intuit QuickBooks®

Lesson 10

QuickBooks Inventory

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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**.
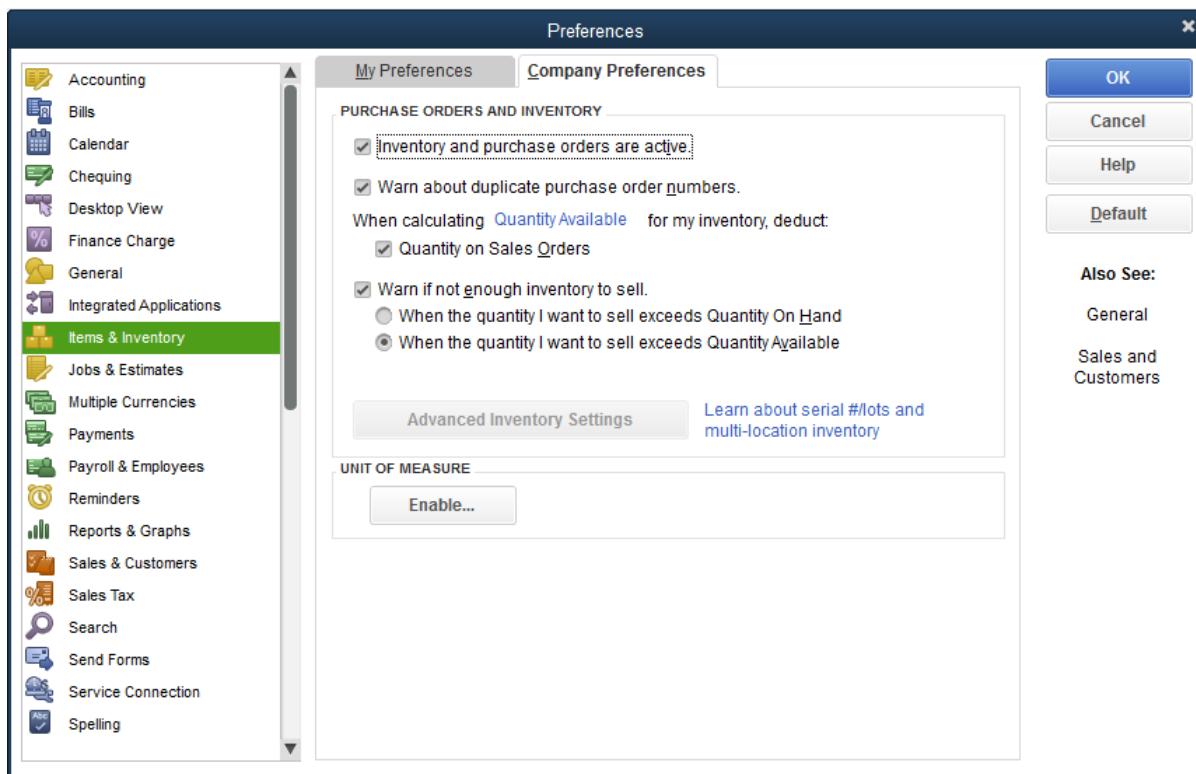
NOTES

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**.

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**.

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**.

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.
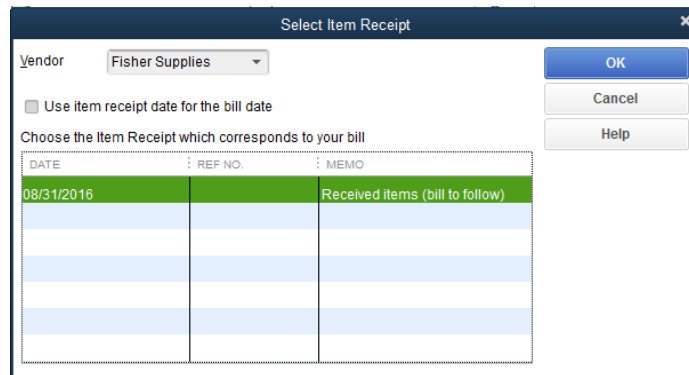
4. Click **OK**.
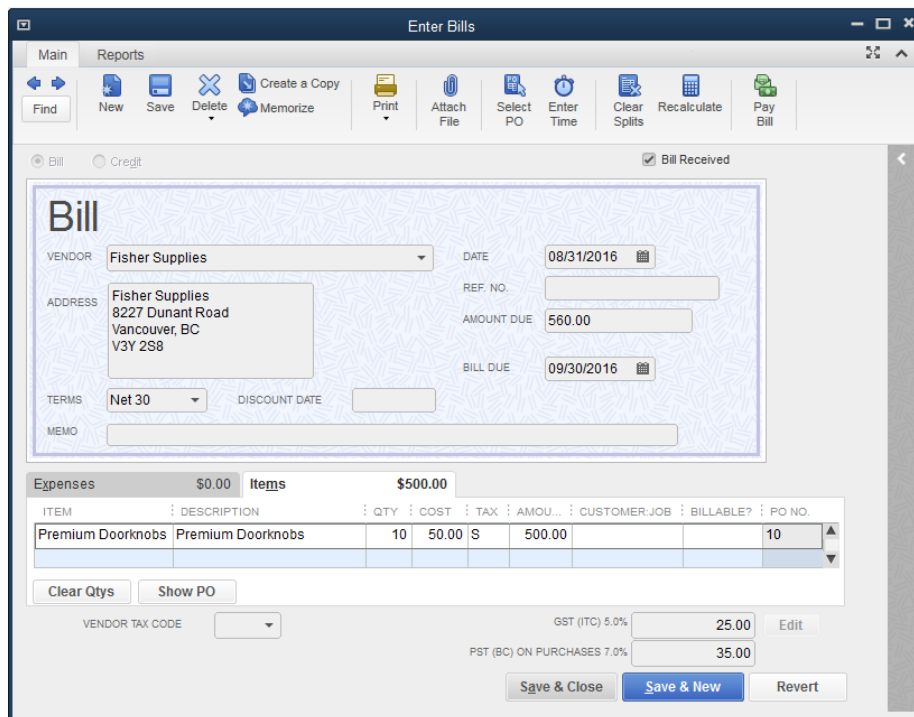
5. Click **Save & Close**

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.

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.

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: QBDT2019!**

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