Lesson Blueprint

Computerized Accounting with QuickBooks® 2019

# Chapter 11: Jobs and Time Tracking

## Introduction

* QuickBooks allows you to allocate income and expenses for a specific job for a customer.
* A job is a project, assignment, or any identifiable segment of work for a customer.
* Identifying jobs allows the company to measure the profitability of individual customer projects or assignments.
  + When you record revenue in windows such as the Create Invoices or Enter Sales Receipts windows, you can indicate the job for which the revenue was earned.
  + When you record expenses such as payroll in the Pay Employees window, you can also allocate employee pay and payroll tax expenses to a job.
* Most service businesses track employee hours as part of the invoicing process.
* Customers are billed, usually at an hourly rate, for services provided by various company personnel.
  + This is called billable time or billable hours.
* Time-tracking mechanisms can vary from a simple manual system using handwritten timesheets to stand-alone time-and-billing software.
* Billable hours are used to
  + allocate expenses to a job
  + determine the invoice to be billed for the job
  + ultimately determine the profit (job revenue less job expenses) for the job
* To allocate the revenue and expenses to a specific job, you can
  + maintain the details manually
  + utilize QuickBooks’ Time-Tracking feature
* When activated, this feature allows you to record time spent by company personnel for customers and specific jobs by entering data in the Weekly Timesheet window.
* This data is then used to allocate payroll expenses to those jobs and to bill customers for work done.

## QuickBooks versus Manual Accounting: Jobs and Time Tracking

* In a manual accounting system, when revenue is recorded in a sales or cash receipts journal, an additional step must be taken to identify the job earning the revenue and to record that revenue in a jobs subsidiary ledger.
* Similarly, when job expenses are recorded in the purchases, cash payments, or payroll journals, they also must be posted to the jobs subsidiary ledger.
  + These steps must be taken in addition to posting to the customer and vendor subsidiary ledgers.
* In QuickBooks, the job file in the Customer Center serves as the jobs subsidiary ledger for the company.
* When it is desirable to track revenues and expenses for a particular job, that job is created as part of the customer’s file of the Customer Center.
  + Relevant information is entered at the time the job file is created and is updated as necessary. This information includes:
    - job name
    - status
    - start date
    - job description
* When the company earns revenue from the job, the revenue is recorded in much the same manner as previously recorded in the Create Invoices window or the Enter Sales Receipts window.
* However, when the revenue is identified with a particular job in each window, it is automatically allocated to the job while the transaction is recorded.
* These transactions simultaneously update the
  + general ledger for the revenue earned
  + customer file for the account receivable (in the Create Invoices window)
  + job file for the job revenue
* If employees work on a specific job, the Pay Employees windows itself allows you to identify the time spent or salary expense related to the job.
* In addition, QuickBooks has a Time-Tracking feature that is integrated into the existing accounting software.
* Time tracking is used to track the billable time allocated to the jobs.
* Billable time by job is recorded in the Weekly Timesheet window for each employee.
* When payroll is processed, this information is then carried to the Pay Employees windows where the payroll expense is allocated to the identified jobs.
* This information is also used in the Create Invoices or Enter Sales Receipts windows to bill customers by job based on the billable time.
* Below is a comparison of manual accounting ledger and journals with QuickBooks functions:

|  |  |
| --- | --- |
| **Manual Accounting System** | **QuickBooks** |
| Job Subsidiary Ledger | Customer Center |

## Chapter Problem

* In this chapter, the sample company Kristin Raina Interior Designs will track revenue and expenses for several jobs for a customer.
  + When a revenue is generated, you will identify the job earning the revenue and allocate the revenue to that job.
  + You will also charge selected payroll to a specific job.
  + Although not an employee, Kristin Raina also will track and allocate her time to specific jobs.
* The Time-Tracking feature is an optional feature.
  + You can track revenue and expenses with or without using it.
* For the first half of the month, you will allocate revenues and expenses to jobs without using the Time-Tracking feature.
* In the second half of the month, you will activate the Time-Tracking feature and use it to allocate revenues and expenses to jobs.
* Beginning balances for May 1, 2021, are contained in company file CH11 Kristin Raina Interior Designs.
* Using the steps similar to those used in Chapters 1 through 5, complete the following:
  + Open the company file CH11 Kristin Raina Interior Designs.QBW and enter the password.
  + Make a backup copy of the file using the file name EX11 [*Your Name*] Kristin Raina Interior Designs.
  + Restore the backup copy and enter the password.
  + Change the company name in the file to EX11 [*Your Name*] Kristin Raina Interior Designs.

## Lists/Centers: The Customer Center

* The Customer Center contains a file for each customer with which the company does business.
* If there are specific jobs for a customer, or multiple jobs for that customer, identify those jobs in the customer file.
* A job must always be associated with a customer.
* Once a job is added it will have its own file separate from but part of the customer’s file.
  + carries over the customer information from the customer’s file (name, address, telephone, and so on)
  + In addition, the job file will contain important information such as job name, description, start and expected completion dates, and status of the job.
* On May 1, 2021 Kristin Raina Interior Designs was awarded a contract to redesign the lobbies of the three hotels owned by Hamilton Hotels.
* Kristin Raina wishes to track the revenue and payroll expenses for each of the three jobs by utilizing the jobs feature of QuickBooks.
* See text for steps to add a job.
  + If you click Next instead of OK to save data, you will be moved to the next job with job information from the previous job carried over.
  + The first job information is saved, but you will need to modify the job information carried over for the next job.
* See text for practice exercise.
* See text to review steps to move an incorrect entry.

## Lists: The Item List

* Beginning this month, Kristin Raina will begin billing customers for design and decorating work done by both her and one of her employees.
  + Recall that the rate for Design Services is $60 per hour and the rate for Decorating Services is $50 per hour.
  + These rates apply to work done by Kristin Raina, the owner.
  + Work done by the employee Richard Henderson will be billed at $40 per hour for both Design and Decorating Services.
* Since the company will now bill customers at different rates depending on who is doing the work, separate items have to be set up for each rate.
* The Item List in the company file has been modified to reflect the foregoing changes.
  + The Design Services item has been changed to Design Services – Owner.
  + The Decorating Services item has been changed in a similar manner.
  + A new item has been added: Decorating Services – Assistant, which reflects the services performed and billed for Richard Henderson with a rate of $40 per hour.
* See text for practice exercise.

## Activities: Allocating Payroll Expenses to a Job

* As you recall from Chapter 9 on payroll, Kristin Raina has two employees.
  + Harry Renee: Harry Renee is an administrative assistant whose time is not billable.
  + Richard Henderson: Richard Henderson is a Design Assistant and, along with the owner Kristin Raina, provides design and decorating services to customers.
* Both Richard Henderson and Kristin Raina will be spending time working on the Hamilton Hotels projects.
* Kristin Raina wishes to charge the payroll expense to each project in order to measure the profitability of each project.
* For the first payroll in May, Kristin Raina has kept track of the hours spent on each job by both Richard Henderson and herself on a manual system.
* See text for steps to pay an employee and allocate to jobs.

## Creating an Invoice for a Job

* In Chapter 3, creating an invoice using the Create Invoices window was illustrated.
* When invoices are prepared for specific jobs, the procedure will be similar but with one difference.
  + At the Customer:Job drop-down list, you select the job rather than the customer.
* See text for steps to create an invoice for a job.
* See text for practice exercise.

## Setting Up Time Tracking

* The Time-Tracking feature of QuickBooks allows you to track hours worked by both employees and owners.
* Tracking time means recording the hours worked by company personnel while identifying the customer or job for which they spend their working hours.
* Many companies maintain manual timesheets or timecards to record employee time.
* QuickBooks’ Time-Tracking feature automates that process and enables you to use the resulting data in a number of ways. You can use it to
  + bill clients by job for work done by the company’s personnel
  + allocate income and expenses to jobs
  + process payroll by job
* Set up the Time-Tracking feature in the Preferences window.
* Once you have done that, the Weekly Timesheet window is available with which you can input hourly and daily work activity for customers and/or jobs.
* See text for steps to set up the Time-Tracking feature.

## Activities: The Weekly Timesheet Window

* In QuickBooks, you can use the Weekly Timesheet window to enter the daily work activity of employees and owners on a weekly basis.
  + Each employee or owner indicates the number of hours worked for a customer or job.
  + You then enter the daily hours along with the customer or job name and the type of service that is performed.
* This information does not in itself generate a transaction or journal entry.
  + Instead, when you wish to invoice a customer for the work and to prepare the payroll for the employees, QuickBooks uses the information in the Weekly Timesheet to automatically complete fields in these windows:
    - Create Invoices
    - Enter Sales Receipts
    - Pay Employee
* See text for the Weekly Timesheet window.
* The Weekly Timesheet window allows you to select the
  + name of the employee or owner doing the work
  + type of service to be invoiced
  + type of payroll item (salary or hourly pay)
  + daily hours spent for each customer or job
* Ideally, this information is entered daily by the employee or owner.
  + In this chapter you will enter the data for an entire pay period at one time.
* Check the box on the right side of the window to indicate if the hours are
  + billable
* Kristin Raina has been tracking time manually.
  + Beginning May 15, she wants to utilize the Time-Tracking feature and the Weekly Timesheet.
* See text for steps to enter time tracking in the Weekly Timesheet.
* See text for practice exercise.

## Activities: Paying an Employee and Allocating Payroll Expense to a Job

* On May 15, 2021, when Kristin Raina processed the pay for Richard Henderson, the hours spent for each job were manually entered in the Review Paycheck window.
  + This was necessary because the QuickBooks Time-Tracking feature had not yet been set up.
* Now the Time-Tracking feature has been set up and daily work activity has been entered into the Weekly Timesheet window.
  + This information can now be utilized to assist in the payroll process and to allocate employee payroll costs to specific customer jobs.
* On May 31, 2021, Kristin Raina will process the pay for Richard Henderson, who worked on all three jobs during the pay period.
* See text for steps to pay an employee and allocate payroll costs using time tracking.

## Activities: Creating an Invoice with Time Tracking

* Daily work information for Kristin Raina and Richard Henderson has been entered in the Weekly Timesheet window.
* When the payroll for Richard Henderson was processed, QuickBooks used the information from the Weekly Timesheet window to total the hours spent on each job and to allocate the payroll expense accordingly.
* QuickBooks also uses the timesheet data to bill customers for services rendered and to allocate revenue earned to each job.
* See text for steps to create an invoice using time tracking.
* See text for practice exercise.

## Activities: Creating a Customer Statement

* Companies generate customer statements as part of the receivable management process.
* In QuickBooks, customer statements are prepared using the Create Statements window.
* See text for steps to create a customer statement.
* See text for practice exercise.

## Reports: Job, Time Tracking, and Financial Reports

* Both the Job and Time-Tracking features produce reports that companies find helpful in measuring job profit and managing employee time.
  + Job reports focus on profitability.
  + Time-tracking reports analyze time spent by each person or for each job.

### Job and Time-Tracking Reports from the Reports Menu

* Several reports can be accessed from the Reports menu that analyze information related to jobs.
* Two of these reports are the
  + *Profit & Loss by Job*
  + *Time by Job Summary*

#### Profit & Loss by Job report

* + The *Profit & Loss by Job* report provides information on the profitability of customer and job activity.
  + It shows the type of revenue earned and the expenses incurred for each job for a specified period of time.
  + To confine the information solely to jobs, you have to customize the report.
  + See text for steps to view and print the *Profit & Loss by Job* report.

#### Time by Job Summary report

* + The *Time by Job Summary* report lists hours spent by job for a specified period of time.
  + It lists the job and the time each employee devoted to it.
  + See text for steps to view and print the *Time by Job Summary* report.

### Financial Reports

* At the end of the month the following reports should be viewed and printed:
  + *Journal*
  + *Profit & Loss Standard*
  + *Balance Sheet Standard*
* See text for examples of these reports.

## Reconciliation of Data to Reports

* As was seen in this chapter, income and expenses can be allocated to jobs either by entering data directly into the Create Invoices window and Payroll window, or by activating the Time-Tracking feature and utilizing the Weekly Timesheet.
* When data is entered manually or into the Weekly Timesheet, QuickBooks calculates the amounts per job behind the scenes and those amounts appear in the Create Invoices window, Payroll windows, Job files, and Job reports.
* Refer to Figure 11–HH in text for the computations QuickBooks calculates behind the scenes for each job.

# Chapter 11 Accounting Terms

job A project, assignment, or any identifiable segment of work for a customer.