

## QuickBooks Tips

### Don't Use Journal Entries

Like most people with accounting degrees, we learned to correct mistakes using journal entries. That is also where we learned: "Debits to the window, credits to the door." Just don't move your desk.

In QuickBooks, we suggest that you almost never use a journal entry to correct a mistake. Journal entries don't use "Items" and items are the backbone of all the subsidiary reports in QuickBooks. For example, when you run job profitability reports, the costs recorded by journal entries do not show up on the Profit & Loss by job reports. As a result, journal entries are often a big mistake – despite what we learned in Accounting 101.

You should never make journal entries with accounts payable and accounts receivable accounts. While it may clear out the account to zero, you will notice on your Accounts Receivable and Accounts Payable Aging Reports that the fixes remain there indefinitely.

So how do we fix mistakes? Instead of using the general journal entry form, use the form that would have been used in the original entry. For example, if you are fixing a payable use a check, or if you are fixing a receivable use a sales receipt.

If your books are subject to audit, the auditors will want to have an audit trail to track all adjusting journal entries. You can do this two ways:

1. Number the form following the same numbering convention you would use for a journal entry. For example, on the "Invoice #" field enter "JE mm-dd-yy." Then you can filter a report for transactions numbered with JE prefix.
2. Create a new item called "journal entry." Then add the "journal entry" item to the bottom of each form. This gives you an easy way for the auditors to track all adjusting entries and also gives you a place for the description of the journal entry.

However, you often just want to move dollars, not add to total payables or receivables. If you add a check or sales receipt, you'll add to total expenses or income, but not if you create a zero check or a zero dollar sales receipt. Use a negative number to record the offsetting dollar amount. This won't add to the total income or expense, yet allows you to use both the expenses tab and the items tab for job cost reporting.

You can also create a new account (bank type) to track these entries. At month end when you need to accrue revenue, use a zero dollar sales receipt to record revenue by customer. Unlike using a journal entry, this transaction will now show up on the job profitability reports.

To see the debits and credits behind this entry, record it and then press CTRL+Y while the check is on the screen. This displays the Transaction Journal Report.

There are some times that a journal entry is appropriate in QuickBooks. This would be any entry that does not use an item. For example, equity transactions do not use items so it's safe to use the journal entry form. Just remember, don't move your desk.