

## *Compliments of Baker's Bookkeeping & Tax Services*

TERM	DEFINITION	WHERE AND HOW TO USE IN QUICKBOOKS
<b>Accounts Payable (A/P)</b>	Money you owe tot vendors for services or goods purchased, e.g. the balance of unpaid or partially paid supplies bills.	QuickBooks tracks and reports this information by each vendor you set up within QuickBooks. Extremely useful reports that are easy to create include A/P Aging Vendor Balance and Unpaid Bills Detail. Just go to the Reports menu.
<b>Accounts Receivable</b>	Money customer owe you for services or goods you've sold, e.g. the balance of unpaid or partially paid invoices already sent.	QuickBooks tracks and reports this information by each customer you set up in QuickBooks. Extremely useful reports that are easy to create include A/P Aging Customer Balance and Open Invoices. Just go to the Reports menu.
<b>Accrual</b>	Tracks transactions that may not yet have affected cash; income is counted when an invoice is created and expenses are incurred when a bill is created - regardless of when the actual cash is exchanged.	This affects all reports that track income, expense and sales when you set up your company on an accrual basis.
<b>Assets</b>	Anything owned by your business that has a cash value. This is typically used to classify large purchases or cash deposits, e.g. furniture, equipment and bank accounts.	Used mostly on bills, checks, purchase orders and journal entries, except for accounts receivable which is tracked via invoicing. All Asset types are found on Balance Sheet reports.
<b>Balance Sheet Accounts</b>	A snapshot at a specific point in time of accounts with balances, e.g. assets, liabilities and equity.	Balance sheet reports list your asset, liability and equity balances at a given point in time. All balance sheet accounts have registers that display the details of all transactions involving a particular account.
<b>Bank Account</b>	Account that holds funds and is subject to deposits and withdrawals.	QuickBooks tracks balances in your bank accounts by adding and/ or subtracting deposits and withdrawals from the bank account that you specify on transactions, such as checks bill payments, deposits and transfers.
<b>Chart of Accounts</b>	A listing of accounts used to categorize and monitor money coming in to and going out of business; types include income expense, asset, liability and equity categories.	Drop-down lists on all transactions contain part of the chart of accounts. These transactions in turn comprise the numbers found on all financial reports. The number of accounts you create and use should be relevant to how much detail you want to view, to save time and make reporting useful to you.
<b>Cost of Goods Sold (COGS)</b>	The amount spent to buy raw materials needed to produce any finished products you sell.	QuickBooks tracks how much you've paid for materials as well as the finished products held in inventory and reports COGS as quantity sold multiplied by the average

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		cost of the item. This information is set up on you item list
<b>Credit Card</b>	Credit card purchase, payments and balances are tracked here to give you a snapshot of what your credit card balances are.	QuickBooks enables you to track and reconcile credit card detail just as you would a bank account. Simply enter your charges in the credit card account, and when you pay the bill, select the credit card as your expense account.
<b>Credit Memos</b>	Transactions that reduce or eliminate the amount that customers owe you, e.g. when goods are returned.	These are applied to invoices in lieu of payment and reduce your total income received and tracked in QuickBooks.
<b>Current Liability</b>	A liability, or money you owe, that must be paid within one year. Current Liability can also be referred to as a short-term liability.	Typically, this includes short-term loans or notes. Accounts payable is also considered a current liability.
<b>Depreciation</b>	The amount an asset decreases in value over a period of time.	Typically determined by a CPA, this is entered via journal entry and affects the value of the asset on the balance sheet. For example, if an asset is depreciated over 5 years, at the end of those 5 years, that asset would have a zero value.
<b>Equity</b>	The value of ownership in a business.	On the Balance Sheet report, Assets minus Liabilities equal Equity.
<b>Expense</b>	Money spent on goods and services to run your business, e.g. electricity, supplies and services.	Used mainly on checks and bills to track business costs through the expense accounts you designate. These expense accounts are categorized so you can help see the health of your business – where your money is going and where you may be able to cut back.
<b>Finished Goods</b>	Products that are complete and ready for sale (no assembly required from your business).	These are items that are sold to customers from inventory.
<b>Fixed Asset</b>	Tangible (something you can touch) assets that are not likely to be used or sold within one year.	Typically, these include large furniture and equipment purchases over \$500.
<b>General Ledger</b>	A record of every transaction within a period of time you specify.	This report is used often by CPAs for audit and tax purposes. Every posting transaction creates an entry in the General Ledger.
<b>Income</b>	Money your business receives from your customers through normal business activities.	Recorded mainly on invoices, cash sales receipts, estimates and sales orders to track all business sales.

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<b>Liabilities</b>	Anything a business is obligated to pay.	Typically, this includes accounts payable, credit card balances and loans owed. All Liability types are found on Balance Sheet reports.
<b>Long-Term Liability</b>	Liabilities, or money you owe, that are not likely to be paid within one year.	Typically, these include items such as long-term bank loans, remaining leases, future employee benefits and deferred taxes.
<b>Other Asset</b>	An asset that is neither a current nor fixed asset.	Used to track assets that are not neatly defined, such as loans paid out. These are also found on balance sheet reports.
<b>Other Current Asset</b>	Assets that are likely to be used or sold within one year.	Accounts Receivable is a current asset; others include cash and prepaid expenses.
<b>Other Expense</b>	Expenses from activities that are not part of a business' main practice, e.g. one-time fees.	On Profit & Loss reports, Other Expense is removed from the Ordinary Income and Expense section to give a cleared picture of what operations would look like year to year.
<b>Other Income</b>	Income from activities that are not part of a business' main practice, e.g. investments and sale of assets.	On Profit & Loss reports, Other Income is removed from the Ordinary Income and Expense section to give a clearer picture of what operations would look like year to year.
<b>Profit &amp; Loss</b>	Totals of financial transactions over a period of time, e.g., income, expense and cost of goods sold.	Profit & Loss reports illustrate how and why you are profitable during a specified period of time by summarizing where money has come from and gone out to in operating your business
<b>Purchase Orders (PO)</b>	A transaction used to place an order for goods or services.	These do not show up on reports as an expense, account payable, short-term liability or change in inventory until the product is received or billed, since they are non-posting transactions. These are tracked and listed on the Open Purchase Order reports.
<b>Sales Receipt</b>	Recording the sale of a product or service for which the customer has already paid.	This transaction looks similar to an invoice but is counted immediately as income and does not hit accounts receivable.