

ASA Research

QuickBooks Inventory

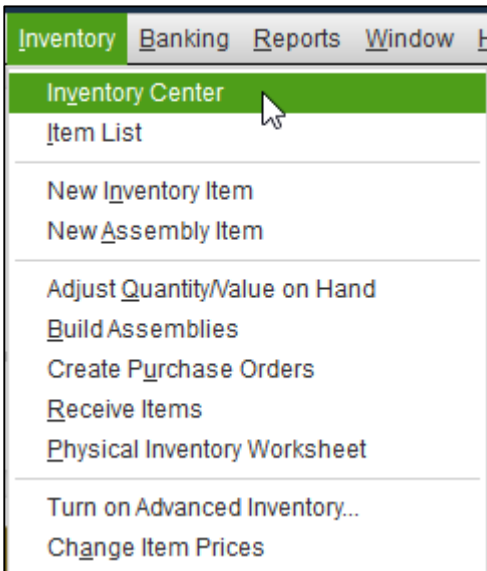


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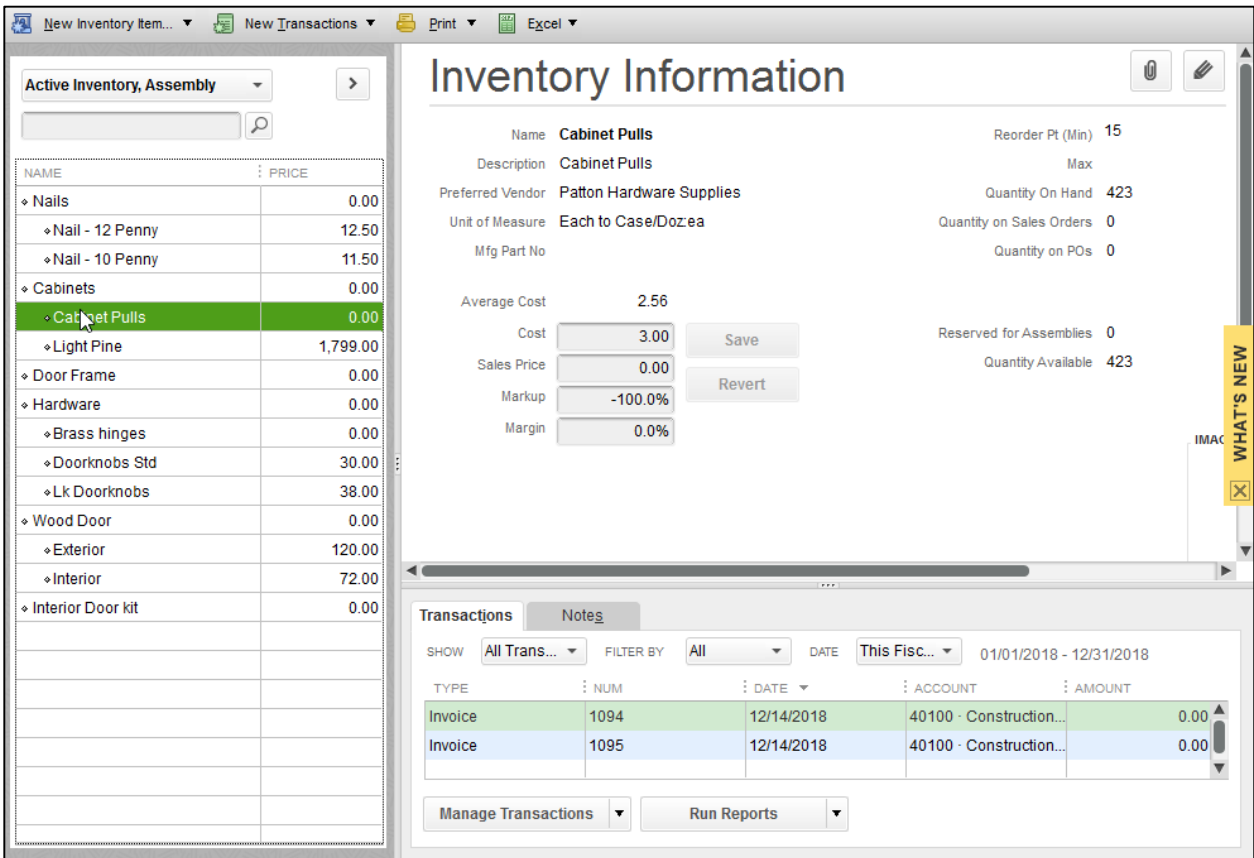
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Key Webinar Points – Presented below are the main concepts I want to cover in this webinar, followed by the complete course manual.

1. Inventory Menu –



2. Inventory Center



3. Item Preferences

My Preferences | **Company Preferences**

PURCHASE ORDERS AND INVENTORY

- Inventory and purchase orders are active.
- Warn about duplicate purchase order numbers.
- When calculating **Quantity Available** for my inventory, deduct:
 - Quantity reserved for Pending Builds
 - Quantity on Sales Orders
- Warn if not enough inventory to sell.
When the quantity I want to sell exceeds:
 - Quantity On Hand
 - Quantity Available

Advanced Inventory Settings

UNIT OF MEASURE

Multiple U/M Per Item

ENHANCED INVENTORY RECEIVING

Enable... [Learn more](#)

Automatic Cost & Price Updates...

4. Advanced Inventory

Advanced Inventory Settings

[Learn how to set up Advanced Inventory](#)

Multiple Inventory Locations | **Serial/Lot Numbers** | **FIFO** | **Barcodes**

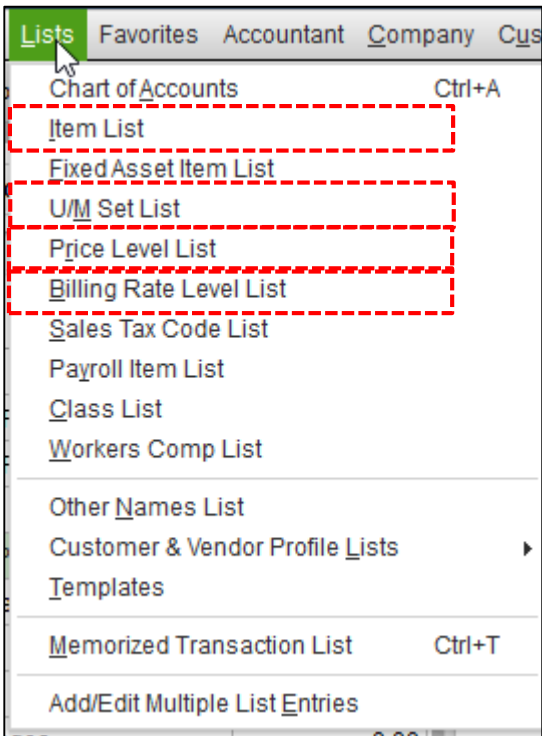
MULTIPLE INVENTORY SITES

- Multiple Inventory Sites is enabled. [How do I use Inventory Sites?](#)
- Warn about duplicate inventory transfer numbers.
- Warn per site if not enough inventory to sell.
- Track Bin Locations within Inventory Sites (row, shelf, or bin)
 - Warn per bin location if not enough inventory to sell.

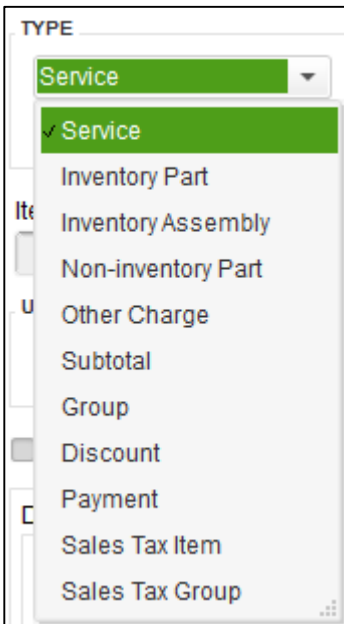
5. Enhanced Inventory Receiving –

- Enhanced Inventory Receiving (EIR) improves how you receive and pay for inventory in QuickBooks. If you turn on EIR, **you can't turn it off**. You should read and understand these important considerations before you turn it on.
- **When you turn on EIR, you receive and pay for items in QuickBooks in a completely different way.** With EIR:
 1. Item receipts don't increase accounts payable
 2. Bills don't affect inventory
 3. Bills against item receipts no longer replace item receipts
- To set your file up to track purchasing this way, QuickBooks changes past transactions during the EIR setup. We recommend that you first evaluate whether EIR is right for you. To help you decide, answer these questions:
 1. Do you receive one bill that covers multiple item receipts?
 2. Do you receive multiple bills for one item receipt?
 3. Do your inventory counts become incorrect when you enter a bill and QuickBooks changes the date of the item receipt?
 4. Do you pay for items before you receive them and don't want your inventory quantities to increase? If you don't use EIR, QuickBooks increases inventory quantities when you enter a bill for inventory items.
 5. Do you want to separate the receiving department (item receipts) from the accounts payable department (enter and pay bills)? If you don't use EIR, QuickBooks converts item receipts to a bill when you receive the bill.
- If you answered yes to any of these questions, consider using EIR. However, it's important that you read the following cautionary points before you begin because you can't turn EIR off.

6. Inventory Item Lists



7. Types of Items



8. Assemblies, Setup and Build

Bicycle Assembly

2 Tires

1 Frame

1 handle bars

3.5 Assembly Hours

Create Assemblies

9. Auto Purchase Order Example

10. Price Levels

11. QuickBooks Marketplace

12. Two Sided Items

The screenshot shows the 'Item Setup' dialog box in QuickBooks for a 'Service' item named 'Labor - Demolition'. The 'TYPE' is set to 'Service'. The 'Item Name/Number' is 'Labor - Demolition'. The 'UNIT OF MEASURE' is 'U/M Set'. A red dashed box highlights the checkbox 'This service is used in assemblies or is performed by a subcontractor or partner', which is checked. The 'PURCHASE INFORMATION' section includes 'Description on Purchase Transactions', 'Cost' (15.00), 'Expense Account' (54000 - Job Expenses...), and 'Preferred Vendor' (Madrid, Winnie). The 'SALES INFORMATION' section includes 'Description on Sales Transactions' (Labor - Demolition), 'Sales Price' (30.00), 'Tax Code' (Non), 'Markup' (100.0%), 'Margin' (50.0%), and 'Income Account' (40100 - Construction I...). There are buttons for 'OK', 'Cancel', 'Notes', 'Custom Fields', 'Spelling', and 'Edit Markup...' on the right side.

13. Two Sided Inventory Example

- a. Create estimate
 - i. Assign it to new construction department
 - ii. Add labor to invoice that is not a double sided item.
 - iii. Point out unit of measure – sell by hour, day, overtime hours, etc.
- b. Create new labor item that is double sided.
 - i. Discuss cost, markup, preferred vendor
- c. Add new labor item to invoice.

- i. Again discuss cost, markup, preferred vendor on invoice
 - ii. Show that markup can be over-ridden
 - d. Add Subtotal to invoice
 - e. Add discount to invoice
 - f. Add lumber items to estimate, mark it up 20%
 - g. Note that labor is non-taxable by lumber is taxable
 - h. Save estimate from icon drop down, note PDF option
 - i. Note spell check
 - ii. Preview the estimate
 - iii. Note estimate to be printed or emailed
 - iv. Note ability to attach image
 - i. Customer calls a week later and says let's do it.
 - i. Bring up estimate and create invoice for 10%, then clear that and then
 - ii. Bring up estimate and convert to sales order, note that item quantities and not percentages are used
 - iii. Invoice for 10% deposit
 - j. Create a Purchase order for all items allowed, point out that this only works if all items come from the same vendor.
 - i. Note drop ship address

14. Unit of Measure

Case (equals 6 boxes)
Box (main measurement)
Pound (equals 1.5 boxes)

15. Edit Items in Excel

16. Bill Rates

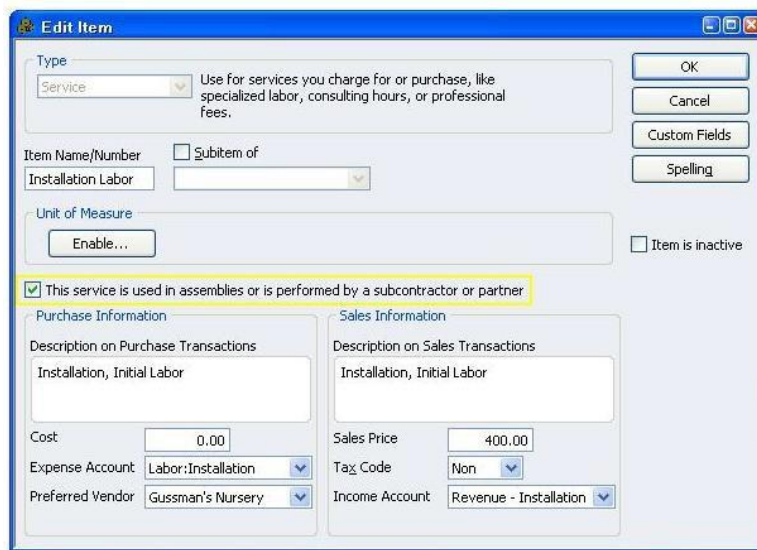
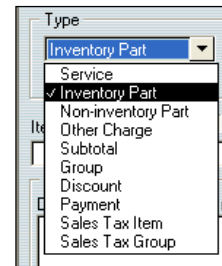
17. Inventory Images

QuickBooks Items

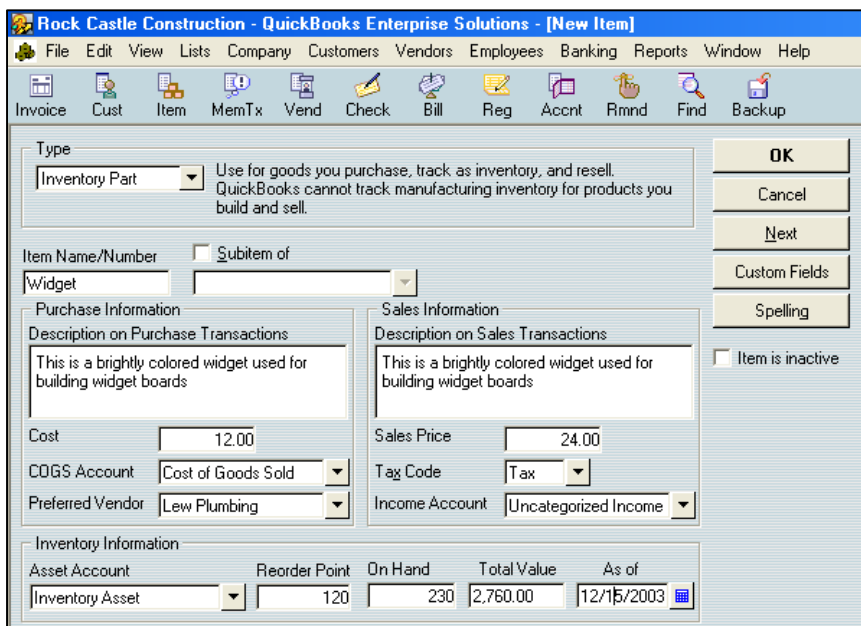
An item is anything that a company buys, sells, or resells in the course of business.

Item Types - QuickBooks offers 12 item types, as follows:

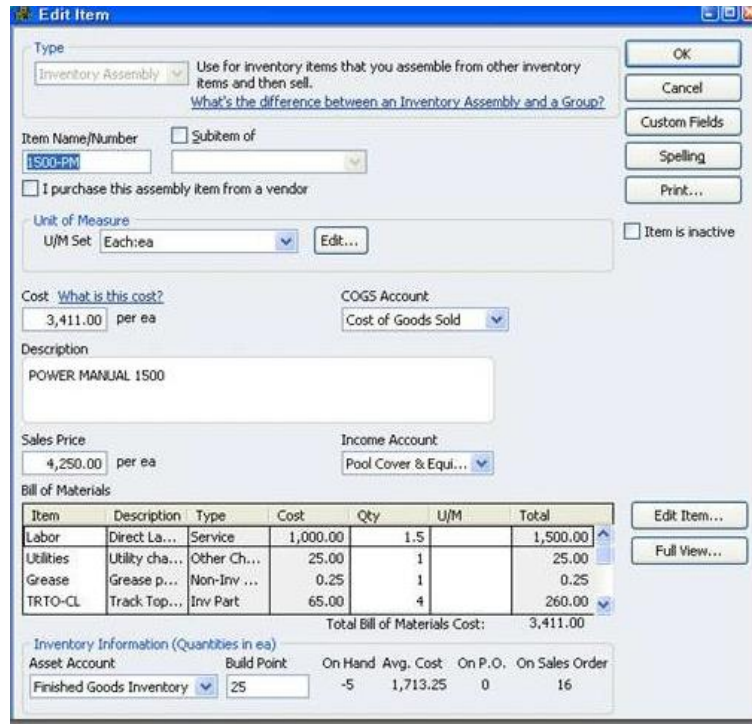
1. **Service** - Services you charge for or purchase. Examples include specialized labor, consulting hours, and professional fees.



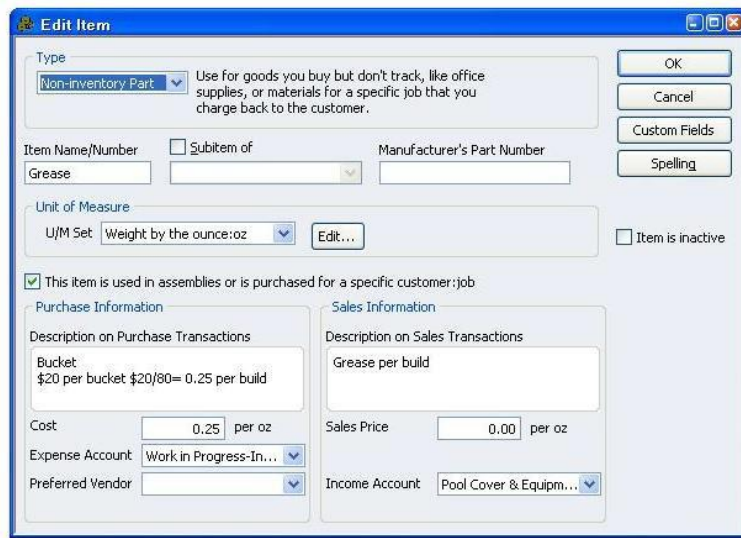
2. **Inventory Part** - Goods you purchase, track as inventory, and resell.



- 3. **Inventory Assembly** - (Premier and Enterprise editions only) Assembled goods you build or purchase, track as inventory, and resell. Note: QuickBooks cannot track the costs associated with the manufacturing process itself. In other words, the cost of a built assembly item depends only on the cost of its components.

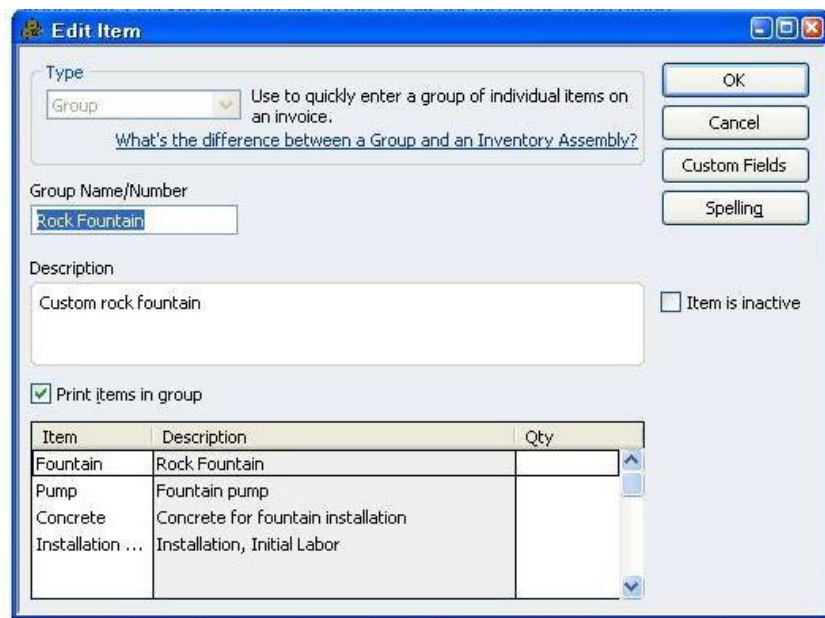


- 4. **Non-Inventory Part** - Goods you buy but don't track (such as office supplies), or materials you buy for a specific job that you charge back to your customer.



- 5. **Fixed Asset** - An asset you do not expect to convert to cash during one year of normal operations. A fixed asset is usually something that is necessary for the operation of your business—such as a truck, cash register, or computer.

- 6. **Other Charge** - Miscellaneous labor, material, or part charges such as delivery charges, setup fees, and service charges, bounced checks, late fees, opening balance, reimbursable expenses, retainers, surcharges, gift certificates, prepayments, retainers, sales tax, and shipping and handling fees.
- 7. **Subtotal** - Totals all items above it on a form, up to the last subtotal. Useful for applying a percentage discount or surcharge to many items.
- 8. **Group** - A way of associating individual items that often appear together on invoices, purchase orders, and so on, so that all items in the group can be added to the form at one time. What's the difference between an inventory assembly and a group? (QuickBooks Premier or Enterprise editions only)



- 9. **Discount** - Subtracts a percentage or fixed amount from a total or subtotal. Do not use this item type for an early payment discount.
- 10. **Payment** - Records a partial payment you received at the time of the sale. It reduces the amount owed on an invoice.
- 11. **Sales Tax Item** - Calculates a single sales tax item at a specific rate that you pay to a single tax agency.
- 12. **Sales Tax Group** - Calculates and individually tracks two or more sales tax items that apply to the same sale. The customer sees only the total sales tax.

Setting Up Items

Items are required on sales forms such as invoices, sales receipts, estimates, credit memos, and statements. You must also use items on purchase orders, but their use is optional on bills, credit card charges, and checks. The following questions can be helpful in identifying which items your business needs and how to best set those items.

1. **Do you use subcontractors?** - If yes, set up Service items that track both the income and the expenses related to their work.
2. **Do you build finished goods?** - If yes, use the inventory assemblies feature to create, build, and track assembled goods. (only available in QuickBooks Premier or Enterprise Solutions).
3. **Do you buy inventory in one unit and sell it in another?** If yes, assign units of measure to each item as necessary.
4. **Are your prices charged for goods and services fairly constant or do they change frequently?**
- For rates that change frequently, do not enter a rate in the item's record. Instead, enter the appropriate rate when filling out the sales or purchase form.
5. **Do your customers make down payments or deposits?** - If yes, set up Payment items to record this information on a sales form.
6. **Do you offer discounts on sales?** If yes, create the appropriate Discount and Subtotal items. Remember that discounts for early payment are different, and are not tracked using items.
7. **Do you need to track sub-items?** - Sub-items allow you to put similar items together on the list item, so you can locate them easily in the item field on the forms. Each sub-item can have its own rate or price and its own description. Sub-items must be the same type as the parent item.
8. **What information do you need from your reports?** - The way expenses are recorded affects what clients see in certain reports, so before you set up the item list, you must decide whether or not to use the items to track job-related expenses. For example, on reports based on items, QuickBooks subtotals each group of sub-items.
9. **Have you already set up items?** - It is common for new QuickBooks users to choose inappropriate item types, so you'll want to review the existing items. Fixing problems with item types can be difficult because, with the exception of Non-inventory Part and Other Charge type items, an item's type cannot be changed once it has been set up.
10. **How much detail is necessary when setting up items?** - Ideally, you should receive the full benefit of using items without being overwhelmed by the length of the Item list. (You can enter up to 14,500 items in a QuickBooks Pro or Premier company file and more than 100,000 in an Enterprise Solutions file*.) A good approach is to set up unique items only if they are to be used more than once. For items that will be used only once, set up a generic item and enter the

description and price directly on the sales or purchase form.

** Performance testing performed by Intuit acknowledges that you may see performance degradation as you add more than 100,000 items.*

Inventory Situations Where QuickBooks Is Not Recommended For Use

According to Intuit, if a client's business does any of the following, you might want to consider QuickBooks compatible software to track inventory.

1. Sells one-of-a-kind inventory such as automobiles or serial-numbered components. If every item is used only once, eventually the total number of items will exceed the maximum list limits.
2. Tracks the value of inventory using the LIFO (last in, first out) or FIFO (first in, first out) method. Note that QuickBooks Online plus has added FIFO inventory functionality. However, the desktop versions currently only provide for the Average-Costing method.
3. Needs to track Inventory in multiple warehouses – Note that Enterprise now has an Advanced Inventory feature adding (among other things) the ability to track Inventory by Site (or warehouse). This feature is only available in Enterprise, and is an additional fee.
4. Rents or leases items to customers. Sometimes clients mistakenly enter these fixed assets as inventory. You can set up items in QuickBooks that let you track both costs and revenues for specific products or services.

Setting Up Two-Sided Items

Quick test – If you pay a subcontractor \$35 to mow the Smith's yard, then charge the Smiths \$50, how should those results be displayed in a report? A or B?

	A	B
Income	\$15	\$50
Cost of Labor	<u>0</u>	<u>35</u>
Profit	\$15	\$15

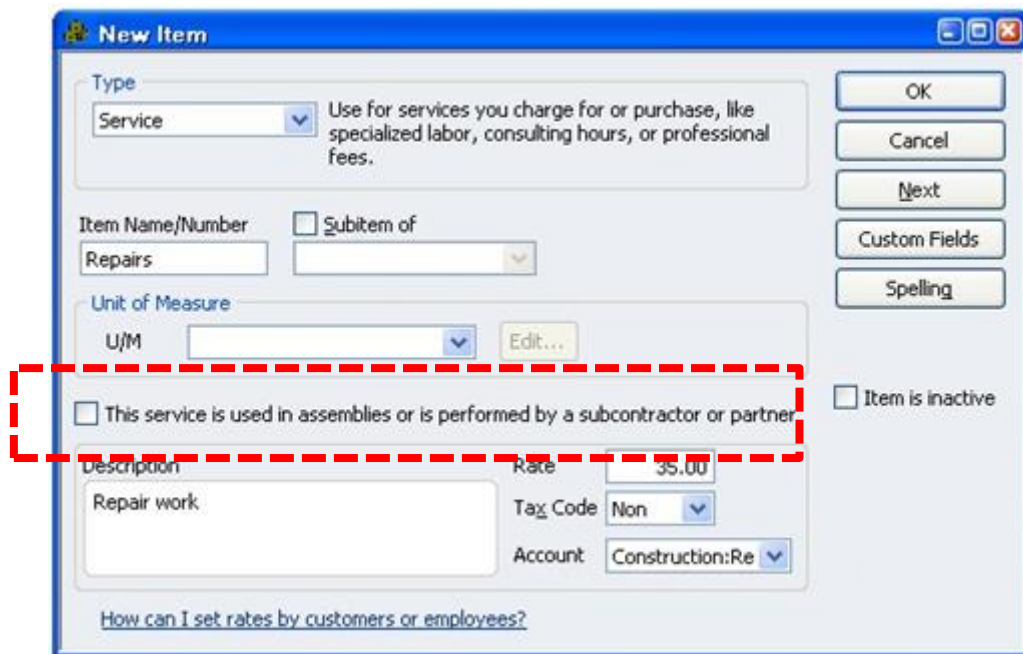
Option A is the result when using one sided items, option B is the result when using two sided items.

Explanation

You can set up Service, Non-inventory Part, and Other Charge items (in QuickBooks Pro and higher), and Inventory Assembly items (in QuickBooks Premier and higher) so that a single item can track both income and expenses. This means that you can use an item on a purchase form to direct cost information to an expense account, and use the same item on a sales form to send revenue information to an income account.

You can use these two-sided items on sales, purchase, and time-tracking forms (only service items can be used on time-tracking forms). By setting up items this way, you can get reports showing both income and expenses for an item. These items can also help clients get job costing and profitability information.

To set up a two-sided item, check the box **'this item is purchased for a specific customer or job' or 'performed by a subcontractor'** above the description field in the item box. This action will display the 2 sides. Then, you also need to enter the item on the check or bill, etc. along with the customer:job. <http://screencast.com/t/6VcObHL5k>



The Difference Between a Single Sided and Double Sided Item

(This applies to service items, non-inventory items, and other charges, but not to inventory items).

A single-sided item has only one account assigned to it, and in this case, QuickBooks uses the account selected for all transactions, whether income or purchase. Therefore if you pay a vendor \$25 to perform a service and then bill the customer \$40, the net effect is to display income of \$15 on the job profit report, or in the Item profit report. However, if the item is a two sided item, then if you pay a vendor \$25 to perform a service and then bill the customer \$40, the net effect is to display income of \$40 and \$25 in expenses, on the job profit report or on the Item profit report.

This means that when you use one sided items, you will end up understating the income on the job.

You can identify items that are not set up properly, as follows:

1. From the **List** menu, select **Item List to display** your item list.
2. Right-click the screen and select **Customize Columns**.
3. Select the **COGS Account** in the left pane and click the Add button to add this field to the **Chosen Columns** pane on the right. For better readability, use the **Move Up** button to position the **COGS Account** filed under the **Account column** field; click **OK**.
4. Review the COGS account column for blank entries which indicate that the item was set up as a single-sided item (the sub-contractor box not checked). This view will also allow you to view each item's assigned accounts and identify those that are not the same, which may indicate that the wrong income account was used.
5. To convert the single sided items to double sided items, double-click into the items that are not set up properly and check the check box labeled "**This service is used in assemblies or is performed by a subcontractor or partner...**" box, and then enter the correct COGS or expense account.

Important Note: When you click OK to complete this conversion, QuickBooks will ask you if you want to update all transactions. If you answer yes, this action will affect all prior transactions that have used the item you are editing. If you answer no, prior periods will not be affected – only future transactions will reflect your changes. There is no easy method for affecting the transactions for the current year only.

6. To affect current year only, you have two options, as follows:
 - a. Use the period feature to extract the transactions for the current year only, then start using those transactions as a separate company. Or...
 - b. Create a new double-sided item with the correct COGS and Income account, change all current transactions to use the new item, and make the old single sided item inactivate. Some consultants suggest adding the phrase "DO NOT USE" to the old single-sided item to prevent accidental usage.
7. You should review your item list periodically, to make sure that all items are being set up two-sided, especially when you have multiple people setting up items in QuickBooks.

Two-Sided Item Example

Your client, Rock Castle Construction, wants to find out which of its products and services are profitable. The company has been using single-sided items on sales forms but not on payments to vendors and

employees. We need to convert the single sided items to double sided items to help Rock Castle Construction capture the desired information about the profitability of the products and services it sells.

Edit Service Item In Order To Track Both Income And Expenses

The first item you notice during your review of the Item list is **Subs:Carpet**. Larson Flooring does almost all of the carpet installation for your client. Installation is usually invoiced by the square yard. Larson Flooring charges \$2.50 per square yard on jobs of 100 or more square yards. Rock Castle Construction invoices carpet installation at \$4.95 per square yard.

1. From the Lists menu, choose Item List.
2. Double-click the Service item Subs:Carpet to edit it
3. Check the check box labeled — This service is used in assemblies or is performed by a subcontractor or partner.
4. In the Description on Purchase Transactions field, type Per Square Yard for Carpet Installation.
5. In the Cost field, type 2.50.
6. In the Expense Account drop-down list, select Job Expenses:Subcontractors.
7. In the Preferred Vendor drop-down list, select Larson Flooring.
8. In the Sales Price field, type **4.95**.
9. Click **OK**.
10. Click **Yes** in the messages that display.
11. Close the Item list.

Enter Bill For Carpet Installation

Rock Castle Construction had Larson Flooring lay some carpet for one of its customers. Now, you want to record the bill from the subcontractor for the installation of 150 square yards of carpet.

1. From the **Vendors** menu, choose **Enter Bills**.
2. Click the **Items** tab.
3. Click in the **Item** column, and then select **Subs:Carpet** in the Item drop-down list. Notice that QuickBooks fills in the preferred vendor information for **Larson Flooring** in the Vendor field.
4. Enter **150** in the **Qty** column.
5. Click in the **Customer:Job** column and select **Prentice, Adelaide:Hippodrome playhouse** from the Customer:Job drop-down list.
6. Click to select the **Billable** checkbox.
7. Click **Save & Close**.

Invoice Customer For The Carpet Installation

Now, prepare the invoice for the customer to charge them for the carpet installation.

1. From the **Customers** menu, choose **Create Invoices**.
2. From the **Customer:Job** drop-down list, select **Prentice, Adelaide:Hippodrome playhouse**.
3. Click the **-Select the outstanding billable time & costs to add to this invoice** option; then click **OK**.
4. In the **Choose Billable Time and Costs** window, click the **Items** tab, then click to put a checkmark next to the **Subs:Carpet** item.
5. Click **OK, Save & Close**.

Run Job Profitability Detail Report

Run the job profitability report to see the how profitable the job was for the Hippodrome playhouse.

1. From the **Reports** menu, choose **Jobs, Time & Mileage**, and then choose **Job Profitability Detail** from sub menu.
2. In the **Filter Report by Job** window, select **Prentice, Adelaide:Hippodrome playhouse** from the Customer:Job drop-down list.

3. Click **OK**. Notice that QuickBooks lists cost and revenue information for the Subs:Carpet item in the Service section of the report.
4. Close the report window.

Create New Item That Tracks Both Income And Expenses

When Rock Castle decides to sell a special super-insulated 12-pane window, you recommend that they enter it as a Non-inventory Part item because it is a special-order only item for customers who are extremely energy conscious. Perry Windows & Doors is the only local source. Perry currently charges \$295 per window; Rock Castle plans to charge its customers \$495. These windows are subject to sales tax. To enter the window on the Item list:

1. From the **Lists** menu, choose **Item List**.
2. From the **Item** menu button, select **New**.
3. In the **Type** drop-down list, select **Non-inventory Part**.
4. In the Item Name/Number field, type *Super Window*.
5. Select the This item is used in assemblies or is purchased for a specific customer:job checkbox.
6. In both the **-Description on Purchase Transactions** and **-Description on Sales transactions** fields, type *Super-insulated 12-pane window*.
7. In the **Cost** field, type **295**.
8. In the Expense Account drop-down list, select Cost of Goods Sold.
9. In the Preferred Vendor drop-down list, select Perry Windows & Doors.
10. In the **Sales Price** field, type **495**.
11. Make sure the sales tax code **Tax** is selected in the Tax Code field.
12. In the Income Account drop-down list, select Construction:Materials.
13. Click **OK** and close the Item list.

Pay For The Windows

Now, enter a check to pay for the 10 Super Windows that Rock Castle is purchasing for a job it's doing for a customer's sun room.

1. From the **Banking** menu, choose **Write Checks**.
2. Click the **Items** tab.
3. In the Item drop-down list, select **Super Window**. Notice that QuickBooks fills in the information for **Perry Windows & Doors** in the **-Pay to the Order of** and Address fields on the check.
4. In the **Qty** column, type **10**.
5. Click in the **Customer:Job** column, and select **Keenan, Bridget:Sun Room** from the drop-down list.
6. Confirm that the **Billable** checkbox is selected.
7. Click Save & Close.

Invoice Customer For The Windows

1. From the **Customers** menu, choose **Create Invoices**.
2. From the **Customer:Job** drop-down list, select **Keenan, Bridget:Sun Room**.
3. Click the **-Select the outstanding billable time and costs to add to this invoice** option, then click **OK**.
4. On the **Items** tab, click to put a checkmark next to the **-Super Window** item.
5. Click **OK, Save & Close**.

Run Item Profitability Detail Report

To determine the profitability of Rock Castle's products and services, run the item report.

1. From the **Reports** menu, choose **Jobs, Time & Mileage** and then choose **Item Profitability** from the submenu. Notice that QuickBooks displays the cost and the revenue for the Super Window item under the Parts heading on the report.
2. Close the report window.

Using Items Versus Expenses

When creating estimates, sales orders and invoices in QuickBooks, you must use items to define your expenses. However, this is not the case when creating checks, bills and credit card transactions – in these instances you can use either the Expenses or Items tab, and it is helpful to understand when to use one instead of the other. In essence, the use of the Expense tab results in posting to the Chart of Accounts directly.

One facet to keep in mind is that only items, two-sided items to be exact, allow reports to report both full revenue and costs. Use of the expense tab does not provide this option.

Bill							
Vendor	Steve Carr Masonry			Date	12/13/2012		
Address	Steve Carr Masonry 2780 County Rd Bayshore CA 94326			Ref. No.			
Terms	Net 30		Discount Date			Amount Due	196.25
Memo							
Bill Due	01/12/2014						
Expenses		\$50.00	Items		\$146.25		
Item	Descrp...	Qty	Cost	Amount	Customer:Job	Billable?	PO No.
Rocks	Garden rocks	15	9.75	146.25	Stinson, Tracy		10

In the job profitability report shown below, notice the row at the bottom labeled “No Item”. This row summarizes the total costs of posted to the job using the Expenses tab and journal entries. The result is that using the expense tab provides no detail on the job cost reports (although you can double click the No Item row to drill to the details in QuickBooks).

Job Profitability Detail for Williams, Abraham			
All Transactions			
	Act. Cost	Act. Revenue	(\$) Diff.
Inventory			
Lighting	14.81	500.00	485.19
Sprinkler Hds	76.62	105.00	28.38
Sprkl pipes	302.40	396.00	93.60
Total Inventory	393.83	1,001.00	607.17
Parts			
Fountain	0.00	275.00	275.00
Total Parts	0.00	275.00	275.00
No item	850.00	935.00	85.00
TOTAL	1,243.83	4,890.57	3,646.74

Two Common Setup Errors

1. Using An Inventory Part Item Instead of A Non-Inventory Part Item , and
2. Pointing items to inappropriate accounts

Using Inventory Part vs Non-Inventory Part Items

A common mistake that clients make is to use an Inventory Part item when they should use a Non-inventory Part item. When the clients use the Inventory Part item only on purchase forms, the quantity on hand for the item increases each time the item is purchased, but is never reduced by any sales. When clients use the Inventory Part item on sales forms but not on purchase forms, the quantity on hand becomes negative and decreases with every sale because the item is never "purchased" in QuickBooks. To correct this mistake:

1. Adjust the old Inventory Part item's quantity to zero.
2. Change the name of the old Inventory Part item (so that the original name can be used again).
3. Make the old Inventory Part item inactive.
4. Add the new Non-inventory Part item.

Pointing Items To Inappropriate Accounts

Another common error that clients make is to point items to inappropriate accounts. To detect and fix this error, use the item listing report to review the accounts each item is using. When you run the report, add the following three columns by selecting them on the Display tab of the Modify Report window:

1. Account
2. Asset Account
3. COGS Account

Scan the Account column and COGS Account column for errors, and if you find any, you can QuickZoom on the item to edit and correct it. You have the option of changing the posting of all previous uses of the item by clicking **Yes** in the window that appears when you change an item's account(s). Note that this method changes prior period accounting for those items, which may not be the best solution.

Example Correcting Common Item Setup Errors

Assign Correct Item Type

Your client, Rock Castle Construction, set up an Inventory Part item called -Washers. You note that Rock Castle only uses this item in purchase transactions. You check with the warehouse and they tell you that there are no washers in inventory. Rock Castle uses the washers on its jobs but never lists them on sales forms. As a result, you see thousands of washers in inventory and the number goes up with every purchase; the purchases are never offset by any sales.

Because Rock Castle never lists washers on sales forms, washers should be set up as a Non-inventory Part item instead of an Inventory Part item. However, once you've set something up as an Inventory Part item in QuickBooks you cannot change the item's type. This means that you need to replace the Inventory Part item with a Non-inventory Part item.

Adjust Quantity On Hand

Adjust the quantity on hand to zero to eliminate the cost of the washers from the Inventory Asset account, as follows:

1. From the **Vendors** menu, choose **Inventory Activities**, and then choose **Adjust Quantity/Value on Hand** from the menu.
2. From the **Adjustment Account** drop-down list, select **Other Expenses**.
3. Select **Washers** from the **Item** drop-down list.
4. In the **New Qty** column on the **Washers** line, type **0**.
5. Click **Save & Close**. (A message may appear, click OK to clear it.)

Change Name of Inventory Part Item

Change the name of the Inventory Part item to prevent anyone from accidentally using it in the future. This step also allows you to use the original name -Washers for the new Non-inventory Part item.

1. From the **Lists** menu, choose **Item List**.
2. Double-click on the Inventory Part item, **Washers**, to edit it.
3. Edit the item by inserting an asterisk (*) before the first letter in the item name.
4. Remain in the Edit Item window for the next step!

Make Inventory Part Item Inactive

Making the Inventory Part item inactive, and therefore hiding it on the Item list, further reduces the chance of someone inadvertently using the old Inventory Part item.

1. Select the **Item is inactive** checkbox, click **OK**.

Create New Non-Inventory Part Item

Next, create a new, one-sided Non-inventory Part item using the original item name -Washers.

1. In the **Item List** window, select **New** from the **Item** menu button.
2. Select **Non-inventory Part** in the **Type** drop-down list.
3. In the **Item Name/Number** field, type **Washers**.
4. In the **Description** field, type **Washers**.
5. Type **.25** in the **Price** field.
6. Make sure the sales tax code **Tax** is selected in the **Tax Code** field.
7. In the **Account** drop-down list, select **Cost of Goods Sold**.
8. Click **OK** and close the Item list.

Now, Rock Castle can use the new Non-inventory Part item on purchase forms without affecting the Inventory Asset account.

Fixing Incorrect Account Mapping

Another frequent mistake is -mapping items to incorrect accounts. One of the main advantages of using items is that they allow consistent posting regardless of who enters the information. When an item points to the wrong account, the financial statements will be incorrect. You decide to review Rock Castle's Item list to find and correct mapping errors.

Run The Price List Report

Run the price list report and customize it to include the account columns. Then, you can scan the report for any problems.

1. From the **Reports** menu, choose **List**, and then choose **Item Price List** from the submenu.
2. Click **Modify Report**.
3. In the **Columns** list of the **Display** tab, select **Account**, **Asset Account**, and **COGS Account**, click **OK**.

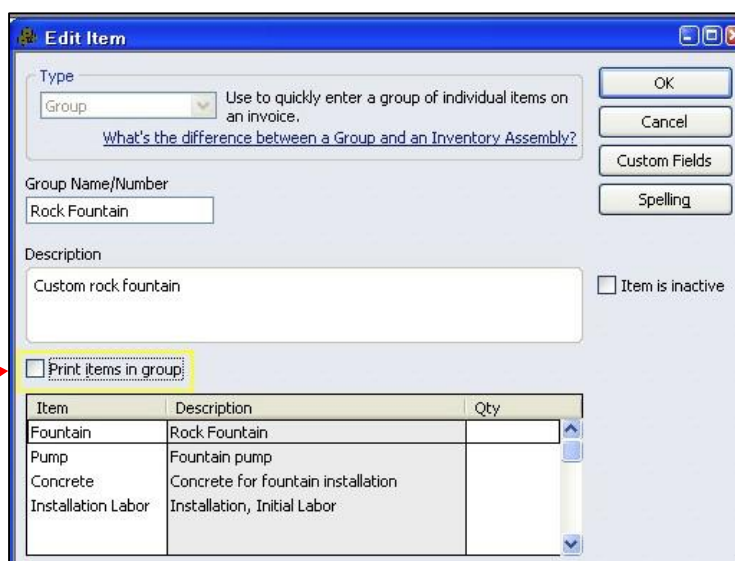
Change An Item's Account Mapping

As you review the report, you notice that one of the Service items, **Subs:Duct Work**, is linked to inappropriate income and expense accounts. You edit the item and enter the correct accounts. QuickBooks automatically changes future transactions and gives you an option to change previous transactions. You decide that the errors are significant enough to restate the financial statements, so you let QuickBooks fix the prior transactions.

1. In the **Report** window, double-click the Service item **Subs:Duct Work** on the report to edit it.
2. In the **Expense Account** drop-down list, select **Job Expenses:Subcontractors**.
3. In the **Income Account** field, select **Construction:Subcontractors**.
4. Click **OK**.
5. In the **Account Change** window, click **Yes** in response to each question.
6. Close the report window.

Setting Up And Using Group Items

Group items allow you to enter multiple items on forms at once. You can use Group items to capture invoice accounting details for your client without displaying them on the customer's copy of the invoice. To create a group, click **Ctrl + N** from the **Item List** screen, then select **Group** from the **Type** dropdown box. Provide a description, then list the items and their quantities contained in the group.



Item	Description	Qty
Fountain	Rock Fountain	
Pump	Fountain pump	
Concrete	Concrete for fountain installation	
Installation Labor	Installation, Initial Labor	

Preference Setting - To enter and see details of a group on screen, but prevent the details from appearing on printed invoices, clear the **Print Items in Group** checkbox preference.

Units of Measure

In certain editions of QuickBooks Premier and QuickBooks Enterprise, you can set up units of measure to save clients time and eliminate user errors from manual conversion calculations. Using units of measure also helps with consistent data entry if different people are entering the data. Using units of measure can help increase accuracy in inventory processes, including entering transactions, tracking, and reporting.

Some businesses need to track transactions using only a single unit of measure, for example, a business buys inventory by the gallon and sells by the gallon. Service businesses also may track by only one unit of measure, such as by the hour. Other product-based businesses buy, sell, and stock inventory items in multiple units of measure. Clients may receive inventory in one unit, store it in another, and sell and ship the items in a third unit of measure.

Using units of measure in QuickBooks provides clients with a quick way to convert units of measure, which eliminates errors made from manual conversions.

Units of measure can do the following:

1. Provide users with convenient unit of measure conversions to save time and eliminate user errors from manual conversion calculations, or from time-consuming systems of groups and assemblies
2. Improve the quantification, tracking, and efficiency of inventory processes and transactions by specifying conversion relationships between different units of measure for items (for example, 1 box = 12 pieces)
3. Allow clients to use conversions to quickly and easily purchase, receive, track, and sell items in different units of measure
4. Allow clients to sell items in additional units of measure In this lesson, you'll learn how to set up units of measure, how to use units of measure in transactions, and how to find units of measure information in reports.

Considerations for Using Units Of Measure

Consider the following when deciding if a client should use units of measure:

- Does the client currently create custom fields for items to track units of measure?
- Would the client benefit their services or inventory by tracking units of measure for their services or products?
- Does the client sell several products that use different categories of measurements? For example, a business could sell cabinet knobs by count (such as each, case, or box) and also sell flooring or countertops by area (square foot or square yard).
- Is the client spending time converting units of measure by hand when receiving goods?
- Is the client spending time building and breaking assemblies to manage different units of measure?
- Does the client have multiple inventory items to monitor units of measure?
- Is the client using spreadsheets to assist with inventory calculations?
- Is the client using inventory groups to manage units of measure?
- Does the client track time for payroll in hours and charge by the day?

Clients that receive and ship inventory in different units (cans/cases/flats, cups/pints/quarts/gallons, foot/yard/spool, etc.) or manufacture and store items in one unit and move it or sell it in other units, may benefit from the ability to easily convert between units of measure on sales and purchase transactions. These businesses want to see and select various units of measure when ordering, receiving, and selling inventory items.

Types of small businesses likely to need this functionality include wholesalers, distributors, and manufacturers. However, it is potentially useful for any small business that works with inventory or that has to purchase, stock, and sell inventory items in different units of measure. Specific users of this functionality could be salesmen, warehouse staff (i.e., shippers and receivers), inventory managers, purchasers, and so on.

Once you've determined that the ability to work with units of measurement will benefit a client, you'll want to clarify the specific units of measure requirements for the company. QuickBooks provides two modes for using units of measure: single and multiple.

- An example of **single** units of measure per item would be: buy each, sell each
- An example of **multiple** units of measure per item would be: buy a pound, sell an ounce

The ability to set up units of measure is not available in all QuickBooks editions. Also, the ability to set up multiple units of measure is available only in certain editions of QuickBooks Premier and Enterprise Solutions. Knowing whether a business needs to define single or multiple units of measure is a key decision you'll need to make before you set up units of measure in a file.

Use the information on this page and the following page to help you identify which mode (single or multiple) a client should use.

Single units of measure

- Does the client buy and sell items or services in a single unit of measure?

For example, a client might buy or manufacture items in one unit (each), and sell by the same unit; or buy gasoline by the gallon and sell gasoline by the gallon. Or, a client who is a consultant might need to track and bill time by the hour. Clients who do not need to track items in different measurements can use single units of measure, and change to multiple units of measure later if their business needs change.

Multiple units of measure

- Does the client purchase or manufacture items in one unit and sell in another unit?
- Would the client benefit from seeing and selecting various units of measure when ordering, receiving, and selling inventory items?
- Does the client need to be able to convert units of measurement depending on the situation?

For example, a client might buy an item by the case, but break down the case and sell individual units. Or, a client might manufacture items by a single unit, but sell the items to big distributors in bulk. Clients with business needs like these should use the multiple units of measure mode.

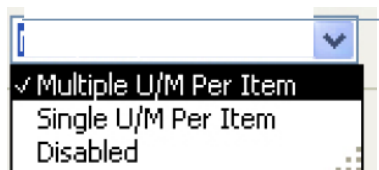
Both single and multiple units of measure have the same categories of units:

- Count: each, case, dozen, etc.
- Weight: pound, ounce, kilogram, etc.
- Volume: gallon, cup, liter, etc.
- Length: inch, yard, meter, etc.
- Area: square inch, square meter, acre, etc.
- Time: hours, minutes, days, weeks, etc.

The only difference is that with single units of measure, you select only a base unit. The base unit is the single unit of measure or the basis of multiple units of measure. With multiple units of measure, you select a base unit and any other related measurement to form a measurement set. You can also add customized categories and add customized units of measure in each category.

Setting Up Units of Measure

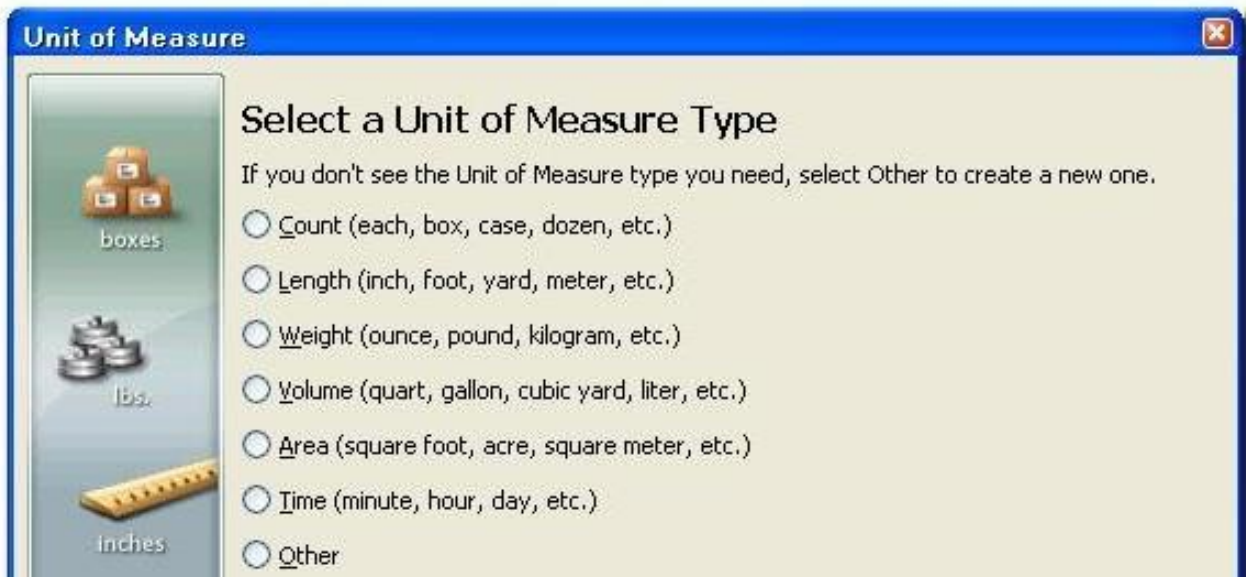
To set up Unit of measure functionality, start by enabling this feature in the company file by selecting **Edit, Preferences, Items & Inventory, Company Preferences** and select **Multiple U/M Per Item** from the **Unit of Measure** drop down box. You can also turn this feature on in the **New Item** window. (You must be logged in as an Administrator or External Accountant to turn this feature on.)



You may also want to adjust these other preferences as desired:

- Inventory and purchase orders are active
- Warn about duplicate purchase order numbers
- When calculating Quantity Available for my inventory, deduct:
 - Quantity reserved for Pending builds
 - Quantity on Sales Orders
- Warn if not enough inventory to sell.
 - When the quantity want to sell exceeds the Quantity On Hand
 - When the quantity want to sell exceeds the Quantity Available

After turning on Units of Measure in a company file and selecting Single or Multiple, QuickBooks uses a wizard to walk you through the process of defining units of measure. In editions that support only single units of measure, the screens related to defining units of measure sets are not available

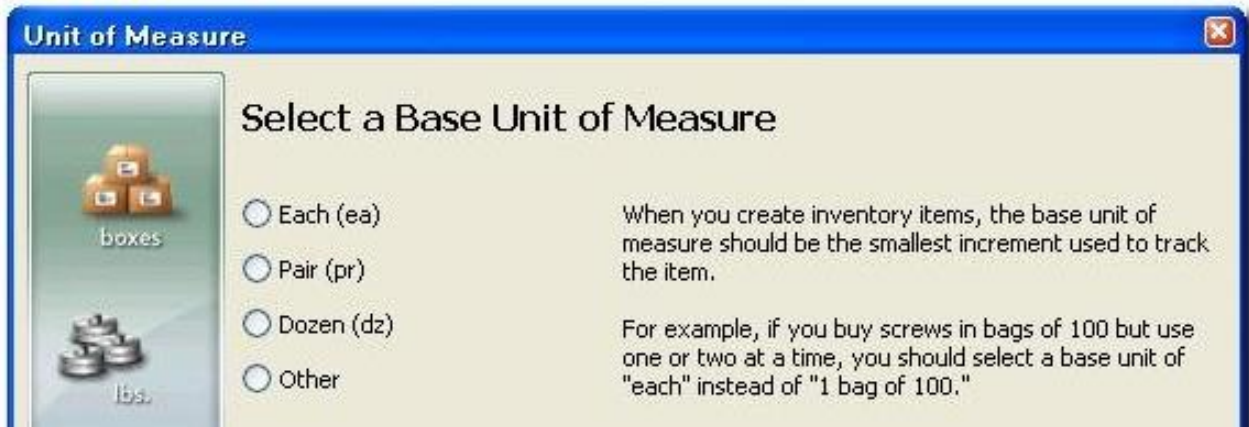


You are asked to specify the category of measurements to use and the base unit of measurement. The base unit is usually the smallest unit of measure used in the business. If an item can be measured by feet and inches, but the business doesn't sell the item in units smaller than a foot, use foot as the base unit, not inches.

To define a custom unit of measure type, select "Other."

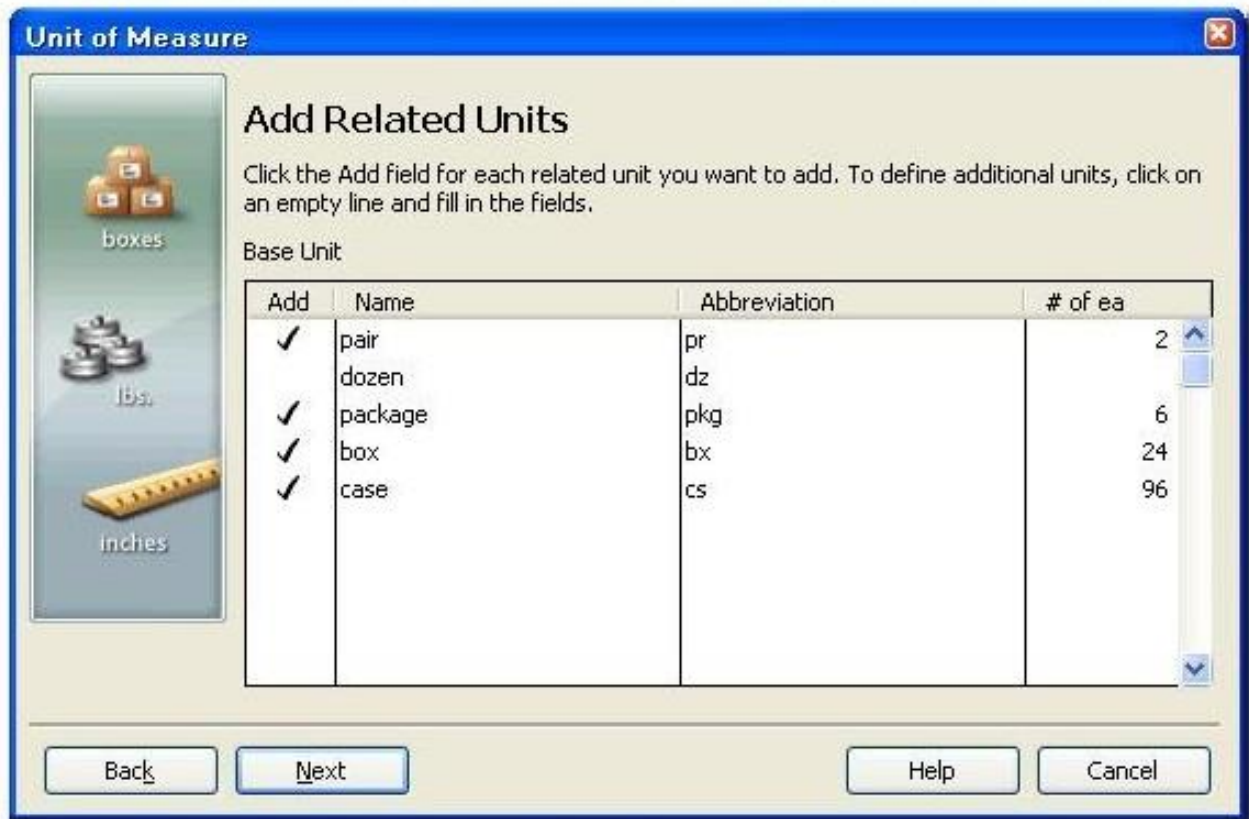
Select the base unit. Some clients only need a single, base unit such as each, box, case, or bundle. For services, they may need a unit such as hour, day, week, or month. Clients who use a single unit of measure select the one unit of measure they'll use here. This is the only unit of measure they can use and they cannot create any related units.

Clients who use multiple units of measure select the base unit on this screen and continue in the wizard to create related units. Related units are all multiples of the base unit.



Other clients may need to create measurement sets (note that measurement sets are not available in all editions of QuickBooks) that include the base unit and multiples of the base unit (each, box, case). A measurement set stores units of measure related by type (count, area, weight, length, time, and so on). A company might have a set for count, another for length, and another for time.

A measurement set allows for quick conversions from one unit of measure to another related one. A measurement set should be generic so it can be shared by all items that use the same base unit.



For multiple units of measure, specify the default units to use when purchasing items and when selling items. The defaults appear on purchase forms or sales forms, but can be changed when filling out the form.

Specify the unit of measure the client typically uses when ordering items and when selling items.

The default unit of measure selected for Shipping is what will always be shown on pick lists, regardless of what unit is shown on the purchase order. The person printing a pick list cannot change this unit of measure.

Here are some tips for setting up units of measure:

- Choose the smallest unit that the company would use as the base unit (such as "each").
- Reuse the unit of measure set on items bought and sold in similar quantities (for example, you can reuse the set for large lamps in a 30 pack for medium lamps that you also sell in a 30 pack).
- In addition to "count," you can set up units of measure for length, weight, volume, area, time.
- You can create customized categories and customized units of measure for industry-specific or complex units of measure.
- In QuickBooks editions that don't support units of measure, you can see and use units of measure when working in a file that had units of measure set up in another edition. However, you can't edit existing units or add new units.
- If time tracking is turned on in clients' files and those clients plan to assign a unit of measure to service items used in a timesheet or in the Time/Enter Single Activity window, the base unit for the Time unit of measure should be Hour.

Assigning units of measure to items

After you've set them up, you can assign units of measure to Service, Inventory Part, Non-inventory Part, Inventory Assembly, and Group items using the New Item or Edit Item windows:

You must assign units of measure to each item individually (using New/Edit Item). You can do a batch assignment of base units of measure to multiple existing items using Excel Export/Import. However, you cannot assign related units using Excel.

Units of measure can be assigned to items, but not to customers or vendors.

Type
 Inventory Part Use for goods you purchase, track as inventory, and resell.

Item Name/Number Subitem of Manufacturer's Part Number

Unit of Measure
 U/M Set 30 pack:ea Item is inactive

Using Units of Measure in Transactions

You can use the units of measure on transactions. On purchase orders, the default purchase measure that you assigned to an item appears. QuickBooks calculates the Cost based on number of single items in the set and the cost per each item.

Create Purchase Orders

Vendor: Wholesale Supply Store | Class: | Ship To: | Template: Custom Purchase O... | Print Preview

Purchase Order

Vendor: Wholesale Supply Store

Date: 12/15/2012 | P.O. No.: 40

Ship To: Manufacturing Sample File
110 Sampson Way
Middlefield, CA 94471

Item	MPN	Description	Qty	U/M	Class	Rate	Customer	Amount
ANAD	011-098	Adhesive, Anchor	1	ea		10.00		10.00
Total								10.00

Vendor Message:

To be printed To be e-mailed

Memo:

On invoices, sales orders, checks, bills, purchase orders, and other transactions (multiple mode only), when you enter a quantity for a line item associated with a measurement set, a menu appears that shows all available related units assigned to the item. Changing the unit of measurement in the Ordered or Quantity column changes the unit in the U/M column to match.

For clients using the single unit mode, only the base unit appears.

Item	Description	Ordered	U/M	Class	Rate	Amount	Tax
HETO	T Style Hex Tool	2 dz	dz		1,787.40	1,787.40	Tax
		2 bx24					
		2 cs96					
Customer Message		2 dz		Tax San Tho...	(8.5%)	151.93	
		2 ea					
Total						1,939.33	

On sales transactions, the default sales unit of measure assigned to an item appears (in this case, each). If the sales order is for a unit other than the default unit, use the U/M menu to convert from one unit to another. Once the new unit of measure is selected, QuickBooks calculates the rate and amount based on the unit of measure selected and the quantity ordered. This changes the unit of measure for this transaction only; edit the item to change the unit permanently.

For clients using the single unit mode, only the base unit appears.

Item	Description	Ordered	U/M	Class	Rate	Amount	Tax
HETO	T Style Hex Tool	1	ea		148.95	148.95	Tax
			< Add New >				
Customer Message			Convert 1 ea to 0.04167 bx24			12.66	
			Convert 1 ea to 0.01042 cs96				
			Convert 1 ea to 0.08333 dz				
			Change 1 ea to 1 bx24			161.61	
			Change 1 ea to 1 cs96				
			Change 1 ea to 1 dz				

If you check the current availability from a sales transaction, the unit of measurement displayed is in the same unit as the line item on the transaction. For example, a client may have 17 individual Hex Tools, but if the line item is for "dozen," the current availability shows how many dozen are available

If you check current availability from the Item list, the unit of measurement displays in base units. In the single unit mode, the current availability displays in base units only.

Quantity Available	
Quantity on Hand	65 ea
Quantity on Sales Orders	0 ea
Quantity Reserved for Assemblies	48 ea
Quantity Available	17 ea

Incoming	
Quantity on Purchase Orders	
Quantity on Pending Builds	

Where units of measure appear in QuickBooks

Units of measure appear in the following areas of QuickBooks:

Purchasing and receiving transactions

- Purchase orders, item receipts, bills, credit cards, checks

Sales and shipping transactions

- Estimates, sales orders, sales order pick lists, invoices, packing slips, credit memos, and sales receipts

Inventory Items and transactions

- Items: Inventory Part, Inventory Assembly, Non-inventory Part, Service, Group
- Current Availability window, Sales Order Fulfillment Worksheet
- Build assemblies, inventory adjustment transactions

Changing from Single U/M Per Item to Multiple U/M Per Item does not affect any unit of measure assignments already made to items. It only adds the possibility of creating additional units of measure for each item. When first switching from Single U/M Per Item to Multiple U/M Per Item, the measurement sets consist of only a base unit and no related units. Add related units when editing items.

When changing from Multiple U/M Per Item to Single U/M Per Item, QuickBooks uses only the base unit of each unit of measure set and hides all related units. This means that the unit of measure that appears for an item in the U/M column of all reports and transaction forms, including those saved previously, are always the base unit for that item. It also means that all quantities, prices, and costs will be converted (if necessary) and shown in terms of base units.

Changing from Multiple U/M Per Item to Single U/M Per Item does not delete any unit of measure information. Change back to Multiple U/M Per Item and all the original related units of measure, quantities, prices, and costs will be restored.

Reporting on Units of Measure

Item	U/M Set	Base U/M	Purchasing U/M	Sales U/M
Screws:SC-10x.5-SS	Box of 100	Box of 100 (bx of 100)	Box of 100 (bx of 100)	Box of 100 (bx of 100)
Screws:SC-12	Box of 100	Box of 100 (bx of 100)	Box of 100 (bx of 100)	Box of 100 (bx of 100)
Screws:SC-12x1.75-SS	Box of 100	Box of 100 (bx of 100)	Box of 100 (bx of 100)	Box of 100 (bx of 100)
Screws:SC-12x3in-SS	Box of 100 (inactive)	each (ea)	each (ea)	each (ea)
TRGU	Box to pair	pair (pr)	box of 10 (bx of 10)	pair (pr)
WHAS	Box to pair	pair (pr)	box of 10 (bx of 10)	pair (pr)
AN-12x1	Each	each (ea)	each (ea)	each (ea)
ANAD	Each	each (ea)	each (ea)	each (ea)
ANBA-BL	Each	each (ea)	each (ea)	each (ea)
ANPI-BL	Each	each (ea)	each (ea)	each (ea)
ANSP	Each	each (ea)	each (ea)	each (ea)
BO-1/2x4-J	Each	each (ea)	each (ea)	each (ea)

If, in a report, a total quantity in a U/M column was calculated from item quantities assigned to two or more U/M sets, the word -MIXED- appears for the unit of measure on the Total line.

When using unit of measure sets, some reports show the base unit of measure while others (such as transaction reports) show the unit of measure entered when the transaction was saved.

Inventory Valuation Summary						
Modify Report... Memorize... Print... E-mail ▾ Export... Hide Header Refresh						
Dates This Month-to-date 12/15/2012						
Manufacturing Sample File Inventory Valuation Summary As of December 15, 2012						
	Item Description	On Hand	U/M	Avg Cost	Asset Value	
REHO	Retainer Hook, Manual S...	23	ea	50.00	1,150.00	
REUII-1/2HP	Inf Recessed Unit 1/2 H...	14	ea	798.57	11,180.00	
RO-1/4in	Rope w/Core 1/4" - Per...	1,665	ft	0.50	832.50	
ROPE	Rope	1,260	ft	0.50	630.00	
RORE	Single Rope Reel	14	ea	285.00	3,990.00	
RORO-4	0034-210 Rocky Roller...	66	ea	10.00	660.00	
Screws						
SC-10x.5-SS	Screw, 10x1/2 phil pan...	842	bx of 100	7.34	6,178.50	
SC-12	Screw, #12 Drill Flex HW...	300	bx of 100	11.00	3,300.00	
SC-12x1.75-SS	Screw, Track 12x1 3/4"...	725	bx of 100	4.30	3,121.00	
SC-12x3in-SS	Screw, Track #12x3" P...	259	ea	1.25	323.75	
Screws - Other		0		0.00	0.00	
Total Screws		2,126	-MIXED-		12,923.25	

If a client is using an edition of QuickBooks that does not support units of measure, as a work-around, you can possibly create a Group item to create multiple unit of measures. For example, assume that you sell a single item such as a widget, a dozen widgets, or a case of 144 widgets. In this example, you might create two groups labeled “**A Dozen Widgets**”, and **A Case of Widgets**, then sell these different groups as needed.

Setting Up & Using Inventory Assemblies

In QuickBooks, Inventory Assembly items are appropriate for indicating "light" assembled items on sales forms and in reports. QuickBooks does not track inventory throughout a manufacturing process.

Setting up Assembly Items

When you create an assembly item, you list all of the component parts (and the quantities of each) required for that item, including both material and non-material costs such as overhead or labor. You can include inventory parts, other assembly items, service items, non-inventory parts, other assembly items, service items, non-inventory part items, and other charge items in the bill of materials.

Bill of materials for assembly items

Bill of Materials						
Item	Description	Type	Cost	Qty	U/M	Total
Labor	Direct Labor per build	Service	1,000	1.5	ea	1,500.00
Utilities	Utility charge per build	Other Charge	25.00	1		25.00
Grease	Grease per build	Non-Inv Part	0.25	1	ea	0.25
TRTO-CL	Track Top Clear	Inv Part	65	4	ea	260.00
Total Bill of Materials Cost:						3,411.00

Inventory Information (Quantities in ea)					
Asset Account	Build Point	On Hand	Avg. Cost	On P.O.	On Sales Order
Finished Goods Inventory	25	-5	1,713.25	0	16

QuickBooks lets you enter an assembly cost based on a markup for all of the components in the bill of materials, including labor and overhead. This cost can be used in cost-based pricing.

You can specify a sales price that is different from the cost. Note that this differs from the price of a group item, which is a sum of the price of items contained in the group. You can use price levels and change item prices with assemblies.

Each assembly item has its own single tax code, which can be different from the tax codes assigned to the components.

Item Name/Number	<input type="checkbox"/> Subitem of	
3000-UL		
<input type="checkbox"/> I purchase this assembly item from a vendor		
Unit of Measure		
U/M Set	Each:ea	
Edit...		
Cost What is this cost?	COGS Account	
4,774.65 per ea	Cost of Goods Sold	
Description		
ULTIMATE 3000		
Sales Price	Tax Code	Income Account
7,500.00 per ea	Tax	Pool Cover & Equi...

For non-inventory, other charge, and service items that you add to a bill of materials, you must select the item's "This item is used in assemblies..." checkbox and map the item to an expense account.

Type
Service Use for services you charge for or purchase, like specialized labor, consulting hours, or professional fees.

Item Name/Number Subitem of
Installation Repair

Unit of Measure
U/M Set Hour:hr Edit...

This service is used in assemblies or is performed by a subcontractor or partner

Purchase Information
Description on Purchase Transactions
Cost 0.00 per hr
Expense Account Repairs:Equipment Rep
Preferred Vendor

Sales Information
Description on Sales Transactions
Installation, Repair Labor
Sales Price 35.00 per hr
Tax Code Non
Income Account Revenue - Repair Se...

Comparing group and assembly items

- Both group items and inventory assembly items record a group of items as a single entry on a purchase or sales form.
- Group items are useful for quickly entering a group of individual items that you've already set up as single items on your list and often sell together.
- Assembly items are useful for entering assembled material units (in addition to their overhead and labor costs) that clients buy or produce, track as inventory, and then resell.

Modifying assembly items

- You can edit the bill of materials for an assembly item at any time. However, QuickBooks does not track assembly revision history. If you need to build a previous version of an assembly, you need to edit the assembly item and reenter the original component list.

Disassembling inventory assembly items

If necessary, you can use the following three methods to disassemble inventory assemblies and return the component items to inventory.

- Use the Adjust Quantity/Value on Hand window to adjust the quantity on hand for each assembly component and the assembly item.
- Reduce the quantity to build in the Build Assemblies window and then click Build & Close. The quantity of assembly units in inventory is decreased, and the quantity of component inventory parts is increased accordingly.
- Delete a build transaction completely. The quantity of assembly units in inventory is decreased and the quantity of component inventory parts is increased accordingly. This method completely removes the build transaction from QuickBooks, and you should not use it if you want to maintain a record of the transactions.

Printing a list of assembly components

- The only way to view the bill of materials for an assembly items is to click "Full View" in the Edit Item window. No reports include the bill of materials list.
- To print the bill of materials for an assembly item, click Print in the New/Edit item window. Assembly information prints first, followed by component information below.

Building Assemblies

The ability to create and build inventory assembly items is available only in QuickBooks Premier and Enterprise Solutions. However, assembly items that are created and built using QuickBooks Premier, can be viewed, sold, and reported on in files opened in QuickBooks Pro and Premier.

The Build Assemblies window provides you with the information you need to determine the number of assemblies you can create given the quantity of component items on hand, the number on sales orders, and the number reserved for other assemblies.

Build Assemblies

Previous Next Attach

Assembly Item
2000-PT

Build Assembly

Date: 01/09/2012 Build Ref. No.: 01

Quantity on Hand: 10 ea Build Point: 10 ea
 Quantity on Sales Order: 0 ea
 Quantity Reserved for Other Assemblies: 0 ea
 Quantity Available: 10 ea

Components Needed to Build 2000-PT

Item	Description	Type	U/M	Qty O...	Qty Needed
Labor	Direct Labor per build	Service			2
Utilities	Utility charge per build	Other ...			1
Grease	Grease per build	Non-In...			2
TRGU	Track Guides, TT (Pair)	Inv Part		9	1
DR-4-AL	Drum, 4", Aluminum	Inv Part		307	22
WINU-OR	Wire Nuts, Orange	Inv Part		107	3
URCO	UR- Connectors	Inv Part		215	8
WINU-YE	Wire Nuts, Yellow	Inv Part		100	3

Maximum number you can build from the quantity on hand: 1 ea
 Quantity to Build: 1

Memo: Build finished 11/30/2012

Remove Pending Status Build & Close Build & New Revert

Creating pending builds

If you don't have enough components in inventory to build the number of assemblies you've specified, QuickBooks asks if you want to postpone the build by marking it "Pending." If you don't mark the build pending, you have to change the quantity to build or you won't be able to save the build.

You can also mark a build as pending even when you have enough components to build the specified quantity, if you want to "schedule" a build for a later date.

Additionally, if you modify or delete a previous build transaction, or change inventory quantities or the dates of purchase orders, invoices, or sales receipts, assembly builds that were finalized could be changed to pending while the item history is being regenerated. You can use the pending builds report to see a list of all builds that are currently pending.

Calculating Inventory Values

Calculating quantity on hand

When you build an assembly, the component inventory parts are removed from inventory and the inventory assembly parts are added to inventory.

When you adjust the quantity on hand for an inventory assembly, QuickBooks changes the number of assembly units in inventory, but does not affect the component inventory parts.

When you add a quantity on hand value when creating a new assembly item, QuickBooks creates an Inventory Adjustment transaction just as it does for inventory items.

Understanding the effect of pending builds on the average cost of assembly items

If you edit a transaction that causes many assembly builds to change to pending status, the average cost of inventory items and assembly items could be affected.

When assemblies are nested (one or more assemblies are components of other assemblies) and you change a transaction that causes at least one build transaction in the nested hierarchy to change to pending, build transactions for related assemblies can change to pending as well.

If clients use assemblies in inventory, answering the following questions can help you determine whether or not the average cost of inventory is accurately reported by QuickBooks.

- How much inventory is accounted for in assembly items?
- How great a change in value does the transaction change represent? If the resulting value change is negligible, it won't affect the overall average cost of inventory very much.
- If you make a change to a transaction, how many assembly items is it likely to affect?
- Are assembly items nested many levels? Could changing one transaction force a significant number of assemblies to change to pending, preventing them from being included in the average cost calculation?

Calculating the cost of assembly items

The cost of an assembly item at the time of a build is the average cost of each component item multiplied by the quantity of that component needed for the assembly, and then added together. This sum is then added to the Value on Hand (VOH) of any existing assembly units of this type already in inventory. Finally, the average cost of the assembly item is calculated by dividing the VOH by the current Quantity on Hand of the assembly item. If the assembly is purchased, that cost is also factored into the average cost for the assembly item.

Reporting on Assemblies

QuickBooks inventory reports include assembly items, which appear below inventory part items. You can use QuickZoom to get information about assembly items in most inventory reports.

Inventory Stock Status by Item					
Modify Report... Memorize... Print... E-mail Export... Hide Header Refresh					
Dates This Month-to-date From 12/01/2012 To 12/15/2012					
Manufacturing Sample File Inventory Stock Status by Item December 1 - 15, 2012					
	Item Description	Reorder Pt	On Hand	On Sales Order	For Assemblies
Assembly					
1000-MC	MANUAL COVER 1...		4	0	0
1500-PM	POWER MANUAL ...		-5	16	0
2000-PT	Reduced Labor fro...		-6	0	0
3000-UL	ULTIMATE 3000		-2	0	0

The Pending Builds report is similar to the Pending Sales report. For each pending build, the report shows the date of the build, the build reference number, the name of the assembly item, the quantity to build as entered in the build form, and any memo information from the build form. You can display each pending build form by clicking a transaction entry in the report.

Manufacturing Sample File					
Pending Builds					
All Transactions					
Date	Item	Qty	U/M	Memo	
01/09/2012	01 2000-PT	1	ea	Build finished...	◀
02/05/2012	02 1500-PM	3	ea	Build finished...	
02/19/2012	03 3000-UL	1		Build finished...	
03/03/2012	04 1000-MC	2	ea	Build finished...	
04/07/2012	05 1000-MC	3	ea	Build finished...	
05/20/2012	06 2000-PT	1	ea	Build finished...	
06/01/2012	07 3000-UL	1		Build finished...	
08/21/2012	08 1500-PM	1	ea	Build finished...	
11/01/2012	11 1500-PM	3	ea	Build finished...	
11/01/2012	09 3000-UL	5		Build finished...	
11/01/2012	10 2000-PT	8	ea	Build finished...	
12/01/2012	12 1000-MC	2	ea	Build started ...	
12/02/2012	13 1500-PM	3	ea	Build started ...	
12/03/2012	14 2000-PT	5	ea	Build started ...	
12/15/2012	15 1000-MC	1	ea	Build started ...	

Reporting On Items

Presented below are selected sales, purchase, and item profitability reports that show information captured by items.

Sales by Item Summary									
December 1 - 15, 2012									
Dec 1 - 15, 12									
Accrual Basis	Qty	Amount	% of Sales	Avg Price	COGS	Avg COGS	Gross Margin	Gross Margin %	
Inventory									
Irrigation Hose		129.00	0.7%		96.00		33.00	25.6%	
Lighting	17	573.95	3%	33.76	251.74	14.81	322.21	56.1%	
Pump	5	375.00	1.9%	75.00	269.69	53.94	105.31	28.1%	
Soil	19	132.00	0.7%	6.95	100.70	5.30	31.30	23.7%	
Sprinkler Hds	20	180.00	0.9%	9.00	127.70	6.39	52.30	29.1%	
Sprkl pipes	495	<u>1,361.25</u>	<u>7.1%</u>	2.75	<u>1,039.50</u>	2.10	<u>321.75</u>	<u>23.6%</u>	
Total Inventory		2,751.20	14.3%		1,885.33		865.87	31.5%	
Parts									
Concrete	2	52.50	0.3%	26.25					
Deck Lumber	45	202.50	1.1%	4.50					
Fertilizer		89.37	0.5%						
Fountain	3	1,110.50	5.8%	370.17					
Plants/Trees		1,933.95	10.1%						
Rocks	15	<u>153.00</u>	<u>0.8%</u>	10.20					
Total Parts		3,541.82	18.4%						
Service									
Design	3	3,860.00	20.1%	1,286.67					
Gardening	8	752.00	3.9%	94.00					
Installation Labor	184	6,509.00	33.8%	35.38					
Pest Control	3	180.50	0.9%	60.17					
Tree Removal	3	1,500.00	7.8%	500.00					
Trimming	3	<u>105.00</u>	<u>0.5%</u>	35.00					
Total Service		12,906.50	67.1%						
Other Charges									
Fin Chg	3	<u>42.18</u>	<u>0.2%</u>	14.06					
Total Other Charges		42.18	0.2%						
TOTAL		<u>19,241.70</u>	<u>100.0%</u>						

The sales by item summary report shows sales information for each item.

Purchases by Item Summary

December 1 - 15, 2012

	Dec 1 - 15, 12	
	◇ Qty ◇	◇ Amount ◇
Inventory		
Lighting	▶ 10 ◀	5,000.00
Pump	6	336.00
Soil	50	265.00
Sprinkler Hds	5	<u>25.00</u>
Total Inventory		5,626.00
Parts		
Deck Lumber	45	157.50
Rocks	15	<u>146.25</u>
Total Parts		303.75
Service		
Design	5	275.00
Gardening	100	2,500.00
Tree Removal	5	<u>1,000.00</u>
Total Service		3,775.00
Other Charges		
Shipping	1	<u>37.50</u>
Total Other Charges		<u>37.50</u>
TOTAL		<u><u>9,742.25</u></u>

When your clients use items to track their purchases of goods and services, they can find the information in the purchases by item summary report.

Item Profitability

All Transactions

	◊ Act. Cost ◊	◊ Act. Revenue ◊	◊ (\$ Diff. ◊
Inventory			
Irrigation Hose	114.69	152.55	37.86
Lighting	970.81	4,800.94	3,830.13
Pump	975.00	1,375.00	400.00
Soil	602.20	777.75	175.55
Sprinkler Hds	686.31	984.45	298.14
Sprkl pipes	<u>5,541.90</u>	<u>7,257.25</u>	<u>1,715.35</u>
Total Inventory	8,890.91	15,347.94	6,457.03
Parts			
Concrete	0.00	146.00	146.00
Deck Lumber	157.50	672.50	515.00
Fertilizer	0.00	784.60	784.60
Foliage Tags/Markers	0.00	842.00	842.00
Fountain	175.00	4,851.00	4,676.00
Plants/Trees	964.00	10,778.95	9,814.95
Ponds	0.00	2,184.95	2,184.95
Rocks	<u>146.25</u>	<u>211.50</u>	<u>65.25</u>
Total Parts	1,442.75	20,471.50	19,028.75
Service			
Design	0.00	13,840.00	13,840.00
Gardening	0.00	19,649.00	19,649.00
Installation Labor	0.00	25,928.00	25,928.00
Pest Control	0.00	1,900.50	1,900.50
Tree Removal	0.00	9,053.00	9,053.00
Trimming	<u>0.00</u>	<u>3,249.00</u>	<u>3,249.00</u>
Total Service	0.00	73,619.50	73,619.50
Other Charges			
Fin Chg	<u>0.00</u>	<u>97.69</u>	<u>97.69</u>
Total Other Charges	0.00	97.69	97.69
Discounts			
10% Discount	0.00	-11.98	-11.98
Deposit Credit	0.00	-1,520.00	-1,520.00
Discount	<u>0.00</u>	<u>-222.60</u>	<u>-222.60</u>
Total Discounts	0.00	-1,754.58	-1,754.58
TOTAL	<u>10,333.66</u>	<u>107,782.05</u>	<u>97,448.39</u>

When you set up items to record both purchases and sales of products, services, and other charges, the item profitability report shows the costs, revenue, and profit for each item. Notice that there are several zero amounts for Non-inventory Part items (listed as "Parts") and Service items in the "Act. Cost" column of the item profitability report. This shows that the payments to vendors and employees were recorded using the Expenses tab, or journal entries, instead of the Items tab.

Purchasing Items Assemblies From Vendors

QuickBooks also provides an option to indicate that you purchase assembled items from a vendor, and this option works just like the option explained above to indicate that service items are performed by contractors – in essence, it forces QuickBooks to display the gross sales of the item and the cost of the item on reports, instead of displaying the net sales and cost amounts as sales.

Edit Item

Type: **Inventory Assembly** Use for inventory items that you assemble from other inventory items and then sell. [What's the difference between an Inventory Assembly and a Group?](#)

Item Name/Number: **3000-UL** Subitem of Manufacturer's Part Number

I purchase this assembly item from a vendor

Unit of Measure: U/M Set

Purchase Information
 Description on Purchase Transactions
 Cost:
 COGS Account:
 Preferred Vendor:

Sales Information
 Description on Sales Transactions:
 Sales Price:
 Income Account:

Bill of Materials

Item	Description	Type	Cost	Qty	U/M	Total
Labor	Direct La...	Service	1,000.00	2		2,000.00
Utilities	Utility cha...	Other Ch...	25.00	1		25.00
Grease	Grease p...	Non-Inv ...	0.25	4		1.00
TRGU	Track Gui...	Inv Part	50.00	2		100.00
Total Bill of Materials Cost:						4,774.65

Inventory Information
 Asset Account: Build Point:
 On Hand: -2 Avg. Cost: 3,038.65 On P.O.: 0 On Sales Order: 0

Item is inactive

Price Level Lists

Price levels allow you to set custom pricing for different customers or jobs. For example, you may sell goods for the regular price to regular customers, 5% discount to frequent, valued customers, and 20% discount to close friends and family members.

Once you create a price level and associate it with one or more customers or jobs, each time you create an invoice, estimate, sales receipt, sales order or credit memo for those customers or jobs, QuickBooks automatically pulls up the correct custom price for a customer or job.

For example, assume you sell a \$100 item to a regular customer, frequent customer, and a family member, without doing anything different, QuickBooks will automatically charge those three customers \$100, \$95, and \$80 for that same item. In essence, the price changes depending upon whom you sell the item to.

Once you have created your price levels, you can assign a default price level to each of your customers (or jobs), or you can adjust the price level on the sales order and invoice forms to the desired level by clicking on the Rate column heading.

Important Note 1: Price levels associated with customers are automatically used for billable time and reimbursable mileage items. They are not automatically used for reimbursable items and expenses from purchase transactions or invoices created from estimates. For example, if an employee travels out of town for a customer with a 10% discount, that employee's time and mileage traveled will be billed to the customer at 10% off, but the hotel bill and meals purchased in conjunction with the travel will be billed at the full 100% amount.

Important Note 2: Instead of using price levels, you could create a discount item that is not linked to a particular customer or job. Thereafter, when you create the invoice, sell the customer the item at full price, and then sell them a discount, which has the effect of reducing that price.

Price Levels can be configured in two ways, as follows:

1. **Fixed Percentage Price Levels** - Fixed percentage price levels let you increase or decrease prices of all items for a particular customer or job by a fixed percentage. For example, you might use a fixed percentage price level for a customer who gets a 10% discount on all the products and services you offer. You can choose to round sales prices up to the next whole dollar by setting this Company preference when you use fixed percentage price levels.
2. **Per Item Price Levels** - Per item price levels let you set custom prices for items that are associated with different customers or jobs. For example, you might use a per item price level for your preferred customers who are charged 8 for product A (regularly priced at 10), 5 for product B (regularly priced at 5.50), and your standard price for product C. In

another example, you might have a specific customer you agreed to charge 50 per hour for research time (regularly priced at 70) and 30 per hour for administrative time (regularly priced a 35 per hour).

Important Note 3: Per Item price levels are only available if you have QuickBooks Premier or Enterprise editions.

Creating Price Levels

To create a price level, first enable the price levels preference from the **Preferences** menu by selecting **Sales & Customers**, and under **Company Preferences** check the checkbox labeled **Use Price Levels**. Then:

1. From the **Lists** menu select **Price Level List**.
2. Click the **Price Level** button at the bottom of the list and select **New Price Level**.

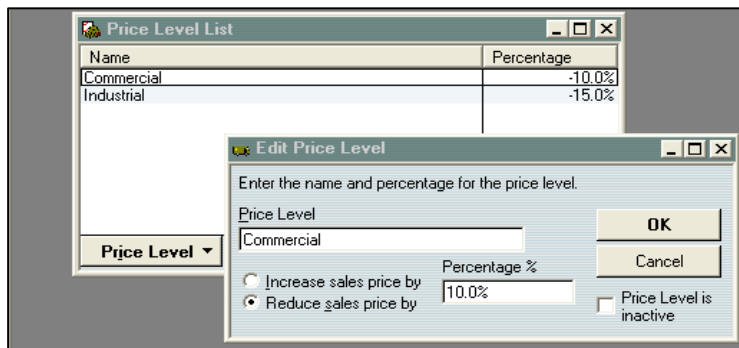


3. Enter the name of the new price level.
4. Choose the **Price Level Type**. The type can be either **Fixed %** or **Per Item**. Note: The Per Item price level is only available if you have QuickBooks Premier or higher.
 - If you choose fixed percentage, you can increase or decrease prices on all items by a fixed percentage. You can also round sales prices up to the whole dollar, if you have set this Company preference when you elected to use price levels.
 - If you choose per item, you have the flexibility to set the dollar amount prices of individual items for different customers or jobs.
5. For **fixed percentage** price levels, choose whether to increase or decrease and enter a percentage; or for **per item** price levels, either enter the new price in the **Custom Price** column, or choose one or more items from the list and click the **Adjust Selected Prices** button to adjust the prices in bulk.
6. For per item price levels, the currency of the price level must match the currency of the foreign customer for whom you want to set the custom price for. Create a per item price level for each foreign currency as needed. **Note:** Fixed percentage price levels are not based on currency and are available for all customers.
7. Click **OK**.

Use Price Levels

You can use price levels in two different ways:

1. You can apply a price level directly to items on a sales form.
2. You can associate a price level with one or more customers or jobs.



Price levels let you automatically increase or decrease inventory, non-inventory, and service item prices. You create price levels, then use them on sales forms to adjust the price of an item. For example, you might create a price level called "wholesale" and specify a decrease of 20%. Then when you sell an item and assign the "wholesale" price level, the amount of that item is automatically reduced by 20%. 165 For each price level you create, you assign a name and percentage of increase or decrease. You can use price levels on invoices, sales receipts, sales orders, or credit memos. When you apply a price level to an item on a sales form, the adjusted price appears in the Rate column. You can also assign price levels to customers and jobs. Then the associated price level is automatically used to calculate the item price.

Note: Price levels associated with customers will not automatically be used when reimbursable items are added to invoices or sales receipts or when invoices are created from estimates. In both cases, the item amount you originally entered will be carried over. You can then manually adjust the rate, using price levels, after the invoice or sales receipt has been created.

If you associate a price level with a customer, whenever you create a sales form for that customer, items will automatically appear with the new amount. Applicable sales forms are: invoices, estimates, sales receipts, credit memos, or sales orders.

1. You are limited to 99 pricing levels, up from 20 in 2011 editions and earlier.
2. You can use these price levels to mark prices up or down.
3. You can assign default price level to customers.

Control Price Level Rounding

To control price level rounding:

1. Open the Edit Price Level window.
2. Click the Rounding drop-down menu and select one of the following options:
 - a. no rounding
 - b. one of 14 pre-defined amounts
 - c. user defined (allows you to precisely determine the amount)
3. If you selected user defined rounding, complete these additional steps:
 - a. Select one of the following:
 - i. to nearest
 - ii. up to nearest
 - iii. down to nearest
 - b. Enter an amount in both \$ fields.
 - c. Select Plus or Minus.
4. Click OK.

Turn Price Level Preference On Or Off

To turn price level preference on or off:

1. Open the sales and customers preferences.
2. Clear the Use Price Levels checkbox to turn this preference off, or add a checkmark to turn this preference on.
3. Click OK.

Using Billing Rate Levels With Price Levels

Billing rate levels are available only in the Contractor, Professional Services, and Accountant editions. You should understand what happens when both billing rate levels and price levels are applied to service items at the same time. For example, when a service item is performed by an

employee or vendor with a billing rate level of 10% off, and the same service item has a price level for a given customer of 10% off.

Whenever a service item is added to an invoice via the Add Time/Costs window, the rate for that service item is determined as follows:

1. If the invoice is for a customer or job with a "fixed percentage" price level (for example, the customer always gets a 10% discount), the price level adjustment is applied to the worker's billing rate. If there is no billing rate level, the price level adjustment is applied to the service item's standard rate.

For example, if the employee charges \$100 per hour, then the customer is charged a billing rate of \$90, and on top of that the price level discount of 10% is applied, so that the customer pays a total of only \$81.

2. If the invoice is for a customer or job with a "per item" price level (for example, always charge this customer 50 an hour for a particular service and 60 an hour for another service), the customer's price is always used. A "per item" price level overrides both billing rate levels and standard rates.

For example, if the employee charges \$100 per hour, only the price level discount of 10% is applied, so that the customer pays a total of only \$90.

3. If the invoice is for a customer without a price level, but there is a billing rate level associated with the employee or vendor who did the work, the billing rate level is used.
4. If there is no price level or billing rate level, the service item's standard rate is used.

In all cases, you can modify the rate directly on the invoice as desired.

Important Note: If you add a service item to an invoice directly (not using the Add Time/Costs window), billing rate levels are never applied.

To display the Price level List, from the **Lists** menu select **Price Level List**.

Billing Rate Levels Overview

Important Note 1: Billing rate levels are available only in the Contractor, Professional Services, and Accountant editions.

Important Note 2: Billing rate levels are used only when invoicing your customers; they have nothing to do with payroll.

Billing rate levels let you set custom service item rates for different employees and vendors. You might want to use them if you find that one standard rate for a given service is not always sufficient. For example, different employees doing the same service might bill at different rates based on experience level or labor burden costs. Or you might charge different rates for an employee based on the difficulty of the task.

Once you create billing rate levels and associate them with employees and vendors, each time you create an invoice with billable time, QuickBooks automatically fills in the correct rate for each service item based on who did the work.

1. When you create your service items as usual, billing rate levels do not replace your service items. They are custom prices that override the standard rate you set for service items, based on who did the work.

For example if you sell one hour of staff time at \$55 per hour, but you might have two billing rates labeled Audit staff and Tax staff which you sell at \$65 and \$70 per hour respectively. Then QuickBooks bills that service item out differently depending upon whether the regular staff, audit staff, or tax staff rendered that service.

2. After you create your billing rate levels, each billing rate level will be used to set custom service rates for one or more employees or vendors.

Once you have created the billing rate level, you can assign it to an employee or vendor as the default billing rate level.

3. Assign each billing rate level to people on the Employees, Vendors, or Other Names list.
4. Track the time you want to invoice. When you track the time, assign the hours to a customer or job. Note: When you track time, the time information can be used for customer invoices, payroll, or both.
5. Invoice your customers for cost plus or time and materials. When creating the invoice, click the Add Time/Costs button to add your billable time. The appropriate billing rate will then be used for each service item, based on who did the work.
6. Invoice your clients for time and expenses. When creating the invoice, click the Add Time/Costs button to add your billable time. The appropriate billing rate will be used for each service item, based on who did the work.



Bio for J. Carlton Collins, CPA

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J. Carlton Collins, CPA is a Certified Public Accountant with experience in technology, tax, auditing, accounting systems, financial reporting, and bond financing. He is an author, lecturer, and technology & accounting systems consultant. He has published books, articles, and web pages and is the author of the monthly technology Q&A column for the [Journal of Accountancy](#). As a public speaker, Mr. Collins has delivered more than 2,000 lectures in 44 states and 5 countries addressing more than 500,000 CPAs and business professionals. As a consultant, Mr. Collins has assisted 275+ large and small companies with the selection and implementation of accounting systems. Mr. Collins has a Bachelor's degree in Accounting from the University of Georgia, is a 25+ year member of the American Institute of CPAs and the Georgia Society of CPAs, and is also a licensed realtor.

Summary of Selected Positions, Awards & Accomplishments:

1. Honored as one of the CPA Industries Top 25 Thought Leaders by [CPA Technology Advisor Magazine](#)
2. Author of the monthly Technology Q&A column for the [Journal of Accountancy](#).
3. Recipient of the 2012 AICPA Lawler Award for Excellence in professional writing.
4. Recipient of the AICPA's Lifetime Technical Contribution to the CPA Profession Award.
5. Chairman of the Southeast Accounting Show - the South's largest CPA event.
6. Recipient of the Tom Radcliff Outstanding Discussion Leader Award.
7. Named "Top Ten CPA Technologists" by [Accounting Technologies Magazine](#) (multiple years).
8. Named "Top 100 Most Influential CPAs" by [Accounting Technologies Magazine](#) (multiple years).
9. Has personally delivered over 2,000 technology lectures around the world.
10. Recipient of the Outstanding Discussion Leader Award from the Georgia Society of CPAs.
11. Lead author for PPC's Guide to Installing Microcomputer Accounting Systems.
12. Has installed accounting systems for more than 200 companies.
13. Chairperson of the AICPA Technology Conference.
14. Recipient of the ACCPAC Partner of the Year Award.
15. Determined by SAP to be one of the country's "Top Ten Most Influential ERP Systems Consultants".
16. Has delivered keynote and session lectures at dozens of accounting software conferences.
17. Sworn in as a Certified Public Accountant on September 18, 1985.
18. Member of the American Institute of CPAs since 1985.
19. Member of the Georgia Society of CPAs since 1982.

As an auditor, Mr. Collins has audited businesses in the areas of health care, construction, distribution, automobile dealerships, insurance, manufacturing, and general business. Mr. Collins' tax experience includes corporate, individual, partnership, fiduciary, and estate tax planning work. In the area of finance, Mr. Collins has prepared (or assisted in preparing) feasibility studies and financial forecasts for nearly 300 projects seeking more than \$3 billion in startup capital. Mr. Collins is familiar with bond issues, Medicare and Medicaid reimbursement, and conventional financing matters. In 1992, Mr. Collins contributed and demonstrated more than 500 pages of suggested design improvements to the Microsoft Excel development team of programmers - and many of those improvements are found in Excel today.

At the University of Georgia, Mr. Collins was elected President of the Phi Eta Sigma Honor Society, was initiated into the BIFTAD Honor Society, served three years in the Judicial Defender/Advocate program, and was a member of Alpha Tau Omega fraternity. At Glynn Academy High School, Mr. Collins was Senior Class President, Class Valedictorian (1 of 6), and received a principle nomination to Annapolis Naval Academy. Mr. Collins has been married for 27 years and has two children. He devotes his leisure time to family, travel, tennis, fishing, snow skiing, and riding motorcycles (both dirt and street). Mr. Collins is president of his homeowners association, participates in the Gwinnett Clean and Beautiful program, and volunteers for Cooperative Ministries food drive.