



QUICKBOOKS 2020 STUDENT GUIDE

---

## Lesson 10

### QuickBooks Inventory

intuit.<sup>®</sup>

**Copyright**

Copyright 2020 Intuit, Inc.  
All rights reserved.

Intuit, Inc.  
5100 Spectrum Way  
Mississauga, ON L4W 5S2

**Trademarks**

©2020 Intuit Inc. All rights reserved. Intuit, the Intuit logo, Intuit ProLine, Lacerte, ProAdvisor, ProSeries and QuickBooks, among others, are trademarks or registered trademarks of Intuit Inc. in the United States and other countries. Other parties' marks are the property of their respective owners.

**Notice to Readers**

The publications distributed by Intuit, Inc. are intended to assist accounting professionals in their practices by providing current and accurate information. However, no assurance is given that the information is comprehensive in its coverage or that it is suitable in dealing with a client's particular situation. Accordingly, the information provided should not be relied upon as a substitute for independent research. Intuit, Inc. does not render any accounting, legal, or other professional advice nor does it have any responsibility for updating or revising any information presented herein. Intuit, Inc. cannot warrant that the material contained herein will continue to be accurate nor that it is completely free of errors when published. Readers should verify statements before relying on them.

## Table of Contents

<b>Lesson Objectives .....</b>	<b>4</b>
<b>Turn on the Inventory Feature .....</b>	<b>5</b>
<b>Enter Products into Inventory .....</b>	<b>6</b>
<b>Create Purchase Orders .....</b>	<b>8</b>
<b>Open Purchase Orders Report.....</b>	<b>9</b>
<b>Stock Status by Item Report .....</b>	<b>10</b>
<b>Receive Inventory .....</b>	<b>11</b>
<b>Enter a Bill for Inventory.....</b>	<b>12</b>
<b>Sell Inventory Parts.....</b>	<b>13</b>
<b>Adjust Inventory .....</b>	<b>14</b>
<b>QuickBooks Inventory — Review Activities .....</b>	<b>15</b>
<b>Review Activities Cont.....</b>	<b>16</b>
<b>Answers to Review Activities .....</b>	<b>17</b>

## Lesson Objectives

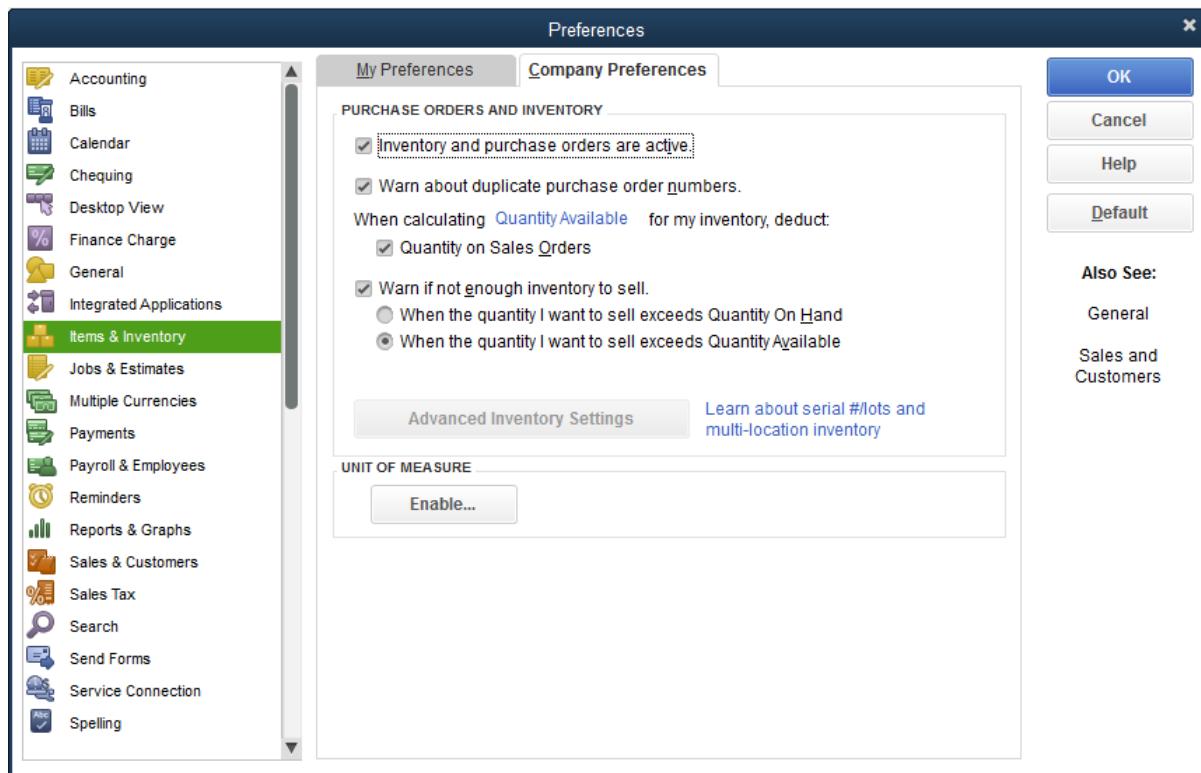
-  Get an overview of inventory in QuickBooks
-  Practice filling out a purchase order for inventory items
-  Track the receipt of the inventory items in QuickBooks
-  Adjust inventory manually to enter a stock loss or increase
-  Set up and use units of measure

## Turn on the Inventory Feature

If you need to track inventory for your company, you can turn the feature on while creating your company file. If you want to turn on the inventory feature after you've set up your company file, follow these steps.

### Turn on the inventory feature:

1. From the **Edit** menu, choose **Preferences**.
2. Select **Items & Inventory** from the list to the left.
3. Click the **Company Preferences** tab.
4. Click the **Inventory and purchase orders are active** checkbox to select it.
5. Click **OK**.



### NOTES

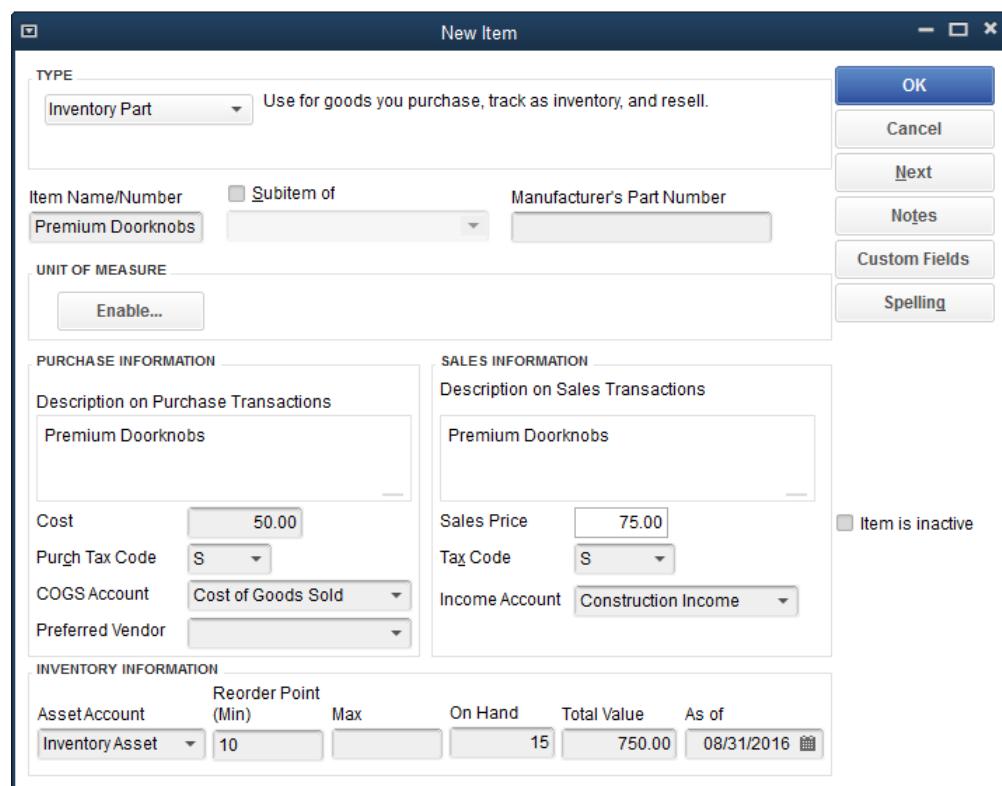
## Enter Products into Inventory

Many small businesses that stock inventory don't know the number of units they have on hand or on order at any given time and have no way of getting that information quickly. Using QuickBooks to manage your inventory, you'll be able to track the number of items in stock and the value of your inventory after every purchase and sale.

As you order inventory items, receive the items, and later sell the items from inventory, QuickBooks keeps track of how much inventory you have on hand. You will know the status of your inventory and will have a more accurate picture of your business's assets.

### Enter a product into inventory:

1. Click the **Items & Services** icon on the home page.
2. Click the **Item** button at the bottom left and choose **New**.
3. In the **Type** field, choose **Inventory Part** from the drop-down list.
4. Enter the item name in the **Item Name/Number** field.
5. In the **Description on Purchase Transactions** field, enter the description you would like to appear on purchase orders, bills, and checks.
6. In the **Cost** field, enter your cost for the item.
7. Enter the appropriate **Cost of Goods Sold** account in the **COGS Account** field.



8. (Optional) In the **Preferred Vendor** field, choose a preferred vendor.
9. In the **Sales Price** field, enter the price you would like to appear on sales orders, sales receipts, estimates, and invoices.
10. Click the Tax Code drop-down and select the appropriate tax code.
11. In the **Income Account** field, assign the appropriate income account for when the item is sold.
12. Enter the appropriate asset account in the **Asset Account** field.
13. In the **Reorder Point** field, enter the point at which you would like QuickBooks to remind you to reorder the item.
14. Click OK.

**NOTES**

## Create Purchase Orders

Use purchase orders to place inventory orders with your vendors, and to keep track of what you have ordered from them. Later, you receive inventory in QuickBooks based on the purchase order.

### Enter a Purchase Order:

1. Click the **Purchase Orders** icon on the home page.
2. In the **Vendor** field, choose the name of the vendor from the drop-down list.
3. In the **Item** column, select the item you wish to order from the drop-down list.
4. In the **QTY** field, enter the quantity you wish to order.
5. (Optional) Add a **Vendor Message**.

The screenshot shows the 'Create Purchase Orders' window in QuickBooks. The top menu bar includes 'Main', 'Formatting', and 'Reports'. Below the menu are standard toolbar buttons for New, Save, Delete, Memorize, Print, Email, and Attach File. The main area has tabs for 'VENDOR', 'DROP SHIP TO', 'TEMPLATE', and 'Custom Pu...'. The 'VENDOR' tab is selected, showing 'Fisher Supplies' as the vendor. The 'Purchase Order' section displays the following details:  
- DATE: 08/31/2016  
- P.O. NO.: 10  
- VENDOR: Fisher Supplies, 8227 Dunant Road, Vancouver, BC V3Y 2S8  
- SHIP TO: White Ridge Constructi, 5673 Commercial Blvd, Vancouver, BC V2W 5G.  
The item list table shows one item: Premium Doorknobs, QTY 10, RATE 50.00, AMOUNT 500.00, and TAX S. The total amount is 560.00. At the bottom, there are fields for 'MEMO' and 'VENDOR TAX CODE', and buttons for 'Save & Close', 'Save & New', and 'Clear'.

6. Click **Save & Close** to record the purchase order.

## Open Purchase Orders Report

To get a list of open Purchase Orders, run the Open Purchase Orders report.

**To get a report of all the purchase orders you have written:**

1. Click the **Reports** menu and select **Purchases**, then **Open Purchase Orders**.

Type	Date	Name	Num	Deliv Date	Amount	Open Balance
Purchase Order	01/04/2010	All Subs	1	01/04/2010	18,123.00	18,123.00
Purchase Order	01/04/2010	Craig's Lumber	2	01/04/2010	23,593.50	23,593.50
Purchase Order	01/16/2010	Barata's Building S...	3	01/16/2010	14,490.00	14,490.00
Purchase Order	02/16/2010	All Subs	4	02/16/2010	12,232.50	12,232.50
Purchase Order	05/01/2010	All Subs	5	05/01/2010	13,072.50	13,072.50
Purchase Order	05/01/2010	Barata's Building S...	6	05/01/2010	19,267.50	19,267.50
Purchase Order	11/26/2010	Craig's Lumber	7	11/26/2010	15,067.50	15,067.50
Purchase Order	11/30/2010	Barata's Building S...	8	11/30/2010	40,845.00	40,845.00
Purchase Order	12/15/2010	Dobson's Exteriors	9	12/15/2010	26,250.00	26,250.00
Purchase Order	08/31/2016	Fisher Supplies	10	08/31/2016	560.00	560.00
<b>Total</b>					<b>183,501.50</b>	<b>183,501.50</b>



### NOTES

## Stock Status by Item Report

The Stock Status by Item report shows you the quantity of inventory parts you have on hand, and how many are on Purchase Order. Use this report when deciding whether you need to order inventory, and how much.

### To get a report of all the purchase orders you have written:

1. Click the **Reports** menu and select **Inventory**, then **Inventory Stock Status by Item**.

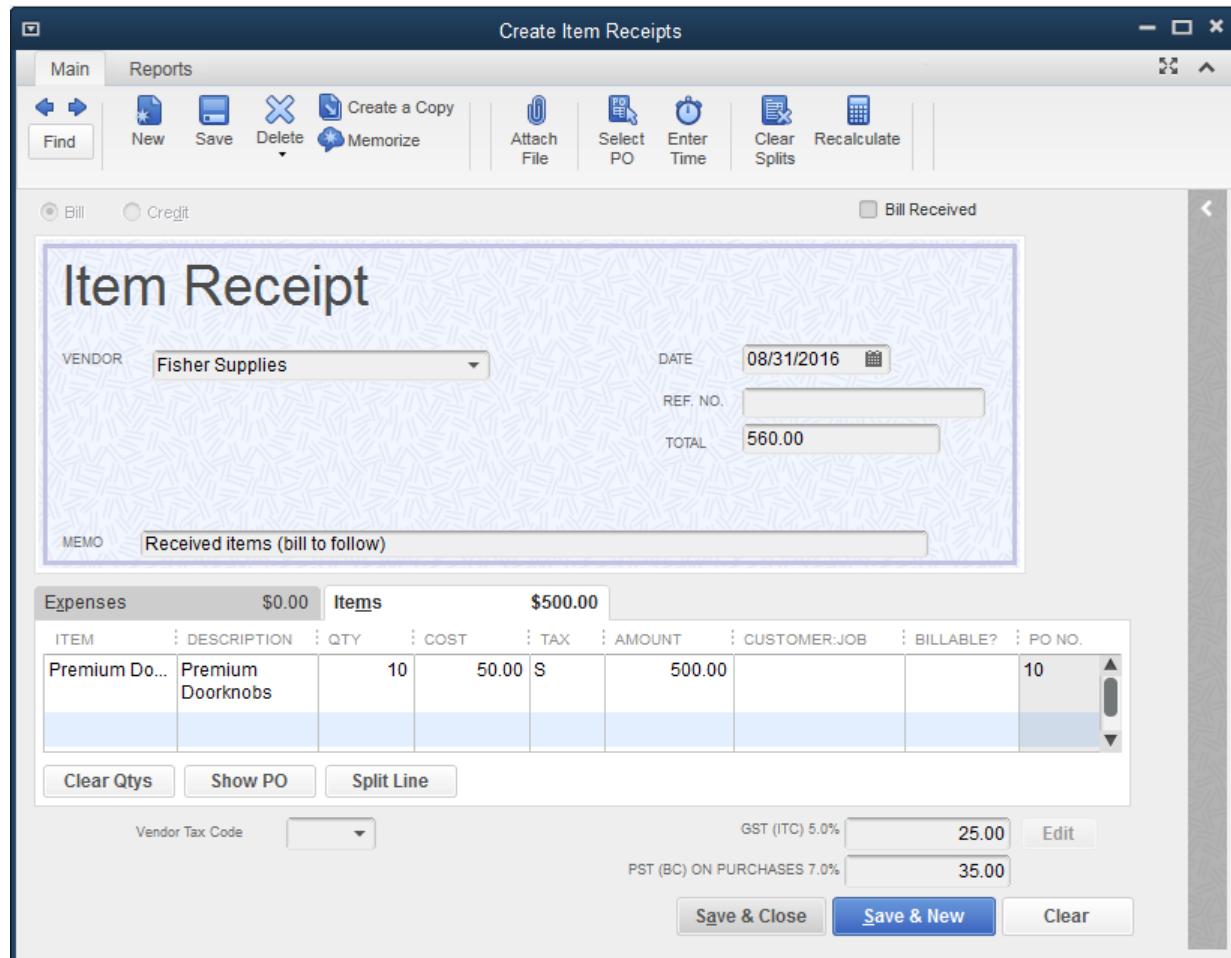
Inventory Stock Status by Item											
<input type="button" value="Customize Report"/> <input type="button" value="Comment on Report"/> <input type="button" value="Memorize"/> <input type="button" value="Print"/> <input type="button" value="E-mail"/> <input type="button" value="Excel"/> <input type="checkbox"/> Hide Header <input type="button" value="Refresh"/>											
Dates	This Month-to-date		From	08/01/2016	To	08/31/2016	<input type="checkbox"/> Use avail qty to reorder	<input type="checkbox"/> Hide zero QOH	<input type="checkbox"/> Full Assemblies		
10:12 AM	White Ridge Construction Company										
08/31/16	Inventory Stock Status by Item										
	August 2016										
Inventory	Pref Vendor	Reorder Pt (Min)	Max	On Hand	On Sales Order	Available	Order	On PO	Reorder Qty	Next Deliv	Sales/Week
Exterior Materials Heading											
Exterior Frame				75	0	75	0	0	0	0	
Exterior Materials Heading - O...				0	0	0	0	0	0	0	
Total Exterior Materials Heading				75	0	75	0	0	0	0	
Lighting Retail											
Standing Lamp				0	0	0	0	0	0	0	
Table Lamp				0	0	0	0	0	0	0	
Track Light				0	0	0	0	0	0	0	
Wall Sconce				0	0	0	0	0	0	0	
Lighting Retail - Other				0	0	0	0	0	0	0	
Total Lighting Retail				0	0	0	0	0	0	0	
Materials Heading											
Cabinets											
Cabinet Wall Unit				0	0	0	0	0	0	0	
Finished Cabinets				0	0	0	0	0	0	0	
Cabinets - Other				0	0	0	0	0	0	0	
Total Cabinets				0	0	0	0	0	0	0	
Hardware											
Brass Hinges				200	0	200	0	0	0	0	
Door Pulls				0	0	0	0	0	0	0	
Doorknobs				0	0	0	0	0	0	0	

## Receive Inventory

When you receive the items you have ordered with your purchase order, you have to enter the items into inventory. You can receive items with a bill or without a bill. This exercise shows how to enter into QuickBooks inventory items you've received when the bill for those items will follow later.

### To receive inventory without a bill attached:

1. Click the **Receive Inventory** icon and select **Receive Inventory without Bill**.



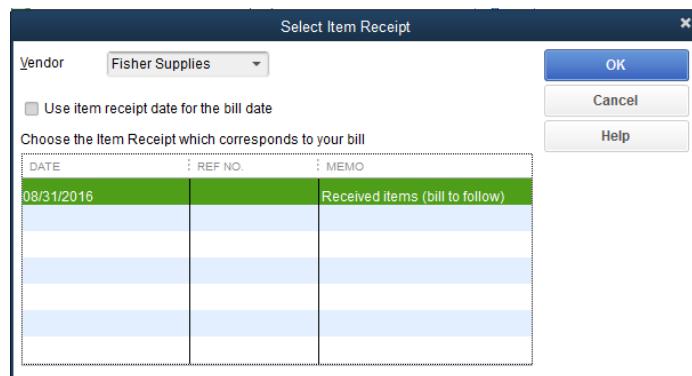
2. In the **Vendor** field, select the appropriate vendor.
3. At the **Open Purchase Orders Exist** window, click **Yes** (or **Select PO** from the icon bar if you accidentally bypass the pop-up notification).
4. Select the purchase order(s) you wish to receive against.
5. Click **OK** to move the information to the item receipt.
6. Click **Save & Close**.

## Enter a Bill for Inventory

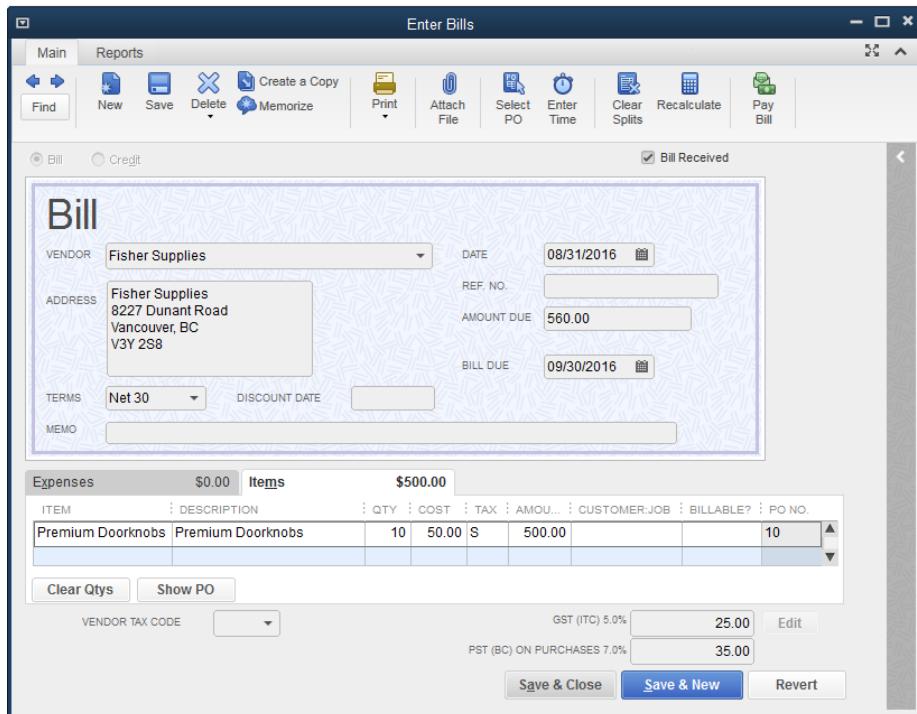
When you receive the bill for inventory, enter it in the Enter Bills window. When it comes time to pay the bill, pay it as you normally would through the Pay Bills window.

### Enter the bill:

1. Click the **Enter Bills Against Inventory** icon on the home page.
2. In the **Vendor** field, select the vendor from the drop-down list.
3. In the Select Item Receipt window, select the item receipts you wish to make a bill for.



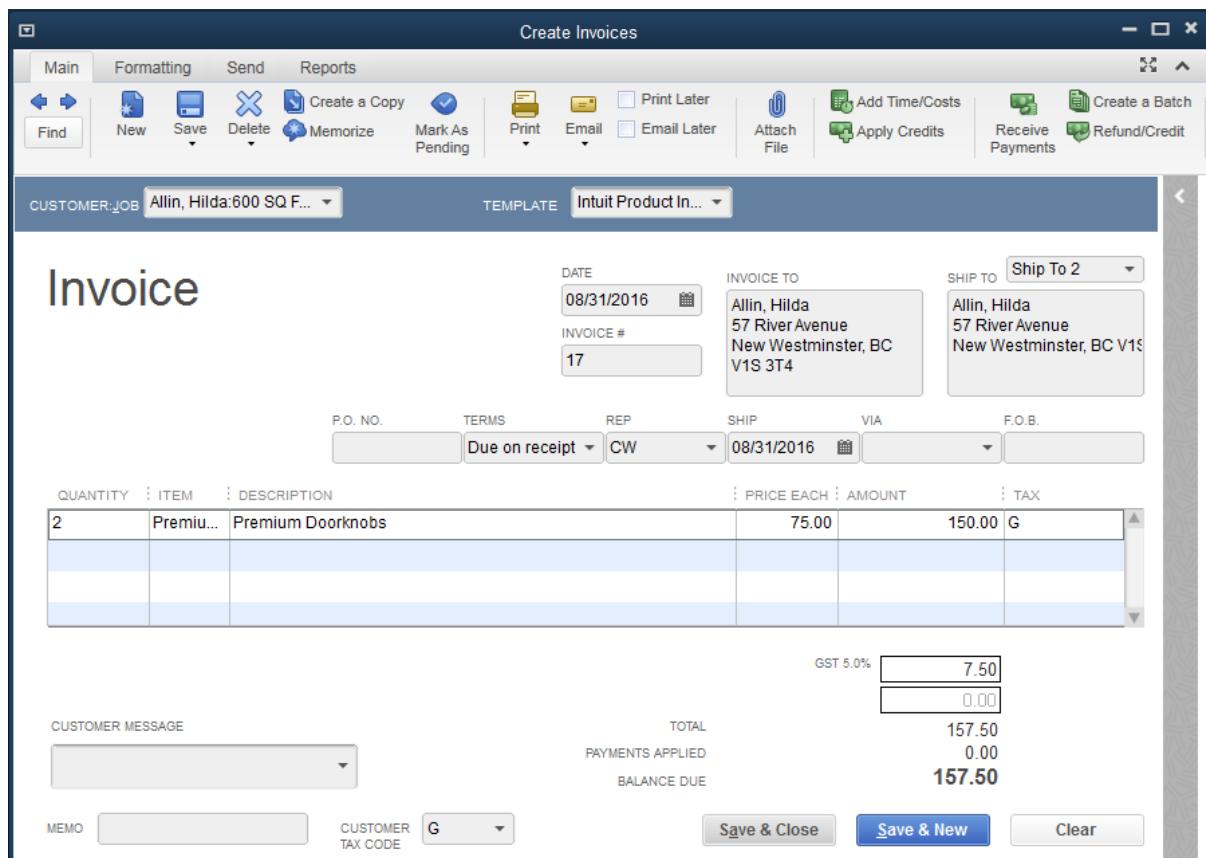
4. Click **OK**.



5. Click **Save & Close**

## Sell Inventory Parts

When you are ready to sell inventory, enter the inventory part and the quantity on the sales form. QuickBooks will reduce the amount in your inventory asset account, and increase your income and cost of goods sold accounts linked to the inventory part.



Transaction Journal													
Customize Report		Comment on Report		Memorize		Print		E-mail		Excel			
Dates	All	From	To	Sort By		Default							
<b>10:21 AM</b> <b>White Ridge Construction Company</b> <b>08/31/16</b> <b>Transaction Journal</b> <b>All Transactions</b>													
Trans #	Type	Date	Num	Name	Memo	Item	Item Description	Account	Sales Price	Amount			
324	Invoice	08/31/2016	17	Allin, Hilda:600 SQ...			Premium Doorknobs	Accounts Receivable	75.00	150.00	◀		
				Allin, Hilda:600 SQ...	Premium Doo...	Premium...	Premium Doorknobs	Construction Income		-150.00			
				Allin, Hilda:600 SQ...	Premium Doo...	Premium...	Premium Doorknobs	Inventory Asset		-102.80			
				Allin, Hilda:600 SQ...	Premium Doo...	Premium...	Premium Doorknobs	Cost of Goods Sold		102.80			
				Receiver General	GST on sales	GST	GST on sales	GST/HST Payable	5.0%	-7.50			
										0.00			
<b>TOTAL</b>											<b>0.00</b>		

## Adjust Inventory

When you have spoilage or send out samples of your products, you can adjust your inventory manually.

### Adjust inventory:

1. On the **Home** page, click the arrow next to **Inventory Activities** and choose **Adjust Quantity/Value on Hand**.

QuickBooks displays the Adjust Quantity/Value on Hand window.

The screenshot shows the 'Adjust Quantity/Value on Hand' window. At the top, there are fields for 'Adjustment Type' (Quantity), 'Adjustment Date' (08/31/2016), 'Reference No.' (1), 'Adjustment Account' (Cost of Goods Sold), and 'Customer/Job'. Below this is a grid table with columns: ITEM, DESCRIPTION, QTY ON HAND, NEW QUANTITY, and QTY DIFFERENCE. A single row is visible for 'Premium Doorknobs' with a quantity of 23, new quantity of 20, and a difference of -3. At the bottom left, there's a 'Memo' field and an 'ITEM INFO AFTER ADJUSTMENT' section showing 'Quantity on Hand' (20), 'Avg Cost per Item' (51.40), and 'Value' (1,028.00). On the right, there are buttons for 'Save & Close', 'Save & New', and 'Clear'.

ITEM	DESCRIPTION	QTY ON HAND	NEW QUANTITY	QTY DIFFERENCE
Premium Doorknobs	Premium Doorknobs	23	20	-3

2. In the **Adjustment Account** field, enter the appropriate **Cost of Goods Sold** account that you would like to adjust against.
3. Click on the **Find & Select Items** button to search for items, or enter them directly into the Items column.
4. Enter the new quantities you want to show in your inventory in the **New Quantity** column, or use the **Qty Difference** column to adjust inventory up or down.
5. Click **Save & Close**.

## QuickBooks Inventory — Review Activities

1. True or false: Purchase Orders do not affect the balance sheet or income statement.
  - a. True
  - b. False
2. You placed an order with a vendor for inventory parts. The items have arrived but you have not received the bill yet. Which option should you choose from the Vendors menu?
  - a. Enter bills
  - b. Receive items and enter bills
  - c. Receive items
  - d. Enter bills for items received
3. You complete a physical inventory and discover that you have five more of a particular item than shown in QuickBooks. How do you update the inventory records in QuickBooks?
  - a. Complete the physical inventory worksheet
  - b. Enter an item receipt
  - c. Adjust the quantity using the Adjust Quantity/Value on Hand window
  - d. None of the above
4. Which of the following provide you with a list of all purchase orders created in a file?
  - a. QuickReport on the Purchase Orders account
  - b. Purchase Orders List report
  - c. Open Purchase Orders
  - d. All of the above

## Review Activities

1. From the **File menu** in QuickBooks, choose **Open or Restore Company**. QuickBooks displays the **Open or Restore Company window**.
2. Select **Restore a backup copy** and click **Next**.
3. Select **Local backup** and click **Next**.
4. In the **Open Backup Copy** window, navigate to the appropriate directory.
5. Select the **qblesson.qbb** file, and then click **Open**.
6. In the **Open or Restore Company** window, click **Next**.
7. Navigate to your directory.
8. In the **File Name** field of the **Save Company File As** window, type **Lesson10** and then click **Save**.
9. Enter the **Password: QBDT2020!**
10. Click **OK** when you see the message that the file has been successfully restored.

### Review Activities

1. Enter a new inventory item using the following information.
  - **Item Name/Number:** Premium Doorknobs
  - **Purchase Description:** Premium Doorknobs
  - **Cost:** 50.00
  - **COGS Account:** Cost of Goods Sold
  - **Sales Description:** Premium Doorknobs
  - **Sales Price:** 75.00
  - **Income Account:** Construction Income
  - **Asset Account:** Inventory Asset
  - **Reorder Point:** 10
  - **Qty on Hand:** 15
2. Create a purchase order for 20 premium doorknobs.
3. Receive the 20 standard doorknobs into inventory and record the bill for the doorknobs.
4. Pay the bill for the premium doorknobs.
5. Open a Stock Status by Item report.
6. Create an invoice to sell 5 premium doorknobs to Karen Bentley for the Roof and Attic job.
7. After an inventory count you find you have 5 fewer premium doorknobs on hand than QuickBooks has in inventory. Record the inventory adjustment necessary to correct this.

## Answers to Review Activities

1. True or false: The Purchase Orders account does not affect the balance sheet or income statement.
  - a. ✓ True
  - b. False
2. You placed an order with a vendor for inventory parts. The items have arrived but you have not received the bill yet. Which option should you choose from the Vendors menu?
  - a. Enter bills
  - b. Receive items and enter bills
  - c. ✓ Receive items
  - d. Enter bills for items received
3. You complete a physical inventory and discover that you have five more of a particular item than shown in QuickBooks. How do you update the inventory records in QuickBooks?
  - a. Complete the physical inventory worksheet
  - b. Enter an item receipt
  - c. ✓ Adjust the quantity using the Adjust Quantity/Value on Hand window
  - d. None of the above
4. Which of the following provide you with a list of all purchase orders created in a file?
  - a. ✓ QuickReport on the Purchase Orders account
  - b. Purchase Orders List report
  - c. Open Purchase Orders
  - d. All of the above