Lesson Blueprint

Computerized Accounting with QuickBooks® 2019

# Chapter 7: New Company Setup–Detailed Start

## Introduction

* In this chapter, you will learn an alternative method for creating a new company file in QuickBooks.
* As you know, the four levels of operation for QuickBooks are
	+ New Company Setup
	+ Lists/Centers
	+ Activities
	+ Reports
* In Chapters 2 through 5, the Lists/Centers, Activities, and Reports levels were presented for both a service company and a merchandise company.
	+ In those chapters, you opened an existing company file, updated the Lists/Centers, recorded Activities in the various windows, and viewed and printed Reports.
* You will now learn an alternative method for the first level of operations for QuickBooks—New Company Setup.
* QuickBooks provides two methods of New Company Setup:
	+ Detailed Start
	+ Express Start
* In Chapter 6, the New Company Setup level of operations was presented using the Detailed Start method which moves you to the EasyStep Interview window.
* In addition, you used the QuickBooks Desktop Setup window to continue with the New Company Setup.
* In Chapter 7, you will learn how to conduct New Company Setup using the Express Start method.
* With this method, you do not use the EasyStep Interview window. Instead, you will
	+ set a company file password
	+ directly enable the features you desire
* In addition, you will not use the QuickBooks Desktop Setup window to enter information.
	+ Instead, you will use many of the procedures you learned earlier for updating the Lists/Centers to enter information in the new company file.
* Finally, you will prepare the new company file for the accrual basis of accounting.
* In this chapter, you will again create and set up a new company file for the sample company, Kristin Raina Interior Designs.
* It is assumed that Kristin Raina Interior Designs was recording accounting activities using a manual accounting system and will convert the company’s accounting records to QuickBooks.

## QuickBooks versus Manual Accounting: New Company Setup

* In a manual accounting system, a company’s records are set up by creating the Chart of Accounts and a general ledger.
	+ The Chart of Accounts is the list of accounts (assets, liabilities, equity, revenues, and expenses) the company intends to use.
	+ The general ledger is the book of each account with the beginning balance for each account.
* If desired, subsidiary ledgers are also created and beginning balances recorded.
	+ Subsidiary ledgers typically include accounts receivable and accounts payable.
* If a perpetual inventory system is used, an inventory subsidiary ledger is also created.
* In QuickBooks, a company’s records are set up by creating a new company file and establishing the Chart of Accounts List.
	+ As the opening balances are entered, QuickBooks simultaneously sets up the general ledger.
* The Customer Center and Vendor Center are set up.
	+ These lists are equivalent to the accounts receivable and accounts payable subsidiary ledgers.
* The Item List, which is equivalent to an inventory subsidiary ledger, is set up.
	+ In QuickBooks, the Item List includes service revenue items and sales tax items in addition to inventory items.
* When you set up a new company file using the Express Start method, that is, without using the EasyStep Interview, you must
	+ first set up a company file password
	+ identify certain company preferences
	+ then customize parts of the company file
* If you do not use the QuickBooks Desktop Setup window to enter information, you use the Lists/Centers to continue with the setup of the new company file.
	+ Entering information in the Lists/Centers is similar to creating a Chart of Accounts, general ledger, and subsidiary ledgers in a manual accounting system.
* Finally, you make three journal entries to complete the New Company Setup.
	+ One journal entry records the opening balances in the accounts that were not included when you set up the Lists/Centers.
	+ Two journal entries reverse accounts QuickBooks sets up during New Company Setup that are not used in the accrual basis of accounting.

## Chapter Problem

* In this chapter there is no prepared company file to open from the company files.
* Instead, create and set up the company file for Kristin Raina Interior Designs.
	+ Assume that Kristin Raina began the Interior Design business in January 2021 and has maintained accounting records with a manual accounting system for January through March.
	+ Effective April 1, 2021, Kristin Raina has decided to convert the company’s accounting records to QuickBooks using the Express Start method.
* Before you create a new company file, gather all the information you need including:
	+ company information (name, address, tax identification numbers)
	+ password information (password, challenge question, answer)
	+ general ledger account names and account numbers
	+ customer information (name, address, telephone numbers, etc.) and outstanding balances
	+ vendor information (name, address, telephone numbers, etc.) and outstanding balances
	+ services items and billing amounts
	+ inventory part items (name, cost, selling price, and quantity on hand)
	+ sales tax information
* You will enter this information into QuickBooks as you create and set up the new company file.
* See the text for steps to begin New Company Setup.

## New Company Setup: Express Start

* In New Company Setup, the first level of operation in QuickBooks, you will enter the information needed to create and set up a company file for Kristin Raina Interior Designs using the Express Start method.
* With the Express Start method of New Company Setup, you will
	+ enter some information about the company
	+ identify the type of industry for your business in the QuickBooks Desktop Setup window
	+ save the company file
* Follow the steps in the text to create a new company file using the Express Start method.
	+ If you click Create Company File before clicking Preview Your Settings, QuickBooks will save your file in the most recent folder you used, or in the default path

C:\Users\Public\Documents\Intuit\QuickBooks\Company Files

* After creating the new company file using the Express Start method, the QuickBooks Desktop Setup window can be used to enter information for customers, vendors, service items, and inventory part items, as was illustrated in Chapter 6.
* In this chapter, however, the QuickBooks Desktop Setup window will not be used.
	+ Instead, you will enter information directly into the Lists/Centers.
* To continue the New Company Setup using the Express Start method, and not using the QuickBooks Desktop Setup window to enter information, you must take the following steps:
	+ Set up a company file password.
	+ Establish preferences.
	+ Update the Chart of Accounts List.
	+ Customize system default accounts and the Terms List.
	+ Update the Item List and Customer and Vendor Centers with beginning balances.
	+ Adjust for the accrual basis of accounting by
	+ entering opening balances in accounts by journal entry
	+ recording two journal entries to offset two accounts created by QuickBooks that are not used in the accrual basis of accounting

## New Company Setup: Company File Password

* In business, it is advisable to protect access to financial records with a password.
* QuickBooks has the ability to password protect not only the entire company file but also specific sections of the company’s file.
	+ allows a company to limit employee access to their respective areas of responsibility
	+ For instance, the accounts receivable bookkeeper may be permitted to access only the information pertaining to the customers’ accounts while the payroll bookkeeper may be permitted to access only the payroll information.
* Originally, it was optional for the user to password protect a company file.
* In recent versions of QuickBooks, password protection has become mandatory.
	+ There are a few instances when a password can be optional such as when a business identification number has not been entered.
	+ In most situations, a password is now required to open a company file.
* In Chapter 6, when you created a new company file using the EasyStep Interview window, you were asked if you wanted to set up a password.
	+ In chapter 6, a password was set up.
	+ If you chose to Leave the new company file before setting up a password, the next time you open the company file, you are asked to set up a password before the company file could be opened.
* In Chapter 7, when you create a new company file using the Express method, you are not asked to set up a password.
* In both Chapter 6 and Chapter 7, when you leave the new company file without setting up a password, the next time you open the new company file, you will need to enter a password, a challenge question, and an answer, before the company file will be opened.
* You do not have to exit the new company file and then reopen the new company file in order to set up the password.
* You can set up a new company file password before you leave the new company file.
* See text for steps to set up a company file password.
* If you set up the company file password while in the new company file, you will use the Change QuickBooks Desktop Password window.
* If you leave the new company file, when you go to open the new company file, the Sensitive Data Protection Setup window will appear, requiring you to set up a password.
	+ While the windows have different names, the information is the same for the password, challenge question, and answer.

## Establishing Preferences

* When you use the EasyStep Interview window in the Detailed Start method of New Company Setup, QuickBooks asks questions and establishes preferences for your company based on your responses.
* When you use the Express Start method of New Company Setup, you skip the EasyStep Interview, therefore, you must establish the preferences for the new company file yourself.
* Company preferences enable or disable features available in QuickBooks.
	+ When a feature is enabled it allows for choices to be listed on the drop-down menus and the Home page.
	+ If a feature is disabled, then you will not see some choices on the drop-down menu or Home page.
* You set these preferences in the Preferences window.
* Use the Preferences window to
	+ activate the account numbers field in the Chart of Accounts List window
	+ activate the inventory feature
	+ activate the sales tax
	+ disable the payroll feature

### Account Numbers

* Since QuickBooks does not use account numbers by default, you must activate the account numbers feature to add them.
* See text for steps to activate the account numbers feature in the Preferences window.
	+ In the left panel of the Preferences window are 23 icons that represent the different categories of features.
	+ For each category there is a My Preferences tab and a Company Preferences tab.
	+ The Company Preferences tab is used for most preferences when setting up a new company file.
	+ The My Preferences tab records the preferences for each individual user on his or her personal computer.

### Inventory

* QuickBooks provides the ability to maintain inventory records, but the inventory feature must be activated.
* See text for steps to activate the inventory feature.

### Sales Tax

* QuickBooks also provides the ability to charge and maintain sales tax information, but the sales tax feature must be activated.
* See text for steps to activate the sales tax feature.

### Payroll

* When you create a new company file using the Express Start method, QuickBooks assumes you will be using the payroll feature, and activates it by default.
	+ When QuickBooks activates the payroll feature, it automatically creates a Payroll Liabilities account and Payroll Expenses account in the Chart of Accounts List.
* The sample company, Kristin Raina Interior Designs, has not yet used the payroll feature and does not need it activated.
	+ The payroll feature is disabled in the Detailed Start method.
* See steps to disable the payroll feature.
* Even though you disabled the payroll feature, the Payroll Liabilities account and the Payroll Expenses account still appear on the Chart of Accounts List.

## Lists/Centers: Updating the Chart of Accounts List

* When you created the new company file and established some of the preferences for the new company file, QuickBooks began to set up the Chart of Accounts List.
* See text for steps to open and review the Chart of Accounts List.
* However, there are many additional accounts that must be added to the Chart of Accounts List for Kristin Raina Interior Designs.
	+ Most of these accounts have opening balances.
	+ Opening balances will be entered later by general journal entry.
* Add accounts to the Chart of Accounts List using the Chart of Accounts window as illustrated in prior chapters.
* See text for steps to add the accounts.
	+ In the *Type* field, instead of looking for the type in the drop-down list, type the first letter of the type to find it.

## New Company Setup: Customizing the New Company File

* As stated, when creating a new company file using the Express Start method of New Company Setup, first, set up the preferences for the company.
	+ As you do this, some accounts are set up on the Chart of Accounts List.
* Then, update the Chart of Accounts List to include accounts the company uses.
* Next, customize the company file.
	+ Customize the system default accounts.
	+ Customize the payment terms created by QuickBooks.

### Customizing System Default Accounts

* As you saw in prior chapters, QuickBooks establishes default accounts and uses those accounts when recording transactions in the Activities windows.
* QuickBooks looks for these accounts in the Chart of Accounts List, and if it cannot find an account, it will create one.
* Some system default accounts you learned so far include:
	+ Accounts Receivable
	+ Undeposited Funds
	+ Accounts Payable
	+ Sales Tax Payable
	+ Inventory Asset
	+ Cost of Goods Sold
* Other system default accounts include:
	+ equity accounts (capital and accumulated earnings)
	+ payroll accounts (payroll liabilities and payroll expenses)
* When you created the company file using the Express Start method, QuickBooks created some of the system default accounts as part of the Chart of Accounts as seen in Figure 7–M.
	+ Sales Tax Payable
	+ Opening Balance Equity
	+ Owner’s Equity
* You will customize these system default accounts created by QuickBooks.
	+ Edit the account numbers and names to follow the company’s pattern for naming and numbering accounts on the Chart of Accounts List.
* You will then force QuickBooks to create the following system default accounts:
	+ undeposited funds
	+ inventory asset
	+ cost of goods sold
* These additional system default accounts will then also be customized by editing the account numbers and names.

#### Customizing System Default Accounts Created in a New Company File

* + When you created the company and indicated it was a sole proprietorship QuickBooks automatically created three equity accounts:
		- Opening Balance Equity
		- Owners Draw
		- Owners Equity
	+ When you activated the sales tax feature, QuickBooks created a Sales Tax Payable account.
	+ Numbers and names for each of these accounts can be edited.
	+ The Opening Balance Equity account will be renamed as *Kristin Raina, Capital*; and the Owners Draw account will be renamed *Kristin Raina, Drawings*.
		- The Opening Balance Equity account is used by QuickBooks as an offsetting account when certain opening balances are entered in the accounts.
	+ The Owners Equity account is created to capture net income at the end of the fiscal year.
		- In Chapter 12, you will see how QuickBooks uses the Owners Equity account in a company file.
		- This account will be renamed as *Accumulated Earnings*.
	+ QuickBooks recognizes the Accounts Receivable, Accounts Payable, Sales Tax Payable, Kristin Raina, Capital (Opening Balance Equity), and Accumulated Earnings (Owner’s Equity) accounts as system default accounts.
	+ However, QuickBooks does not recognize the Undeposited Funds, Inventory Asset, and Cost of Goods Sold accounts as system default accounts.
	+ QuickBooks usually identifies a system default account by graying, or dimming, the account type.
	+ As you edit each of these accounts, notice that the account type is dimmed.
	+ See text for steps to edit account numbers and account names.

#### Hiding Inactive System Default Accounts Created in a New Company File

* + When you create a new company file using the Express Start method, QuickBooks assumes by default that you will be using the payroll feature and automatically creates a Payroll Liabilities account and a Payroll Expenses account.
	+ Even though you turned off the payroll feature in the Preferences window, once payroll accounts are created in QuickBooks, you cannot delete them.
	+ In addition, once you turned on the account numbers feature, QuickBooks assigned the account numbers 24000 to the Payroll Liabilities account and 66000 to the Payroll Expenses account.
	+ Because payroll has not yet been covered, you will not be using the payroll accounts at this time.
	+ You can make the payroll accounts inactive and they will not be displayed in the reports.
	+ See text for steps to mark the payroll accounts inactive.

#### Customizing System Default Accounts Created for Use in Activities Windows

* + Recall that in the Create Invoices window, the system default account is a debit to Accounts Receivable, and in the Enter Bills window, the system default is a credit to Accounts Payable.
	+ When you chose an inventory item in any of the Activities windows, QuickBooks knew from the Item List which inventory asset account, cost of goods sold account, and sale of inventory account were the system default accounts to use to properly record the transaction.
	+ You also know that you can create accounts in the Chart of Accounts List, but sometimes QuickBooks will not find the account you created.
	+ You must let QuickBooks create the account in order for the software to identify it as a system default account.
	+ You have updated the Chart of Account List to add accounts that will be used by Kristin Raina Interior Designs, including Accounts Receivable, Undeposited Funds, Inventory, Accounts Payable, and Cost of Goods Sold.
	+ To illustrate how QuickBooks creates its own system default accounts, you will open some Activities windows and the Item List, and you will then see that QuickBooks cannot locate the accounts you created and creates its own accounts.
	+ See text for illustration of how QuickBooks creates its own system default accounts.
	+ As you opened each of these windows, QuickBooks looked for certain accounts and when they could not be identified, QuickBooks created new accounts:
		- 12000 \*Undeposited Funds
		- 12100 Inventory Asset
		- 50000 Cost of Goods Sold
	+ When you opened the Create Invoices window, QuickBooks looked for the Accounts Receivable account and was able to locate it because of the accounts receivable account type in that account.
	+ When you opened the Enter Bills window, QuickBooks looked for the Accounts Payable account and was able to locate it because of the accounts payable account type.
	+ If you did not create the Accounts Receivable and Accounts Payable accounts, when you opened the Create Invoices and Enter Bills windows, these two accounts would have automatically been created with the account types dimmed.
		- You would only need to edit the account numbers.
	+ Notice for the Accounts Receivable account that both the account name and the account type are Accounts Receivable.
	+ Similarly, notice for the Accounts Payable account that both the account name and the account type are Accounts Payable.
		- When QuickBooks looks for a system default account it looks for the account type, not the account name.
	+ When you opened the Enter Sales Receipts window, QuickBooks looked for an Undeposited Funds account, and even though you created this account, QuickBooks could not locate it and created a new account.
	+ When you chose the new inventory part type in the Item List, QuickBooks looked for an inventory asset account and a cost of goods sold account, again could not locate the accounts you created, and created new accounts.
	+ In some situations, you must allow QuickBooks to create accounts and then you may edit them to your liking.
	+ In all cases, accounts created by QuickBooks will have dimmed account types and you will not be able to change the account type, but you may change the account numbers and account names.
* Before you can edit the accounts that QuickBooks created, delete the Undeposited Funds account you created so that this account name and number can be used when editing the accounts created by QuickBooks.
* See text for steps to delete the account and to edit the accounts created by QuickBooks.
	+ Note that for each of these accounts created by QuickBooks, the account type is dimmed.
	+ Once QuickBooks creates an inventory account and a cost of goods sold account, you can create as many additional inventory and cost of goods sold accounts as desired.

### Customizing Payment Terms

* In QuickBooks a list with payment terms is accessed when needed in
	+ customer files
	+ vendor files
	+ Activities windows
* As seen in prior chapters, payment terms can be identified in both the customer and vendor files if they relate to a particular customer or vendor.
	+ Payment terms include, Net 30 Days, 2/10 Net 30 Days, and so on.
* When you create a new company file, QuickBooks creates a list of payment terms.
* You can add, delete, or edit the payment Terms List.
* See text for steps to update the payment Terms List.

## Lists/Centers: Updating Lists and Centers

* At this point, the company file has been created, a new company file password has been set up, preferences have been established, the Chart of Accounts List has been updated, and the system default accounts and payment terms have been customized.
* Since you did not use the QuickBooks Desktop Setup window to create the Customer and Vendor Centers or update the Item List, the next step is update the Item List and the Customer and Vendor Centers using the procedures learned in prior chapters.
* When you update the Item List and Customer and Vendor Centers, you will be entering the beginning balances.

### Updating the Item List

* In QuickBooks, the Item List stores information about the following:
	+ service items sold
	+ inventory part items sold
	+ sales tax
* As transactions are recorded in the Activities windows, QuickBooks uses information in the Item List to record the transaction to the correct accounts.
* Open and review the Item List.
	+ Notice that QuickBooks recorded the sales tax item when the sales tax feature was activated in the Preferences window.
* The Item List needs to be updated to include the service items and inventory part items that describe the services and inventory that Kristin Raina Interior Designs provides or stocks in order to conduct business.
* These items are added to the Item List using the Item List window as illustrated in Chapter 5.
* The only additional step is to add the quantity on hand for inventory part items.
* See text for steps to add the service items and inventory part items.
	+ When entering a beginning balance for an inventory item, it is important to have the correct date because a journal entry will be recorded on that date.
	+ In the *Account* fields, you can type the account number instead of using the drop-down list.
	+ If you forget to enter the quantity on hand, delete the inventory item and then reenter the inventory item along with the quantity on hand and the correct date.

### Updating the Customer Center

* The Customer Center records the information for all customers with whom the company does business.
* You can update the Customer Center using the procedures learned in Chapter 3.
* The only additional step you need to take is to enter outstanding balances that some of these customers have when you record the new customer file.
* Kristin Raina has 10 customers, 2 of the which have an outstanding balance.
* See text for steps to add a customer with an outstanding balance.
	+ If you forget to enter the opening balance, delete the customer and reenter the customer with the balance and the correct date.
* See text for all customer files to create.

### Updating the Vendor Center

* The Vendor Center records the information for all vendors with whom the company does business.
* Open and review the Vendor Center.
* You added one vendor, Minn. Dept. of Revenue, when you set up the sales tax item.
* All other vendors need to be added to the Vendor Center.
* You can update the Vendor Center using procedures learned in Chapter 2.
* The only additional step you need to take is to enter outstanding balances for some vendors when recording the new vendor file.
* Kristin Raina has 17 vendors, 7 of which have an outstanding balance.
* See text for steps to add a vendor with an outstanding balance.
	+ If you forget to enter the opening balance, delete the vendor and reenter the vendor along with the balance and the correct date.
* See text for all vendor files to create.

## Interim Review of New Company Setup

* So far in setting up the new company file, you have
	+ created the company file
	+ set up a company file password
	+ established preferences
	+ updated and customized the Chart of Accounts List
	+ updated the Item List and Customer and Vendor Centers
* As you added the inventory items, customers, and vendors with balances to the Lists and Centers, behind the scenes, QuickBooks recorded the information in general journal format and updated the appropriate account balances.
* Display the *Journal*, *Profit & Loss Standard*, and *Balance Sheet Standard* reports to see the activity recorded behind the scenes up to this point.

### *Journal* Report

* See text for steps to view and print the *Journal* report.
* Review the journal entries.
* They can be categorized as follows:
	+ For items that are debit entries to the inventory accounts, the corresponding credit entry is to the Kristin Raina, Capital (Opening Balance Equity) account.
	+ For entries that are debits to Accounts Receivable, the corresponding credit is to Uncategorized Income.
	+ For entries that are credits to Accounts Payable, the corresponding debit is to Uncategorized Expenses.

### *Profit & Loss Standard* (Income Statement) Report

* See text for steps to view the *Profit & Loss Standard* report.
* The *Profit & Loss Standard* report indicates only Uncategorized Income and Uncategorized Expenses.
	+ These amounts are offsetting amounts of the Accounts Receivable and Accounts Payable accounts.
* This is not a proper representation of the income and expenses of this company.

### *Balance Sheet Standard* Report

* See text for steps to display the *Balance Sheet Standard* report.
* A review of the balance sheet indicates the following:
	+ The only assets recorded so far are accounts receivable and inventory.
	+ The only liabilities recorded so far are the accounts payable.
	+ The balance in the Kristin Raina, Capital (Opening Balance Equity) account is the same as the total inventory.
	+ The net income is incorrect as seen in the Income Statement.

## Adjusting for the Accrual Basis of Accounting

* You have now
	+ created the new company file
	+ set up a company file password
	+ established preferences
	+ updated and customized, as appropriate, the Lists and Centers
* The final part is to enter the remaining opening balances and prepare the company file for the accrual basis of accounting.
* You may have noticed the label *accrual basis* in the upper left corner of the many reports.
* By default, the accounting reports and financial statements are prepared using the accrual basis of accounting.
	+ The accrual basis of accounting requires the recording of revenues when earned and expenses when incurred regardless of cash receipts or cash payments.
* Accrual basis of accounting follows GAAP and is the basis used in this text.

### Completing New Company Setup Using the Accrual Basis of Accounting

* Recall that you entered the opening balances for the Inventory accounts, Accounts Receivable, and Accounts Payable accounts when you set up and updated the Lists/Centers.
* When you set up the Chart of Accounts List, you could have entered the opening balances for assets (excluding Accounts Receivable), liabilities (excluding Accounts Payable), and equity accounts at that time.
* You cannot enter opening balances for some system default accounts, such as Accounts Receivable, Accounts Payable, and Sales Tax Payable, and you cannot enter opening balances for revenue and expense accounts.
* All opening balances will be entered in one journal entry.
* As you saw in the *Journal* report (Figure 7-DD), every time an Accounts Receivable account was recorded, a corresponding Uncategorized Income account was recorded.
	+ Every time an Accounts Payable account was recorded, a corresponding Uncategorized Expenses account was recorded.
* Uncategorized Income and Uncategorized Expenses accounts are not used in an accrual basis of accounting and therefore must be reversed to eliminate them.
	+ Do this by using reversing entries.
* To complete New Company Setup using the accrual basis of accounting, three journal entries will be prepared:
	+ entering opening balances
	+ reversing Uncategorized Income account
	+ reversing Uncategorized Expenses account

### Entering Opening Balances

* Enter all opening balances for Kristin Raina Interior Designs, excluding inventory, accounts receivable, and accounts payable, as one large compound journal entry.
* See text for steps to enter opening balances in the Make General Journal Entries window.
	+ You can enter the account number for each account or use the drop-down list.
	+ It may be easier to type the account number and then use the Tab key to move to the debit or credit column, type in the amount, and then use the Tab key to move to the next row.
		- It is not necessary to delete the balancing amount in the credit (or debit) column; type in the correct amount in the debit or credit column.
		- When appropriate, type over the balancing amount.

### Reversing the Uncategorized Income Account

* Recall that in the *Journal* report, shown in Figure 7–BB, there are two journal entries recorded a debit to Accounts Receivable and a credit to Uncategorized Income for two customers as follows:

 Berger Bakery Company $600

 Franco Films Co. 940

 $1,540

* Debit entries to the Accounts Receivable account are correct and will stay in that account.
* Credits to the Uncategorized Income account will be reversed by
	+ debiting Uncategorized Income for $1,540
	+ crediting the account 3010 Kristin Raina, Capital (formerly the Opening Balance Equity account) for $1,540
* As part of customizing the Chart of Accounts, the account Opening Balance Equity, created by QuickBooks, was changed to 3010 Kristin Raina, Capital.
* See text for steps to reverse the Uncategorized Revenue account.

### Reversing the Uncategorized Expenses Account

* In the *Journal* report shown in Figure 7–BB, there are seven journal entries that credit Accounts Payable and debit Uncategorized Expenses for seven vendor balances as follows:

 Ace Glass Works $1,500

 Bell Carpet Design 2,000

 Cuza and Carl Associates 400

 Galeway Computers 2,600

 Midwest Mutual Insurance 2,400

 Minneapolis Electric & Gas 450

 Williams Office Supply Company 400

 $9,750

* Credit entries to the Accounts Payable account are correct and will stay in that account.
* Debits to the Uncategorized Expenses need to be reversed by
	+ crediting Uncategorized Expenses for the total of $9,750
	+ debiting the 3010 Kristin Raina account, Capital (formerly the Opening Balance Equity account) for $9,750
* See text for steps to reverse the Uncategorized Expenses account.

## Reports: Accounting Reports and Financial Statements

* Upon completing the New Company Setup, you should display and print the accounting reports and financial statements.

### Accounting Reports

* Accounting reports you need to print and review include
	+ *Journal* report
	+ *Trial Balance* report

#### Journal report

* + You displayed and printed the *Journal* report after the initial company setup was completed.
	+ After recording the opening balances and reversing the Uncategorized Income and Uncategorized Expenses accounts, three more journal entries have been added to the *Journal* report.
	+ You can view and print all of the journal entries for April 1, 2021.
	+ See text for *Journal* report displaying only the additional three journal entries.

#### Trial Balance report

* + View and print the *Trial Balance* report for April 1, 2021.
	+ See text for *Trial Balance* report.
	+ The accounts and balances on this trial balance should match the trial balance of March 31, 2021, after transactions were recorded in Chapters 2 through 5.

### Financial Statements

* Financial statements consist of the
	+ *Profit & Loss Standard* report
	+ *Balance Sheet Standard* report
* Upon completion of the New Company Setup, these reports should be the same as the financial reports printed at the end of Chapter 5.
* See text for financial reports.

## Hybrid Method of New Company Setup and QuickBooks Desktop Setup Window

* You have learned two methods of New Company Setup: Detailed Start and Express Start.
* In addition, in Chapter 6 you learned how to use the QuickBooks Desktop Setup window to enter information, but the QuickBooks Desktop Setup window could also have been used in Chapter 7.
* Instead, in Chapter 7, you learned to enter the service items, inventory part items, customers, and vendors, by going directly to the Item List, Customer Center, and Vendor Center to enter the appropriate information, bypassing the QuickBooks Desktop Setup window.
* Once you create the new company file with either the Detailed Start or Express Start methods, you can use any combination of entering company information for service items, inventory part items, customers, and vendors.
* You can use the QuickBooks Desktop Setup window or the Lists/Center in any combination.
	+ For instance, you could use the QuickBooks Desktop Setup window to enter the customers and vendors, but you may choose to use the Item List to enter the service and inventory part items.
	+ Alternatively, you could use the QuickBooks Desktop Setup window to enter the inventory part items and use the Item List to enter the service items.
* QuickBooks will accept any variation of using the QuickBooks Desktop Setup window or Lists/Centers for entering the information for customers, vendors, service items, and inventory part items.

## Backing Up the New Company File

* You should make a backup copy of the new company file in the event there is damage to the file or the computer, or you are working on different computer.
* Using the procedures learned in previous chapters, make a backup copy of the new company file to your subfolder and/or a removable storage device.
	+ Name it EX7 [*Your Name*] Kristin Raina Interior Designs.
	+ Restore the backup copy and change the company name to EX7 [*Your Name*] Kristin Raina Interior Designs.
* After completing the New Company Setup, updating the Lists/Centers, viewing and printing Reports, and making a backup copy of the new company file, your accounting records are ready for recording daily activities.
	+ Activities would be recorded in the new company file using the procedures illustrated in the prior chapters.

# Chapter 7 Accounting Terms

accrual basis of accounting Accounting method that requires the recording of revenue when it is earned and the recording of expenses when they are incurred regardless of cash receipts or cash payments

reversing entries Entries recorded in the general journal to offset a balance in an account.