		Finance Charge		37.58				54,259.77	
	12/02/2007					1,223.00			53,036.77	
	12/02/2007					445.00			52,591.77	
	12/03/2007					1,200.00			51,391.77	

Lesson 9 Processing Notes

Tutorial

- When entering accounts, it may be easier to key the account number rather than scrolling through the drop-down list.
- **Page 9.8, Step 2** – HINT: You can use the PLUS (+) key to increase or MINUS (-) key to decrease the current date in the Date field of any QuickBooks object.
- **Page 9.8, Step 2** –The Customer and Job column is on the right side of the screen. For accurate accounting, be sure to click the **job**, not just the customer name.
- **Page 9.8, Step 3** –If you get a message about changing the credit terms, click **Yes**.
- **Page 9.11** – When experimenting with the Memorized Transaction, be sure that you **DO NOT** save the recalled transaction.
- **Page 9.14** – It is recommended (although not required) that you complete the purchase transactions in Exercise 9.1 at this time.
- **Page 9.15, Step 4** – Enter the Markup Amount exactly as shown in your textbook: **40.0%**.
- **Page 9.15, Step 5** – Be sure to change the invoice template so your screen will match the picture on page 9.16.
- **Page 9.15, Step 7** – After adding the billable time/costs, you will enter an additional charge for Labor Mural. Make sure that you enter the Labor Mural on a totally blank line.
- **Page 9.17, Step 4** – The check mark will appear once you press the tab key.
- **Page 9.19 – Additional Sales Transactions** – It is recommended (although not required) that you complete the sales transactions in Exercise 9.2 at this time.
- **Page 9.25** – Click the row below Depr Expense to enter the account number for Accumulated Depreciation. The amount should automatically be entered in the Credit column.

Exercises

- **Exercise 9.1 & 9.2** – even though the book says to print, do not print checks, invoices, or deposit items. These items will not be submitted for this lesson. You will, however, print and submit the Check Detail Report and Deposit Detail Report.
- **Exercise 9.2** – For each transaction, first invoice the customer, then receive and deposit the payment.
- **Exercise 9.4, Task 2: General Ledger** - See the notes on Creating a Traditional Ledger layout in QuickBooks. Note that the Lesson instructions indicate that the ledger be customized to the traditional layout.
- **Exercise 9.6, Task 5 – General Ledger** - See the notes on Creating a Traditional Ledger layout in QuickBooks. Note that the Lesson instructions indicate that the ledger be customized to the traditional layout.

ACCOUNTING SYSTEM APPLICATIONS
QUICKBOOKS
CHAPTER 9 Review Questions

The following questions are for your benefit only. They are not submitted for a grade but will be helpful in preparing for exams.

1. To record deposits, choose the _____ icon from the _____ section of the Home Page. (9.4)
2. To record a cash purchase, choose the _____ window. (9.6)
3. To record a credit purchase, choose the _____ icon from the _____ section of the Home Page. (9.8)
4. What is a “memorized transaction”? (9.9)
5. How do you memorize a transaction? (9.10)
6. How do you recall a memorized transaction? (9.11)
7. To record charges to a customer, choose the _____ icon from the _____ section of the Home Page. (9.14)
8. To record receipts of cash from customers, choose the _____ icon from the _____ section of the Home Page. (9.17)
9. To record adjusting entries, choose _____ from the _____ menu. (9.19)
10. Which accounts will be closed at the end of the accounting period? (9.22)
11. List the steps for closing the accounting period. (9.32-9.33)