

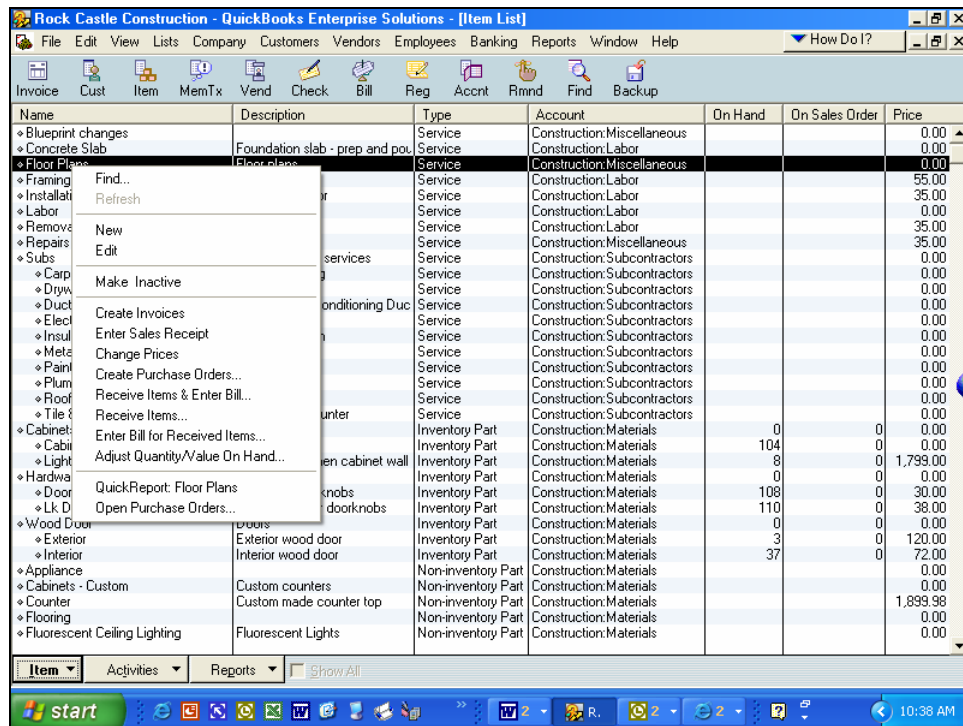


QUICKBOOKS IN-DEPTH

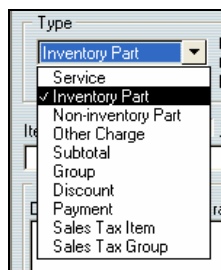
SETTING UP INVENTORY & SERVICE ITEMS

CHAPTER 9

QuickBooks for CPAs 2005



When creating a new inventory item, QuickBooks supports a variety of inventory types, most notably service items and inventory items. The difference is that inventory items sit on the shelf, while service items are non-tangible labor items. It is common for most companies to sell both types of items. For example, an auto repair shop might charge you \$250 for a new fender (inventory item), and \$200 for 8 repair hours (service items). Presented below is the screen that is used to indicate the item type.



QuickBooks has four item types that perform calculations on the amounts of a sales form - subtotals, discounts, payments, and sales taxes. You must use a subtotal item before calculating a discount or a charge that covers several items. If you are applying the discount to more than one item, you must first use a subtotal item and then apply the discount to the subtotal.

QuickBooks for CPAs 2005

The screenshot shows the 'New Item' dialog box in QuickBooks Enterprise Solutions. The title bar reads 'Rock Castle Construction - QuickBooks Enterprise Solutions - [New Item]'. The menu bar includes File, Edit, View, Lists, Company, Customers, Vendors, Employees, Banking, Reports, Window, and Help. The toolbar contains icons for Invoice, Cust, Item, MemTx, Vend, Check, Bill, Reg, Acct, Rmnd, Find, and Backup. The main form is divided into several sections:

- Type:** A dropdown menu is set to 'Inventory Part'. Below it, text reads: 'Use for goods you purchase, track as inventory, and resell. QuickBooks cannot track manufacturing inventory for products you build and sell.'
- Item Name/Number:** A checkbox for 'Subitem of' is unchecked. The 'Item Name' field contains 'Widget' and the 'Item Number' field is empty.
- Purchase Information:** Includes a text area for 'Description on Purchase Transactions' containing 'This is a brightly colored widget used for building widget boards', a 'Cost' field with '12.00', a 'COGS Account' dropdown set to 'Cost of Goods Sold', and a 'Preferred Vendor' dropdown set to 'Lew Plumbing'.
- Sales Information:** Includes a text area for 'Description on Sales Transactions' containing 'This is a brightly colored widget used for building widget boards', a 'Sales Price' field with '24.00', a 'Tax Code' dropdown set to 'Tax', and an 'Income Account' dropdown set to 'Uncategorized Income'.
- Inventory Information:** Includes an 'Asset Account' dropdown set to 'Inventory Asset', a 'Reorder Point' field with '120', an 'On Hand' field with '230', a 'Total Value' field with '2,760.00', and an 'As of' date field with '12/15/2003'.

On the right side of the dialog, there are buttons for 'OK', 'Cancel', 'Next', 'Custom Fields', and 'Spelling'. At the bottom right, there is a checkbox for 'Item is inactive' which is unchecked.

According to Intuit, a common inventory mistake made by QuickBooks users is to create separate inventory part items for both sales and purchases. You must use the same inventory part item on both sales forms and purchase orders to keep the inventory accurate. (*For example, you should not receive 1006 doorknobs, and sell 1007 doorknobs.*) Why people make this mistake, I have no idea. Most likely this is a common occurrence because you can set up items on the fly in the Sales Order screen.

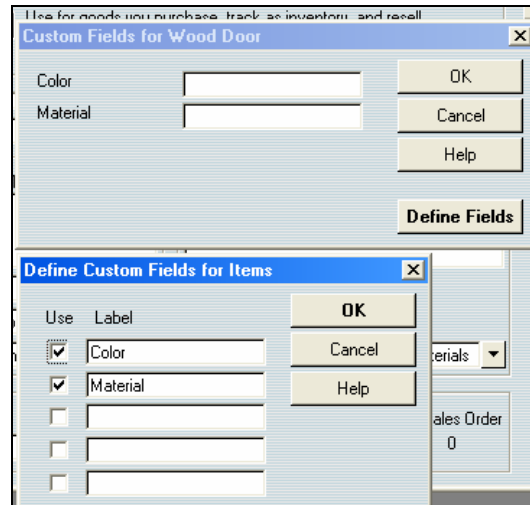
Item Name or Number – You can set up inventory items as a name or number. Which you use depends largely on what you are selling. Basically, the best rule is to use a name or number that will help you distinguish this item from all the others on the list.

Sub items – You can create a sub item of an existing item. For example, you may set up the item Door Knockers, with sub items of brass, metal, plastic, or solid gold. Sub items let you create a hierarchy of items so you can group information about similar items in sales reports and graphs. Sub items are purely for your own convenience. They look the same as items on sales forms and purchase orders.

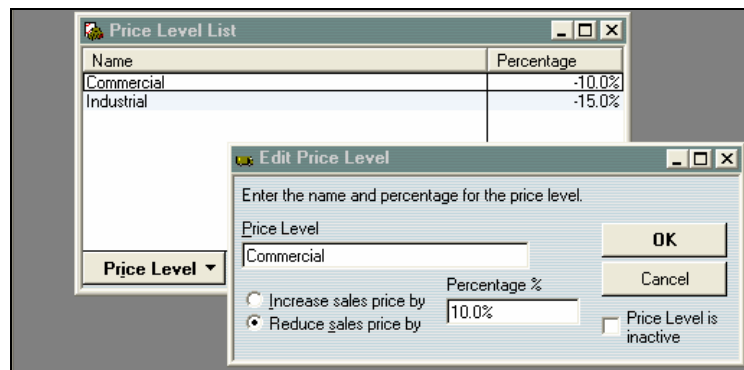
EOQ Modeling – QuickBooks supports minor Economic Order Quantity (EOQ) functions such as reorder points. This information is useful in producing a list of inventory items that need to be re-ordered.

Custom Fields – QuickBooks provides only 5 custom fields for inventory items, but they work the same way as other custom fields found elsewhere in the system. The screen where these fields are set up is shown below:

QuickBooks for CPAs 2005



Price Levels – You can use price levels in two different ways. You can apply a price level directly to items on a sales form or you can associate a price level with a customer. If you associate a price level with a customer, whenever you create a sales form for that customer, items will automatically appear with the new amount.



Price levels let you automatically increase or decrease inventory, non-inventory, and service item prices. You create price levels, then use them on sales forms to adjust the price of an item. For example, you might create a price level called "wholesale" and specify a decrease of 20%. Then when you sell an item and attach the "wholesale" price level, the amount of that item is automatically reduced by 20%. For each price level you create, you assign a name and percentage of increase or decrease. You can use price levels on invoices, sales receipts, sales orders, or credit memos. When you apply a price level to an item on a sales form, the adjusted price appears in the Rate column. You can also assign price levels to customers and jobs. Then, whenever you use that customer and job on a sales form, the associated price level is automatically used to calculate the item price.

Price levels associated with customers will not automatically be used when reimbursable items are added to invoices or sales receipts or when invoices are created from estimates. In both cases, the item amount you originally entered will be carried over. You can then manually adjust the rate, using price levels, after the invoice or sales receipt has been created.