Chapter 3

Customers and Sales Part I

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Chapter 3

Lesson Objectives

In this chapter, you'll learn the steps necessary to set up customers, and enter sales in QuickBooks Online. In this chapter you'll learn:

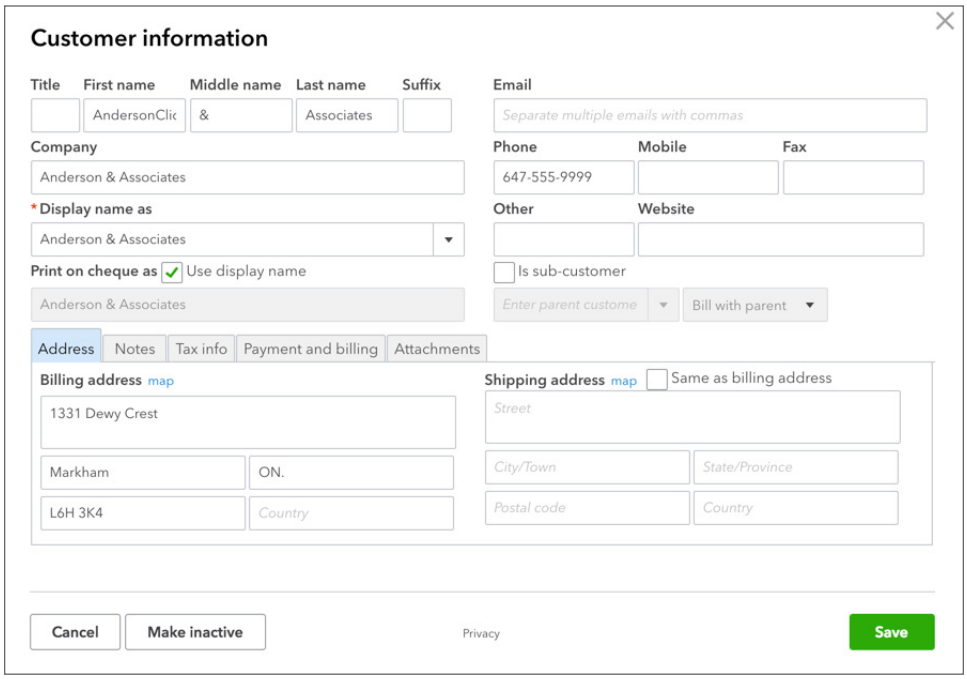
- How to set up a customer on the customers list
- How to set up products and services
- Sales workflows, and when to use each
- How sales entered affect financial statements

Setting Up Customers

Customers are the people you sell products and services to. Before you start entering sales in QuickBooks Online, you need to set up your customers on your customers list. When you set up a customer, there are five tabs for additional information. The Customers list shows information about the people and companies to whom you sell your products and services.

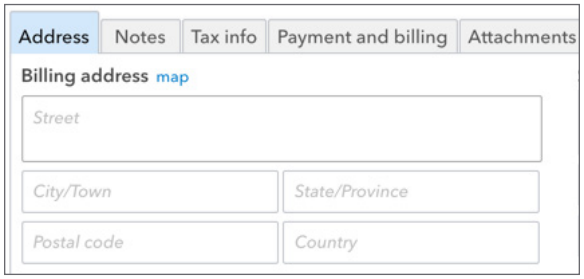
To view the Customer list and its details:

1. Click **Sales**.
2. Click **Customers**.
3. Click the **Customer name** to open a record.
4. Click the **Edit** button.



Address Tab

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



Notes Tab

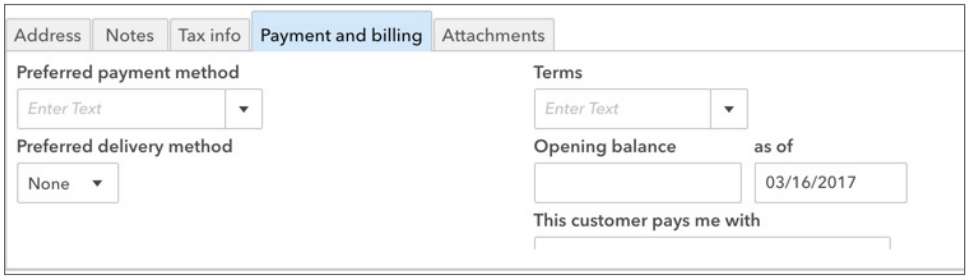
Enter any notes for the customer. These notes will only appear on the customer record, and will never be sent to the customer. You can update these as needed.

Tax Info Tab

Enter your customer's Business number if required.

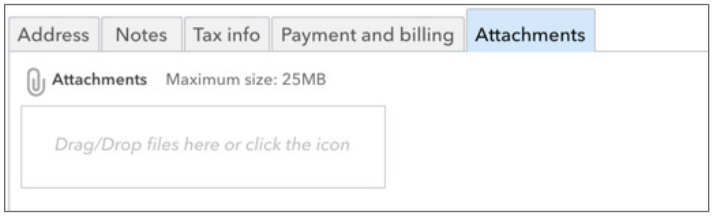
Payment and Billing Tab

Here you can select your customer's preferred payment method, preferred delivery method (how they receive sales forms), terms, and opening balance. When you select the payment method, delivery method, and terms, QuickBooks will enter these on any sales forms you record for your customer. You can change this as needed when you record a sale.



Attachments Tab

Store any attachments for the customer here. These can be any file format, if the file size is less than 25MB.

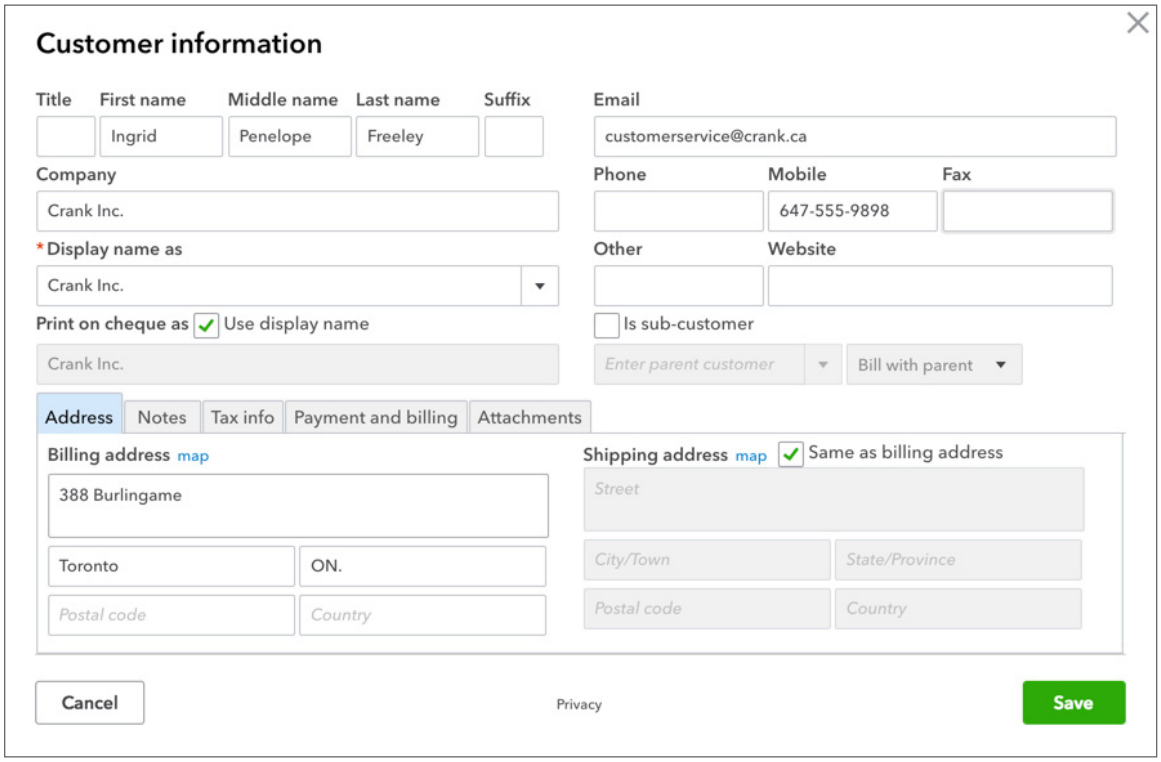


Once you have your customer set up on your customer list, QuickBooks will use that information when you select them on a sales form. If you need to make any changes to this information, e.g. address, contact information, etc., click on the customer name in the customers list, and click the Edit button.

To set up a customer:

1. Click **Sales**.
2. Click **Customers**.
3. Click **New Customer**.

4. Enter the appropriate information for the customer.



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

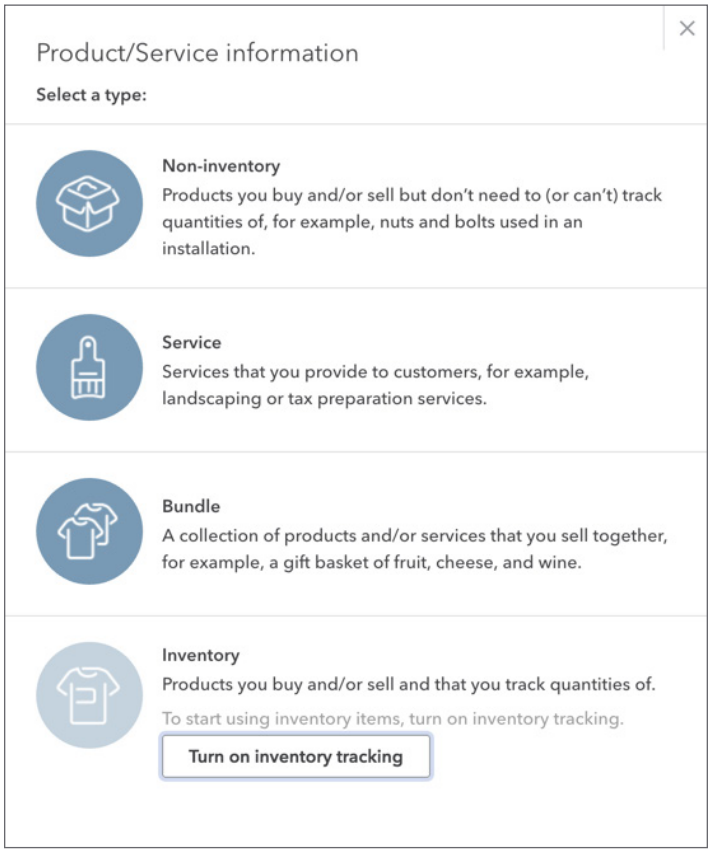
Setting Up Products and Services

Products and services are the things 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 items 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**.



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 form 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

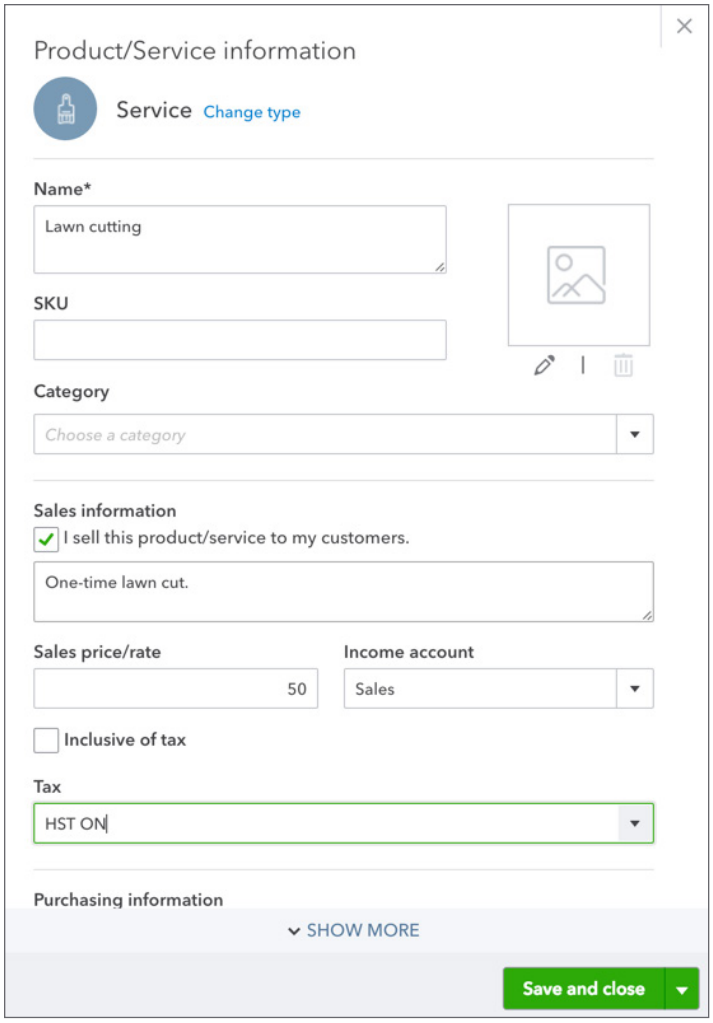
Services you charge for or purchase. Examples include specialized labour, consulting hours, and professional fees.

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.



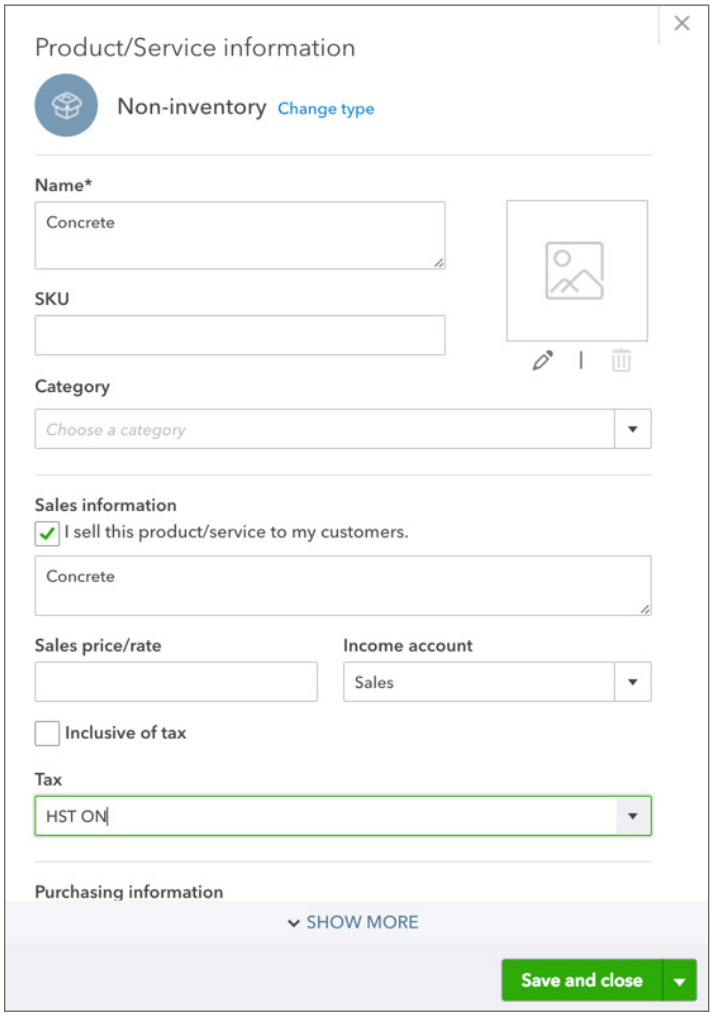
6. Enter a **Description** to display on sales forms.
7. Enter the **Sales price/rate**.
8. Select the appropriate **Income account** to track revenue for this service. This is the most important part of the setup of the service. Choosing an income account in this field means that every time this service 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.

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.

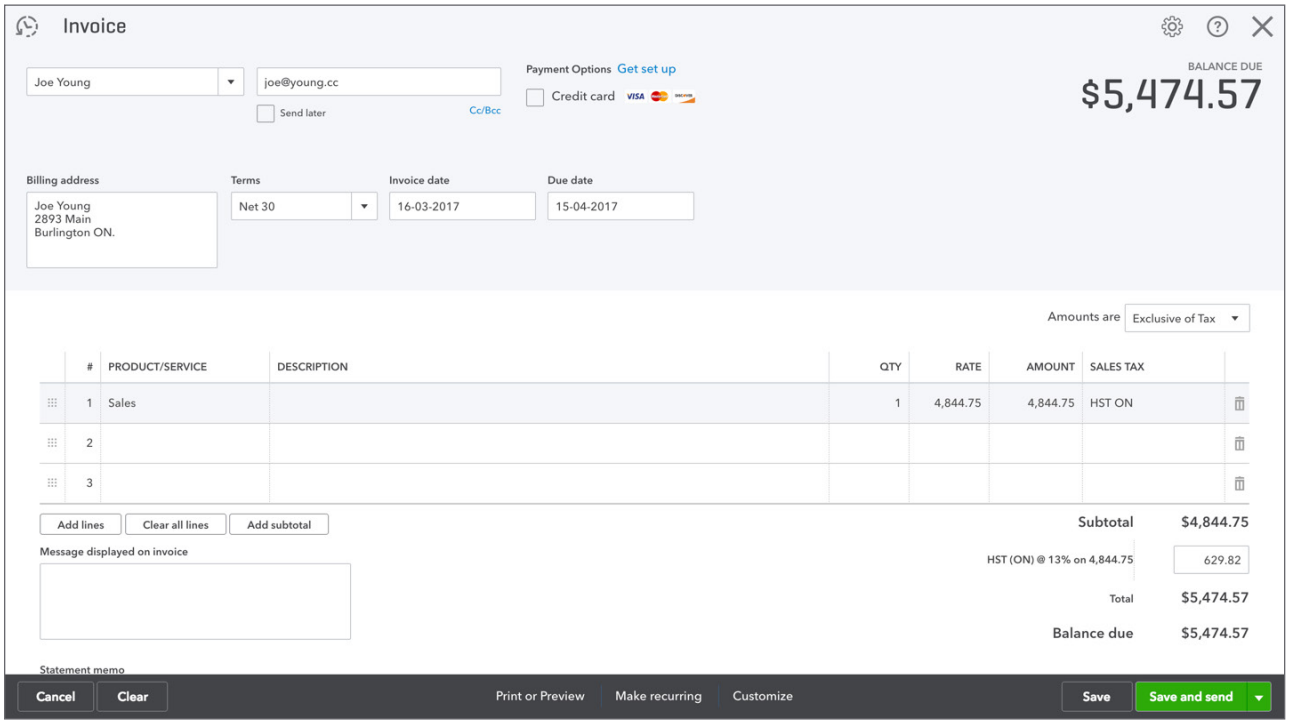
Invoice → *Receive Payment* → *Bank Deposit*

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

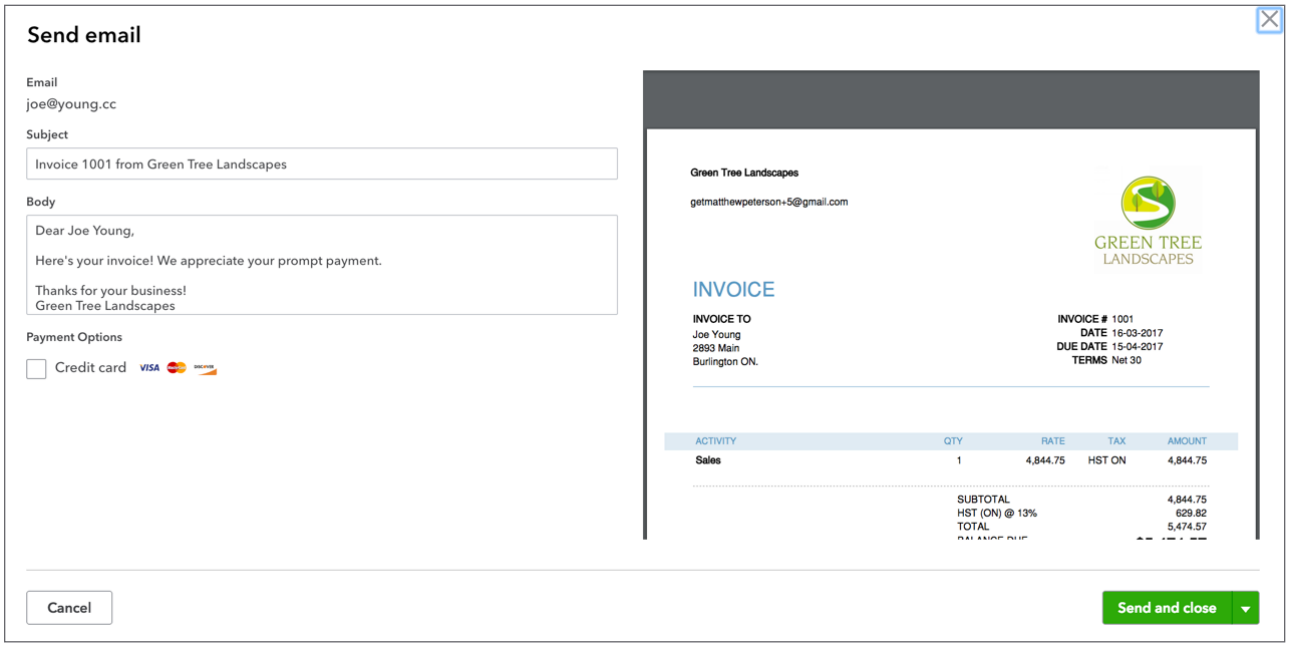
1. Click the **Create** menu and click **Invoice**.
2. Click the **Customer drop-down** and select the customer name.
3. Enter the **Date** of the sale.
4. In the **Product/Service** area of the form, select the appropriate products and/or services.

5. **Save** the invoice.



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

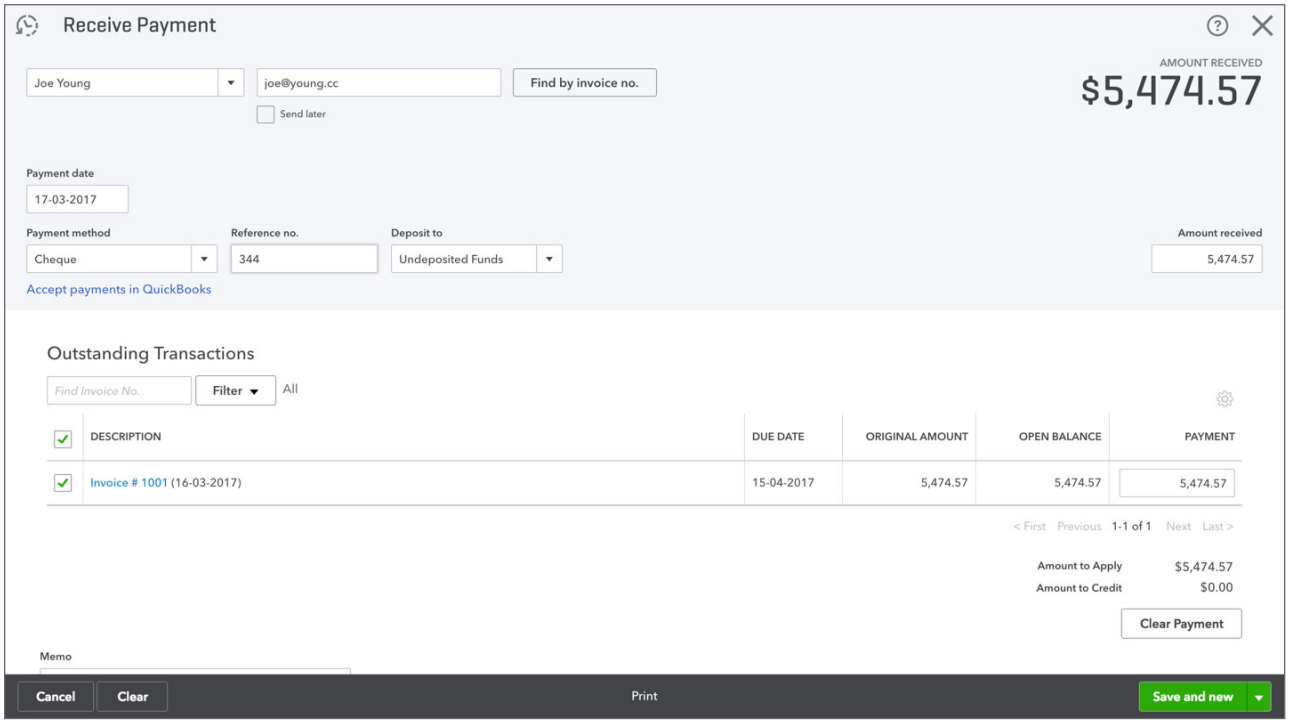
You can email an invoice to a customer when you click **Save and Send**.



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.

Step 2: Receive Customer Payment

1. Click the **Create** 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.

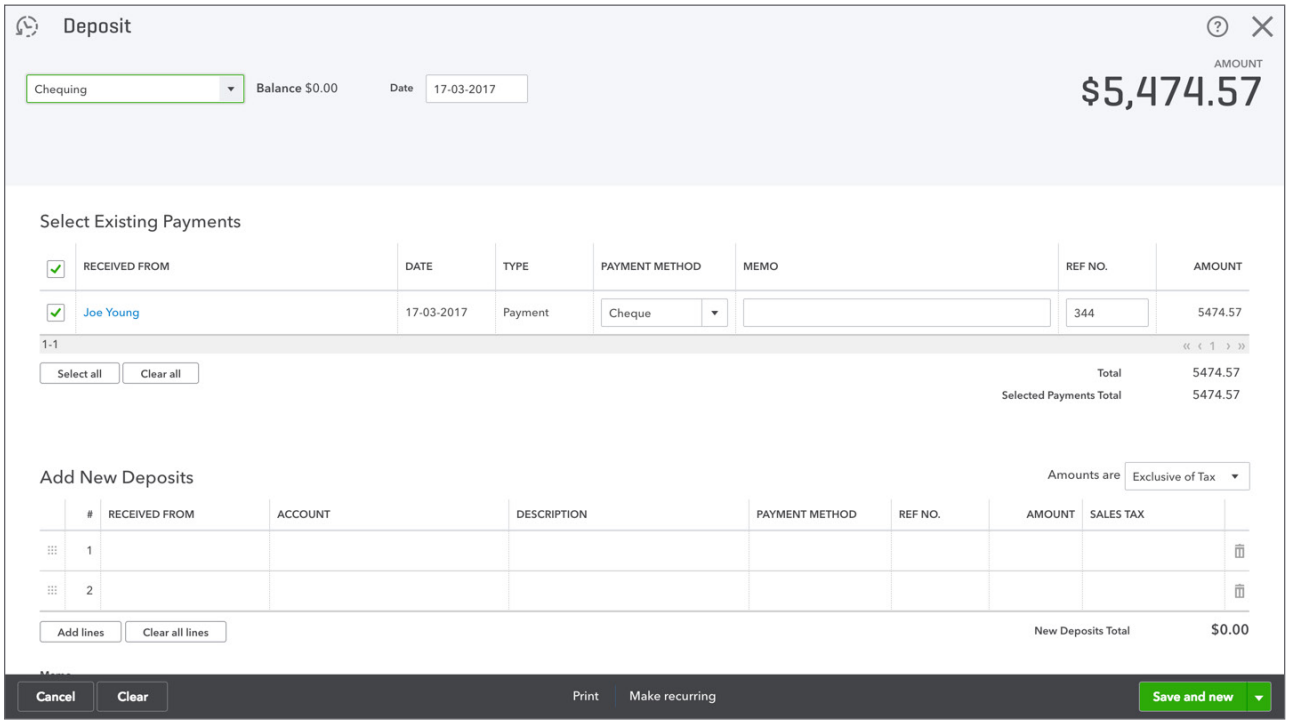
8. **Save** the payment.

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

Uncategorized Asset	Current assets	Other current assets		0.00		Account history
Undeposited Funds	Current assets	Undeposited Funds		5,474.57		Account history
GST/HST Payable	Other Current Liabiliti...	GST/HST Payable		629.82		Account history

Step 3: Deposit Customer Payment

1. Click the **Create** menu and select **Bank Deposit**.
2. Select the appropriate **Deposit to** account.
3. Select the payments to deposit.
4. **Save** the deposit.



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

NAME	TYPE	DETAIL TYPE	TAX RATE	QUICKBOOKS BALANCE	BANK BALANCE	ACTION
Chequing	Bank	Cash on hand		5,474.57		Account history
Accounts Receivable (A/R)	Accounts receivable (...	Accounts Receivable (...		0.00		Account history
Inventory Asset	Current assets	Inventory		0.00		Account history
Prepaid expenses	Current assets	Prepaid Expenses		0.00		Account history
Uncategorized Asset	Current assets	Other current assets		0.00		Account history
Undeposited Funds	Current assets	Undeposited Funds		0.00		Account history

Sales Receipt Workflow

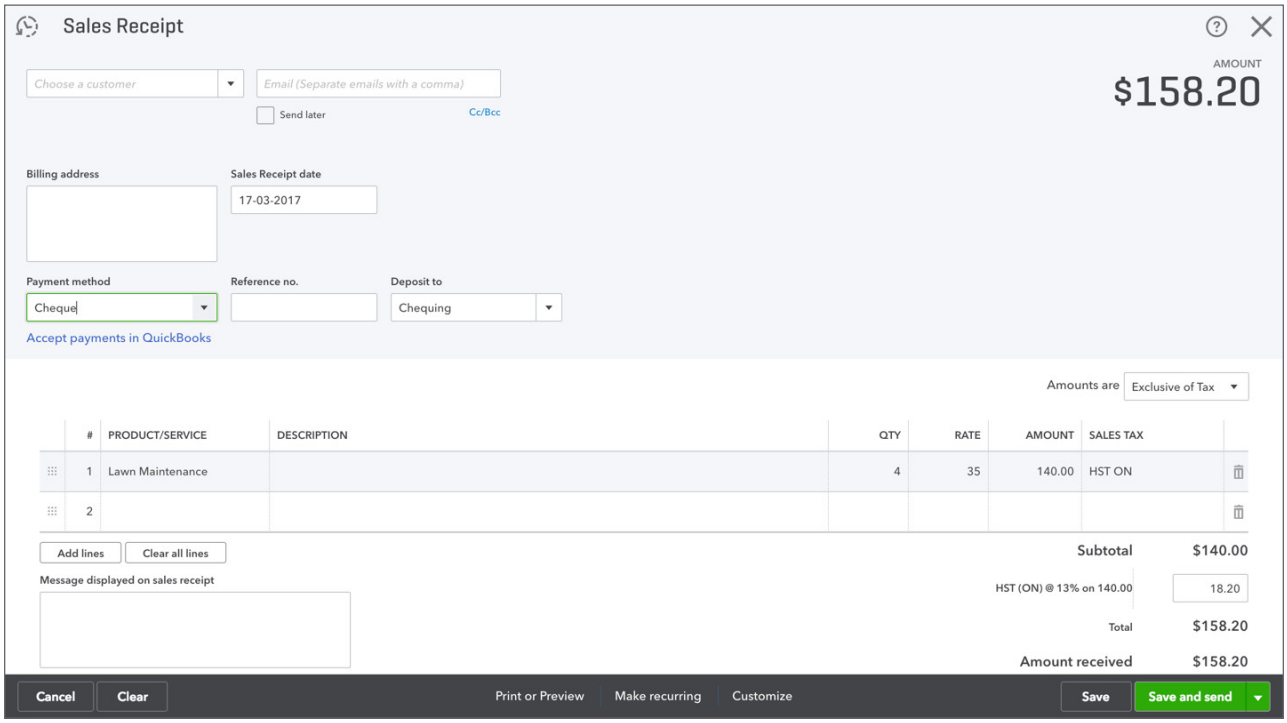
Use the sales receipt workflow when your customer pays you at the time of the sale. Because the customer does not owe anything on the sale later, a customer name is optional.

Sales Receipt → *Bank Deposit*

Step 1: Enter a Sales Receipt

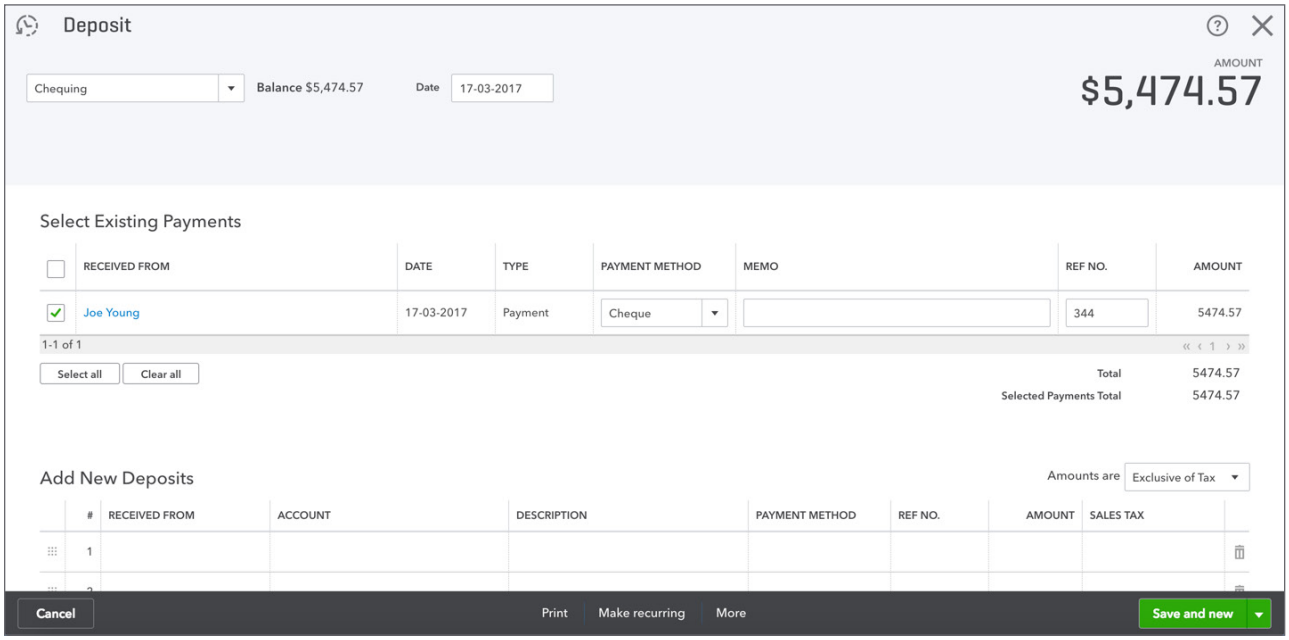
1. Click the **Create** menu and click **Sales Receipt**.
2. (Optional) Choose a **Customer** name.
3. In the **Product/Service** area of the form, select the appropriate products and/or services.
4. Enter the **Rate** and **Sales Tax**.
5. Enter the **Payment method** and **reference number** (if applicable enter a #cheque).
6. Select the appropriate **Deposit to** account (see information about **Undeposited Funds** above).

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



Step 2: Deposit Customer Payment

1. Click the **Create** menu and choose **Bank Deposit**.
2. Choose the appropriate deposit to account.
3. Select the payments to deposit.
4. **Save** the deposit.



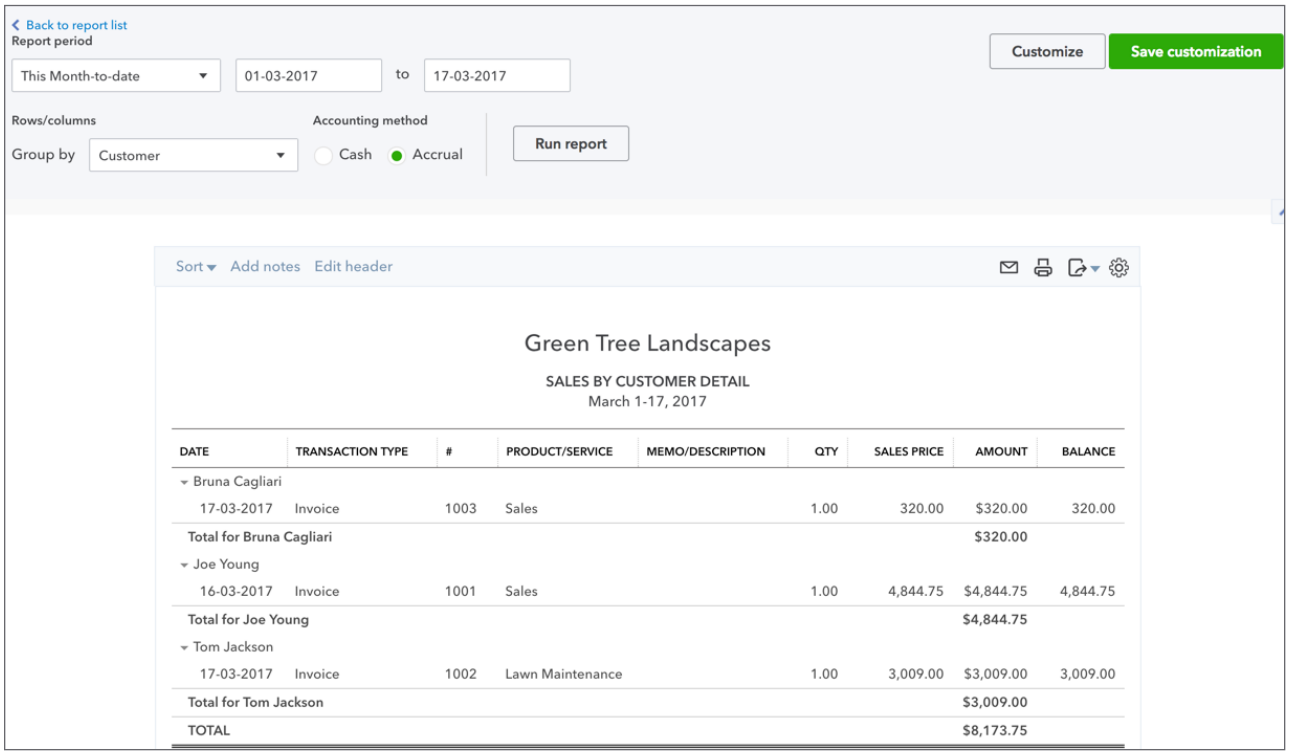
Sales and Customer Reports

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** and then click **All Reports**.
2. Click **Review Sales**.
3. Click **Sales by Customer Detail**.



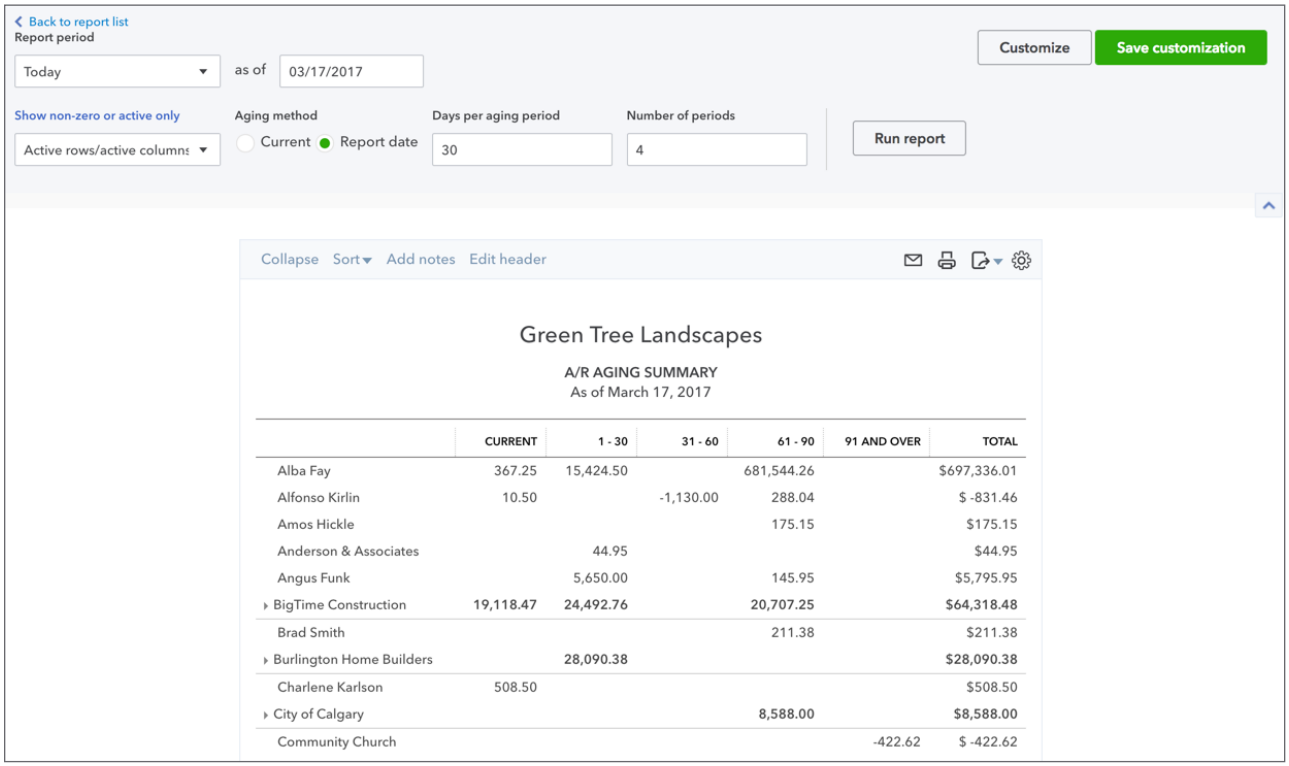
DATE	TRANSACTION TYPE	#	PRODUCT/SERVICE	MEMO/DESCRIPTION	QTY	SALES PRICE	AMOUNT	BALANCE
Bruna Cagliari								
17-03-2017	Invoice	1003	Sales		1.00	320.00	$320.00	320.00
Total for Bruna Cagliari							$320.00	
Joe Young								
16-03-2017	Invoice	1001	Sales		1.00	4,844.75	$4,844.75	4,844.75
Total for Joe Young							$4,844.75	
Tom Jackson								
17-03-2017	Invoice	1002	Lawn Maintenance		1.00	3,009.00	$3,009.00	3,009.00
Total for Tom Jackson							$3,009.00	
TOTAL							$8,173.75	

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)

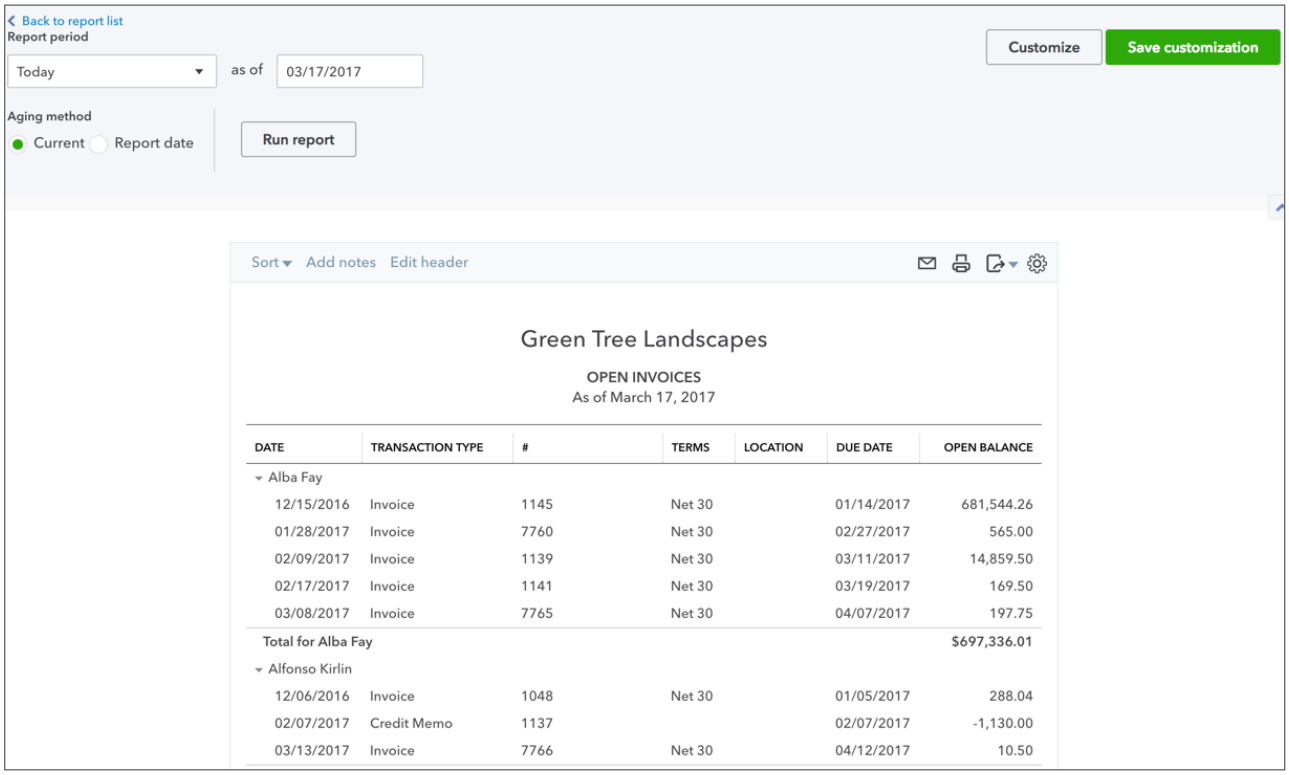
1. Click **Reports** and then click **All Reports**.
2. Click **Manage Accounts Receivable**.
3. Click **A/R Aging Summary**.



	CURRENT	1 - 30	31 - 60	61 - 90	91 AND OVER	TOTAL
Alba Fay	367.25	15,424.50		681,544.26		$697,336.01
Alfonso Kirlin	10.50		-1,130.00	288.04		$ -831.46
Amos Hickle				175.15		$175.15
Anderson & Associates		44.95				$44.95
Angus Funk		5,650.00		145.95		$5,795.95
BigTime Construction	19,118.47	24,492.76		20,707.25		$64,318.48
Brad Smith				211.38		$211.38
Burlington Home Builders		28,090.38				$28,090.38
Charlene Karlson	508.50					$508.50
City of Calgary				8,588.00		$8,588.00
Community Church					-422.62	$ -422.62

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** and then click **All Reports**.
2. Click **Manage Accounts Receivable**.

3. Click **Open Invoices**.