QuickBooks Online Student Guide

Chapter 3

Customers and Sales Part I

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▶ Lesson Objectives

Finding new customers and making sales is a critical component of every small business. Understanding how to work with customers is an important part of QuickBooks. You'll discover important steps to work with customers and sales workflows.
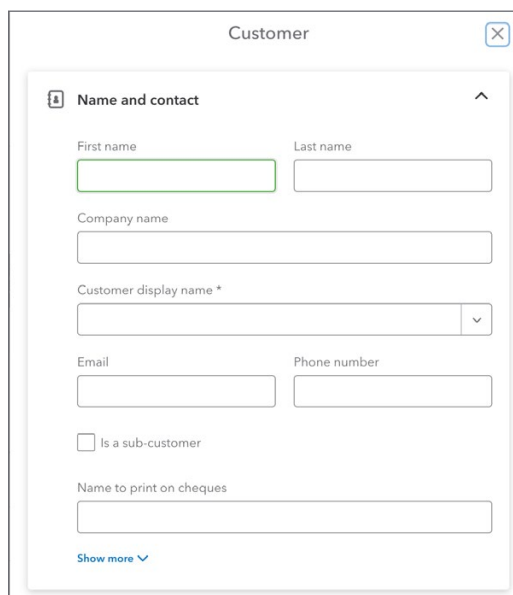
In this chapter you'll learn the following:

- How to set up new customers

- How to set up products and services

- Creating sales transactions including invoices and sales receipts

- Receiving customer payments and making deposits

- Basic customer reporting

▶ Setting Up Customers

Customers are the people and businesses that you sell your products or services to. Before making sales in QuickBooks it's a good idea to add customers. You can add customers from the customer list and you can add them as you go on sales transactions.
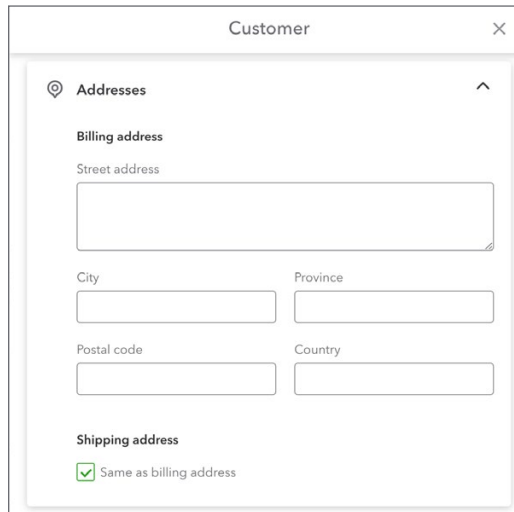
To add a new customer:

1. Click **Sales**.

2. Click **Customers**.

3. Click **New Customer**.

4. Enter the information in the new customer window. Start with **Name and Contact**. Click **Show more** to see all contact fields.
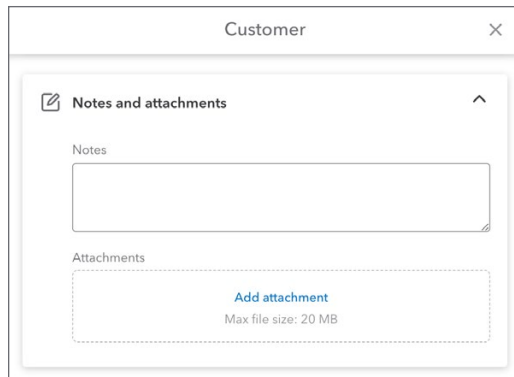
Addresses

Enter your customer's Billing address, and shipping address in this section. If the Shipping address is the same as the Billing address, select 'Same as billing address'.
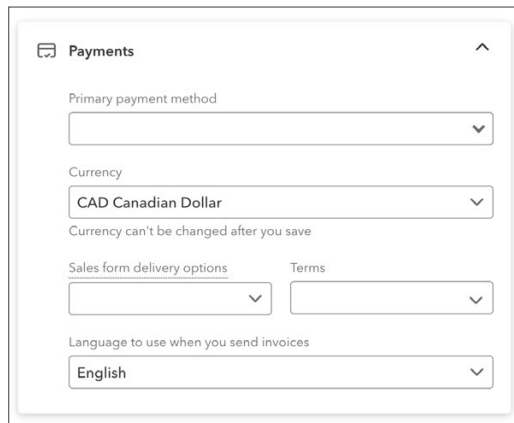

Notes and Attachments

Enter any notes for the customer. These notes will only appear on the customer record, and will never be sent to the customer. Upload any attachments related to the customer.

Payments

In this section you'll indicate how the customer typically pays their invoices in the **Primary payment method** option. Under **Currency**, you can add a foreign currency if they transact with you in another currency other than Canadian dollars. In **Sales form delivery options**, you can indicate how they would like to receive their invoices. In Terms you can add the **Terms** you have with the customer.
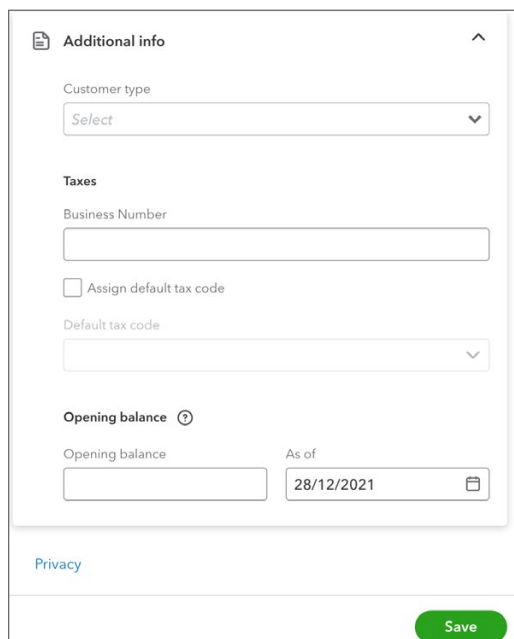

Additional Info

In this section you'll add a **Customer Type**. This is an optional field that will identify customers according to different segments that you setup for your business. An example would be residential vs. commercial types of customers. You can add the customer type to reports.

In the taxes field you can add a **Business number** for the customer and a specific tax code. This will only be used if they indicate that they have a specific tax situation that requires a specific tax rate. For example, a government agency may indicate that they are tax exempt. In this case you would select **Tax Exempt**.

Click **Save** to complete the setup of the new customer.

Edit Customers

Once you have your customer set up, QuickBooks will use their information when you select them on a sales form. If you need to make any changes to this information, e.g. address, contact information, etc., click on the customer name in the customers list, and click the Edit button.

To set up a customer:

1. Click **Sales**.

2. Click **Customers**.

3. Click the customer name and click **Edit**.

4. Make any changes.

5. Click **Save** to save the customer record.

To learn how to add a customer watch this video: https://youtu.be/rkMYXr-Aybw

Setting Up Products and Services

Products and services are the items you sell to your customers. You can make these as simple or complex as you need to based on your business needs.

While they provide a quick means of data entry, a much more important role for items is to handle the behind-the-scenes accounting. When you create an item, you link it to an account; when the item is used on a form, it posts an entry to that account and another entry to the appropriate accounts receivable, accounts payable, etc.

While products and services are easy to set up, you should spend some time deciding how they can best work for you before you start setting them up and using them. Use your current list of services and products as a starting point. Consider how much detail you want on your invoices or statements and set up your items with that level of detail in mind.

To view the **Products and Services** list, click the **Gear** icon and then click **Products and Services**.

Product/Service information   ✕

Inventory
Products you buy and/or sell and that you track quantities of.

Non-inventory
Products you buy and/or sell but don't need to (or can't) track quantities of, for example, nuts and bolts used in an installation.

Service
Services that you provide to customers, for example, landscaping or tax preparation services.

Bundle
A collection of products and/or services that you sell together, for example, a gift basket of fruit, cheese, and wine.

There are four types of products and services in QuickBooks.

Inventory

In QuickBooks, an inventory part is one of the types of line items you can use when you're filling out a sales or purchase form. You use inventory items to track merchandise your business purchases, keeps in stock as inventory, and then resells. For each inventory item, QuickBooks tracks the current number in stock and the value of your inventory after every purchase and sale.

Non-inventory

In QuickBooks, a non-inventory part is one of the types of line items you can use when you are filling out a sales form or purchase form. Use non-inventory part items to track merchandise that:

- You purchase but do not resell.

- Materials that are used in the delivery of your services.

- You purchase and resell but do not stock in inventory or track as inventory.

Service

Services you charge for or purchase. Examples include specialized labour, consulting hours, and professional fees.

Bundle

Bundles are groups of products and/or services you sell together. For example, gift baskets or services that are always performed together.
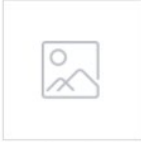
▶ Setup a Service

1. Click the **Gear** icon and click **Products and Services**.

2. Click **New**.

3. Select the **Service** type.

4. Enter the **Name** and **SKU** (optional) for the service.

5. (Optional) Select a **Category** for the service.

Product/Service information	✕

Service Change type

Name*

Lawn Service

SKU

Category

Choose a category ▾

Class

Assign a class ▾

Description

✔ I sell this product/service to my customers.

Weekly Lawn Service

Sales price/rate (CAD)   **Income account**

37.50   Sales ▾

☐ Inclusive of tax

Tax

⌄ SHOW MORE

Save and close ▾

6. Enter a **Description** to display on sales forms.

7. Enter the **Sales price/rate**.

8. Select the appropriate **Income account** to track revenue for this service. This is the most important part of the setup of the service. Choosing an income account in this field means that every time this service is used on a sales transaction, QuickBooks will credit this income account.

9. Choose the **Tax** to be added to the sale of this item.

10. Click **Save and close** to complete the setup of the item.

> **NOTE** If a subcontractor performs this service, enter the Purchase information for the service.

To learn how to add a service watch this video: https://youtu.be/SjHw12GxmFo

Setup a Non-inventory Item

1. Click the **Gear Icon** and click **Products and Services**.

2. Click **New**.

3. Select the **Non-inventory** type.

4. Enter the **Name** and **SKU** (optional) for the product.

5. (Optional) Select a **Category** for the product.

6. Enter a **Description** to display on sales forms.

7. Enter the **Sales** price.

8. Select the appropriate **Income** account to track revenue for this product.

9. Choose the **Tax** rate.

10. If you purchase this product from a supplier, enter the purchase information.

11. Click **Save and Close**.

NOTE A category is a means of classifying products and services you sell to customers. Categorizing what you sell can help you better understand sales volume and what people are buying. Additionally, categories save you time when completing transaction forms, since you can search for items by category.

▶ Entering Sales

There are two main workflows to enter sales in QuickBooks Online. Which one you choose depends on whether your customer is paying you now, or if they pay later.

Invoices vs. Sales Receipt

If your customers don't pay you in full at the time you provide your service or product, or if they pay in advance, you need to track how much they owe you. Using an invoice helps you keep track of what your customers owe you (or your "accounts receivable").

If your customers pay in full at the time they receive your service or product, then you don't have to track how much they owe you. However, you might want to track each sale, calculate its sales tax, or print a receipt for the sale. In that case, use a sales receipt.

Invoice Workflow Overview

Use the invoice workflow when your customer pays you later for a product or service. Start by entering the sale on the invoice form, then record the customer payment in the Receive Payment window. Finally, record the deposit of the customer payment in the bank account.

Invoice ⟶ Receive Payment ⟶ Bank Deposit

In QuickBooks, an invoice is a form on which you record details about a sale to a customer who owes you money. It lists the services you're providing or the products you're selling. It also shows the quantity and price or rate of each item. If you need to make automatic adjustments to prices (for example, discounts or markups), invoices will work for you.

Step 1: Enter Customer Invoice

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

2. Click the **Customer drop-down** and select the customer name.

3. Enter the **Date** of the sale.

4. In the **Product/Service** area of the form, select the appropriate products and/or services.

5. **Save** the invoice.

▶ To learn how to create an invoice watch this video: https://youtu.be/7ttDImRGvIE

NOTE Click **Print or Preview** to review and print an invoice.

You can email an invoice to a customer when you click **Save and Send**.

After you enter the invoice, the customer's Accounts Receivable balance is increased, and the income account(s) linked to the products and services on the invoice increase. You can see this on the customer record, sales reports, and the Profit and Loss and Balance Sheet reports.

	CUSTOMER ▲ / COMPANY	PHONE	OPEN BALANCE
☐	Joe Young ✉		$5,474.57

Step 2: **Receive Customer Payment**

1. Click the **New** menu and select **Receive Payment**.

2. Click the **Customer drop-down** and select the customer name.

3. Select the **Invoice**(s) to receive payment against.

4. Enter the **Amount** of the payment.

5. Select the **Payment method**.

6. Enter a **Reference number** (if applicable).

7. Select the appropriate **Deposit to** account.

> 👍 **NOTE** Select Undeposited funds if the payment will be deposited with other payments. This will ensure that the deposit amount in QuickBooks matches the deposit amount on your bank statement. Any payments you receive from customers can be recorded in this holding account until you deposit the payment into a QuickBooks bank account. The Undeposited Funds account acts as a holding account, like holding money in a drawer until you make a deposit to your bank.

8. **Save** the payment.

▶️ To learn how to receive a customer payment watch this video: https://youtu.be/Vg8ayalsvK4

> 👍 **NOTE** You can see the customer payment balance amount in the undeposited funds account.

☐	Uncategorized Asset	Current assets	Other current assets	CAD	0.00
☐	Undeposited Funds	Current assets	Undeposited Funds	CAD	203.40
☐	Accumulated Depreci	Property, plant an...	Accumulated Dep...	CAD	-366.63

Step 3: Deposit Customer Payment

1. Click the **New** menu and select **Bank Deposit**.

2. Select the appropriate **Deposit to** account.

3. Select the payments to deposit.

4. **Save** the deposit.

To learn how to record deposits watch this video: https://youtu.be/B1eZZEK9F9U

NOTE You will see an updated balance in the Undeposited Funds account and the Chequing accounts after the deposit is recorded in QuickBooks.

Sales Receipt Workflow

Use the sales receipt workflow when your customer pays you at the time of the sale. Because the customer does not owe anything on the sale later, a customer name is optional.

Sales Receipt ⟶ Bank Deposit

Step 1: Enter a Sales Receipt

1. Click the **New** menu and click **Sales Receipt**.

2. (Optional) Choose a **Customer** name.

3. In the **Product/Service** area of the form, select the appropriate products and/or services.

4. Enter the **Rate** and **Sales Tax**.

5. Enter the **Payment method** and **reference number** (if applicable enter a #cheque).

6. Select the appropriate **Deposit to** account (see information about **Undeposited Funds** above).

7. Click **Save** to complete the transaction.

▶ To learn how to enter a sales receipt watch this video: https://youtu.be/htroTl7our4

Step 2: **Deposit Customer Payment**

1. Click the **New** menu and choose **Bank Deposit**.

2. Choose the appropriate deposit to account.

3. Select the payments to deposit.

4. **Save** the deposit.

Sales and Customer Reports

There are several default reports to help you understand the sales and accounts receivable in your business. Choose from the following reports that provide the information you need for your business.

Sales by Customer Detail

This report shows the total sales to each customer and job, broken down by transaction. It includes income from parts, services, and other charge items recorded on an invoice or sales receipt. It does not include income from sales tax or reimbursed expenses.

1. Click **Reports**.

2. Scroll to **Sales and Customers**.

3. Click **Sales by Customer Detail**.

Green Tree Landscapes
SALES BY CUSTOMER DETAIL
January - December 2019

DATE	TRANSACTION TYPE	#	PRODUCT/SERVICE	MEMO/DESCRIPTION	QTY	SALES PRICE	AMOUNT	BALANCE
▾ Adwin Ko								
15/11/2019	Invoice	1010	General services:Badges:Na...	Name Badges	500.00	3.00	$1,500.00	1,500.00
Total for Adwin Ko							**$1,500.00**	
▾ Anilkumar Pillai								
29/11/2019	Invoice	1015	General services:Badges:Na...	Name Badges	300.00	3.00	$900.00	900.00
29/11/2019	Invoice	1015	General services:Water Bottle...	Water bottles - generic	300.00	10.00	$3,000.00	3,900.00
31/12/2019	Invoice	1016	General services:Badges:Na...	Name Badges	300.00	3.00	$900.00	4,800.00
31/12/2019	Invoice	1016	General services:Water Bottle...	Water bottles - generic	300.00	10.00	$3,000.00	7,800.00
Total for Anilkumar Pillai							**$7,800.00**	
▾ Benjamin Yeung								
18/05/2019	Invoice	1003		100% markup for Promotiona...			$60.00	60.00
18/05/2019	Invoice	1003	General services:Catering	Catering -- food & beverage	20.00	35.00	$700.00	760.00
18/05/2019	Invoice	1003	Promotional items:Pad folios	Promotional items - engraved...	15.00	7.50	$112.50	872.50
18/05/2019	Invoice	1003	General services:Venue Rental	Venue Rental	1.00	750.00	$750.00	1,622.50
18/05/2019	Invoice	1003		100% markup for Promotiona...			$112.50	1,735.00
18/05/2019	Invoice	1003		20% markup for Catering -- fo...			$140.00	1,875.00
18/05/2019	Invoice	1003		20% markup for Venue Rental			$150.00	2,025.00

A/R Aging Summary

This report summarizes the status of unpaid invoices in the accounts receivable. For each customer who owes money, the report shows:

- What the customer owes for the current billing period
- What the customer hasn't paid from previous billing periods
- Subtotal balances for each job (if the customer has multiple jobs with your company)

1. Click **Reports**.

2. Scroll to **Who owes you**.

3. Click **Accounts Receivable Aging Summary**.

Collapse   Sort ▾   Add notes

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A/R AGING SUMMARY
As of December 31, 2019

	CURRENT	1 - 30	31 - 60	61 - 90	91 AND OVER	TOTAL
Adwin Ko		1,695.00				$1,695.00
Anilkumar Pillai	4,407.00					$4,407.00
Benjamin Yeung			8,249.00			$8,249.00
Hazel Robinson				-974.63		$ -974.63
Jordan Burgess		452.00				$452.00
Lew Plumbing					-454.83	$ -454.83
Whitehead and Sons	1,356.00	3,672.50				$5,028.50
TOTAL	$5,763.00	$5,819.50	$8,249.00	$ -974.63	$ -454.83	$18,402.04

> **NOTE** To see a list of the transactions that make up a balance, click any balance amount in the report.

Open Invoice Report

1. Click **Reports**.

2. Scroll to **Who owes you**.

3. Click **Open Invoices**.

Sort▼   Add notes

Green Tree Landscapes

OPEN INVOICES
As of December 31, 2019

DATE	TRANSACTION TYPE	#	TERMS	DUE DATE	OPEN BALANCE
▾ Adwin Ko					
15/11/2019	Invoice	1010	Net 30	15/12/2019	1,695.00
Total for Adwin Ko					**$1,695.00**
▾ Anilkumar Pillai					
31/12/2019	Invoice	1016	Net 30	30/01/2020	4,407.00
Total for Anilkumar Pillai					**$4,407.00**
▾ Benjamin Yeung					
16/10/2019	Invoice	1008	Net 30	15/11/2019	904.00
16/10/2019	Invoice	1009	Net 30	15/11/2019	7,345.00
Total for Benjamin Yeung					**$8,249.00**
▾ Hazel Robinson					
25/10/2019	Payment			25/10/2019	-974.63
Total for Hazel Robinson					**$ -974.63**
▾ Jordan Burgess					
15/11/2019	Invoice	1011	Net 30	15/12/2019	452.00
Total for Jordan Burgess					**$452.00**