



Growing Your Business Thru QuickBooks®

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FROM THE OFFICE OF



ACCOUNTING ADVANTAGE

6276 Jackson Road, Suite B
Ann Arbor, Michigan 48103

888 503-6265 • www.AcctgAdvant.com

Anatomy of a QuickBooks Inventory Item

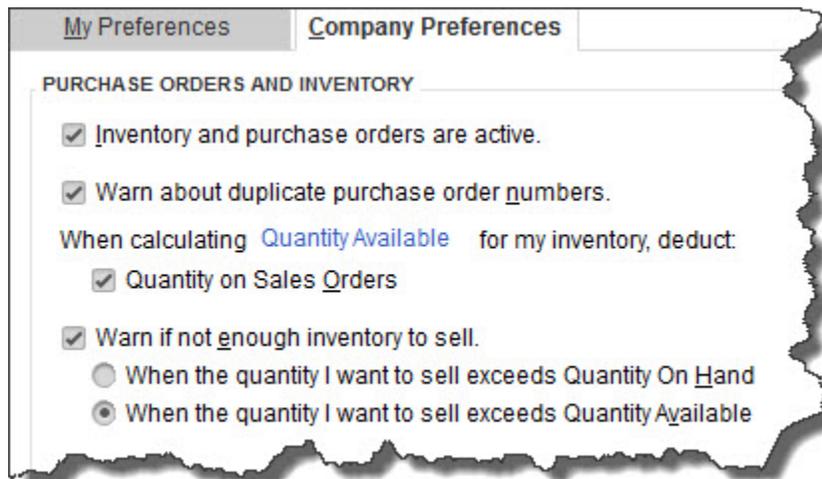
If you have an item-heavy business, you need tools to track your inventory. QuickBooks provides them.

When you started your business, maybe you were able to keep track of your inventory by peering in the closet or your garage. As you grew, that simply took too long. But you grew tired of running out of stock because you didn't have time to constantly check its levels, and you forgot about items that didn't sell and were tucked away in a corner.

You need inventory-tracking. QuickBooks can help you create thorough records for each product you sell. It keeps track of how much you have on hand and warns you when your stock is running low. And its reports tell you what's selling and what's not, so you can make better, smarter purchasing decisions.

Activating Inventory-Tracking

Before you get started creating item records and including them in transactions, you need to make sure that QuickBooks is set up to start tracking. Open the **Edit** menu and click **Preferences**. Click **Items & Inventory** in the left vertical pane and then select the **Company Preferences** tab. This window will open:



QuickBooks needs to know what your intentions are when it comes to inventory-tracking.

First, of course, click in the box to the left of **Inventory and purchase orders are active** if it isn't already checked. Click the next box down if applicable. The rest of this window deals with two concepts you need to understand. **Quantity on Hand** refers to the number of items that you actually *have*. **Quantity Available** subtracts items currently on **Sales Orders**. QuickBooks will warn you if you don't have enough of a specific item to commit to a customer. You just have to decide which definition of **Quantity** you want to use.

When you're done here, click **OK**.

Accuracy Matters

Now you can start entering records for the products you sell. Accuracy is absolutely essential here. You'll see why as you explore QuickBooks' tracking capabilities.

There are a few ways to open an item record window. You can click **Items & Services** in the upper right corner of the **Home Page**, or open the **Lists** menu and select **Item List**. Both will open a window displaying any item records that have been entered in a register-type view. Right-click anywhere and select **New**, or click the arrow next to **Item** in the lower left corner and select **New**.

The screenshot shows the 'New Item' window in QuickBooks. The 'TYPE' dropdown is set to 'Inventory Part'. The 'Item Name/Number' is 'Lk Doorknobs', and the 'Manufacturer's Part Number' is 'D 653-01'. The 'UNIT OF MEASURE' is 'U/M Set'. The 'PURCHASE INFORMATION' section includes 'Description on Purchase Transactions' (Locking interior doorknobs Part # DK415), 'Cost' (34.95), 'COGS Account' (50100 - Cost of Goods...), and 'Preferred Vendor' (Perry Windows & Doors). The 'SALES INFORMATION' section includes 'Description on Sales Transactions' (Locking interior doorknobs), 'Sales Price' (38.00), 'Tax Code' (Tax), and 'Income Account' (40100 - Construction I...). The 'INVENTORY INFORMATION' section shows 'Asset Account' (12100 - Invento...), 'Reorder Point (Min)' (50), 'Max' (empty), 'On Hand' (122), 'Average Cost' (35.26524), 'On P.O.' (0), and 'On Sales Order' (0).

Asset Account	Reorder Point (Min)	Max	On Hand	Average Cost	On P.O.	On Sales Order
12100 - Invento...	50		122	35.26524	0	0

Double- and triple-check your work as you enter information in the QuickBooks item record window.

QuickBooks lets you create records for numerous types of items, including **Service**, **Discount**, and **Inventory Assembly**. To see how inventory-tracking works, select **Inventory Part** from the drop-down menu under **TYPE**. Next, enter an **Item Name/Number** in that field.

If you've already named a main category (like **Hardware**, in the example above) and want to place your product in a subcategory of it, click the **Subitem of** box and choose from the drop-down list. **Manufacturer's Part Number** is optional. You can ignore **UNIT OF MEASURE**, if this isn't an option in your version of QuickBooks.

Purchase Information

If you buy this item from a vendor, fill in this side of the window. Write the description that should appear on *purchase* transactions when you place an order. Enter the cost *you pay* for it, and select the **COGS** (Cost of Goods Sold) account if the default isn't correct. Do you buy this product exclusively from one supplier? Select the name in the drop-down menu under **Preferred Vendor**.

Sales Information

Enter the description you'd like customers to see on invoices and the price you'll charge. If you're at all unsure of what to select for **Tax Code** or **Income Account**, we can go over your Chart of Accounts with you and explain how its accounts are used in records and transactions.

Inventory Information

Here's where the software's tracking capabilities come in. QuickBooks will probably default to your **Inventory Asset** account, which is fine. Enter the minimum number of items that should be in stock when you get a reminder to reorder, and the maximum you want to have at any one time. Fill in the **On Hand** field with the number you currently have. QuickBooks will automatically calculate the **Total Value**.

In the screen shot above, you see an example of what that last line looks like once you start using that item in transactions. You'll see its **Average Cost** and the number that are currently on purchase orders and sales orders.

Creating records for every product you sell can be tedious, time-consuming work. But the payoff comes in the real-time knowledge you'll have of your inventory that will lead to better, smarter purchasing decisions. As always, we stand ready to help.