

Chapter 7

Data Analysis and Reports—End of Fourth Quarter and Year

Scenario: The end of the fourth quarter includes October, November, and December *record keeping*. At this point in your work, fourth quarter transactions and reports have been completed, *except* for sales tax payments and adjusting entries. To make sure your account balances are correct, display Dashboard graphics and the December 31 trial balance which should be checked carefully. Student Name Sales and Service records sales tax payments and adjusting entries on December 31. Prepare an adjusted trial balance and financial statements, then close the books for the year, and prepare a postclosing trial balance. QuickBooks Online organizes reports by *module*—accounts payable (expenses, vendors, and purchases), accounts receivable (customers and sales), and general ledger accounts (journal entries and transfers). To learn more about Chapter 7, read the objectives.

OBJECTIVES

1. Start QuickBooks Online and sign in to Student Name Sales and Service.
2. To check data, display the Dashboard's Business overview and the December 31 Trial Balance.
3. Record sales tax payments and end-of-quarter adjusting entries.
4. Display the adjusting journal entries, adjusted trial balance, and financial statements.
5. Complete the closing process and display the postclosing trial balance.
6. Understand QBO's Application Programming Interface to identify how accounting tasks are organized and interrelated.
7. Export reports to Excel and save as PDF files.

8. Complete Check Your Progress and QuickBooks Resources and Activities.
9. Complete Exercises 7-1, 7-2, 7-3, and the Certification Q&A practice test.

In Chapter 7, continue recording financial information for Student Name Sales and Service. Complete transactions for the end of the fourth quarter and the end of the year. At the end of December, which is also the end of the fourth quarter, pay the sales tax agencies, complete ***adjusting entries***, print financial statements, and close the ***fiscal year***.

The fiscal year is a period that a company (or government) uses for accounting purposes and preparing financial statements. The fiscal year may or may not be the same as the calendar year. For tax purposes, companies can choose to be calendar-year taxpayers or fiscal-year taxpayers. The default Internal Revenue Service system is based on the calendar year.

ADJUSTING ENTRIES

Adjusting journal entries are recorded to correct account balances. They are created for a variety of reasons, including booking depreciation, reallocating accruals, and reversing accruals of prepaid income or expenses.

Adjusting entries are usually made on the last day of an accounting period, end of the year, quarter, or month. This is done so that the financial statements reflect the revenues that have been earned and the expenses that were incurred during the accounting period.

The reasons for adjusting entries include:

- Revenue has been earned, but it has not yet been recorded.
- An expense has been incurred, but it has not been recorded.
- A company may have prepaid for three months of insurance coverage or rent, but the accounting period is only one month. This means that three months of insurance and rent expense are prepaid and should not be reported as an expense on the current, or monthly, Profit and Loss statement. The prepaid expense needs to be adjusted.
- A customer paid a company in advance of receiving goods or services. Until the goods or services are delivered, the company reports the amount as a liability. After the goods or services are delivered, an entry is needed to reduce the liability and to report the revenues.

A common characteristic of an adjusting entry is that it will involve one Profit and Loss statement account and one Balance Sheet account. The purpose of each adjusting entry is to get both the Profit and Loss statement and Balance Sheet to be accurate.

CLOSE THE BOOKS

The purpose of closing the books is so that the Net Income balance is transferred to the equity account Retained Earnings. The Profit and Loss statement accounts all have zero balances until the new period starts. QuickBooks Online makes the following changes automatically on the first day of your next fiscal year.

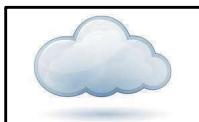
- On the Balance Sheet, the previous year's Net Income amount appears as the Retained Earnings balance. This way you know how much profit was made for the year.
- Income, cost of goods sold, and expense accounts are reset to zero amounts. This allows the next year's Net Income account to accumulate new totals for the new year's profits.

In Chapter 7, when the Balance Sheet's date is changed to January 1 of the next year, the Retained Earnings account will show the previous year's Net Income; and the Profit and Loss accounts will have zero balances. For example, if you've been entering transactions for October, November, and December of 2019, the next year's transactions start on January 1, 2020.

GETTING STARTED

1. Start your browser. Go online to <http://qbo.intuit.com>.
2. Sign in to QuickBooks Online with your User ID and Password.

CHECK YOUR DATA



To make sure all entries are recorded through Exercise 6-2, display Dashboard graphics and the 10/1/20XX to 12/31/20XX Trial Balance (Figure 7-4).

Data Metrics and Visualization



Compare your Dashboard's Business overview with Figure 7-1, Profit and Loss and Expenses; Figure 7-2, Invoices and Sales; and Figure 7-3, Bank Accounts. Then, verify the December 31 Trial Balance, Figure 7-4.

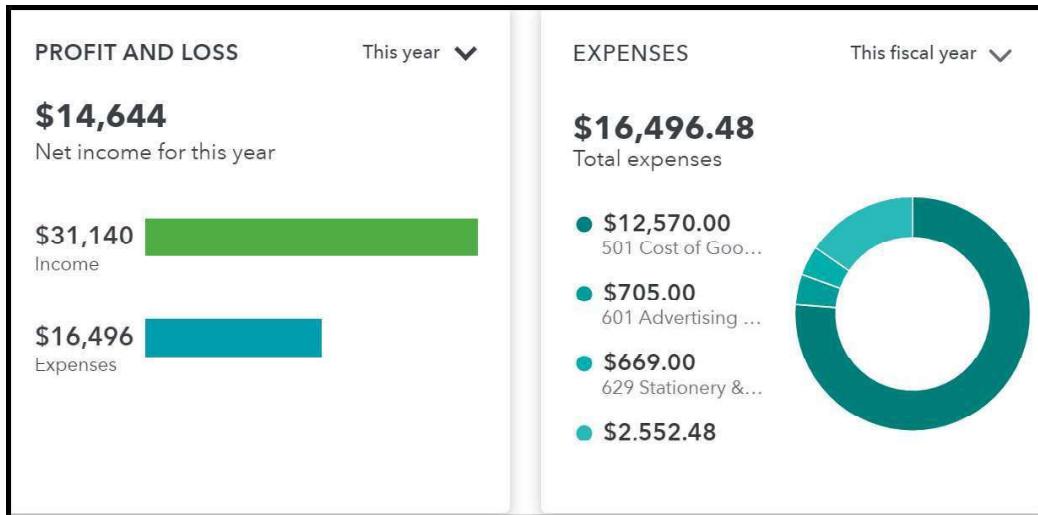


Figure 7-1: Profit and Loss and Expenses

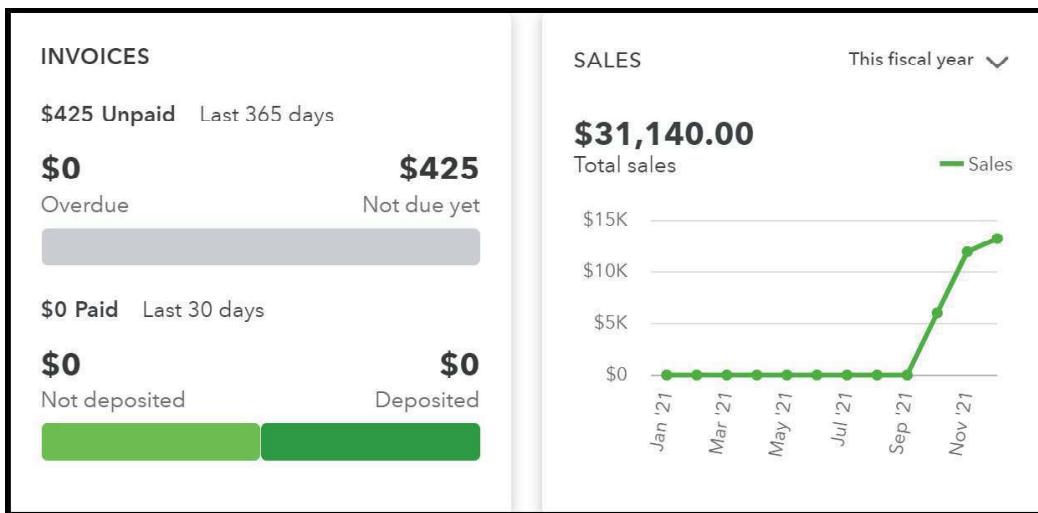


Figure 7-2: Invoices and Sales

BANK ACCOUNTS		
101 Checking		
In QuickBooks		\$55,300.33

Figure 7-3: Bank Accounts

Compare your December 31, 20XX Trial Balance with Figure 7-4.

Student Name Sales and Service		
Trial Balance		
As of December 31, 2021		
	DEBIT	CREDIT
101 Checking	55,300.33	
105 Accounts Receivable (A/R)	425.00	
115 Merchandise Inventory	9,870.00	
123 Prepaid Rent	6,000.00	
125 Prepaid Insurance	3,000.00	
135 Computer Equipment	0.000.00	
201 Accounts Payable (A/P)		3,120.00
205 Loan Payable		5,000.00
207 Arizona Department of Revenue Payable		1,781.81
208 Illinois Department of Revenue Payable		50.00
301 Common Stock		60,000.00
401 Sales		31,140.00
501 Cost of Goods Sold	2,570.00	
601 Advertising & Marketing	705.00	
603 Bank Charges & Fees	60.00	
605 Dues & subscriptions	275.00	
609 Freight & Delivery	206.45	
619 Meals & Entertainment	282.51	
621 Office Supplies & Software	538.78	
625 Repairs & Maintenance	290.00	
627 Shipping and Delivery Expense	94.00	
629 Stationery & Printing	669.00	
633 Telephone Expense	557.09	
635 Utilities Expense	248.65	
TOTAL	\$101,091.81	\$101,091.81

Figure 7-4: October 1 to December 31 Trial Balance

Check the Trial Balance carefully. The December 31 trial balance shows the work completed in Chapters 2 through 6, including the end-of-chapter exercises. Beginning with this chapter, Check Your Data shows the Trial Balance completed at the end of the previous chapter. For example, Figure 7-4 shows Exercise 6-2's Trial Balance. If necessary, make any needed corrections.



SALES TAX PAYMENTS

The December 31, 20XX Trial Balance shows two sales tax payable amounts—Account 207, Arizona Department of Revenue Payable and Illinois Department of Revenue Payable. The amount owed to Arizona is \$1,781.81; to Illinois \$50.00.

Record the checks shown in the Transaction Register.

Transaction Register					
Check		Description of Transaction		Debit	Credit
No.	Date	Transaction		(-)	(+)
	12/31	Balance			\$55,300.33
1065	12/31	Arizona Department of Revenue	\$1,781.81		\$53,518.52
1066	12/31	Illinois Department of Revenue	\$50.00		\$53,468.52

Comment: Add two Payees—Arizona Department of Revenue and Illinois Department of Revenue.

END-OF-QUARTER ADJUSTING ENTRIES

It is the policy of Student Name Sales and Service to record adjusting entries at the end of the quarter. The accounting records are complete through December 31, 20XX (your current year).

Adjusting entries are recorded in the Journal. Use these steps for entering the three adjusting entries that follow.

1. Select  + New > Journal entry. The Journal Entry window appears.
2. Type 12/31/20XX in the Journal date field > select Is Adjusting Entry  **Is Adjusting Journal Entry?**
3. Select the appropriate account to Debit. (*Hint:* If you type the account number, the account name automatically appears.)
4. Type the amount in the Debits field.
5. Type a Description.
6. Select the appropriate account to Credit. The credit part of the entry and the description are completed automatically.
7. Select <Save and new>.

Journalize and post the following December 31, 20XX adjusting entries. To post the transactions to the General Ledger, click <Save and New>. When done, select <Save and Close>.

1. Adjust three months prepaid rent ($\$2,000 \times 3 = \$6,000$).

Acct. #	Account Name	Description	Debit	Credit
623	Rent & Lease	Adjust prepaid rent	\$6,000.00	
123	Prepaid Rent	Adjust prepaid rent		\$6,000.00

2. Adjust prepaid insurance ($\$3,000 \times 3/12 = \750). Paid a one-year insurance premium on 10/2/20XX.

Acct. #	Account Name	Description	Debit	Credit
611	Insurance Expense	Adjust prepaid insurance	\$750.00	
125	Prepaid Insurance	Adjust prepaid insurance		\$750.00

3. Use straight-line depreciation for computer equipment. The computer equipment has a three-year service life and a \$400 salvage value. To depreciate computer equipment for the fourth quarter, use this calculation:

$$\$10,000 - \$400 \div 3 \text{ years} \times 3/12 = \$800.00$$

Acct. #	Account Name	Description	Debit	Credit
607	Depreciation Expense	Adjust depreciation	\$800.00	
137	Accumulated Depreciation	Adjust depreciation		\$800.00

4. Close the Journal Entry window. After journalizing and posting the end-of-quarter adjusting entries, print the Journal for December 31, 20XX.



> type and select **Journal** in the search field > in the Date fields, type **12/31/20XX** > press <Tab>. *Hint:* The bank statement service charge, the sales tax payments, and the adjusting entries are shown.

If any of your journal entries are incorrect, drill down to the Journal Entry window. Make the appropriate corrections, and then post your revised Journal Entry. Display the Journal report.

5. Display the 12/31/XX Adjusting Journal Entries Report. (*Hint:* Your current year is shown.)

Student Name Sales and Service							
Adjusting Journal Entries							
December 31, 2021							
DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	DEBIT	CREDIT
12/31/2021	Journal Entry	2		Adjust prepaid rent Adjust prepaid rent	623 Rent & Lease 123 Prepaid Rent	\$6,000.00 \$6,000.00	\$6,000.00 \$6,000.00
12/31/2021	Journal Entry	3		Adjust prepaid insurance Adjust prepaid insurance	611 Insurance Expense 125 Prepaid Insurance	\$750.00 \$750.00	\$750.00 \$750.00
12/31/2021	Journal Entry	4		Adjust depreciation Adjust depreciation	607 Depreciation Expense 137 Accumulated Depreciation	\$800.00 \$800.00	\$800.00 \$800.00
TOTAL						\$7,550.00	\$7,550.00

Figure 7-5: December 31 Adjusting Journal Entries

Troubleshooting: Do your journal entries agree? Check each 12/31/20XX entry. If not, drill down > make the necessary changes, <Save and close>. Display the 12/31/20XX journal again.

- Export the December 31 Journal to Excel and save as a PDF file. Use the file name **Chapter 7_December 31 Adjusting Journal Entries**.

6. Display the December 31 Transaction Detail by Account report. The Transaction Detail by Account lists transactions subtotalized by each account on the chart of accounts. Credits are shown with the minus sign in front of them. The Transaction Detail by Account report is shown below.

Student Name Sales and Service								
Transaction Detail by Account								
December 31, 2021								
DATE	TRANSACTION TYPE	NUM	ADJ	NAME	MEMO/DESCRIPTION	SPLIT	AMOUNT	BALANCE
101 Checking								
12/31/2021	Check	SVCCHRG	No		Service Charge	603 Bank Charges & Fees	-23.00	-20.00
12/31/2021	Check	1065	No	Arizona Department of Revenue		207 Arizona Department of Revenue Payable	-1,781.81	-1,801.81
12/31/2021	Check	1066	No	Illinois Department of Revenue		208 Illinois Department of Revenue Payable	-53.00	-1,851.81
Total for 101 Checking							\$ -1,851.81	
123 Prepaid Rent								
12/31/2021	Journal Entry	2	Yes		Adjust prepaid rent	-Split-	-6,000.00	-6,000.00
Total for 123 Prepaid Rent							\$ -6,000.00	
125 Prepaid Insurance								
12/31/2021	Journal Entry	3	Yes		Adjust prepaid insurance	-Split-	-750.00	-750.00
Total for 125 Prepaid Insurance							\$ -750.00	
137 Accumulated Depreciation								
12/31/2021	Journal Entry	4	Yes		Adjust depreciation	-Split-	-800.00	-800.00
Total for 137 Accumulated Depreciation							\$ -800.00	
207 Arizona Department of Revenue Payable								
12/31/2021	Check	1065	No	Arizona Department of Revenue	Sales tax payment	101 Checking	-1,781.81	-1,781.81
Total for 207 Arizona Department of Revenue Payable							\$ -1,781.81	
208 Illinois Department of Revenue Payable								
12/31/2021	Check	1066	No	Illinois Department of Revenue	Sales tax payment	101 Checking	-53.00	-50.00
Total for 208 Illinois Department of Revenue Payable							\$ -53.00	
603 Bank Charges & Fees								
12/31/2021	Check	SVCCHRG	No			101 Checking	23.00	20.00
Total for 603 Bank Charges & Fees							\$23.00	
607 Depreciation Expense								
12/31/2021	Journal Entry	4	Yes		Adjust depreciation	-Split-	800.00	800.00
Total for 607 Depreciation Expense							\$800.00	
611 Insurance Expense								
12/31/2021	Journal Entry	3	Yes		Adjust prepaid insurance	-Split-	750.00	750.00
Total for 611 Insurance Expense							\$750.00	
623 Rent & Lease								
12/31/2021	Journal Entry	2	Yes		Adjust prepaid rent	-Split-	6,000.00	6,000.00
Total for 623 Rent & Lease							\$6,000.00	
Accrual basis								

Figure 7-6: December 31 Transaction Detail by Account

➤ Export the December 31 Transaction Detail by Account to Excel and save as PDF file. Use the file name **Chapter 7_December 31 Transaction Detail by Account**.

7. Display the Adjusted Trial Balance from 10/1/20XX to 12/31/20XX. Observe that when compared to the December 31 trial balance shown at the beginning of the chapter in the Check Your Data section (Figure 7-4), the following accounts have different balances or have been added.

Account	Adjusted Balance	Before Adjustment
123 Prepaid Rent	\$0.00 (Dr.)	\$6,000.00 (Dr.)
125 Prepaid Insurance	\$2,250.00 (Dr.)	\$3,000.00 (Dr.)
137 Accumulated Depreciation	\$800.00 (Cr.)	\$0.00
607 Depreciation Expense	\$800.00 (Dr.)	\$0.00
611 Insurance Expense	\$750.00 (Dr.)	\$0.00
623 Rent & Lease	\$6,000.00 (Dr.)	\$0.00

Since three months of prepaid rent and one year of prepaid insurance were recorded in October within asset accounts, the Insurance and Rent & Lease expense accounts needed to be adjusted for these amounts. Computer equipment also needed to be depreciated. That amount is shown on the Accumulated Depreciation and Depreciation Expense accounts. The Adjusted Trial Balance and financial statements will reflect these adjustments.

Compare your Adjusted Trial Balance with Figure 7-7 which is shown on the next page.

Student Name Sales and Service						
Adjusted Trial Balance						
As of December 31, 2021						
	UNADJUSTED BALANCE		ADJUSTMENTS		ADJUSTED BALANCE	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
101 Checking	53,468.52				53,468.52	
105 Accounts Receivable (A/R)	425.00				425.00	
115 Merchandise Inventory	9,870.00				9,870.00	
123 Prepaid Rent	6,000.00		6,000.00			
125 Prepaid Insurance	3,000.00		750.00		2,250.00	
135 Computer Equipment	10,000.00				10,000.00	
137 Accumulated Depreciation			800.00			800.00
201 Accounts Payable (A/P)		3,120.00				3,120.00
205 Loan Payable		5,000.00				5,000.00
301 Common Stock		60,000.00				60,000.00
401 Sales		31,140.00				31,140.00
501 Cost of Goods Sold	12,570.00				12,570.00	
601 Advertising & Marketing	705.00				705.00	
603 Bank Charges & Fees	60.00				60.00	
605 Dues & Subscriptions	275.00				275.00	
607 Depreciation Expense			800.00			800.00
609 Freight & Delivery	206.45				206.45	
611 Insurance Expense			750.00			750.00
619 Meals & Entertainment	282.51				282.51	
621 Office Supplies & Software	538.78				538.78	
623 Rent & Lease			6,000.00			6,000.00
625 Repairs & Maintenance	290.00				290.00	
627 Shipping and Delivery Expense	94.00				94.00	
629 Stationery & Printing	669.00				669.00	
633 Telephone Expense	557.09				557.09	
635 Utilities Expense	248.65				248.65	
TOTAL	\$99,260.00	\$99,260.00	\$7,550.00	\$7,550.00	\$100,060.00	\$100,060.00

Accrual basis

Figure 7-7: Adjusted Trial Balance

- Export the Adjusted Trial Balance to Excel and save as a PDF file. Save as **Chapter 7_Adjusted Trial Balance**.

8. Display the Profit and Loss from 10/1/20XX to 12/31/20XX. Observe that the Net Income amount reflects these expense accounts: Depreciation, Insurance, and Rent & Lease. Those amounts were recorded as adjusting entries.

When you compare the Profit and Loss *after* adjustments to the P&L saved in Exercise 6-2, observe these differences.

Account	P&L After Adjustments	P&L Before Adjustments
607 Depreciation Expense	\$800.00 (Dr.)	\$0.00
611 Insurance	\$750.00 (Dr.)	\$0.00
623 Rent & Lease	\$6,000.00 (Dr.)	\$0.00
Adjusting Entries Total	\$7,550.00	

Net Income <i>before</i> adjusting entries	\$14,643.52
Minus adjusting entries total	<u>-\$7,550.00</u>
Net Income after adjustments	<u>\$7,093.52</u>

On the P&L statement, the total amount of journalized and posted adjusting entries equals the difference between the Net Income before adjustments and Net Income after adjustments.

Troubleshooting: Does QBO move slower than usual? For example, you

selected  and the page doesn't respond? Refer to Appendix A, Troubleshooting, Clearing Temporary Internet Files/Cache.

Student Name Sales and Service	
Profit and Loss	
October - December, 2021	
	TOTAL
Income	
401 Sales	31,140.00
Total Income	\$31,140.00
Cost of Goods Sold	
501 Cost of Goods Sold	12,570.00
Total Cost of Goods Sold	\$12,570.00
GROSS PROFIT	\$18,570.00
Expenses	
601 Advertising & Marketing	705.00
603 Bank Charges & Fees	60.00
605 Dues & subscriptions	275.00
607 Depreciation Expense	800.00
609 Freight & Delivery	206.45
611 Insurance Expense	750.00
619 Meals & Entertainment	282.51
621 Office Supplies & Software	538.78
623 Rent & Lease	6,000.00
625 Repairs & Maintenance	290.00
627 Shipping and Delivery Expense	94.00
629 Stationery & Printing	669.00
633 Telephone Expense	557.09
635 Utilities Expense	248.65
Total Expenses	\$11,476.48
NET OPERATING INCOME	\$7,093.52
NET INCOME	\$7,093.52
Accrual basis	

Figure 7-8: EOY Profit and Loss

- Save the Profit and Loss as a PDF file and export to Excel. Use the file name **Chapter 7_EOY Profit and Loss**. (*Hint:* EOY is an abbreviation of End of Year.)

Filter the Profit and Loss

By default the P&L shows all income and expense accounts. Follow these steps to show some accounts instead of all of them.

1. If necessary, display the 10/1/20XX to 12/31/20XX Profit and Loss > click <Customize>.
2. On the Customize report page, select Filter > check Distribution Account > All Income Accounts.

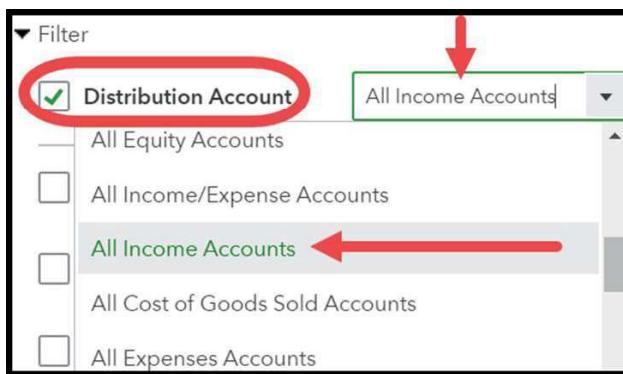


Figure 7-9: All Income Accounts

3.

Run report

Student Name Sales and Service		
Profit and Loss		
October - December, 2021		
<hr/>		
Income		TOTAL
401 Sales		31,140.00
Total Income		\$31,140.00
GROSS PROFIT		\$31,140.00
Expenses		
Total Expenses		
NET OPERATING INCOME		\$31,140.00
NET INCOME		\$31,140.00

Figure 7-10: Income Accounts only

4. Use other filter criteria. For example, select All Expenses.

Dashboard Graphics

If necessary, select Dashboard > Business overview. To see the Profit and

This year ▾

This fiscal year ▾

Loss, select ▾; Expenses >

Last 365 days

Invoices shows Last 365 Days ▾. For Sales > This fiscal year. (Hint: If your graphs do not match, try different selections.)

- Profit and Loss, Net Income for this Year: \$7,094
- Expenses, This fiscal year: \$24,046.48
- Invoices, Last 365 days: \$425
- Sales, This fiscal year: \$31,140

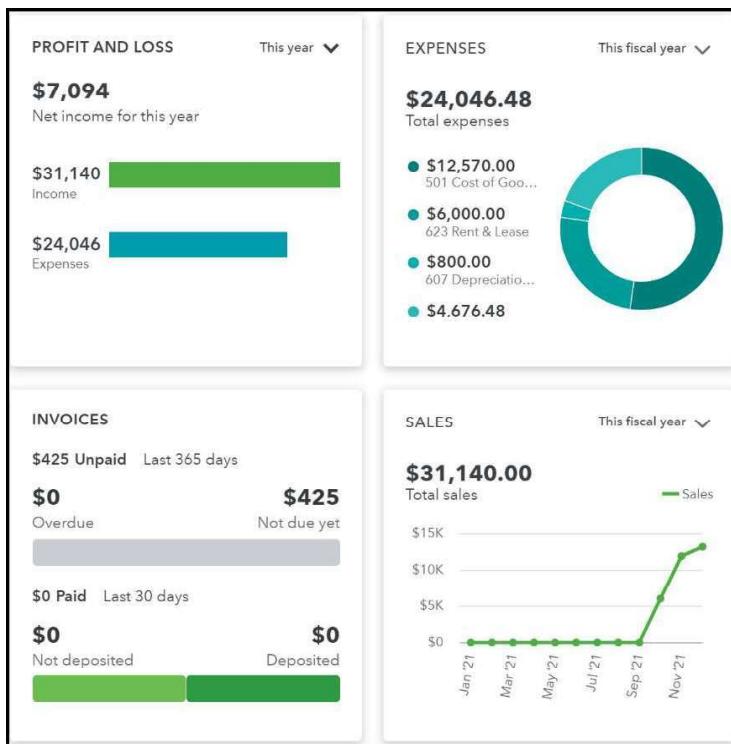


Figure 7-11: Dashboard metrics and visualization

You can drill down from the Dashboard's Profit and Loss amount, \$7,094, to go to the Profit and Loss report. In the Report period field, type **10/1/20XX to 12/31/20XX**.

Report period				
Custom	▼	10/01/2021	to	12/31/2021

Run report

The total at the bottom of the report is the same as the Profit and Loss Dashboard's Net income for this year. (The Dashboard's Profit and Loss is rounded up to \$7,094.)

The Dashboard's Expenses shows Total Cost of Goods Sold plus Total Expenses:

Total COGS:	\$12,570.00
Total Expenses:	<u>\$11,476.48</u>
Dashboard Expenses:	\$24,046.48

QBO reports Profit and Loss, Expenses, and Sales amounts based on your computer's system date (current date). If selecting "This year" and "This fiscal year" does not display the amounts shown in Figure 7-11, your entries are probably for a different year than the current one.

Bank Accounts shows \$53,468.52 as the balance in 101 Checking. *After* the December 31 bank reconciliation, two checks were issued in Chapter 7.

Ending Bank Statement balance:	\$55,300.33
Check 1065	-\$1,781.81
Check 1066	<u>-\$50.00</u>
Checking Account balance	\$53,468.52

Balance Sheet and Statement of Cash Flows

1. Display the Balance Sheet from 10/1/20XX to 12/31/20XX. Observe that Accumulated Depreciation is added in the Fixed Assets area—\$800.00 with a minus in front of it. The Total Fixed Assets are \$9,200.00 instead of the \$10,000.00, which was the total *before* the adjusting entry. The Net Income amount is the same as the P&L, \$7,093.52.

Compare your Balance Sheet to Figures 7-12A and 7-12B.

Student Name Sales and Service		TOTAL
Balance Sheet		
As of December 31, 2021		
ASSETS		
Current Assets		
Bank Accounts		
101 Checking	53,468.52	
Total Bank Accounts	\$53,468.52	
Accounts Receivable		
105 Accounts Receivable (A/R)	425.00	
Total Accounts Receivable	\$425.00	
Other Current Assets		
115 Merchandise Inventory	9,870.00	
123 Prepaid Rent	0.00	
125 Prepaid Insurance	2,250.00	
Total Other Current Assets	\$12,120.00	
Total Current Assets	\$66,013.52	
Fixed Assets		
135 Computer Equipment	10,000.00	
137 Accumulated Depreciation	-800.00	
Total Fixed Assets	\$9,200.00	
TOTAL ASSETS	\$75,213.52	

Figure 7-12A: End-of-Year Balance Sheet's Total Assets

Balance Sheet continued

LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
201 Accounts Payable (A/P)	3,120.00
Total Accounts Payable	\$3,120.00
Other Current Liabilities	
205 Loan Payable	5,000.00
207 Arizona Department of Revenue Payable	0.00
208 Illinois Department of Revenue Payable	0.00
Out Of Scope Agency Payable	0.00
Total Other Current Liabilities	\$5,000.00
Total Current Liabilities	\$8,120.00
Total Liabilities	\$8,120.00
Equity	
301 Common Stock	60,000.00
318 Retained Earnings	0.00
Opening Balance Equity	
Net Income	7,093.52
Total Equity	\$67,093.52
TOTAL LIABILITIES AND EQUITY	\$75,213.52

Accrual basis

Figure 7-12B: End-of-Year Balance Sheet's Total Liabilities and Equity

- Export the Balance Sheet to Excel and save as a PDF file. Use the file name **Chapter 7_EOY Balance Sheet**. Change the title on the Excel file to End-of-Year Balance Sheet.



Figure 7-13: Add End-of-Year to Balance Sheet

2. Display the Statement of Cash Flows from 10/1/20XX to 12/31/20XX. Observe that the Balance Sheet *and* Statement of Cash Flows shows the same Net Income amount. Net Income will be reported as Retained Earnings on the January 1 Balance Sheet. The cash at the end of the period is the same as the Balance Sheet's Total Bank Accounts.

Student Name Sales and Service	
Statement of Cash Flows	
October - December, 2021	
	TOTAL
OPERATING ACTIVITIES	
Net Income	7,093.52
Adjustments to reconcile Net Income to Net Cash provided by operations:	
105 Accounts Receivable (A/R)	-425.00
115 Merchandise Inventory	-9,870.00
123 Prepaid Rent	0.00
125 Prepaid Insurance	-2,250.00
137 Accumulated Depreciation	800.00
201 Accounts Payable (A/P)	3,120.00
205 Loan Payable	5,000.00
207 Arizona Department of Revenue Payable	0.00
208 Illinois Department of Revenue Payable	0.00
Out Of Scope Agency Payable	0.00
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	-3,625.00
Net cash provided by operating activities	\$3,468.52
INVESTING ACTIVITIES	
135 Computer Equipment	-10,000.00
Net cash provided by investing activities	\$ -10,000.00
FINANCING ACTIVITIES	
301 Common Stock	60,000.00
Opening Balance Equity	0.00
Net cash provided by financing activities	\$60,000.00
NET CASH INCREASE FOR PERIOD	\$53,468.52
CASH AT END OF PERIOD	\$53,468.52

Figure 7-14: End-of-Year Statement of Cash Flows

- Export the Statement of Cash Flows to Excel and save as a PDF file. Use the file name **Chapter 7_EOY Statement of Cash Flows**. Change the title on the Excel file to End-of-Year Statement of Cash Flows.



Figure 7-15: End-of-Year added to Statement of Cash Flows

CLOSING THE FISCAL YEAR

When the date is changed to January 1, 20XY (the next year), Net Income on the Balance Sheet is shown as Retained Earnings and the income and expense accounts have a zero balance.

1. Display the Balance Sheet from 1/1/20XY to 1/1/20XY. (*Hint:* Make sure you are using the next year.) Observe that Account 318 Retained Earnings shows \$7,093.52. That's the end-of-year's Profit and Loss' net income amount.

In QBO when you change the date to January 1 of the next year, the Profit and Loss accounts have zero balances and the net income is transferred to Retained Earnings.

Student Name Sales and Service		January 1 of the NEXT year.
Balance Sheet As of January 1, 2022		
TOTAL		
ASSETS		
Current Assets		
Bank Accounts		
101 Checking	53,468.52	
Total Bank Accounts	\$53,468.52	
Accounts Receivable		
105 Accounts Receivable (A/R)	425.00	
Total Accounts Receivable	\$425.00	
Other Current Assets		
115 Merchandise Inventory	9,870.00	
123 Prepaid Rent	0.00	
125 Prepaid Insurance	2,250.00	
Total Other Current Assets	\$12,120.00	
Total Current Assets	\$66,013.52	
Fixed Assets		
135 Computer Equipment	10,000.00	
137 Accumulated Depreciation	-800.00	
Total Fixed Assets	\$9,200.00	
TOTAL ASSETS	\$75,213.52	
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
201 Accounts Payable (A/P)	3,120.00	
Total Accounts Payable	\$3,120.00	
Other Current Liabilities		
205 Loan Payable	5,000.00	
207 Arizona Department of Revenue Payable	0.00	
208 Illinois Department of Revenue Payable	0.00	
Out Of Scope Agency Payable	0.00	
Total Other Current Liabilities	\$5,000.00	
Total Current Liabilities	\$8,120.00	
Total Liabilities	\$8,120.00	
Equity		
301 Common Stock	60,000.00	
318 Retained Earnings	7,093.52	
Opening Balance Equity	0.00	
Net Income		
Total Equity	\$67,093.52	
TOTAL LIABILITIES AND EQUITY	\$75,213.52	
Accrual Basis		

Figure 7-16: January 1, 20XY Balance Sheet

- Export the January 1 Balance Sheet to Excel and save as a PDF file. Use the file name **Chapter 7_January 1 Balance Sheet**.

2. To verify, display the Profit and Loss from 1/1/20XY to 1/1/20XY (next year). The P&L shows no data because the *temporary accounts* are zeroed when the new year begins.

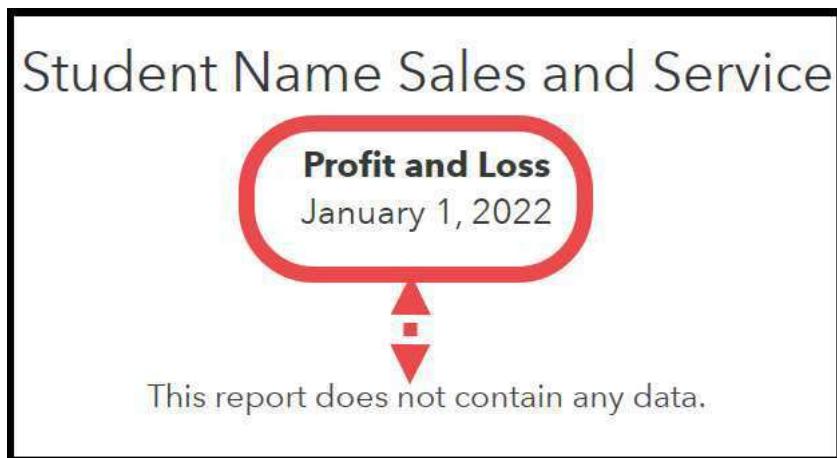


Figure 7-17: January 1, 20XY Profit and Loss

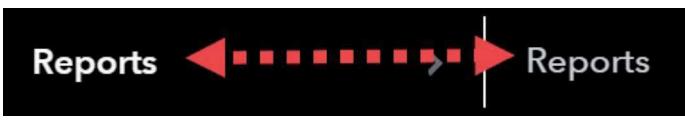
Accounts that are closed at the end of the year are called temporary accounts. Temporary accounts, such as income, cost of goods sold, and expenses, accumulate transactions and balances during one accounting year. In QBO, when January 1 (of the next year) is selected for the Balance Sheet, the balances in the temporary accounts are transferred to the Retained Earnings account and the income and expense accounts have a zero balance.

The asset, liability, and equity accounts shown on the Balance Sheet are called *permanent accounts*. They do not close at the end of the accounting year. Permanent account balances accumulate month to month and year to year.

POSTCLOSING TRIAL BALANCE

After the fiscal year is closed, a postclosing trial balance is printed. Only permanent accounts appear on the postclosing trial balance. All temporary accounts (income, cost of goods sold, and expenses) have been closed.

Follow these steps to display a postclosing trial balance:

1.  > type and select **Trial Balance > 1/1/20XY to 1/1/20XY (next year) > Run report**.

The author selected Non-zero to show accounts with balances only.

Observe that the Trial Balance is dated January 1, 20XY (next year). The balance in Account 318 Retained Earnings, \$7,093.52, was the end-of-year Profit and Loss Net Income.

Student Name Sales and Service		
Trial Balance		
As of January 1, 2022		
	DEBIT	CREDIT
101 Checking	53,468.52	
105 Accounts Receivable (A/R)	425.00	
115 Merchandise Inventory	9,870.00	
125 Prepaid Insurance	2,250.00	
135 Computer Equipment	10,000.00	
137 Accumulated Depreciation		800.00
201 Accounts Payable (A/P)		3,120.00
205 Loan Payable		5,000.00
301 Common Stock		60,000.00
318 Retained Earnings	7,093.52	
TOTAL	\$76,013.52	\$76,013.52

Figure 7-18: Postclosing Trial Balance

2. Export to Excel and save as a PDF file. Use the file name **Chapter 7_Postclosing Trial Balance**. On the Excel file, change the title to Postclosing Trial Balance.



Figure 7-19: Added Postclosing to title line

ANALYZE REPORTS

QuickBooks Online organizes reports by modules within the accounting system. The report default is Standard. There are also tabs for Custom reports and Management reports.

Application Programming Interface (API)

Figure 7-20 shows QBO's modules on the Application Programming Interface (API) diagram: Customer (Accounts Receivable), Vendor (Accounts Payable), Item (Inventory), and Account (Journal Entry and Transfer). The API diagram shows how QBO processes data, and how accounting tasks are organized and interrelated.

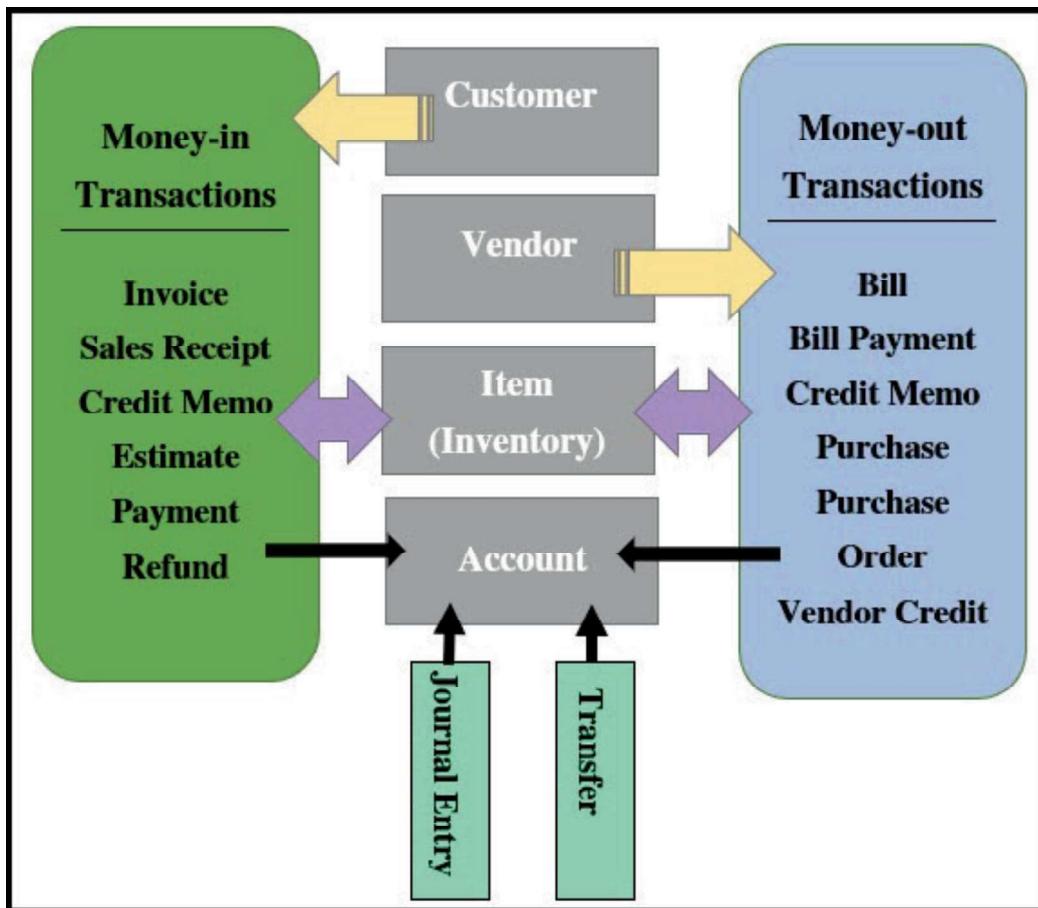
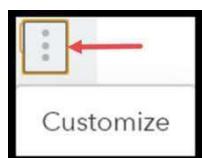


Figure 7-20: QBO's Application Programming Interface

Reports

When QBO updates, additional reports may be added. The Reports page includes these sections.

- **Favorites:** Includes reports that are frequently used. A green star is shown next to them. Next to the star are vertical dots which is the selection for



Customize -

- Business overview: These reports show different perspectives of how the business is doing. The list includes Audit Log, Balance Sheet Comparison, Balance Sheet Detail, Balance Sheet Summary, Balance Sheet, Business Snapshot, Custom Summary Report, Profit and Loss as % of total income, Profit and Loss Comparison, Profit and Loss Detail, Profit and Loss year-to-date comparison, Profit and Loss by Customer, Profit and Loss by Month, Profit and Loss by Tag Groups, Profit and Loss, Quarterly Profit and Loss Summary, and Statement of Cash Flows. A star next to a report indicates a Favorite. The Customize feature can also be used to add filters; for example, % of Income, date ranges, etc. QBO updates may also add reports.
- Who owes you: These reports group accounts receivable in different ways to help analyze sales to see how you are doing and how you make money. The reports include Accounts Receivable Aging Detail, Accounts Receivable Aging Summary, Collections Report, Customer Balance Detail, Customer Balance Summary, Invoice List, Invoices and Received Payments, Open Invoices, Statement List, Terms List, Unbilled charges, and Unbilled time.
- Sales and customers: These reports are part of the accounts receivable and inventory systems. The sales and customers reports help you understand how much inventory you have and how much you are paying and earning for each of your inventory items. The reports include Customer Contact List, Deposit Detail, Estimates & Progress Invoicing Summary by Customer, Estimates by Customer, Income by Customer Summary, Inventory Valuation Detail, Inventory Valuation Summary, Payment Method List, Physical Inventory Worksheet, Product/Service List, Sales by Customer Detail, Sales by Customer Summary, Sales by Customer Type Detail, Sales by Product/Service Detail, Sales by Product/Service Summary, Time Activities by Customer Detail, Transaction List by Customer, and Transaction List by Tag Group.

- What you owe: These reports show what you owe and when payments are due so you can take advantage of the time you have to pay bills but still make payments on time. The reports include 1099 Contractor Balance Detail, 1099 Contractor Balance Summary, Accounts payable aging detail, Accounts payable aging summary, Bill Payment List, Bills and Applied Payments, Unpaid Bills, Vendor Balance Detail, and Vendor Balance Summary.
- Expenses and vendors: These reports show expenses and purchases and group them in different ways to help you understand what is being spent. The reports include 1099 Transaction Detail Report, Check Detail, Expenses by Vendor Summary, Open Purchase Order List, Open Purchase Order Detail, Purchases by Product/Service Detail, Purchases by Vendor Detail, Transaction List by Vendor, and Vendor Contact List.
- Sales tax: These reports help you manage the sales taxes you collect and payments to tax agencies. The reports include Sales Tax Liability Reports, Taxable Sales Detail, and Taxable Sales Summary.
- Employees: These reports help you manage employee activities and payroll. The reports include Employee Contact List, Recent/Edited Time Activities, and Time Activities by Employee Detail.
- For my accountant: These are reports accountants typically use to drill down into business details and prepare tax returns. The reports include Account List, Adjusted Trial Balance, Adjusting Journal Entries, Balance Sheet Comparison, Balance Sheet, General Ledger, Journal, Profit and Loss Comparison, Profit and Loss by Tag Group, Profit and Loss, Recent Transactions, Reconciliation Reports, Recurring Template List, Statement of Cash Flows, Transaction Detail by Account, Transaction List by Date, Transaction List with Splits, Trial Balance.

- Payroll reports: These include Employee Contact List, Recent/Edited Time Activities, and Time Activities by Employee Detail.

When you select Reports, the default is your current date; for example, today's date and year. Since not all reports and charts require entering a date range, some of these features may not show data because your current date and year is different than the dates entered for transactions.

List reports vs. balance or totaled reports

The difference between List reports vs. balance and totaled reports is that the majority of list reports do not show balances or totals, just account information. For example, the Vendor Contact List report shows the vendor name, phone number, full name, and address but does not show vendor balances. There are also other types of reports such as the Transaction List by Date that includes list in the title. This report will show an amount column but will not provide a balance column or a total.

If you ran a report and it has no balance column or total, double check the title at the top of the report. Chances are the report has "List" in the title. A list report with amounts can be exported and customized in Excel to provide a total. Go to the top left of the report and click on the Excel button to export. Once you locate the desired report and customize it, QuickBooks Online provides the ability to memorize the report so you will not need to recreate it.

Customize Reports

Sometimes it's helpful to customize reports. You can customize the following reports:

- Profit & Loss.
- Balance Sheet.
- Majority of summary reports.

To customize a report:

1. Go to the Reports page.
2. Display the desired report.
3. Once the customize window is open, click Rows/Columns. You may also want to make other choices: General, Report period, Accounting method, Number format, Negative numbers, Rows/Columns, Change columns, Filter, Header/Footer. Make the preferred selections.
4. Click Run Report.

Memorize a Report

Memorizing a report allows you to save it with its current customization settings.

1. Find and display the report you want to memorize.
2. To change what's in the report, click on the customize icon.
3. Once the report is customized the way you like it, click the Save Customization button.
4. Enter a descriptive name for the report in the Name of memorized report field.

CHECK YOUR PROGRESS

Check Your Progress assignments are included within Connect and below.

1. What is the account balance on 1/1/20XY (next year) in these accounts?
Indicate whether these accounts have debit (dr.) or credit (cr.) balances.

Account 101 Checking _____

Account 105 Accounts Receivable _____

Account 115 Merchandise Inventory _____

Account 123 Prepaid Rent _____

Account 125 Prepaid Insurance _____

Account 137 Accumulated Depreciation _____

Account 603 Bank Charges _____

Account 318 Retained Earnings _____

2. What are total current assets? _____

3. What are total Liabilities and Equity? _____

4. What is the amount owed by customers? _____

5. List the customer(s) and due dates that payments are owed to Student Name Sales and Service.

6. What is the amount owed by Student Name Sales and Service to vendors?

7. List the vendors' names, amounts due, and due dates.

8. How does the Application Programming Interface (API) diagram describe QuickBooks Online's system? Specify three ways.



SIGN OUT or continue

QUICKBOOKS RESOURCES AND ACTIVITIES

If your professor requires **Connect**, the following resources may be assigned for grading.

1. Multiple-choice and true or false questions.
2. Analysis question(s).
3. Check Your Progress.
4. Chapter work and end-of-chapter exercises.
5. Problem solving.
6. Certification Q&A.
7. Test Bank.
8. Additional student resources (ASR).

Additional Student Resources (ASR)

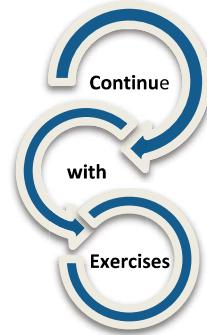
The following resources can be found on the Additional Student Resources (ASR) page in Connect's eBook. If you are not using Connect, your instructor can provide you with an ASR page document that contains **URLs** to access these resources:

1. Narrated PowerPoints.
2. QBO Videos. The PowerPoints include links to the videos.
 - How to use list reports within QuickBooks Online.
 - Use Inventory Reports: Tracking, Maintaining & More.
 - Explore videos.
3. Text Updates.

Exercise 7-1: Follow the instructions below to complete

Exercise 7-1:

1. If necessary, start QBO.
2. Match the Report Description with the Report Name.
Write the appropriate letter next to the Report Name column.



Letter	Report Description	Write Letter a., b., etc.	Report Name
a.	Summarizes key information, for example, quantity on hand, value, and average cost of each item.		Expenses by Vendor Summary
b.	Groups purchases by the items in the Product/Service List.		Sales by Customer summary
c.	Allows you to see all activity and transactions related to each customer.		Deposit Detail
d.	Breaks down every transaction into debits and credits and displays them chronologically.		Transaction List by Vendor
e.	Lists individual sales, including dates, types, amounts, and totals.		Check Detail
f.	This report shows total expenses for each vendor.		Trial Balance

g.	Lists all transactions so you can view the company's activities with a specific vendor.		Sales by Customer Detail
h.	This report shows which customers generated the most revenue.		Account Listing
i.	Summarizes debit and credit balances for each account.		Journal
j.	Provides detailed information about each check issued.		Purchases by Product/Service Detail
k.	Shows money earned and money spent so you can see if you have a profit or loss. Also called the income statement.		Balance Sheet
l.	Transactions modified within the last 4 days.		Transaction List by Customer
m.	Provides the name, type, and balance for each account listing in your chart of accounts.		Inventory Valuation Summary
n.	Provides detailed information about amounts received, including date, client or vendor, and amount.		Recent Transactions
o.	Lists the permanent accounts: assets, liabilities, and equity.		Profit and Loss

Exercise 7-2: Follow the instructions below to complete Exercise 7-2:

1. Export these reports to Excel and save as PDF files. The dates are not included in the file name; for example, use Exercise 7-2_AR Aging Summary as the file name.

Accounts Receivable reports:

- Exercise 7-2_Accounts Receivable Aging Summary (as of 1/1/20XY [next year]). For the file name, use **Exercise 7-2_AR Aging Summary**.
- Exercise 7-2_Customer Balance Detail (as of 1/1/20XY)
- Exercise 7-2_Invoice List (from 12/1/20XX to 12/31/20XX)

Accounts Payable reports:

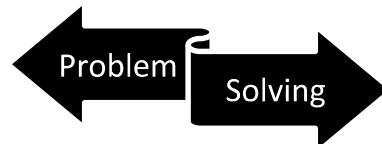
- Exercise 7-2_Accounts Payable Aging Summary (as of 1/1/20XY [next year]). For the file name, use **Exercise 7-2_AP Aging Summary**.
- Exercise 7-2_Vendor Balance Detail (as of 1/1/20XY)
- Exercise 7-2_Unpaid Bills (as of 1/1/20XY). (*Hint:* The past due column computes from the current date. Depending on your current date, the Past Due column may not be accurate.)

2. **Check Figures, January 1, 20XY** (next year)

- Account 101 Checking, \$53,468.52
- Account 105 Accounts Receivable, \$425.00
- Account 125 Prepaid Insurance, \$2,250.00
- Account 201 Accounts Payable, \$3,120.00
- Account 207, Arizona Department of Revenue Payable, \$0.00
- Account 208, Illinois Department of Revenue Payable, \$0.00
- Account 137 Accumulated Depreciation, \$800.00
- Account 318 Retained Earnings, \$7,093.52
- Total Liabilities and Equity, \$75,213.52

Exercise 7-3: Problem Solving

Exercise 7-3 is available within Connect and includes:



1. Explain why the amounts are different when the Trial Balance on page 354 (Figure 7-4) is compared to the Adjusted Trial Balance on page 361 (Figure 7-7).
2. What are the differences on the Profit and Loss *after* adjustments to the P&L saved in Exercise 6-2?

Certification Q&A Practice Test

Certification Q&A multiple-choice questions are available within Connect. For this chapter, the certification practice test is mapped to these QuickBooks Online Certified User exam objectives: Basic Reports and Views. Refer to QBO Certified User_Exam Objectives.pdf.

CHAPTER 7 INDEX

Accounts payable reports	385
Accounts receivable reports	385
Additional student resources	382
Adjusted trial balance	361
Adjusting entries.....	350
Adjusting journal entries	358
Analyze reports.....	374
Application programming interface	374, 375
Balance sheet.....	367, 368, 371
Balance sheet and statement of cash flow	367-369
Certification Q&A practice test.....	387
Check your data.....	352
Check figures.....	386
Check your progress	380
Close the books.....	351
Closing the fiscal year	370
Comment	355
Connect.....	382
Customize reports	379
Dashboard graphics	365
Data metrics and visualization.....	352
DAVE	352, 381
End-of-quarter adjusting entries	356
EOY balance sheet	367, 368
EOY profit and loss	363
EOY statement of cash flows	369
Exercise 7-1	383
Exercise 7-2	385

Exercise 7-3	386
Filter the profit and loss.....	364
Fiscal year.....	350
Getting started	352
January 1 balance sheet	371
List reports vs. balance or totaled reports.....	378
Memorize a report	379
Module.....	349
Objectives	349
Permanent accounts	372
Postclosing trial balance	373
QuickBook resources and activities	382
Record keeping.....	349
Reports.....	375
Sales tax payments	355
Scenario	349
Sign out.....	381
Statement of cash flows.....	367, 369
Temporary accounts	372
Transaction detail by account.....	359
Trial balance	354, 361
Troubleshooting.....	358, 362