

The
Top 10
Do It Yourself
QuickBooks
Errors



#1 Not Knowing what the Chart of Accounts is

- The chart of accounts (COA) is a list of all accounts tracked by a single accounting system, and should be designed to capture financial information to make good financial decisions. Or...your buckets.
- Each account in the chart is classified into one of five categories: assets, liabilities, equity, income and expenses.
- It's the backbone of your books and if it's out of wack, your financials are too.
- Keep it simple.
- Be careful - Don't duplicate accounts (buckets)



2 Incorrect Assets & Liabilities on the Balance Sheet

- In business and accounting, assets are everything owned by a company (all tangible and intangible property) that can be converted into cash.
- Do those assets have a loan attached? That's a liability.
- In financial accounting, a liability is defined as an obligation of an entity arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future. Short answer is money you owe.
- This makes your balance sheet real.

3 Not Reviewing

- **Creating reports in QuickBooks is so easy!**
- **Review your Profit and Loss Statement**
- **Review your Balance Sheet**
- **Along with reconciling – this helps to see problems or errors.**
- **Even if you have a trusted bookkeeper, that bookkeeper should be giving you reports monthly AND you should be looking at them.**
- **If you don't know what you're looking at, take a class. Your company depends on it.**



4 Mixing Business and Personal

- **A Profit and Loss or Income Statement and Balance Sheet should reflect only business data – no personal expenses**
- **I repeat. No personal expenses in the business QuickBooks.**
- **Personal credit card purchases are loans from you to the company. Learn to post it properly.**
- **The Good News - There are ways to show that you have put personal funds in and taken funds out of the business for yourself. Learn to do that properly.**
- **You are not the business & the business is not you. If you are, then you're growing a hobby and not a business. There is a difference.**
- **Not showing the proper flow of funds to and from the owner can cause real problems with the legal strength of your entity (corporation or LLC)**
- **Not to mention the problems at tax time.**
- **Big No No – Really Big!**

5 Not Tracking Credit Card Transactions Correctly

- Each credit card for the business should be entered in QuickBooks as just that – a credit card account.
- You should be reconciling the credit card entries with their statement each month. Just like a bank account. Even if you don't carry a balance.
- Company credit cards are not your credit cards – they belong to the business (which is not you). If you use them for a personal expense, make sure the transaction is posted the correct way.



6 Entering a Bill in QuickBooks but not paying it

- **What is A/P – Accounts Payable? It's a bill from a vendor that you plan to pay at a later date.**
- **When you enter a bill for accounts payable in QuickBooks please remember to pay that bill through the “pay bills” section.**
- **If not, your A/P just grows and grows while your checking account balance gets smaller.**
- **The money you owe that shows on your balance sheet as a liability is incorrect if you don't use the proper method of paying that bill in the system.**
- **Everything is connected in Quickbooks.**
- **If you don't connect them, you'll have two.**
- **Which means your doubling our revenue or your expenses.**

7 Entering an Invoice for a client in QuickBooks but not posting the payment toward it.

- This one sounds a lot like #6.
- What is A/R – Accounts Receivable? It's the invoice to a customer/client that you plan to receive at a later date.
- When you create an invoice so that you can get paid, you've created an accounts receivable in QuickBooks.
- You must receive the payment on that invoice through the "receive payment" module.
- If not, your A/R just grows and all those invoices that your clients have already paid look overdue.
- Those funds that are owed to you show as an asset on your balance sheet and they need to be correct.
- Everything is connected in QuickBooks.
- If you don't connect them, you'll have two.
- Which means your doubling your revenue or your expenses.

8 Vendor or Employee

- **Contract Labor is paid as a vendor – it's not a payroll expense.**
- **Employees are payroll. You've collected and paid payroll tax for them.**
- **Never even use the word "payroll" when speaking to a contractor. They get confused.**
- **Know the difference – the IRS and local unemployment office have no sense of humor.**
- **What is the difference? CONTROL**
- **Facts that provide evidence of the degree of control and independence fall into three categories:**
 - **Behavioral: Does your company control or have the right to control what the worker does and how the worker does his or her job?**
 - **Financial: Are the business aspects of the worker's job controlled by the payer? (these include things like how worker is paid, whether expenses are reimbursed, who provides tools/supplies, etc.)**
 - **Type of Relationship: Are there written contracts or employee type benefits (i.e. pension plan, insurance, vacation pay, etc.)? Will the relationship continue and is the work performed a key aspect of the business?**

9 Not Reconciling

- Reconciliation is the process of matching and comparing figures from the Quickbooks® register against those presented on a bank statement.
- With today's technology downloading and syncing transactions daily is a great extra BUT is it not reconciling.
- This needs to be done monthly for ALL accounts. Operating, Payroll, Savings, Loans, and so on. All of them.
- Don't forget! Credit card statements need to be reconciled too.

Reconcile - bank account

For period: 09/31/2012 Hide transactions after the statements end date

Checks and Payments				Deposits and Other Credits					
✓	DATE	CHK #	AMOUNT	✓	DATE	CHK #	MEMO	TYPE	AMOUNT
✓	09/19/2012		1.00	✓	09/19/2012		Deposit	DEP	110.00

Highlight Marked

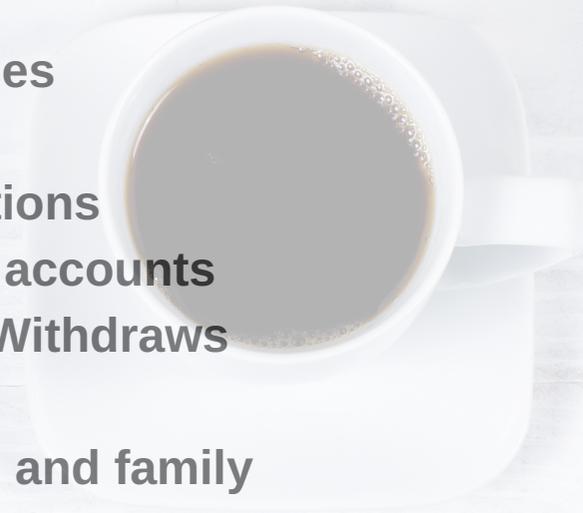
Beginning Balance	0.00	<input type="button" value="Modify"/>	Service Charge	0.00
Items you have marked cleared			Interest Earned	0.00
1 Deposits and Other Credits	110.00		Ending Balance	229.00
1 Checks and Payments	1.00		Cleared Balance	109.00
			Difference	120.00

10 Not Entering Everything

- Checks
- Debit card purchases
- Auto Drafts
- Credit Card transactions
- Transfers between accounts
- Petty Cash – ATM Withdrawals
- Bank Loans
- Loans from friends and family

*Yes
Everything!*

*If you do a little each day/week,
it's not so bad.*



That's it. I hope you got some helpful nuggets from our top ten. If you're doing things correctly, that's wonderful. Questions?
No Problem. We have answers!

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