

Chapter 4

Suppliers and Expenses Part I

In this chapter, you'll learn the steps necessary to set up suppliers, enter expenses, and track bills in QuickBooks Online.

Every business is required to spend money to purchase goods and services used in your business to provide your services or products

▶ Lesson Objectives

In this chapter, you'll learn:

- How to set up a supplier on the suppliers list
- Tracking Accounts Payable vs. Expenses and Cheques
- Expense workflows and when to use each transaction type
- How expenses entered affect financial statements

▶ Adding Suppliers

QuickBooks uses the Suppliers list to hold information about the people and companies you do business with. For example, this list could include the phone company, your office supplies supplier, and other businesses you purchase goods and services from.

Setting up your suppliers on the Suppliers list allows you to keep track of how much you spend with each supplier over a period of time.



NOTE If you need to keep track of Accounts Payable, each of your suppliers must be set up on the Suppliers list.

Set Up Supplier

1. Click **Expenses**.
2. Click **Suppliers**.
3. Click **New supplier**.
4. Enter the appropriate information for the supplier.
5. Click **Save**.

Supplier Information ✕

Title	First name	Middle name	Last name	Suffix	Email
<input type="text"/>	<input type="text" value="Mark"/>	<input type="text"/>	<input type="text" value="Allen"/>	<input type="text"/>	<input type="text" value="Separate multiple emails with commas"/>
Company					Phone
<input type="text" value="Allen Landscape Design"/>					<input type="text" value="647-555-9123 "/>
*Display name as					Mobile
<input type="text" value="Allen Landscape Design"/>					<input type="text"/>
Print on cheque as <input checked="" type="checkbox"/> Use display name					Fax
<input type="text" value="Allen Landscape Design"/>					<input type="text"/>
Address map					Other
<input type="text" value="477 Heron Bill Court"/>					<input type="text"/>
<input type="text" value="Mississauga"/>		<input type="text" value="ON."/>			Website
<input type="text" value="L5V 2C9"/>		<input type="text" value="Country"/>			<input type="text"/>
Notes					
<input type="text"/>					
<input type="button" value="Attachments"/> Maximum size: 25MB					
<input type="button" value="Cancel"/>				Privacy	
					<input type="button" value="Save"/>

Important Supplier fields:

Terms—Terms are used to calculate the due date for bills you enter from this supplier. E.g. terms of Net 30 mean a bill is due 30 days after the date on the bill.

Account No.—Account number is the number that your supplier uses to identify you in their system. When you print a bill payment check for a supplier, the account number appears in the memo of the check.

▶ Tracking Accounts Payable vs. Expenses

There are several ways to record expenses in QuickBooks Online. The method you use depends on your business and the details that you need to track in your company.

Expenses

Every business incurs expenses. Expenses include office supplies, rent, utilities and other expenses incurred to help you run your business. All expenses will be tracked to expense accounts in QuickBooks.

Expenses in QuickBooks are defined as transactions that do not include a bill from a supplier. In other words, they are paid for at the time that the expense is incurred. Examples of expense type transactions include debit card purchases, credit card purchases, Interac transactions and cheques.

To record expenses at the time they are incurred you will use the following QuickBooks transactions:

- Expense

Bills and Paying Bills

Sometimes you will incur expenses that you will pay for at a later time. This is called accounts payable. The record accounts payable in QuickBooks Online, you record the expense using the bill form and pay the bill using the pay bills window. When you track accounts payable, you can see what you owe suppliers at any time using the A/P Aging and Summary reports.

There are three benefits to tracking accounts payable.

1. You can keep track of what you owe suppliers at any time by reviewing the AP reports.
2. QuickBooks helps you avoid entering duplicate bills for the same vendor.
3. Ability to track expenses in the correct period.

When you record an expense using the cheque or expense form, the expense will appear on your Profit and Loss and Expense reports as of the date on the transaction. This can be a problem if you received a bill in the previous month for the expense, but didn't record it in QuickBooks. When you track accounts payable and enter the bill, the expense will be recorded when you incurred it rather than when you pay the supplier for the outstanding balance.

To record accounts payable, you will use a two-step workflow:

Enter Bills → *Pay Bills*

▶ Expenses and Cheques

To record an expense in QuickBooks you can enter an Expense transaction or a Cheque. In this section, you'll learn how to enter these two transaction types.

Expense Transactions

When you don't have a bill accompanying the expense, you will use the **Expense** type of transaction to record the following in QuickBooks Online:

- Debit card transactions
- Credit card entries
- Interac transactions
- Online payments
- Other expenses

To enter expenses:

1. Click the **Create** menu and select **Expense**.

The screenshot shows a 'Create' menu with four columns: Customers, Suppliers, Employees, and Other. Under 'Suppliers', the 'Expense' option is highlighted in green. Other options include Invoice, Receive Payment, Estimate, Credit Memo, Sales Receipt, Refund Receipt, Delayed Credit, Delayed Charge, Cheque, Bill, Pay Bills, Purchase Order, Supplier Credit, Credit Card Credit, and Print Cheques. Under 'Employees', there are Single Time Activity, Weekly Timesheet, and Approve Time (NEW). Under 'Other', there are Bank Deposit, Transfer, Journal Entry, Statement, and Inventory Qty Adjustment. A 'Show less' link is at the bottom.

2. Enter the **Payee**.
3. Choose the appropriate payment account. This is the bank or credit card account from which you'll record the payment.
4. Choose the payment method.



NOTE Selecting the payment method on expense transactions allows you to filter expense reports by payment method.

The screenshot shows the 'Expense' entry form. At the top, there are fields for 'Staples' (payee), 'SBCU Chequing' (payment account), and 'Balance \$-31,000.62'. The total amount is displayed as \$49.46. Below these are fields for 'Payment date' (03/08/2017), 'Payment method' (Enter Text), and 'Ref no.'. The 'Amounts are' dropdown is set to 'Exclusive of Tax'. Under 'Account details', there is a table with one line item:

#	ACCOUNT	DESCRIPTION	AMOUNT (CAD)	SALES TAX	BILLABLE	CUSTOMER
1	Office expenses		43.77	HST ON	<input type="checkbox"/>	Enter Text
2						

Buttons for 'Add lines' and 'Clear all lines' are below the table. Under 'Item details', there is a 'Memo' field. The 'Subtotal' is 43.77, and 'HST (ON) @ 13% on 43.77' is 5.69. At the bottom, there are buttons for 'Cancel', 'Clear', 'Print', 'Make recurring', 'Save', and 'Save and new'.

5. Choose the expense **Account** to track the expense. If you're purchasing office supplies you might choose Office Expenses or if you were paying for your company's Dues in a local business association you would choose Dues and Subscriptions. The amount of the expense will track to the account and the amount will display in the Profit and Loss Statement.
6. Enter a **Description**. You would enter a description if you want to keep track of any details about this transaction.
7. Enter the **Amount** of the expense. Usually this is the amount before tax. Choose the **Sales Tax** if it is not already chosen. QuickBooks automatically calculates the amount of sales tax per the **Sales Tax Rate** you choose.
8. Click **Save and close**.



NOTE There are two options for recording sales tax.

1. Exclusive of sales tax
2. Inclusive of sales tax

Exclusive of Tax is the most common situation. The price or cost of items shown in the Amount column does not include sales tax (net price). Only the total amount includes sales tax; line and subtotal amounts do not. The sales tax amount is shown as a separate amount at the bottom of the form and is not included in the subtotal.

Inclusive of Tax is when the price or cost of items shown in the Amount column includes sales tax (gross price). Sales tax is included in each of the amounts (line, subtotal, and total) of the sales form. The total amount of sales tax is also shown at the bottom of the form.

Out of scope of Tax is typically used when Items are not subject to sales tax.

Amounts are		Exclusive of Tax ▼
ABLE	CUSTC	Exclusive of Tax
		Inclusive of Tax
		Out of scope of Tax

You can view your expense transactions when you click **Expenses** from the left-hand navigation bar and then click the **Expenses** tab.

DATE	TYPE	NO.	PAYEE	CATEGORY	TOTAL BEFORE SALES	SALES TAX	TOTAL	ACTION
09/15/2017	Tax Payment		Receiver General	Payroll Liabi	\$-6,416.17	\$0.00	\$6,416.17	
08/17/2017	Tax Payment		Receiver General	Payroll Liabi	\$-4,190.94	\$0.00	\$4,190.94	
08/16/2017	Purchase Order	106...	Leavitt Machinery	Cost of Goo	\$1,000.00	\$130.00	\$1,130.00	Print
08/16/2017	Expense		Field Turf	-Split-	\$1,035.00	\$0.00	\$1,035.00	
08/16/2017	Expense		Amazon	-Split-	\$1,000.00	\$130.00	\$1,130.00	
08/16/2017	Expense		John Deere	Cost of Goo	\$150.00	\$0.00	\$150.00	
08/16/2017	Bill		Home Depot USD	Inventory Asset	\$450.00	\$0.00	\$450.00	Make payment
08/16/2017	Bill		Brookfield Proper...	-Split-	\$2,397.00	\$119.85	\$2,516.85	Make payment
08/16/2017	Bill		Amazon	Inventory Asset	\$7,990.00	\$399.50	\$8,389.50	Make payment
08/16/2017	Bill		Field Turf	Tools	\$100.00	\$5.00	\$105.00	Make payment

These transactions are also recorded to the Profit and Loss Statement.

	TOTAL
INCOME	
Billable Expense Income	500.00
Markup	70.00
Sales	79,904.35
Sales of Labour	13,563.45
Sales of Product Income	24,864.52
Services	2,160.00
Total Income	\$121,062.32
COST OF GOODS SOLD	
Cost of Goods Sold	9,421.80
Labour	11,000.00
Materials	35,917.00
Other Charges	653.24
Subcontractors	26,500.00
Total Cost of Goods Sold	83,492.04
Inventory Shrinkage	786.62
Supplies and materials - COS	500.00
Total Cost of Goods Sold	\$84,778.66

You can view the detail on the Profit and Loss Statement when you click the balance link from the Account. When you click the account balance a detailed Transaction Report displays for you.

Reset column width

Filters: Distribution Account X

Sort Add notes Edit header

Green Tree Landscapes
TRANSACTION REPORT
January 1 - March 27, 2017

DATE	TRANSACTION TYPE	#	NAME	MEMO/DESCRIPTION	ACCOUNT	SPLIT	AMOUNT	BALANCE
▼ Repair and maintenance								
01/31/2017	Bill		Canada Small Engine Rep...		Repair and maintena...	Accounts Payable (A...	\$800.00	800.00
03/01/2017	Expense		Canada Small Engine Rep...		Repair and maintena...	1000 Chequing	\$674.98	1,474.98
03/08/2017	Cheque Expense		Canada Small Engine Rep...	New lawnmower engine	Repair and maintena...	SBCU Chequing	\$287.44	1,762.42
03/14/2017	Supplier Credit	88372	Johnson Supply Company		Repair and maintena...	Accounts Payable (A...	\$ -500.00	1,262.42
Total for Repair and maintenance							\$1,262.42	
TOTAL							\$1,262.42	

Cheque Transactions

Use the cheque form if you are writing a cheque to pay your supplier that is not accompanied by a bill. This could include recording a handwritten cheque or one a cheque to be printed later.

To enter a **Cheque**:

1. Click the **Create** menu and click **Cheque**.

Create
X

Customers	Suppliers	Employees	Other
Invoice	Expense	Single Time Activity	Bank Deposit
Receive Payment	Cheque	Weekly Timesheet	Transfer
Estimate	Bill	Approve Time NEW	Journal Entry
Credit Memo	Pay Bills		Statement

2. Enter the **Payee**.
3. Select the appropriate bank account.
4. Enter the **Payment date**.
5. Enter the **Cheque number** (if handwriting the cheque) or select **Print later** (if printing the cheque from QuickBooks later).
6. Choose the **Account** to track the expense. Enter a **Description** (optional).
7. Enter the **Amount** and **Sales Tax** rate if not already chosen for you.

8. Click **Save and close**.

Cheque no. To print
?
✕

Canada Small Engine Repair
SBCU Chequing
Balance \$-31,374.89

\$324.81

Mailing address

Chris Smith
Canada Small Engine Repair
78 Winding Way
Toronto ON, L4N 3K8

Payment date

03/08/2017

Cheque no.

To print

Print later

Amounts are Exclusive of Tax

▼ Account details

#	ACCOUNT	DESCRIPTION	AMOUNT (CAD)	SALES TAX	
1	Repair and maintenance	New lawnmower engine	287.44	HST ON	
2					

▶ Item details

Memo

Subtotal 287.44

HST (ON) @ 13% on 287.44 37.37

▶ Bills and Paying Bills

When you choose to track your bills, and pay them later you will use Accounts Payable. This workflow has two or three steps:

Enter Bills → *Pay Bills* → *Print Cheques* (optional step if you print cheques)



NOTE QuickBooks includes settings to help you avoid making duplicate entries in your Accounts Payable.

To turn this setting on:

1. Click the **Gear** icon and then click **Account and Settings**.
2. Click **Advanced**.
3. Click the **Other Preferences** section.
4. Select the option to **'Warn if duplicate bill number is used.'**

5. Click **Save**.

There are two steps to track accounts payable in QuickBooks and a third optional step if you choose to Print bill payment cheque:

Enter Bill → *Pay Bill* → *Print bill payment cheques*

Step 1: Enter Bill

1. Click the **Create** menu and click **Bill**.

2. Enter the **Supplier** name.
3. Enter the **Bill no.**
4. Choose the expense **Account** to track this expense in the **Account details** section of the bill.
5. Enter the **Amount** and choose the Sales Tax that applies to this transaction.
6. (Optional) Add an **Attachment** to the transaction.

Bill no.2888

Canada Small Engine Repair

BALANCE DUE
\$739.00

Mailing address: Chris Smith, Canada Small Engine Repair, 78 Winding Way, Toronto ON, L4N 3K8

Terms: [dropdown] Bill date: 03/01/2017 Due date: 03/31/2017 Bill no.: 2888

Amounts are: Exclusive of Tax

▼ Account details

#	ACCOUNT	DESCRIPTION	AMOUNT (CAD)	SALES TAX
1	Repair and maintenance	Repair of Stihl trimmers.	653.98	HST ON
2				

Add lines Clear all lines

► Item details

Memo: [text area]

Subtotal: 653.98
HST (ON) @ 13% on 653.98: 85.02

Cancel Clear Make recurring Save Save and new



NOTE Attachments can be anything that relates to the transaction in the real world, e.g. receipts, PDF copies of the bill, etc.

7. Click **Save and close**.



NOTE The **Bill No.** field is an important field because QuickBooks Online lets you search for this number. This makes it easy to find information about Supplier bills in the accounting system.

Bill no.
2888

After entering a bill, you can create several reports to see the effect it has on your accounts payable. See the example below to view the effects entering bills has on the A/P Aging Summary.

A/P Aging Summary as of February 28, 2017

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A/P AGING SUMMARY As of February 28, 2017						
	CURRENT	1 - 30	31 - 60	61 - 90	91 AND OVER	TOTAL
Amazon					35.97	\$35.97
Canada Small Engine Repair		904.00	169.50			\$1,073.50
City of Toronto			96.05		169.50	\$265.55

A/P Aging Summary as of March 1, 2017

Green Tree Landscapes						
A/P AGING SUMMARY As of March 1, 2017						
	CURRENT	1 - 30	31 - 60	61 - 90	91 AND OVER	TOTAL
Amazon					35.97	\$35.97
Canada Small Engine Repair	739.00	904.00	169.50			\$1,812.50
City of Toronto			96.05		169.50	\$265.55

You will also see the effect of entering bills on the Unpaid Bills Detail report. To create this report:

1. Click **Reports**.
2. Click **Manage Accounts Payable**.

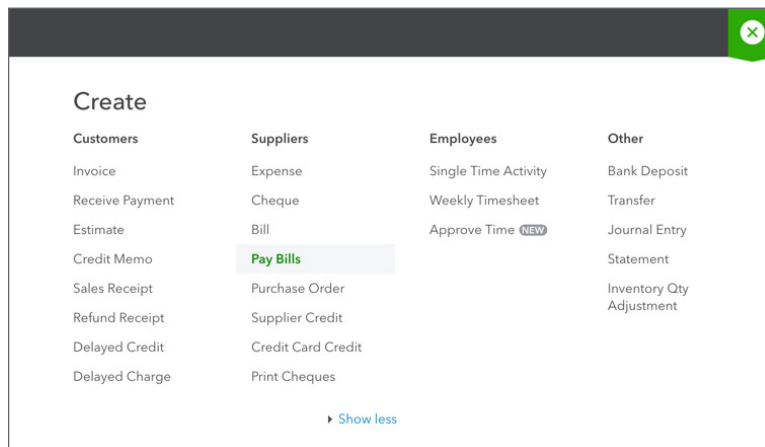
3. Click **Unpaid Bills**.

Green Tree Landscapes						
UNPAID BILLS						
All Dates						
DATE	TRANSACTION TYPE	#	DUE DATE	PAST DUE	AMOUNT	OPEN BALANCE
▼ Canada Small Engine Repair 647-555-4833						
01/12/2017	Bill		01/12/2017	74	169.50	169.50
01/31/2017	Bill		01/31/2017	55	904.00	904.00
03/01/2017	Bill	2888	03/31/2017	-4	739.00	739.00
Total for Canada Small Engine Repair					\$1,812.50	\$1,812.50
▼ City of Toronto						
01/26/2017	Bill		01/26/2017	60	96.05	96.05
Total for City of Toronto					\$96.05	\$96.05
▼ Garden Supply Unlimited						
03/14/2017	Bill	3892	03/14/2017	13	2,260.00	2,260.00

When you pay a bill, QuickBooks reduces your Accounts Payable balance with that supplier.

Step 2: Pay Bill

1. Click the **Create** menu and select **Pay Bills**.



- Choose the appropriate **Payment** account. This will usually be a bank account from where you'll pay the bill.
- (If paying with a Bank account) Enter the **Starting cheque no.** (if paying with handwritten cheques) or select **Print later** (if printing cheques from QuickBooks).



NOTE If you are paying online by EFT, ACH, or other payment method, enter that in the cheque no. field.

Pay Bills

Payment account: SBCU Chequing | Balance \$68,625.11 | Payment date: 03/27/2017 | Starting cheque no.: To print | Print later

TOTAL PAYMENT AMOUNT: \$0.00

Currency: CAD Canadian Dollar

Filter: Last 365 Days

32 open bills, 26 overdue

<input type="checkbox"/>	PAYEE	REF NO.	DUE DATE	OPEN BALANCE	CREDIT APPLIED	PAYMENT	TOTAL AMOUNT
<input type="checkbox"/>	Seasonal Contracting Inc.		04/19/2017	\$12,430.00	Not available	<input type="text"/>	\$0.00
<input type="checkbox"/>	Canada Small Engine Repair	2888	03/31/2017	\$739.00	Not available	<input type="text"/>	\$0.00
<input type="checkbox"/>	Garden Supply Unlimited	3892	03/31/2017	\$2,260.00	Not available	<input type="text"/>	\$0.00
<input type="checkbox"/>	Johnson Supply Company	87550	03/31/2017	\$6,497.50	Not available	<input type="text"/>	\$0.00
<input type="checkbox"/>	Johnson Supply Company		03/31/2017	\$3,022.75	Not available	<input type="text"/>	\$0.00
<input type="checkbox"/>	Powerhouse Staffing	09887	03/31/2017	\$7,910.00	<input type="text"/>	<input type="text"/>	\$0.00
<input type="checkbox"/>	John Deere	83990	03/14/2017	\$11,300.00	Not available	<input type="text"/>	\$0.00
<input type="checkbox"/>	Home Depot CDN		03/03/2017	\$1,000.00	Not available	<input type="text"/>	\$0.00

Cancel | Save and close

- Select the bills to pay in the left-hand column.
- Enter the **Payment** amount for each bill (if paying less than the full balance).
- Click **Save and print** to print cheques now, or **Save and close** to print cheques later.

Step 3: Print Bill Payment Cheque

The first time you print cheques from QuickBooks, you will be prompted to set the alignment for your printed cheques to ensure the fields in QuickBooks line up with the fields on your cheque stock. You can always go through these steps again if you need to by clicking Print Setup at the bottom of the **Print Cheques** page.



Print cheques setup

1 PRINT SAMPLE
2 SET UP PDF READER
3 ADJUST ALIGNMENT

Select a cheque type and print a sample

a Select the type of cheques you use:

Voucher
 Standard

You can order cheques from Intuit.

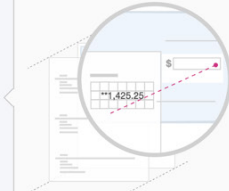
b Load blank paper in your printer.

c View preview and print sample

d Place the sample on top of a blank cheque page. Hold them both up

Why do this?

Print a sample on blank paper to see if text lines up correctly on preprinted cheques. If you need to make adjustments, you won't waste any of your actual cheques.



Align numbers to amount box on cheque.

Cancel
Are the fields lined up properly?
No, continue setup
Yes, I'm finished with setup

To Print Cheques:

1. Click the **Create** menu and select **Print Cheques**.
2. Follow the steps to set the alignment of your printed checks. When complete, click **Yes, I'm finished with setup**.
3. Select the **Cheques to print**.
4. Enter the **Starting cheque number**.

Print Cheques

SBCU Chequing
Balance \$37,873.36
15 cheques selected \$75,206.67
Add cheque

Remove from list
Sort by Date / Order created
Show all cheques
Starting cheque no. 124

	DATE	TYPE	PAYEE	AMOUNT
<input checked="" type="checkbox"/>	12/01/2016	Cheque Expense	Canada Small Engine Repair	\$113.00
<input checked="" type="checkbox"/>	12/06/2016	Bill Payment (Cheque)	Great Britain Gnome Company	£997.27
<input checked="" type="checkbox"/>	01/01/2017	Refund	Alba Fay	\$262.50
<input checked="" type="checkbox"/>	03/08/2017	Cheque Expense	Canada Small Engine Repair	\$324.81
<input checked="" type="checkbox"/>	03/14/2017	Bill Payment (Cheque)	Rogers	\$133.28
<input checked="" type="checkbox"/>	03/14/2017	Bill Payment (Cheque)	Trash Unlimited	\$226.00
<input checked="" type="checkbox"/>	03/14/2017	Bill Payment (Cheque)	City of Toronto	\$169.50
<input checked="" type="checkbox"/>	03/14/2017	Bill Payment (Cheque)	Johnson Supply Company	\$39,402.49
<input checked="" type="checkbox"/>	03/14/2017	Bill Payment (Cheque)	Johnson Supply Company	\$3,823.34
<input checked="" type="checkbox"/>	03/27/2017	Bill Payment (Cheque)	Seasonal Contracting Inc.	\$12,430.00

Cancel
Print setup
Preview and print

5. Click **Preview and Print**.
6. Click **Print**.
7. Select your printer, and click **Print**.
8. Click **Close** in the **Print Preview** window.
9. Click the appropriate option in the next window, and click **Done**.

Did your cheques print OK?

Yes, they all printed correctly
 Some cheques need reprinting, starting with cheque: 124 ▾
 No, keep all cheques in the Print Cheques list

Don't forget to sign your cheques!

Done

After paying bills you **A/P Aging Report** will reflect the payments made and lower your **Accounts Payable** balance.

	CURRENT	1 - 30	31 - 60	61 - 90	91 AND OVER	TOTAL
Canada Small Engine Repair			904.00	169.50		\$1,073.50
City of Toronto				96.05		\$96.05
Green Jeans Lawn Machines				773.71		\$773.71
Hank's Courier					316.40	\$316.40
Home Depot CDN		866.71		40.68		\$907.39
Home Depot USD				19.81	130.93	\$150.74
Insurance Experts					750.00	\$750.00
Johnson Supply Company	6,497.50	67,585.53		6,380.77	9,499.56	\$89,963.36