quickbooks

QuickBooks Online Student Guide

Chapter 4

Suppliers and Expenses Part I

Table of Contents

Keeping track of all of your small business expenses is a critical part of your bookkeeping in QuickBooks. QuickBooks lets you track all different types of expense transactions including bills, checks, debit card credit cards and more. This chapter will help you discover how to track your expenses effectively in QuickBooks.

▶ Lesson Objectives

In this chapter, you'll learn:

- How to set up suppliers
- Tracking Accounts Payable vs. Expenses and Cheques
- Expense workflows and when to use each transaction type
- How expenses entered affect financial statements

▶ Adding Suppliers

QuickBooks uses the **Supplier List** to store information about the people and companies that you do business with. Adding supplier details helps you track important contact information about each supplier. It also lets you create reports about the expenses incurred with that supplier.

> **NOTE** If you need to keep track of Accounts Payable, each of your suppliers must be set up on the Suppliers list.
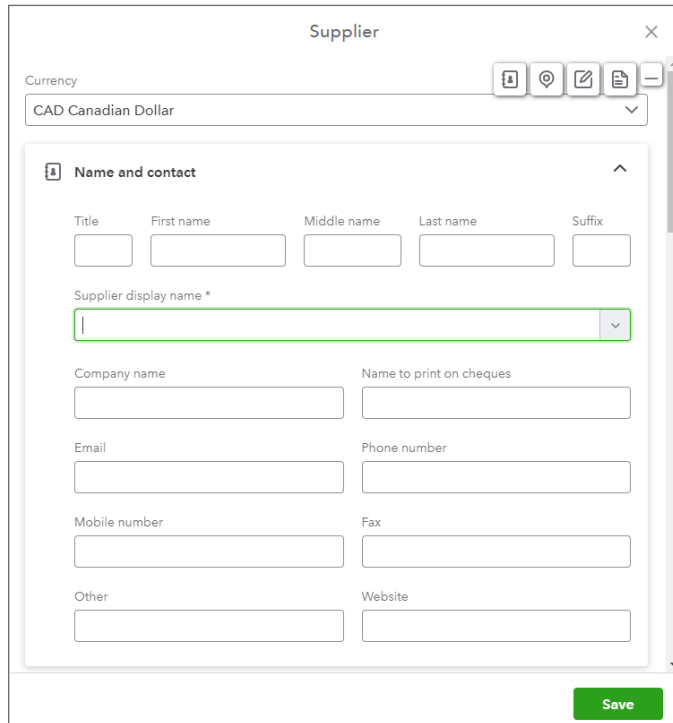
Set Up Supplier

1. Click **Expenses**.
2. Click **Suppliers**.
3. Click **New supplier**.

Name and Contact

Enter the contact information for the supplier including the name, company name and how you want the supplier name to display in the Supplier list. Add email to facilitate emailing supplier forms.

Add the supplier phone number and what **Name** to print on cheques. Click **Show more** to add additional contact information.

Address

Add the supplier address information in this section.
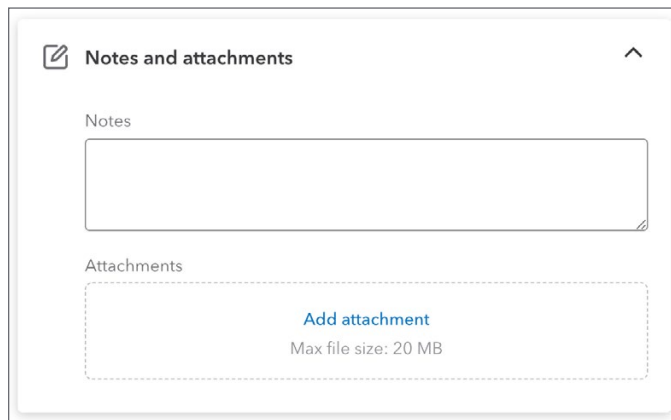
Notes and Attachments

Add any notes and attachments related to the Supplier.
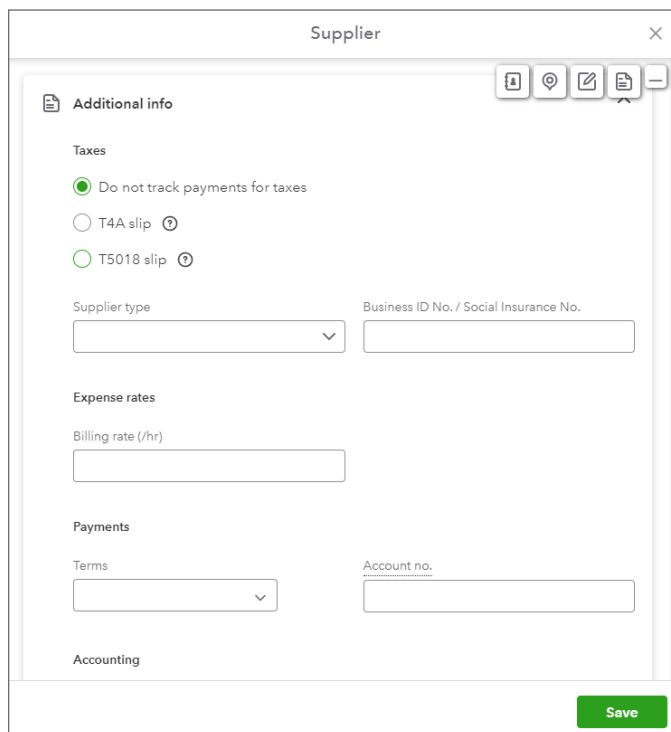
Additional Info

Add other important information about your supplier here, including how they are categorized for taxes. If they receive a T4A or T5018, indicate it by selecting the appropriate option.

Add a **Supplier type** if required. This lets you segment your suppliers into meaningful segments in your business.

Under the **Payments** section you can add Terms and currency (optional if the supplier is transacting with you in a foreign currency).
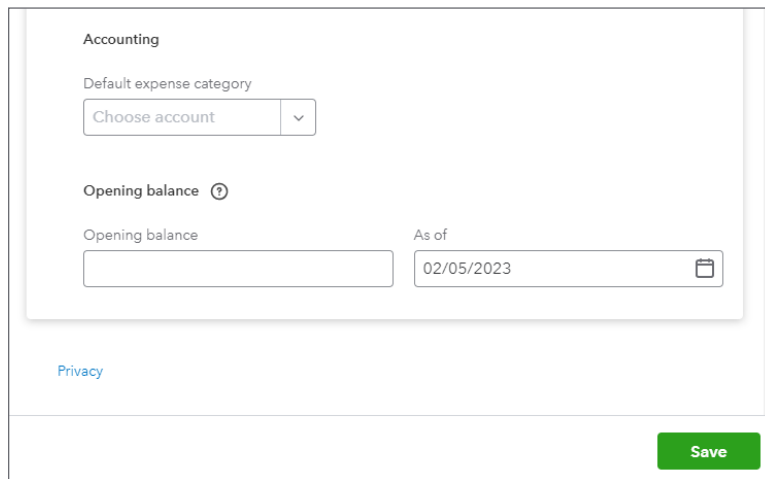
Accounting

Choose a default expense account that will automatically display on all expense transactions. NOTE: You can override the default account as needed on any transaction.

4. Click **Save**.

Supplier Notes:

Terms—Terms are used to calculate the due date for bills you enter from this supplier. E.g. terms of Net 30 mean a bill is due 30 days after the date on the bill.

Account No.—Account number is the number that your supplier uses to identify you in their system. When you print a bill payment check for a supplier, the account number appears in the memo of the check.

Supplier Type—If you're working with subcontractors QuickBooks lets you create the required year end forms. In this field, if you entered a social insurance number, choose *Individual*. If you entered a business ID, choose *Business*.

Track for T4A / T5018—If you're required to provide one these forms for subcontractors you employ, choose the appropriate form.

▶ To learn how to add a supplier watch this video: https://youtu.be/kyZ_RalIHSo

▶ Tracking Accounts Payable vs. Expenses

There are several ways to record expenses in QuickBooks Online. The method you use depends on your business and the details that you need to track in your company.

Expenses

Every business incurs expenses. Expenses include office supplies, rent, utilities and other expenses incurred to help you run your business. All expenses will be tracked to expense accounts in QuickBooks.

Expenses in QuickBooks are defined as transactions that do not include a bill from a supplier. In other words, they are paid for at the time that the expense is incurred. Examples of expense type transactions include debit card purchases, credit card purchases, Interac transactions and cheques.

To record expenses at the time they are incurred you will use the following QuickBooks transactions:

- Expense

Bills and Paying Bills

Sometimes you will incur expenses that you will pay for at a later time. This is called accounts payable. The record accounts payable in QuickBooks Online, you record the expense using the bill form and pay the bill using the pay bills window. When you track accounts payable, you can see what you owe suppliers at any time using the A/P Aging and Summary reports.

There are three benefits to tracking accounts payable.

1. You can keep track of what you owe suppliers at any time by reviewing the AP reports.

2. QuickBooks helps you avoid entering duplicate bills for the same vendor.

3. Ability to track expenses in the correct period.

   When you record an expense using the cheque or expense form, the expense will appear on your Profit and Loss and Expense reports as of the date on the transaction. This can be a problem if you received a bill in the previous month for the expense, but didn't record it in QuickBooks. When you track accounts payable and enter the bill, the expense will be recorded when you incurred it rather than when you pay the supplier for the outstanding balance.

To record accounts payable, you will use a two-step workflow:

Enter Bills ⟶ *Pay Bills*

▶ Expenses and Cheques

To record an expense in QuickBooks you can enter an Expense transaction or a Cheque. In this section, you'll learn how to enter these two transaction types.

Expense Transactions

When you don't have a bill accompanying the expense, you will use the **Expense** type of transaction to record the following in QuickBooks Online:

- Debit card transactions

- Credit card entries

- Interac transactions

- Online payments

- Other expenses

To enter expenses:

1. Click the **New** menu and click **Expense**.

CUSTOMERS	SUPPLIERS	EMPLOYEES	OTHER
Invoice	Expense	Single time activity	Bank deposit
Receive payment	Cheque	Weekly timesheet	Transfer
Estimate	Bill		Journal entry
Credit memo	Pay bills		Statement
Sales receipt	Purchase order		Inventory qty adjustment
Refund receipt	Supplier credit		Pay down credit card
Delayed credit	Credit card credit		
Delayed charge	Print cheques		

Show less

2. Enter the **Payee**.

3. Choose the appropriate payment account. This is the bank or credit card account from which you'll record the payment.

4. Choose the **payment method**.

👍 **NOTE** Selecting the payment method on expense transactions allows you to filter expense reports by payment method.

5. Choose the expense **Account** to track the expense. If you're purchasing office supplies you might choose Office Expenses or if you were paying for your company's Dues in a local business association you would choose Dues and Subscriptions. The amount of the expense will track to the account and the amount will display in the Profit and Loss Statement.

6. Enter a **Description**. You would enter a description if you want to keep track of any details about this transaction.

7. Enter the **Amount** of the expense. Usually this is the amount before tax. Choose the **Sales Tax** if it is not already chosen. QuickBooks automatically calculates the amount of sales tax per the **Sales Tax Rate** you choose.

8. Click **Save and close**.

👍 **NOTE** There are two options for recording sales tax.

1. Exclusive of sales tax

2. Inclusive of sales tax

Exclusive of Tax is the most common situation. The price or cost of items shown in the Amount column does not include sales tax (net price). Only the total amount includes sales tax; line and subtotal amounts do not. The sales tax amount is shown as a separate amount at the bottom of the form and is not included in the subtotal.

Inclusive of Tax is when the price or cost of items shown in the Amount column includes sales tax (gross price). Sales tax is included in each of the amounts (line, subtotal, and total) of the sales form. The total amount of sales tax is also shown at the bottom of the form.

Out of scope of Tax is typically used when Items are not subject to sales tax.

▶ To learn how to record expense transactions watch this video: https://youtu.be/cv1FQDXPZIw

You can view your expense transactions when you click **Expenses** from the navigation bar and then click the **Expenses** tab.

These transactions are also recorded to the Profit and Loss Statement.

You can view the detail on the Profit and Loss Statement when you click the balance link from the Account. When you click the account balance a detailed Transaction Report displays for you.

Cheque Transactions

The cheque transaction in QuickBooks is unique. It is rarely used in your day-to-day bookkeeping. You'll use the check transaction when paying for expenses where no bill is attached. When a bill is attached you will use the enter bill and pay bills workflow.

To enter a **Cheque:**

1. Click the **New** menu and click **Cheque**.

CUSTOMERS	SUPPLIERS	EMPLOYEES	OTHER
Invoice	Expense	Single time activity	Bank deposit
Receive payment	Cheque	Weekly timesheet	Transfer
Estimate	Bill		Journal entry
Credit memo	Pay bills		Statement
Sales receipt	Purchase order		Inventory qty adjustment
Refund receipt	Supplier credit		Pay down credit card
Delayed credit	Credit card credit		
Delayed charge	Print cheques		

2. Enter the **Payee**.

3. Choose the appropriate bank account.

4. Enter the **Payment date**.

5. Enter the **Cheque number** (if handwriting the cheque) or select **Print later** (if printing the cheque from QuickBooks later.

6. Choose the **Account** to track the expense. Enter a **Description** (optional).

7. Enter the **Amount** and **Sales Tax** rate if not already chosen for you.

8. Click **Save and close**.

📹 To learn how to create cheques watch this video: https://youtu.be/BdGSEv2toIY

▶ Bills and Paying Bills

When you choose to track your bills, and pay them later you will use Accounts Payable. This workflow has two or three steps:

Enter Bills ⟶ *Pay Bills* ⟶ *Print Cheques* (optional step if you print cheques)

NOTE QuickBooks includes settings to help you avoid making duplicate entries in your Accounts Payable.

To turn this setting on:

1. Click the **Gear** menu and then click **Account and Settings**.

2. Click **Advanced**.

3. Click the **Other Preferences** section.

4. Select the option to **'Warn if duplicate bill number is used.'**

5. Click **Save**.

There are two steps to track accounts payable in QuickBooks and a third optional step if you choose to Print bill payment cheque:

Enter Bill ⟶ *Pay Bill* ⟶ *Print bill payment cheques*

Step 1: Enter Bill

1. Click the **New** menu and click **Bill**.

CUSTOMERS	SUPPLIERS	EMPLOYEES	OTHER
Invoice	Expense	Single time activity	Bank deposit
Receive payment	Cheque	Weekly timesheet	Transfer
Estimate	Bill		Journal entry
Credit memo	Pay bills		Statement
Sales receipt	Purchase order		Inventory qty adjustment
Refund receipt	Supplier credit		Pay down credit card
Delayed credit	Credit card credit		
Delayed charge	Print cheques		

2. Enter the **Supplier** name.

3. Enter the **Bill no**.

4. Choose the expense **Account** to track this expense in the **Account details** section of the bill.

5. Enter the **Amount** and choose the Sales Tax that applies to this transaction.

6. (Optional) Add an **Attachment** to the transaction.

NOTE Attachments can be anything that relates to the transaction in the real world, e.g. receipts, PDF copies of the bill, etc.

7. Click **Save and close**.

NOTE The **Bill No.** field is an important field because QuickBooks Online lets you search for this number. This makes it easy to find information about Supplier bills in the accounting system.

Bill no.

2888

To learn how to enter bills watch this video: https://youtu.be/0aoJfcjEWHI

After entering a bill, you can create several reports to see the effect it has on your accounts payable. See the example below to view the effects entering bills has on the A/P Aging Summary.

A/P Aging Summary

Sort ▾   Add notes   Edit header

Green Tree Landscapes

A/P AGING SUMMARY
As of February 28, 2017

	CURRENT	1 - 30	31 - 60	61 - 90	91 AND OVER	TOTAL
Amazon					35.97	$35.97
Canada Small Engine Repair		904.00	169.50			$1,073.50
City of Toronto			96.05		169.50	$265.55

A/P Aging Summary

Sort ▾   Add notes   Edit header

Green Tree Landscapes

A/P AGING SUMMARY
As of March 1, 2017

	CURRENT	1 - 30	31 - 60	61 - 90	91 AND OVER	TOTAL
Amazon					35.97	$35.97
Canada Small Engine Repair	739.00	904.00	169.50			$1,812.50
City of Toronto			96.05		169.50	$265.55

You will also see the effect of entering bills on the Unpaid Bills Detail report. To create this report:

1. Click **Reports**.

2. Scroll down to the **What you owe** section.

3. Click **Unpaid Bills**.

When you pay a bill, QuickBooks reduces your Accounts Payable balance with that supplier.

Step 2: Pay Bill

1. Click the **New** menu and select **Pay Bills**.

2. Choose the appropriate **Payment** account. This will usually be a bank account from where you'll pay the bill.

3. (If paying with a Bank account) Enter the **Starting cheque no.** (if paying with handwritten cheques) or select **Print later** (if printing cheques from QuickBooks).

👍 **NOTE** If you are paying online by EFT, ACH, or other payment method, enter that in the cheque no. field.

4. Select the bills to pay in the left-hand column.

5. Enter the **Payment** amount for each bill (if paying less than the full balance).

6. Click **Save and print** to print cheques now, or **Save and close** to print cheques later.

▶ To learn how to pay bills watch this video: https://youtu.be/ceVesmyhgtA

Step 3: Print Bill Payment Cheque
The first time you print cheques from QuickBooks, you will be prompted to set the alignment for your printed cheques to ensure the fields in QuickBooks line up with the fields on your cheque stock. You can always go through these steps again if you need to by clicking Print Setup at the bottom of the **Print Cheques** page.

To Print Cheques:

1. Click the **New** menu and click **Print Cheques**.

2. Follow the steps to set the alignment of your printed checks. When complete, click **Yes, I'm finished with setup**.

3. Select the **Cheques to print**.

4. Enter the **Starting cheque number**.

5. Click **Preview and Print**.

6. Click **Print**.

7. Select your printer, and click **Print**.

8. Click **Close** in the **Print Preview** window.

9. Click the appropriate option in the next window, and click **Done**.

After paying bills your **A/P Aging Report** will reflect the payments made and lower your **Accounts Payable** balance.

Green Tree Landscapes

A/P Aging Summary
As of December 31, 2021

	CURRENT	1 - 30	31 - 60	61 - 90	91 AND OVER	TOTAL
City Water Co	1,356.00					$1,356.00
Jennifer Hargreaves					226.00	$226.00
Kristina Gibson					508.51	$508.51
Steve's Snow Removal	1,395.55					$1,395.55
Town Electric & Gas Service	282.50					$282.50
TOTAL	$3,034.05	$0.00	$0.00	$0.00	$734.51	$3,768.56