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This is no longer commercially sold and is no longer supported in any way.

The PDF is made available for the landlord community if it may help them manage properties. Many new software apps are available now that were not when this was first written from 2003-2006, and revised around 2015.

If you are reading this without first looking at specialized software, check that out first and only if you are determined to use QuickBooks come back to this. If you use this, I hope it helps you, so let me know at info@landlordaccounting.com. We cannot provide any support though. Emails may not be read or answered as this is not a business we are in any more.

This guide is written for QuickBooks Windows desktop version. However many of the core concepts apply to other versions (Online and Mac).

Downloadable sample company files referenced in the PDF are no longer available, however people may get the rough idea by seeing the examples in many screenshots and the list of transactions starting on page 39.

-Jonathan



How to use QuickBooks for Rental Properties

Revision 3.0
Jonathan Wolter

www.LandlordAccounting.com

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This book was originally written for QuickBooks Pro on Windows. The principles are similar in other versions, although some screens may look different, and more or less functionality may be present. It is intended to aid someone in evaluating QuickBooks and get started using it for their residential real estate business. Ultimately, you are responsible for your own books. Therefore, I highly recommend that you have your accountant look over the setup suggestions, and you give QuickBooks a “trial run” early in the process. To ensure QuickBooks is configured optimally for your business, and that it will provide you with all information that you need, enter a small number of your routine transactions. Then try running all the reports you may eventually need.

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All names and companies in the sample file are fictitious and any similarity with a real person or company is entirely coincidental.

Acknowledgements

There are many people to thank for bringing this book into fruition. First written as an in-house guide to solve our own business' needs, and now incorporating feedback from our many customers since 2006. From the first idea that kept our family business awake at night, to the many people who encouraged and assisted the team in completing this. I especially want to thank the following people and organizations.

- Thousands of customers since we launched 8 years ago. Your success and encouragement has been deeply rewarding. Please share your success story as a testimonial at LandlordAccounting.com/your-story.
- You! Most importantly, I thank you for taking the initiative in purchasing my book and committing to ongoing self-education. I wish you the greatest success!
- Intuit for granting permission for me to use screenshots of their software.
- The many beta testers who sent in feedback and made this book's latest version (hopefully) very helpful and user friendly.
- Tens of thousands of visitors to LandlordAccounting.com who compelled us to keep striving for better and better manuscripts in order to answer their frustrations and requests.
- Also thanks to the many technical reviewers who caught several typos or errors. If any remain (and unfortunately some probably do), they are entirely my responsibility. Please contact me if you find a mistake.

Jonathan Andrew Wolter
December 27, 2016
info@LandlordAccounting.com

Please write in and share how this is helping you, or if you still need more help.

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Chapter 1: Introduction

1.01 Who Should Read This Book

This book is designed for people involved in the purchase, management, and tracking of rental homes or apartments. It is my hope that this book will aid you in your understanding and application of QuickBooks for a real estate investment company. Other individuals such as property managers, commercial landlords, or developers have found this book helpful too. I appreciate your feedback and success stories as you read this over. Share successes at LandlordAccounting.com/your-story.

You will understand how a real estate rental business works and the associated terminology. Ideally you already either have your own corporate entity, or are in the process of forming one. It is essential for you to have a strong understanding of the financials of your company, even if you hire a bookkeeper. We'll help you learn them. Use QuickBooks to enter data properly and you will be able to analyze your business, make decisions using accurate financials, and save an enormous amount of time.

I recommend starting at the beginning to understand the underlying accounting principles. This applies if you plan to enter the bookkeeping data yourself, hire a third party, or train an employee to do it. You will learn common bookkeeping activities a landlord will encounter while dealing with properties, tenants, and sorting out financing.

1.02 What this Book Is

This manual is an education tool to bring anyone involved in the residential real estate rental market up to speed to manage the bookkeeping and property management using QuickBooks. The basic concepts and terminology will still apply to older or newer versions.

Throughout this book I will use a sample data file of an LLC. Your entity, state laws and individual needs may differ. Get a competent accountant and attorney and go over what you do in QuickBooks.

Large public corporations keep two sets of accounting books: one for tax purposes, and the other for management decision making and analysis purposes. This manual assumes you keep one set of books and use one QuickBooks file.

1.03 What this Book Is Not

This manual is not a replacement for your accountant. There are over 70,000 pages of tax law which increase yearly. Please interview many accountants and choose a competent one with extensive experience with QuickBooks and real estate business owners like yourself. Find them via your other investor friends, Yelp, and your professional contacts. When you're ready to implement QuickBooks for your property management, make sure your accountant supports you and is familiar with the program. Most who deal with small businesses are, and may even offer you a discount for using

QuickBooks.

This manual is not a replacement for your attorney. Consult your attorney. Do not consider anything in here legal or tax advice.

Caution



Neither this book nor the author engages in rendering legal, accounting, or other professional services. If professional assistance is required, the services of a competent professional person should be sought. Build a competent team of experts in your field of real estate.

1.04 When is a Good Time to Read and Implement this?

Read now! Implement slowly. Commit to reading this every day and playing with QuickBooks until you master it and are ready to try it on your own company. I invite you to visit the free forums at LandlordAccounting.com on a regular basis to ask questions and strengthen your knowledge by helping answer other people's questions. It is suggested to not try this on your own "real" books at first. Instead enter transactions that are similar to what you would incur in your company. Then try generating the reports you need and have your accountant look it over. Start using QuickBooks exclusively when he or she approves your setup.

1.05 How this Manual is Designed

I am an investor, landlord, consultant, and business owner. I firmly believe in the importance of understanding the financial health of your companies. Some investors just want to hunt finding the next investment, and they insufficiently manage, optimize, and track what they already have. Through this book and the accompanying company files, you will enter property, tenant and management company transactions, automatically track tenants' late fees, understand your business' financial health, and save time.

Information that you type appears in **this special typeface** . If you need to press a special key sequence, such as the "Control" key and the "A" key, I will write it like: **Ctrl+A** . I put QuickBooks specific terms in "quotations" the first time they appear.

When you need to click a link or a menu item on the screen those will be bold. For example, to open a company file in QuickBooks, click **File > Open Company....**

If a new term is introduced, I use a definition box like the following:

Definition

Tenant: A friendly, responsible inhabitant of a residential rental property, whom always pays rent early, doesn't call at 2:00 AM with a leaky sink, thoroughly cleans before moving out of the place, and warmly accepts rent increases.

As you read you will have questions, I try to answer them all here in FAQ's. If I don't answer your question, don't hesitate to search the forum at LandlordAccounting.com – someone else probably had the same question and it was answered.

FAQ

Q: *What should I do if the tenant's carbon monoxide detector goes off on big a holiday weekend and maintenance cannot get parts until Monday? I don't have any vacant units for them to stay in either. Help!*

A: Offer a hotel room for the night but set a limit on the cost. Preferably arrange the hotel for them, according to your budget. Always think ahead.

“We went to a hotel with an indoor waterpark so the children could enjoy themselves and we just needed two suites because we all cannot fit in one room.” *(true story)*

Sometimes something tricky comes up; if that's the case, take careful note of our Quick Tips:

Quick Tip

Remind those with children that objects do not go down the bathroom drain.

“He did not know that the drain wasn't big enough to take the pieces of wood and glue from his model airplane he was building.” *(true story)*

Enforce the concept of the late fee policy, and hope the tenants can decide what is important.

“The rent will be late this month because my great uncle died in Chicago three months ago and we thought we should go up for the will reading since we had not gone up yet for the funeral. We wanted to make it a nice time for the children, so we rented a van to drive and wanted to stay in a really nice hotel and see some sights. I'm sure you can understand.” *(true story)*

There will be times that you need to use extra care, we will highlight these moments with a caution.

Caution

You need a competent team with professionals working for you. Don't try any of this alone!

When a related topic is relevant to current discussions, the See Also box will refer you to these other topics.

See Also

Visit the forum for other people's questions and answers, or to post your own questions, at LandlordAccounting.com/forum.

From time to time there will be additional information that does not merit inclusion in the main text area, but some people will enjoy reading it. A sidebar will pop up on the side and delve into more details.

Make it clear to tenants not to mix chemicals in drains.

"I am sorry I can't meet the plumber because I'm in the emergency room in the hospital. They say I have burnt my lungs from pouring the drain cleaner that my ex-husband recommended after I had poured my own brand down the drain. He said it would clear any thing out. The worst part is that they say I cannot smoke for at least 6 months." *(true story)*

1.06 QuickBooks is not Quicken

Quicken is a personal finance product for individuals. It uses single entry accounting. Amounts are usually recorded in column form, like a checkbook register. Entries include the transaction's date, a memo, and the amount of money involved.

QuickBooks is an accounting solution for small businesses. It uses double entry accounting. Each entry has two accounts (sometimes more with "splits") associated with it. In the simplest case this means one account is where the money came from, and the other explains how it was spent. For instance, you use cash to buy a new property. The two accounts involved are cash and a fixed asset account for the property. Money came from the cash account and it went to the new asset. Details on double entry accounting appear next chapter. QuickBooks makes it easy and once you understand it, you will be grateful of double entry's power.

Businesses need more detailed financial reporting than individuals. QuickBooks transactions are recorded on a dual impact on the financial position (change to balance sheet) or operating results (change to income statement) or both. 2 You cannot deposit money from a security deposit into a

checking account (increasing an asset on the balance sheet) and stop there. You also need to recognize that you owe this back to the renter (and add a liability on the balance sheet).

QuickBooks has fields to collect information about your tenants, services, vendors, inventory, late fees, etc. You can invoice your tenants, track accounts payable and rent receivable, make journal entries, create advanced reports and more in QuickBooks3. Many of these functions are not available in Quicken.

When you start to use QuickBooks for your business, it should have no relationship to your personal finances. If you commingle the two, you may have serious consequences with the law or tax authorities. It is essential to keep separate personal and corporate finances. If you are migrating records from Quicken to QuickBooks, refer to the integrated help on this topic in both programs.

1.07 QuickBooks is not Quicken Rental Property Manager

Many of my customers have first tried to use Quicken Rental Property Manager; however it did not work out well for them. Because it is designed to be so “simple” many real business scenarios just aren’t supported. QuickBooks is still our best bet. Here is what some of my customers had to say:

“I tried the Quicken PM [Rental Property Manager] – very busy and very non-intuitive.” - C.B.

“We are presently using Quicken Rental Property Manager 2.0. It is an entry level program, but quite an improvement from our previous excel spreadsheet system. Quicken RPM 2.0 does not provide the ability to compare expenses, profits, between individual units/tenants on our property’s.” - D.W.

“Checked with my accountant on this one and turns out this is actually a QUICKEN product so it doesn’t have the double entry system and some other necessary business features.” - C.K.

“The new software [Rental Property Manager] did not produce any late notices and is not able to be interfaced with Quickbooks.” - E.E.

I hope you too will turn to QuickBooks since it is a real business accounting software package. With this guide and our data files, it is not hard to set up, and you’ll quickly be moving in the right direction. Read more about the differences in QuickBooks and Quicken Rental Property Manager on our blog landlordaccounting.com/blog/quicken-rental-property-manager-vs-quickbooks/.

1.08 Benefits of QuickBooks

QuickBooks is the number one bestselling small business accounting software in the world. It is extremely easy to use, very powerful, adaptable, loved by accountants, and it creates a multitude of detailed reports. It saves you time, money and headaches. You will be able to get the information you need out of the program through customizable reports, and efficiently enter the data through its well-

designed user interface.

1.09 My Personal Goal

I first wrote this book after our company struggled with implementing QuickBooks for residential rental properties. It is my goal that:

- You will successfully implement QuickBooks as your business accounting solution.
- You will be completely satisfied with my book and website.
- You will build a competent team of professionals.
- You will tell your partners and associates about my product if you find it useful.



If you are not satisfied with this book, let me know within 30 days of purchase and receive a complete refund. Your satisfaction is important to me.

Chapter 2: Accounting Fundamentals

2.01 Why Does a Landlord or Investor Need Accounting?

Robert Kiyosaki, author of the bestselling Rich Dad Poor Dad book series on business ownership, investing and entrepreneurship says, “Accounting is the language of business.” If you want to be the most productive, have free time away from your business, and maximize success in investing—you must master your company’s financial records and fluently speak the accounting language.

In order to best use QuickBooks one needs an understanding of the fundamentals of accounting, guidelines to insure accurate data entry (bookkeeping), and a trained accountant.

The following are goals to complete before you continue to the next chapter:

- Learn the basic accounting fundamentals.
- Start your accountant search, or already have one with real estate investing and QuickBooks experience.

If you are pressed for time, jump forward to Chapters 3, 4 and 5 for accurate data entry, but please set a calendar reminder to return here eventually. Understanding this content will make “interesting transactions” (tricky and infrequent ones you haven’t done before) easier for you, because you’ll understand the fundamentals.

2.02 The Basic Accounting Equation

There is one equation that always holds true in Accounting: $\text{Assets} = \text{Liabilities} + \text{Equity}$. Assets, Liabilities, and Equity are the three most fundamental types of accounts. If the Assets side of the equation increases, then the Liability + Equity side also must increase by the same amount. Many sub-accounts exist within these three types of accounts (like cash or that mortgage you keep paying).

Definition

Assets: are things that your company owns which have intrinsic monetary value. These include houses, cash, prepaid insurance, power tools, land and accounts receivable (money people or companies will pay you in the future). Put more formally, an asset is anything owned which can produce future economic benefit, whether in possession or by right to take possession, the measurement of which can be expressed in monetary terms. Assets are listed on the balance sheet. It increases with a debit.

Liabilities: involve owing something to someone or something. These include loans on property, security deposits you are holding and will likely return eventually; a tenant's prepaid rent; or accounts payable (money you will have to soon pay to suppliers, vendors, etc.) It is said, "assets put cash in your pocket, and liabilities take cash out of your pocket." Liabilities are classified as current (expected to be liquidated within a year) and non-current (expected to be paid off in over one year).

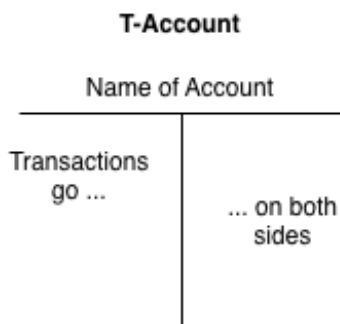
Equity: is the leftovers of all assets minus the claims on them (liabilities.) Equity includes the money owners have invested in a company (contributed capital) as well as money the company earned and has kept (retained earnings). A real estate example: owner's equity in a property is the difference between the market price of a property and the owner's mortgage debt.

The **Accounting Equation** is: $\text{Assets} = \text{Liabilities} + \text{Equity}$. For every transaction, the equation must balance.

2.03 What is an Account?

An account is a container to keep track of some monetary value for a business' records. You can only do two things to an account: increase or decrease its value. Every account has two sides:

- One side (left or right, it varies) used to increase what's in an account
- The other side lets you decrease what's in an account



Accounts help you keep track of where money comes from and where it goes. When figuring out how to record a complicated transaction, it is often useful to draw accounts as a “T” shape (coined “T-Accounts”) with the name of the account on the top.

Definition



A **T-account** is a term for a visual representation of a bookkeeping account (like an account for checking, one for a tenant’s security deposit, one for a property you bought, etc). The name of the account is placed above the “T” and that is why it is called a “T-account”. Drawing it visually as a “T” can make tricky transactions easier to think about.

Debit entries are on the left of the “T” and credits are shown to the right of the “T”. Keep reading and we’ll make this all clear.

Beginning balance, two transactions, and an ending balance in a cash account.

Cash Account	
beg. balance	
(+) increase side	(-) decrease side
ending balance	

Cash Account	
beg. bal. \$900	
+ \$10	- \$200
end. bal. \$710	

Depending on which type of account you are using, the side that corresponds to an increase or a decrease may switch!

Below is a cash account, it increases on the left. However, a liability account increases on the right. An explanation comes later; for now let’s take a dive in with some examples.

Cash Account		Liability Account	
(+) increase side	(-) decrease side	(-) decrease side	(+) increase side

The side that (+) increases may switch for different accounts

Remember, you can only do two things to accounts: increase or decrease their value.

For every transaction, there are at least two accounts involved. This is related to the previously mentioned Basic Accounting Equation. By involving multiple accounts, you make everything balance (Assets = Liability + Equity).

Let's pretend the fictional Moe Nebags takes out a loan for \$500 and deposits the \$500 into his checking (or cash) account. This involves two accounts: cash and liability. T-Accounts are used below to illustrate the increase in cash and in money owed.

Cash Account		Liability Account
beg. bal. \$ 0		beg. bal. \$ 0
+ 500		+ 500
end. bal. \$500	Get a loan for \$500 and deposit the \$500 into a cash account. Two entries are needed to record the transaction.	end. bal. \$500

How does this apply to QuickBooks? These directly translate to journal entries, something you will have to deal with on the more complex transactions.

Next, pretend that Moe Nebags's eccentric, healthy Aunt Betty pays him \$1000 for his secret tofu stir fry pizza recipe, which he also deposits in his cash account (the money not the pizza). He exclaims, "I just earned revenue!" so he increases his cash and revenue accounts. This is double entry accounting.

Cash Account		Revenue Account
beg. bal. \$500		beg. bal. \$ 0
+ 1000		+ 1000
end. bal. \$1500	Make \$1000 deposit and recognize it as income	end. bal. \$1000

Using his new pile of cash, he pays Aunt Crocker back the \$500 loan, and recognizes that the liability is eliminated.

Cash Account		Liability Account
beg. bal. \$1000		beg. bal. \$500
		- 500
end. bal. \$500	Pay back the loan and recognize there no longer is a liability.	end. bal. \$ 0

Let's do one more example. You are a landlord; you charge your tenant Freddie Fasttalker \$850 for rent. He mails in a check, and you deposit it. This involves two transactions (charge him and get paid) and due to double entry accounting: four entries (two accounts are used per transaction). Let's take it step by step.

Charge Freddie for this month's rent. You charge it into an Accounts Receivable account. This is an

asset of yours which increases by \$850. It means someone owes you that much money. Revenue increases by the same amount.

Definition



Revenue Account: contains the amount of money (in a given year) a company actually receives from its activities, mostly from services and/or sale of products to customers. To investors and business owners, revenue is less important than profit, or income, which is the amount of money the business has earned after deducting all the business' expenses.

Accounts Receivable: (also called A/R) is an asset account (just like cash, or fixed assets) which contains transactions dealing with the billing of customers which owe money to your company for goods and services that have been provided to the customer (like providing a place to live). The act of billing in QuickBooks is done by creating and entering an "Invoice".

Accounts Receivable		Revenue Account
beg. bal. \$ 0		beg. bal. \$ 0
+ 850		+ 850
end. bal. \$850	Charge the tenant for \$850 of rent. (Do not collect it yet.)	end. bal. \$850

Notice the basic accounting equation holds true $\text{Assets} = \text{Liabilities} + \text{Equity}$. Assets increase by \$850 and Revenue (which is categorized under Equity) increases by \$850 as well. When Freddie pays, you deposit the money into your checking account and you decrease the amount he owes you in the Accounts Receivable account.

Checking Account		Accounts Receivable (A/R)
beg. bal. \$ 0		beg. bal. \$850
+ 850		- 850
end. bal. \$850	Collect \$850 in rent from a tenant. Renter no longer owes rent, so decrease A/R to zero.	end. bal. \$ 0

2.04 What is The Chart of Accounts?

The chart of accounts contains all accounts used in your business. Combined, the accounts capture all the financial information regarding your company. Each account in the chart is classified into one

of five categories: Assets, Liabilities, Equity, Income and Expenses.



Q: Wait a minute, you just added Income and Expenses to the list of Asset, Liabilities and Equity – does that mean the accounting equation does not contain all accounts?

Good question. The accounting equation (Assets = Liabilities + Equity) does contain all accounts. Income and Expenses are closed into equity at the end of a year. They decrease to zero, and if you made money and keep it in the company, you increase equity. If you made money, you could also withdraw it as an owner's draw.

You see some accounts are like a bath tub: you can look in them at any time and see how much water (or money) they contain (this includes Assets, Liabilities and Equity). Other accounts (Income and Expense) are good for a period of time. They answer the question, "How much rent did I earn this year?" So if these accounts were a bathtub, they get emptied at the end of every year. And where do they go? They get closed into the Equity account. Why do we empty them? That's just part of the accounting jungle, and it will all come together for you with practice.

Q: So how do I close an Income and Expenses into Equity?

Take a deep breath, when you use QuickBooks this happens automatically. QuickBooks figures out what your net income was for the year (Income minus Expenses). If you made money, the Equity account will increase; if not, it will decrease. You can of course take that increased equity right out of the company, as a draw. And remember, you're not doing this alone—right? You have an accountant.

2.05 Debits and Credits

"Debit" and "Credit" are two of the scariest words for many beginning bookkeepers. Debits occur on the left of a T-Account, and credits occur on the right. The frequent usage of Debit Cards and Credit Cards further confuses everyday language with accounting terminology. When you understand how to use Debits and Credits, they act as rules to guide you in figuring out almost any type of transaction.

Definition



A **Debit** is always on the left hand side of a "T account." Asset and Expense accounts increase in value when debited, whereas Liability, Equity, and Revenue accounts decrease in value when debited. The letters Dr. are the abbreviation for Debit. The opposite of a debit is a Credit.

A **Credit** is always on the right hand side of a "T account." Credit is abbreviated Cr. It is the opposite of a Debit.

Debits are on the left and Credits are on the right. Increasing the balance in a cash account is a debit (it occurs on the left side of the T-Account.) Increasing the balance of a liability account is a credit. Turn the page back and look at the previous transactions, observing how they follow this rule.

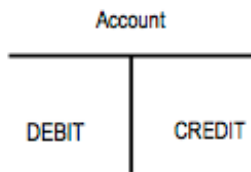
FAQ



Q: Why are debit cards called debit cards? When I use it my bank account decreases, and an asset account decreases with a credit.

A: True, your checking account decreases (credits) when you use a debit card. But that's only half of the story. For the answer, you need to look at the bank's perspective. A customer's checking account is a liability (when you want the money, the bank better give it back.) When you withdraw money that decreases the bank's liability. You can think of them paying you back some of the money they owe you. Liability accounts decrease with debits. The withdrawal of cash from a banking account is reflected on the bank's balance sheet as a debit. And that is why a debit card is a debit card.

When looking at T-Accounts, the debits are always on the left, and credits on the right. Increases or decreases vary depending on which type of account you are using.



Debits on left side, Credits on the right side, Always!

Remember reading that debits increase some types of accounts' values, and decreases others? The following chart is an incredibly helpful reference for which side (debit or credit) corresponds to an increase in account types. This is in order to make sure debits always equal credits, for all types of transactions.

Assets	=	Liabilities	+	Equity
DEBIT		DEBIT		DEBIT
CREDIT		CREDIT		CREDIT
(+)		(-)		(-)
(-)		(+)		(+)

Keep this handy to calculate which side (debit or credit) is an increase to each of the different account types. You will use this anytime you make a Journal Entry... but more on those later.

Retained Earnings		Expenses		Revenues	
DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
(-)	(+)	(+)	(-)	(-)	(+)

This chart is enlarged on the next page.

Retained Earnings, Expenses, and Revenues are all sub-accounts under Equity. Note that the side to increase an expense is on the left (Debit), while increasing Revenue, Retained Earnings, or Equity is on the right (Credit). Expense accounts seem to have their sides flipped (the Normal Balance reversed). This kind of sub-account is known as a Contra Account.

Definition



Normal Balance is an accounting classification of an account. It refers to the side of an account which increases the account's balance. An account has either credit or debit normal balance. To increase the value of an account with normal balance of credit, credit the account. To increase the value of an account with normal balance of debit, debit it.

A **Contra Account** carries a balance that is opposite the account type's normal balance. Accumulated depreciation is a contra asset account. It's an asset account, but increasing it decreases total assets. Contra accounts act to offset the balance in the main account.

Account Debit/Credit and Increase/Decrease quick reference

Assets	=	Liabilities	+	Equity
DEBIT (+)	=	DEBIT (-)	+	DEBIT (-)
CREDIT (-)	=	CREDIT (+)	+	CREDIT (+)

Keep this handy to calculate which side (debit or credit) is an increase to each of the different account types.

Retained Earnings	Expenses	Revenues
DEBIT (-)	DEBIT (+)	DEBIT (-)
CREDIT (+)	CREDIT (-)	CREDIT (+)

This is extremely useful for Journal Entries to know which transactions need Debits and which need Credits.

Normal Balance of common accounts (the side of the account that increases its balance):
 Asset: Debit
 Liability: Credit
 Equity: Credit
 Revenue: Credit
 Expense: Debit
 Retained Earnings: Credit
 Owner Draws: Debit

Permission is granted to photocopy this page.

2.06 Introducing the Balance Sheet

Definition



A **Balance Sheet** is a statement of the book value of a company at a particular date, usually at the end of its fiscal year. Think of it as a “snapshot” of the company’s financial condition on a given date. It answers how much the assets, liability and the equity are worth.

The balance sheet has two parts: assets and liabilities. Assets of the company include money (“in hand” or owed to it), investments (including securities and real estate), and other property. The total assets are equal to the claims for payments (liabilities).

YourCompany LLC	
Balance Sheet	
As of December 31, 2005	
Cash Basis	◊ Dec 31, 05 ◊
▼ ASSETS	
▼ Current Assets	
▼ Checking/Savings	
1010 · Business Checking	▶ 63,315.13 ◀
Total Checking/Savings	63,315.13
▼ Other Current Assets	
1040 · Start-up Assets	4,000.00
Total Other Current Assets	4,000.00
Total Current Assets	67,315.13
▼ Fixed Assets	
▶ 1300 · Real Estate Assets	159,000.00
1999 · Accumulated Depreciation RE	-5,000.00
Total Fixed Assets	154,000.00
TOTAL ASSETS	<u>221,315.13</u>
▼ LIABILITIES & EQUITY	
▼ Liabilities	
▼ Current Liabilities	
▼ Other Current Liabilities	
▶ 2300 · Security Deposits	1,950.00
Total Other Current Liabilities	1,950.00
Total Current Liabilities	1,950.00
Total Liabilities	1,950.00
▼ Equity	
▶ 3010 · Member C. Applegate Equity	107,000.00
▶ 3020 · Member W. Applegate Equity	107,000.00
Net Income	5,365.13
Total Equity	219,365.13
TOTAL LIABILITIES & EQUITY	<u>221,315.13</u>

2.07 Introducing the Income (P & L) Statement

Definition



An **Income (Profit and Loss) Statement** records revenue and expenses over a specified period of time. It indicates how Net Revenue, also called the “top line,” (received from the sale of services before expenses are taken out) is transformed into Net Income, or the “bottom line,” (the result after all revenues and expenses have been accounted for).

YourCompany LLC	
Profit & Loss	
Cash Basis January through December 2005	
◀ Jan - Dec 05 ▶	
▼ Ordinary Income/Expense	
▼ Income	
4100 · Rental Income	▶ 31,017.00 ◀
▶ 4200 · Fee Income	408.00
Total Income	31,425.00
▼ Expense	
▶ 5100 · Insurance	1,796.90
▶ 5200 · Interest Expense	2,111.57
▶ 5300 · Repairs	3,776.78
▶ 5400 · Utilities	1,393.80
5490 · Condo Assoc Fee	1,440.00
5700 · Advertising	120.00
▶ 6200 · Taxes	3,587.82
6600 · Yard Maintenance	450.00
6700 · Uncollectible Rent	173.00
▶ 7010 · Bank Service Charges	210.00
Total Expense	<u>15,059.87</u>
Net Ordinary Income	16,365.13
▼ Other Income/Expense	
▼ Other Income	
4300 · Capital Gains (Loss)	-11,000.00
Total Other Income	<u>-11,000.00</u>
Net Other Income	<u>-11,000.00</u>
Net Income	<u><u>5,365.13</u></u>

2.08 The Sum of all Debits = the Sum of all Credits

The sum of all debits must equal the sum of all credits.

If you have to enter a transaction that this book doesn't have an example of, draw the T- Accounts and amounts involved. Try to figure out what to do, then talk to your accountant and confirm you

have the correct method. The only time you use debits and credits is in Journal Entries, if the sum of all debits does not equal the sum of all credits, there is a mistake.

Keep moving through these sections, even if you do not completely understand them. The examples that follow will get you ready to work with QuickBooks. If you are terribly confused, skip ahead to the next chapter.

2.09 What is Double-Entry Accounting?

Double-entry accounting guarantees that no matter what transactions you make, the basic accounting equation is always true:

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Also, for any single transaction, the sum of all debits equals the sum of all credits.

Definition



Double Entry Accounting describes a business by a number of different accounts, each describing an aspect of the business in monetary terms. Every transaction has a dual effect in two of these accounts. For instance, buying property with cash increases fixed assets (by the property) but decreases available cash. Buying with a mortgage increases fixed assets (the property) but also increases liabilities (the mortgage).

If you followed along with last chapter's examples, you've already performed double-entry accounting. When you received a \$500 loan (\$500 credit to liabilities) and deposited \$500 in your cash account (\$500 debit to cash), you followed the principles of double-entry accounting. \$500 in debits equaled \$500 in credits.

Look in the previous chapter when you earned \$1000 for the sale of your tofu pizza recipe to Aunt Betty, see the figure "Aunt Betty 2: (corrected)." The transactions are repeated in the following table.

(Transaction #) Account	Debit	Credit	Notes
(1) cash account	\$1000 increase		Deposit into cash account
(1) revenue account		\$1000 increase	Recognize the earned revenue
(2) cash account		\$500 decrease	Decrease the cash account when paying off loan

(Transaction #) Account	Debit	Credit	Notes
(2) liability account	\$500 decrease		Recognize the elimination of the liability

Observe how there are two entries for each transaction. In this case, you increase or decrease the cash account and then recognize why that occurred. It was either earned revenue or a decrease in liabilities.

To repeat: for each transaction, the sum of debits equals the sum of credits. For transaction (1) this is \$1000 = \$1000 and for (2) \$500 = \$500.

In more complicated entries there could be multiple debits and credits for each transaction, but in the end the sum of debits would equal the sum of credits for each transaction. For an imaginary transaction, it may be (sum of debits) \$10 + \$190 = (sum of credits) \$200. They always equate, or there is a mistake.

Transactions are not typically written as T-Account entries, but instead in the table method as illustrated above. A table is constructed with columns of: transaction numbers, accounts, debits, credits, and any necessary notes for each transaction. This takes up less space and lets you easily sum the columns of debits and credits to verify they are equal.

2.10 Cost Basis and Adjusted Basis of Property

The adjusted basis is the current value of a property for tax purposes. It includes money you initially invested (the cost basis) as well as recent capital improvements to add value in a property (such as a new roof) minus depreciation every year. For an explanation of depreciation, see the next section. The adjusted basis does *not* include money you spend for routine repairs or maintenance. According to [IRS Publication 551](#) and [IRS Publication 547](#) when buying real property, the basis includes:

- Legal and recording fees
- Abstract fees
- Survey charges
- Owners title insurance
- Amounts the seller owes that you agree to pay (back taxes, interest, recording/mortgage fees, charges for improvements or repairs and sales commissions)

Definition

Basis (Cost Basis) is the cost (including cash paid, debt obligations, other property or services traded, etc.) to bring a property up to the initial condition necessary for renting (i.e. rehabbing, carpet and paint). This is your starting reference number for the tax value of a property.

Adjusted Basis is the measure of your investment including additions or permanent improvements that increase the value of the property. (Depreciation deductions decrease the adjusted basis).

Caution

Remember this book is not a replacement for professional advice. Do not take any of this information as tax or legal advice. Consult with your own competent advisors.

2.11 What is Depreciation?

If you have purchased a new car before, you already have experienced depreciation. As soon as that brand new car is driven off the lot, it loses significant value (it depreciates). As you continue to drive it, time and wear and tear continue to decrease the car's value. The value of an older car is less than a new car because of depreciation.

For real estate, depreciation is a little different. First of all an older property will likely be worth more now than it was when it was first purchased because of the appreciation of property values. Appreciation is uncertain, though and not realized until you sell. Depreciation, for our purposes, is a tax issue.

Definition

Depreciation: is an annual income tax deduction that allows you to recover the cost or other basis of certain property over the time you use the property. It is an allowance for the wear and tear, deterioration, or obsolescence of the property.⁶ Typically, residential real estate is depreciated over 27.5 years in a straight line convention. Apartment buildings and commercial structures are treated differently.

Straight Line Depreciation: uses a constant amount to depreciate every year for the useful life. It is equal to the adjusted basis minus salvage value, divided by the useful life. The yearly depreciation could change if the useful life decreased or substantial investments were made in the asset to increase its adjusted basis.

Accumulated Depreciation: is the cumulative depreciation since acquisition of an asset. It is reported on the balance sheet as a reduction in the value of the related asset. The difference, asset value minus accumulated depreciation, is the asset's "carrying amount" or "book value."

See Also

The IRS has a number of friendly documents to help you understand your tax obligations better.

For an in depth treatment of the depreciation, refer to [IRS Publication 946, How To Depreciate Property](#).

For an in depth treatment of tax issues for residential rental property, refer to [IRS Publication 527, Residential Rental Property](#).

For more on the cost basis calculations see [IRS Publication 551, Basis of Assets](#)

For more on adjusted basis changes see [IRS Publication 547, Casualties, Disasters, and Thefts](#).

It is important to decide whether you will track depreciation in your QuickBooks file. There are pros and cons in doing this. Much depends on how your accountant wants you to keep the books (the file). The sample file gives an example of tracking depreciation. If you plan to sell a property or your entire company, knowing the current adjusted tax basis of assets in a few clicks will help you determine tax consequences.

Your accountant will be doing the yearly depreciation calculations, and may give you spreadsheets showing the current tax basis. Every year, he or she will probably enter end of year transactions (including depreciation expense) into QuickBooks.

As you make capital improvements to properties, record them to the property's account as an increase, a debit. Then your books will reflect the amount of money you have invested in each property. More specific examples with screenshots will follow.

Caution

This book is not a replacement for an accountant or an attorney. None of this book is intended to be done without the aid of your competent team of experts, including accountants, attorneys and other advisors.

Your accountant may be aggressive at saving you taxes by expensing things that the IRS advises you to capitalize. Some court cases suggest one can get away with expensing many costs, however do your own research and make an informed decision.

Please talk with your accountant as you embark on QuickBooks. Ask him or her which costs you should capitalize and expense. Knowing this as you enter transactions will save time and unnecessary complications.

Quick Tip

If you want to know what the IRS thinks about rentals, read [IRS Publication 527](#), Residential Rental Property.

2.12 What are Capital Improvements versus Repairs?

Caution

Have a conversation with your accountant about what he or she wants you to capitalize and what to expense. This is a grey area due to court rulings in which owners expensed some things (and got away with it) the IRS suggests one capitalize. Do your own homework and talk to your accountant.

Routine maintenance and repairs are not treated the same as capital improvements. This becomes very important when you enter the transactions into QuickBooks. Repairs go into QuickBooks one way (as expenses), while capital improvements go in another way (as increases to the value of your real estate assets). The following definitions are from IRS publication 527.

Definition

Repairs keep your property in good operating condition. They do not materially add to the value of your property or substantially prolong its life. Repainting your property inside or out, fixing gutters or floors, fixing leaks, plastering, and replacing broken windows are examples of repairs. If you make repairs as part of an extensive remodeling or restoration of your property, the whole job is an improvement. For instance, in a large rehab project if you repaint the walls (typically this is a repair) it is an improvement.

Capital Improvements add to the value of property, prolong its useful life, or adapt it to new uses. If you make an improvement to property, the cost of the improvement must be capitalized. The capitalized cost can generally be depreciated as if the improvement were separate property.

The following Frequently Asked Questions are taken from the IRS' website. The questions were current at time of publication. I suggest you ask your accountant the same questions. It will help you learn how aggressive he or she is.

FAQ

Q: Question: We have incurred costs for substantial work on our residential rental property. We replaced the roof with all new materials, replaced all the gutters, replaced all the windows and doors, replaced the furnace, and painted the property's exteriors. What are the IRS rules concerning depreciation?

(This question comes from the IRS [here](#), always check with your accountant for updated information as tax rules change.)

A: Replacements of the entire roof and all the gutters, and all windows and doors of your residential rental property:

- Are generally restorations to your building property because they are replacements of major components or substantial structural parts of the building structure. As a result, these replacements are capital improvements to the residential rental property.
- Are in the same class of property as the residential rental property to which they are attached.
- Are generally depreciated over a recovery period of 27.5 years using the straight line method of depreciation and a mid-month convention as residential rental property.

Repainting the exterior of your residential rental property:

- By itself, the cost of painting the exterior of a building is generally a currently deductible repair expense because merely painting is not an improvement under the capitalization rules.
- However, if the painting directly benefits or is incurred as part of a larger project that is a capital improvement to the building structure, then the cost of the painting is considered part of the capital improvement and is subject to capitalization.
- In this case, the painting is incurred as part of the overall restoration of the building structure. Therefore, the repainting costs are part of the capital improvements and should be capitalized and depreciated as the same class of property that was restored, as discussed above.

Replacement of the furnace in your residential rental property:

- Is generally a restoration to your building property because it is for the replacement of a major component or substantial structural part of the building's HVAC system. Therefore, the furnace replacement is a capital improvement to your residential rental property.
- As with the restoration costs discussed above, these costs are in the same class of property as the residential rental property to which the furnace is attached.
- Is generally depreciated over a recovery period of 27.5 years using the straight line method of depreciation and a mid-month convention as residential rental property.

Note: A taxpayer whose average annual gross receipts is less than or equal to \$10,000,000 may elect to not capitalize amounts paid for repairs, maintenance, or

improvements of certain eligible building property if the total amounts paid during the taxable year for such activities do not exceed certain dollar limitations. For more information, see Safe Harbor Election for Small Taxpayers in [Tangible Property Regulations - Frequently Asked Questions](#).

2.13 Cash Accounting, not Accrual

Two methods exist in tracking income and expenses. Each can be recognized as they are earned/incurred (accrual method), or recognize them as they are actually deposited/paid (cash accounting). Cash accounting is used in this book.

Definition



Accrual Accounting records financial events in the period they are incurred. Even if cash is not received or paid in a transaction, they are recorded because they are significant to the future income and cash flow of the company.

If you record an income event on the day rent is due, and not when it is received, that is accrual accounting.

Cash Accounting records financial events based on cash flow. Revenue is recognized when cash is received and expense is recognized when cash is paid.

The distinctions appear if you incurred an expense (i.e. were billed) at the end of December, but did not pay until the 5th of January. Accrual accounting would recognize the expense and enter an accounts payable entry in the previous year but not reduce your cash and liability account until January. Cash accounting lumps those two transactions into one, reducing cash and recognizing the expense on January 5th.

Quick Tip



The Cash Accounting principle is used in all examples that follow.

Chapter 3: QuickBooks Fundamentals

3.01 Install QuickBooks

Make sure you get the Pro version, which has added features from the lower end versions and integrates nicely with Word and Excel. You do not need anything more expensive than Pro. Install the software according to the instructions included.

If you have the online edition, Intuit allows you to import your desktop data as many times as you wish within the first 30 days of signing up. So, import the sample company file and play around with it, but then disregard it and create a new file, or import the template company file. After 30 days of using the online edition, contact Intuit support for importing a company file.

The sample files are from QuickBooks 2014 Pro. You can buy a previous year's QuickBooks Pro version on eBay, if you're under a tight budget. Do not buy something too old, because only the newest few years allow you to directly connect to your banks.

Quick Tip



Generally speaking, do not do the EasyStep interview. I have a data file ([Landlord Accounting Company Sample – with data.QBW](#)) that I will walk you through instead, and then you can try with a blank template file I prepared for you with your own company ([Landlord Accounting Company Template – no data.QBW](#))

It can be helpful to play around with QuickBooks and do the interview. This helps you see what kind of options you can adjust.

If you already have a company file, that is fine too. You can alter it to have many of the same settings, lists, items, reports, and accounts that are in the sample template.

3.02 Open a Sample Data File

Skip the EasyStep interview; you will use a sample data file I provide for you. This way, more things will be set up for real estate investors.

Quick Tip

Included with this guide are two data files:

- **Landlord Accounting Company Sample – with data.QBW** this file contains all the sample transactions used in this training manual. Open it up and follow along.
- **Landlord Accounting Company Template – no data.QBW** this file is ready for you to customize for your own company. All transactions are removed, but some accounts, etc. are still in there as a reminder for you.

Play with these without fear, you can redownload them later, or create your own backup copies locally first. When ready to start, rename the template to your company's name.

3.03 Credentials if Prompted for User Name and Password

QuickBooks 2017

If you open the 2017 files, there is now a password required. The username is still **Admin** and the password is **coMp1ex**. Note the password has the number one in it (not an I or L). Type this carefully, and contact us if you are having trouble.

All Prior Years' Versions

When opening prior years' sample company files, if you are prompted to enter a User Name and Password, type **Admin** and leave the password blank.



3.04 Transactions in the Sample File

YourCompany, LLC is in the file **Landlord Accounting Company Sample – with data.QBW**.

The goal of this is to show you realistic examples of using QuickBooks by a realistic landlording business.

It has two owners (members) and no employees. The members work, pay for things with their own money, and get reimbursed. The members pay themselves through owners' equity draw accounts. Whether your company has employees or not, the transactions included will illustrate how to use QuickBooks for landlording.

The imaginary company was formed Jan 1, 2005 and contains one year's worth of transactions. End of year tax transactions vary among companies and are not included. (Remember you'll need to show reports for "All Dates" because otherwise these historical transactions will not show up in the default "This Fiscal Year" view).



Q: I used to be a sole proprietorship and would like to retroactively enter prior years transactions into QuickBooks to analyze my performance. Is that possible?

*A: This is possible by creating a few "pseudo-" accounts for checking, property, and other assets owned in the prior years. Enter transactions as usual for those years, however be sure to have them all zeroed out when the real company starts. For instance, **1001 – Pseudo Business Checking** would be used prior to the company's formation (and transactions would be entered as they occurred in past years). When the real company starts, all pseudo accounts must carry zero balances and may be made "inactive."*

There are 4 properties in the sample company file:

- Single family home (123 Main St.)
- Single family home (1610 N. Andrews)
- Condominium rented to three separately paying tenants (320 Baker #721)
- Multiunit with units A and B (3304 Covenant)

Quick Tip



All transactions in the sample data file are listed below for your reference. Debit (Dr.) or Credit (Cr.) is listed next to each amount for reference. It is as a courtesy for people who find it helpful. If you do not completely understand debits and credits, hang in there. You can still use QuickBooks – and understanding will come with time.

The up (↑) or down (↓) arrow preceding the amount indicates if the transaction acts to increase or decrease the balance of the account. It does not affect how you enter the transaction into QuickBooks. Enter all amounts without a sign (as positive) unless explicitly told otherwise (such as in some refunds of security deposits).

Quick Tip

When you open the sample company file, the transactions are entered in the years 2005. This means you'll need to set reports' date ranges to "All."

The following sections will illustrate what exactly all the transactions are that were entered into the sample company. You can use this to quickly find a sample when you are trying to figure out how to enter a transaction yourself.

Transactions for the sample company YourCompany LLC

This category is for general "corporate" transactions that are not directly associated with a property.

Date(s)	Description	Account and Amount	Txn Method
Jan. 1, 2005	Money is loaned to the company for startup expenses from the owners (a husband and wife)	1040 – Startup Assets ↑ \$4000 Debit (Dr.) 2010 – Due to Partner CLA ↑ \$2000 Credit (Cr.) 2011 – Due to Partner WGA ↑ \$2000 Cr.	Journal Entry (JE) #1
Jan. 1	Company is "officially formed"	n/a	n/a
Jan. 1	Cash is contributed to the company from the owners.	1010 – Business Checking ↑ \$160,000 (Dr.) 3313 – Member CLA Investments ↑ \$80,000 (Cr.) 3023 – Member WGA Investments ↑ \$80,000 (Cr.)	JE #2
	* Note: Talk to your attorney and accountant on how to handle contributions. The contribution here is only an example to give the company enough money to buy 3304 Covenant and 123 Main with cash.		
Jan. 1	Company buys 123 Main	See below	See below
Jan. 1	Company buys 1610 N Andrews	See below	See below
Jan. 1	The company buys 3304 Covenant from the partners	See below	See below
	* Note: this transaction has been simplified to make it an example. Other fees and transactions would probably be added by your accountant.		
Jan. 1	Owners contribute 320 Baker Apt 721 condo unit to the company.	See below	See below
	* Note: if you want to "contribute" a property you own as a person to your company – you must deal with complicated tax and legal issues. Talk to your accountant and attorney.		

Date(s)	Description	Account and Amount	Txn Method
Jan. 1	Insurance "umbrella liability" policy premium is paid.	1010 – Business Checking ↓ \$589.90 (Cr.) 5130 – Liability Insurance ↑ \$589.90 (Dr.)	Check #1003
Jan. 10 onwards monthly	Wireless phone bill paid for owners' phones	1010 – Business Checking ↓ \$89.40 (Cr.) 5440 – Telephone (Expense) ↑ \$89.40 (Dr.)	Check #1007, 1014, 1026, 1031, 1038, 1043, 1050, 1059, 1067, 1073, 1082, 1088
Feb. 13	Pay back owners for amount loaned for startup costs.	2010 – Due to Partner CLA ↓ \$2000 (Dr.) 1010 – Business Checking ↓ \$2000 (Cr.) 2011 – Due to Partner WGA ↓ \$2000 (Dr.) 1010 – Business Checking ↓ \$2000 (Cr.)	Check #1016 Check #1017
*Talk to your accountant and attorney, you may need/want to pay interest on this "loan"			
Feb. 25	Reimburse partners the money owed for rehabbing (both for 3304 and 1610)	2010 – Due to Partner CLA ↓ \$11,500 (Dr.) 1010 – Business Checking ↓ \$11,500 (Cr.) 2011 – Due to Partner WGA ↓ \$13,500 (Dr.) 1010 – Business Checking ↓ \$13,500 (Cr.)	Check #1024 Check #1025
July 20	Make offer to purchase 1010 Washington	1030 – Earnest Money Paid ↑ \$1000 (Dr.) 1010 – Business Checking ↓ \$1000 (Cr.)	Check #1057
July 25	Offer rejected. Receive check back.	1010 – Business Checking ↑ \$1000 (Dr.) 1030 – Earnest Money Paid ↓ \$1000 (Cr.)	Make Deposit
Sept. 15	Sell 123 Main for a gain	See below	See below
Nov. 18	Sell 1610 N Andrews for a loss	See below	See below
Nov. 20	The owners take a draw (to pay themselves)	3011 – Member CLA Draws ↑ \$5000 (Dr.) 1010 – Business Checking ↓ \$5000 (Cr.) 3021 – Member WGA Draws ↑ \$5000 (Dr.) 1010 – Business Checking ↓ \$5000 (Cr.)	Check #1185 Check #1186

Transactions related to 123 Main St

This is a single family home purchased and rented. Again, this is all in the sample company file.

Date(s)	Description	Account and Amount	Txn Method
Feb. 15, 2005	Closing. Purchase with a cashiers check for \$50,000. The property was already rented (to Brad), Receive the security deposit (\$775) and prorated rent for the month (\$360) paid outside of closing.	1301 – 123 Main St ↑ \$50,000.00 (Dr.) 7012 – Check Fee ↑ \$5 (Dr.) 1010 – Business Checking (to bank) ↓ \$50,005 (Cr.) 1010 – Business Checking ↑ \$775 (Dr.) 2305 – Robbins,Brad[123Main] ↑ \$775 (Cr.) 1200 – Accounts Receivable ↑ \$360 (Dr.) 4100 – Rental Income ↑ \$360 (Cr.) 1010 – Business Checking ↑ \$360 (Dr.) 1200 – Accounts Receivable ↓ \$360 (Cr.)	Check #1018 Make Deposit Invoice #1006 Receive Payments
Feb. 15	Pay yearly insurance premium	5110 – Property Insurance ↑ \$268 (Dr.) 1010 – Business Checking ↓ \$268 (Cr.)	Check #1019
Feb. 15	Set up property as a Customer and tenant as a Job, invoice the tenant and memorize the invoice.	n/a	n/a
Mar. 1	Invoice tenant for rent due (\$775)	1200 – Accounts Receivable ↑ \$775 (Dr.) 4100 – Rental Income ↑ \$775 (Cr.)	Invoice #1011
Mar. 2	Receive Payment from tenant in full	1010 – Business Checking ↑ \$775 (Dr.) 1200 – Accounts Receivable ↓ \$775 (Cr.)	Receive Payments
Apr. 1, May 1, June 1, July 1	Invoice tenant for rent due	1200 – Accounts Receivable ↑ \$775 (Dr.) 4100 – Rental Income ↑ \$775 (Cr.)	Invoice #1018, 1028, 1034, 1042, & 1051
Apr. 2, May 3, June 4, July 1	Receive Payment from tenant in full	1010 – Business Checking ↑ \$775 (Dr.) 1200 – Accounts Receivable ↓ \$775 (Cr.)	Receive Payments

Date(s)	Description	Account and Amount	Txn Method
Apr. 5	Tenant has a party and puts a large hole in the wall, the owner repairs it and pays for supplies with personal funds, the company will reimburse him and invoice the tenant for damages (\$100) and mail a statement. The fee income will be offset by the repairs cost.	5310 – Building Repairs ↑ \$85.35 (Dr.) 2010 – Due to Partner WGA ↑ \$85.35 (Cr.) 2011 – Due to Partner WGA ↓ \$85.35 (Dr.) 1008 – Business Checking ↓ \$85.35 (Cr.) 1200 – Accounts Receivable ↑ \$100.00 (Dr.) 4250 – Repair Fee Income ↑ \$100.00 (Cr.)	JE #8 Check #1030 Invoice #1014
Apr. 9	Tenant pays for damages	1010 – Business Checking ↑ \$100.00 (Dr.) 1200 – Accounts Receivable ↓ \$100.00 (Cr.)	Receive Payments
Apr. 27	Property taxes are paid (1st of 2 installments)	6230 – Property ↑ \$364.37 (Dr.) 1010 – Business Checking ↓ \$364.37 (Cr.)	Check #1036
* Note some communities pay property taxes in “arrears,” or the year after they were incurred. For the sake of simplicity, taxes are paid for all properties.			
Aug. 1	Invoice tenant for rent due	1200 – Accounts Receivable ↑ \$775 (Dr.) 4100 – Rental Income ↑ \$775 (Cr.)	Invoice #1051
Aug. 5	Assess late fee	1200 – Accounts Receivable ↑ \$25 (Dr.) 4220 – Late Fee Income ↑ \$25 (Cr.)	Invoice #FC 2
Aug. 8	Receive rent and late fee	1010 – Business Checking ↑ \$800 (Dr.) 1200 – Accounts Receivable ↓ \$800 (Cr.)	Receive Payments
Sept. 1	Invoice tenant for rent due	1200 – Accounts Receivable ↑ \$775 (Dr.) 4100 – Rental Income ↑ \$775 (Cr.)	Invoice #1061
Sept. 1	Receive Payment from tenant in full	1010 – Business Checking ↑ \$775 (Dr.) 1200 – Accounts Receivable ↓ \$775 (Cr.)	Receive Payments
Sept. 15	Closing. Sell property for \$52,000. Include security property in sales price. Pay buyer prorated rent for Sept.	1010 – Business Checking ↑ \$52,000 (Dr.) 1303 – 123 Main St ↓ \$50,000 (Cr.) 4300 – Capital Gains (Loss) ↑ \$2,000 (Cr.) 2305 – Robbins,Brad[123Main] ↓ \$775 (Dr.) 4100 – Rental Income ↓ \$338 (Dr.) 1010 – Business Checking ↓ \$1113 (Cr.)	Make Deposits Check #1070 (paid outside of closing)
* Note in a real closing, you may not receive the full sales price in cash. There may be transaction costs that would offset the amount you deposited into checking. To account for those costs, you would add them as lines in the Journal Entry.			

Date(s)	Description	Account and Amount	Txn Method
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Transactions related to 1610 N. Andrews

This is another single family home.

Date(s)	Description	Account and Amount	Txn Method
Jan. 1, 2005	Make offer to purchase property, pay \$1000 in earnest money	1030 – Earnest Money Paid ↑ \$1000 (Dr.) 1010 – Business Checking ↓ \$1000 (Cr.)	Check #1001
Jan. 3	Offer accepted	n/a	n/a
Jan. 18	Closing. Purchase for \$32,000. Mortgage is for \$28,500, 9% APR, 15 years, \$308.07 is due the 18th of every month, including \$18 in PMI	1302 – 1610 N Andrews ↑ \$2500 (Dr.) 7116 – Check Fee ↑ \$5 (Dr.) 1010 – Business Checking ↓ \$2505 (Cr.) 1302 – 1610 N Andrews ↑ \$29,500 (Dr.) 2201 – Mtg 1610NAndrews ↑ \$28,500 (Cr.) 1030 – Earnest Money Paid ↓ \$1000 (Cr.)"	Check #1010 JE #4
Jan. 18	Pay yearly insurance premium	5110 – Property Insurance ↑ \$255 (Dr.) 1010 – Business Checking ↓ \$255 (Cr.)	Check #1011
Jan. 4 to Feb. 20	Rehab the property (J.E. on 2/20)	1302 – 1610 N. Andrews ↑ \$10,000 (Dr.) 2010 – Due to Partner CLA ↑ \$6450 (Cr.) 2011 – Due to Partner WGA ↑ \$3550 (Cr.)	JE #5
Feb. 12	Mortgage payment	2201 – Mtg 1610NAndrews ↓ \$75.32 (Dr.) 5220 – Loan Interest ↑ \$213.75 (Dr.) 7013 – PMI Fee ↑ \$18 (Dr.) 1010 – Business Checking ↓ \$307.07 (Cr.)	Check #1015
Feb. 16	Advertise in newspaper and online	5700 – Advertising ↑ \$40 (Dr.) 1010 – Business Checking ↓ \$40 (Cr.)	Check # 1020
Feb. 21	Pay utilities for 1610 while not rented	5410 – Gas ↑ \$245 (Dr.) 1010 – Business Checking ↓ \$245 (Cr.) 5430 – Electric ↑ \$76 (Dr.) 1010 – Business Checking ↓ \$76 (Cr.)"	Check # 1022 Check # 1023

Date(s)	Description	Account and Amount	Txn Method
Feb. 22	Show property to potential tenant (Audrey) and accept "deposit to hold" for \$100	1010 – Business Checking ↑ \$100 (Dr.) 2040 – Deposit to Hold (Liability) ↑ \$100 (Cr.)	Make Deposit
Mar. 1	Audrey signs 1 year lease and makes security deposit (\$500 payment now, combined with previous \$100 held)	1010 – Business Checking ↑ \$500 (Dr.) 2306 – Gold,Audrey[1610NAndrews] ↑ \$500 (Cr.) 2040 – Deposit to Hold (Liability) ↓ \$100 (Dr.) 2306 – Gold,Audrey[1610NAndrews] ↑ \$100 (Cr.)	Make Deposits JE #6
Mar. 1	Invoice tenant for rent due	1200 – Accounts Receivable ↑ \$600 (Dr.) 4100 – Rental Income ↑ \$600 (Cr.)	Invoice #1012
Mar. 1	Memorize Invoice to automatically enter the 1st of every month	n/a	n/a
Mar. 2	Receive Payment from tenant in full	1010 – Business Checking ↑ \$600 (Dr.) 1200 – Accounts Receivable ↓ \$600 (Cr.)	Receive Payments
Mar. 12	Mortgage payment	2201 – Mtg 1610NAndrews ↓ \$75.88 (Dr.) 5220 – Loan Interest ↑ \$213.19 (Dr.) 7013 – PMI Fee ↑ \$18 (Dr.) 1010 – Business Checking ↓ \$307.07 (Cr.)	Check #1027
Apr. 1	Invoice for rent due	1200 – Accounts Receivable ↑ \$600 (Dr.) 4100 – Rental Income ↑ \$600 (Cr.)	Invoice #1017
Apr. 1	Receive rent due	1010 – Business Checking ↑ \$600 (Dr.) 1200 – Accounts Receivable ↓ \$600 (Cr.)	Receive Payments
Apr. 5	Bank notifies you Audrey's rent check bounced. Cancel out her payment, charge a NSF fee, and a late fee to increase her amount due. Also enter the NSF fee the bank charged your company.	1200 – Accounts Receivable ↑ \$650 (Dr.) 4230 – NSF Check Fee Income ↑ \$25 (Cr.) 4220 – Late Fee Income ↑ \$25 (Cr.) 1010 – Business Checking ↓ \$600 (Cr.) 7105 – NSF Bank Charge ↑ \$20 (Dr.) 1010 – Business Checking ↓ \$20 (Cr.)	Invoice #1025 JE #7
Apr. 10	Receive partial rent payment	1010 – Business Checking ↑ \$450 (Dr.) 1200 – Accounts Receivable ↓ \$450 (Cr.)	Receive Payments

Date(s)	Description	Account and Amount	Txn Method
Apr. 12	Mortgage payment	2201 – Mtg 1610NAndrews ↓ \$76.45 (Dr.) 5220 – Loan Interest ↑ \$212.62 (Dr.) 7013 – PMI Fee ↑ \$18 (Dr.) 1010 – Business Checking ↓ \$307.07 (Cr.)	Check #1032
Apr. 20	Receive remaining rent payment	1010 – Business Checking ↑ \$200 (Dr.) 1200 – Accounts Receivable ↓ \$200 (Cr.)	Receive Payments
Apr. 27	Property taxes are paid (first of two installments)	6230 – Property Taxes ↑ \$468 (Dr.) 1010 – Business Checking ↓ \$468 (Cr.)	Check #1034
May 1, June 1, July 1, Aug 1, Sept 1, Oct 1, Nov 1	Invoice for rent due	1200 – Accounts Receivable ↑ \$600 (Dr.) 4100 – Rental Income ↑ \$600 (Cr.)	Invoice #1029, 1035, 1043, 1052, 1062, 1076, 1079
May 1, June 1, July 1, Aug 1, Sept 1, Oct 1, Nov 1	Receive rent due	1010 – Business Checking ↑ \$600 (Dr.) 1200 – Accounts Receivable ↓ \$600 (Cr.)	Receive Payments
May 12	Mortgage payment	2201 – Mtg 1610NAndrews ↓ \$77.03 (Dr.) 5220 – Loan Interest ↑ \$212.04 (Dr.) 7013 – PMI Fee ↑ \$18 (Dr.) 1010 – Business Checking ↓ \$307.07 (Cr.)	Check #1039
Jun. 12	Mortgage payment	2201 – Mtg 1610NAndrews ↓ \$77.61 (Dr.) 5220 – Loan Interest ↑ \$211.46 (Dr.) 7013 – PMI Fee ↑ \$18 (Dr.) 1010 – Business Checking ↓ \$307.07 (Cr.)	Check #1044
Jul. 12	Mortgage payment	2201 – Mtg 1610NAndrews ↓ \$78.19 (Dr.) 5220 – Loan Interest ↑ \$210.88 (Dr.) 7013 – PMI Fee ↑ \$18 (Dr.) 1010 – Business Checking ↓ \$307.07 (Cr.)	Check #1052
Aug. 12	Mortgage payment	2201 – Mtg 1610NAndrews ↓ \$78.77 (Dr.) 5220 – Loan Interest ↑ \$210.30 (Dr.) 7013 – PMI Fee ↑ \$18 (Dr.) 1010 – Business Checking ↓ \$307.07 (Cr.)	Check #1060

Date(s)	Description	Account and Amount	Txn Method
Sept. 12	Mortgage payment	2201 – Mtg 1610NAndrews ↓ \$79.36 (Dr.) 5220 – Loan Interest ↑ \$209.71 (Dr.) 7013 – PMI Fee ↑ \$18 (Dr.) 1010 – Business Checking ↓ \$307.07 (Cr.)	Check #1068
May 15 & 30 to Sept. 15 & 30	Pay Yard Care Co. for mowing lawn	6600 – Yard Maintenance ↑ \$45 (Dr.) 1010 – Business Checking ↓ \$45 (Cr.)	Check #1040, 1042, 1047, 1049, 1053, 1058, 1061, 1064, 1069, 1072
Oct. 12	Mortgage payment	2201 – Mtg 1610NAndrews ↓ \$79.96 (Dr.) 5220 – Loan Interest ↑ \$209.11 (Dr.) 7013 – PMI Fee ↓ \$307.07 (Cr.) 1010 – Business Checking ↑ \$18 (Dr.)	Check #1074
Nov. 5	Property taxes are paid (second installment)	6230 – Property Taxes ↑ \$468 (Dr.) 1010 – Business Checking ↓ \$468 (Cr.)	Check #1080
Nov. 12	Mortgage payment	2201 – Mtg 1610NAndrews ↓ \$80.56 (Dr.) 5220 – Loan Interest ↑ \$208.51 (Dr.) 7013 – PMI Fee ↑ \$18 (Dr.) 1010 – Business Checking ↓ \$307.07 (Cr.)	Check #1083
Nov. 18	Closing. Sell the property for \$29,900 (a loss). Transfer the security deposit to the buyer.	2201 – Mtg 1610NAndrews ↓ \$27,720.87 (Dr.) 4300 – Capital Gains (Loss) ↓ 13000 (Dr.) 1010 – Business Checking ↑ 1279.13 (Dr.) 1302 – 1610 N Andrews ↓ \$42,000 (Cr.) 2306 – Gold,Audrey[1610NAndrews] ↓ \$600 (Dr.) 1010 – Business Checking ↓ \$600 (Cr.)	Make Deposits Check #1084
* Note the memorized transaction was deleted so that when you open the file it does not ask you if you want to enter memorized transactions. In a real situation, you would keep the memorized transaction and you would approve QuickBooks to enter it for you.			

Transactions related to 320 Baker (Condo Unit)

This example property is in a condo and has multiple separately paying tenants.

Date(s)	Description	Account and Amount	Txn Method
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Date(s)	Description	Account and Amount	Txn Method
Jan. 1, 2005	Owners contribute 320 Baker Apt 721 condo unit to the company (see 4.09 Contribute Properties with Accumulated Depreciation)	1304 – 320 Baker #721 ↑ \$69,000 (Dr.) 1999 – Accumulated Depreciation RE ↑ \$5000 (Cr.) 3013 – Member CLA Investments ↑ \$32,000 (Cr.) 3023 – Member WGA Investments ↑ \$32,000 (Cr.)	JE #2
	* Talk to your attorney and accountant on how to handle contributions. This contribution is a fictional example to illustrate a Journal Entry and get a property into the books so rent can be collected and other transactions can be handled.		
Jan. 1	Pay yearly insurance premium	5110 – Property Insurance ↑ \$325 (Dr.) 1010 – Business Checking ↓ \$325 (Cr.)	Check #1004
Jan. 8	Property is vacant and minor repairs are done before renting.	5310 – Building Repairs ↑ \$386 (Dr.) 1010 – Business Checking ↓ \$386 (Cr.)	Check #1006
Jan. 15	Property is vacant and minor repairs are done before renting.	5310 – Building Repairs ↑ \$229 (Dr.) 1010 – Business Checking ↓ \$229 (Cr.)	Check #1008
Jan. 20	Advertise in newspaper and online	5700 – Advertising ↑ \$40 (Dr.) 1010 – Business Checking ↓ \$40 (Cr.)	Check #1012
Jan. 20 ongoing monthly	Condominium Association membership fees (\$120 monthly)	5490 – Condo Assoc Fee ↑ \$120 (Dr.) 1010 – Business Checking ↓ \$120 (Cr.)	Check #1013, 1021, 1028, 1033, 1041, 1048, 1056, 1063, 1071, 1076, 1087, 1089
Feb. 1	Three tenants (Ernesto, Mike and Joe) move in with separate \$300 security deposits and 1 year leases	1010 – Business Checking ↑ \$900 (Dr.) 2302 – Ortiz, Ernesto[320Baker#721] ↑ \$300 (Cr.) 2303 – Kesey, Mike[320Baker#721] ↑ \$300 (Cr.) 2304 – Flannery, Joe[320Baker#721] ↑ \$300 (Cr.)	Make Deposits

Date(s)	Description	Account and Amount	Txn Method
Feb.1 to Aug 1	Auto Invoice for rent due	1200 – Accounts Receivable (Ernesto) ↑ \$265 (Dr.) 4100 – Rental Income ↑ \$265 (Cr.) 1200 – Accounts Receivable (Mike) ↑ \$265 (Dr.) 4100 – Rental Income ↑ \$265 (Cr.) 1200 – Accounts Receivable (Joe) ↑ \$265 (Dr.) 4100 – Rental Income ↑ \$265 (Cr.)	Invoice # 1003, 1008, 1019, 1030, 1036, 1045, 1054 Invoice #1004, 1009, 1020, 1031, 1037, 1046, 1055 Invoice #1005, 1010, 1021, 1032, 1038, 1044, 1053
Feb. 1	Memorize Invoice to automatically enter the 1st of every month	n/a	n/a
Feb 1 to Aug 1	All three renters pay on time	1010 – Business Checking ↑ \$265 (Dr.) 1200 – Accounts Receivable (Ernesto) ↓ \$265 (Cr.) 1010 – Business Checking ↑ \$265 (Dr.) 1200 – Accounts Receivable (Mike) ↓ \$265 (Cr.) 1010 – Business Checking ↑ \$265 (Dr.) 1200 – Accounts Receivable (Joe) ↓ \$265 (Cr.)	Receive Payments Receive Payments Receive Payments
Apr. 27	Property taxes are paid (first of two installments)	6230 – Property Tax Expense ↑ \$553 (Dr.) 1010 – Business Checking ↓ \$553 (Cr.)	Check #1035
July 18	Dishwasher and cabinets need repair due to water leak (\$180 to Appliance Repair Inc., and \$200 to Miller Cabinets)	5310 – Building Repairs ↑ \$380 (Dr.) 1010 – Business Checking ↑ \$380 (Dr.) 1010 – Business Checking ↓ \$180 (Cr.) ↓ \$200 (Cr.)	Check #1054, 1055
Sept. 1	Auto Invoice for rent due	1200 – Accounts Receivable (Ernesto) ↑ \$265 (Dr.) 4100 – Rental Income ↑ \$265 (Cr.) 1200 – Accounts Receivable (Mike) ↑ \$265 (Dr.) 4100 – Rental Income ↑ \$265 (Cr.) 1200 – Accounts Receivable (Joe) ↑ \$265 (Dr.) 4100 – Rental Income ↑ \$265 (Cr.)	Invoice #1064 Invoice #1065 Invoice #1063

Date(s)	Description	Account and Amount	Txn Method
Sept. 1	Mike and Ernesto pay rent	1010 – Business Checking ↑ \$265 (Dr.) 1200 – Accounts Receivable (Ernesto) ↓ \$265 (Cr.) 1010 – Business Checking ↑ \$265 (Dr.) 1200 – Accounts Receivable (Mike) ↓ \$265 (Cr.)	Make Deposits Make Deposits
Sept. 5	Assess late fee (\$25) for Joe.	1200 – Accounts Receivable (Joe) ↑ \$25 (Dr.) 4100 – Late Fee Income ↑ \$25 (Cr.)	Invoice #FC 3
Sept. 7	Joe moves out and is never heard from again. He is invoiced with the item “Tenant responsible repairs.” A journal entry depletes his security deposit for his last month’s rent, late fees, and \$10 of the repairs. Receive payments, using the Set Credits button to recognize the use of the Security Deposit. Journal Entry to recognize remaining A/R for Joe as Uncollectible Rent. Joe is made “inactive” in Customer:Job list and his memorized transaction is deleted.	5310 – Building Repairs ↑ \$153 (Dr.) 5340 – Cleaning Expense ↑ \$30 (Dr.) 1010 – Business Checking ↓ \$183 (Cr.) 1200 – Accounts Receivable (Joe) ↑ \$183 (Dr.) 4250 – Repair Fee Income ↑ \$183 (Cr.) 2304 – Flannery,Joe[320Baker#721] ↓ \$300 (Dr.) 1200 – Accounts Receivable (Joe) ↓ \$300 (Cr.) No actual transactions, just receive payments so \$300 of his bills are marked “Paid.” 6700 – Uncollectible Rent ↓ \$173 (Dr.) 1200 – Accounts Receivable (Joe) ↓ \$173 (Cr.)	Check #1065 Invoice #1068 JE #10 Receive Payments JE #11 n/a
Sept. 10	New tenant (Sarah) moves in and pays security deposit and first month’s partial rent in one check.	1200 – Accounts Receivable (Sarah) ↑ \$175 (Dr.) 4100 – Rental Income ↑ \$175 (Cr.) 1010 – Business Checking ↑ \$475 (Dr.) 2309 – Phillips,Sarah[320Baker#721] ↑ \$300 (Cr.) 1200 – Accounts Receivable (Sarah) ↓ \$175 (Cr.)	Invoice #1069 Make Deposits Receive payments

Date(s)	Description	Account and Amount	Txn Method
Oct. 1	Invoice Sarah for rent	1200 – Accounts Receivable (Sarah) ↑ \$265 (Dr.) 4100 – Rental Income ↑ \$265 (Cr.)	Invoice #1070
Oct. 1	Memorize Sarah's invoice to automatically enter the 1st of every month	n/a	n/a
Oct. 1	Auto Invoice Mike and Ernesto for rent due	1200 – Accounts Receivable (Ernesto) ↑ \$265 (Dr.) 4100 – Rental Income ↑ \$265 (Cr.) 1200 – Accounts Receivable (Mike) ↑ \$265 (Cr.) 4100 – Rental Income ↑ \$265 (Dr.) ↑ \$265 (Cr.)	Invoice #1071 Invoice #1072
Sept. 2, Nov. 2, Dec. 2	Mike, Ernesto and Sarah pay rent	1010 – Business Checking ↑ \$265 (Dr.) 1200 – Accounts Receivable (Ernesto) ↓ \$265 (Cr.) 1010 – Business Checking ↑ \$265 (Dr.) 1200 – Accounts Receivable (Mike) ↓ \$265 (Cr.) 1010 – Business Checking ↑ \$265 (Dr.) 1200 – Accounts Receivable (Sarah) ↓ \$265 (Cr.)	Receive Payments Receive Payments Receive Payments
Nov. 1, Dec. 1	Auto Invoice Sarah, Mike and Ernesto for rent due	1200 – Accounts Receivable (Sarah) ↑ \$265 (Dr.) 4100 – Rental Income ↑ \$265 (Cr.) 1200 – Accounts Receivable (Ernesto) ↑ \$265 (Dr.) 4100 – Rental Income ↑ \$265 (Cr.) 1200 – Accounts Receivable (Mike) ↑ \$265 (Dr.) 4100 – Rental Income ↑ \$265 (Cr.)	Invoice #1080, 1087 Invoice #1081, 1088 Invoice #1082, 1089
Nov. 5	Property taxes are paid (second installment)	6230 – Property Tax Expense ↑ \$451 (Dr.) 1010 – Business Checking ↓ \$451 (Cr.)	Check #1079
	* Note the memorized transaction was deleted so that when you open the file it does not ask you if you want to enter memorized transactions. In a real situation, you would keep the memorized transaction and you would approve QuickBooks to enter it for you.		

Transactions related to 3304 Covenant

This is a multiunit home that has a unit A and B.

Date(s)	Description	Account and Amount	Txn Method
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Date(s)	Description	Account and Amount	Txn Method
Jan. 1, 2005	The company buys 3304 Covenant from the partners, filing all appropriate deeds, titles, etc with necessary agencies.	1303 – 3304 Covenant (Real Estate) ↑ \$75,000 (Dr.) 1010 – Business Checking ↓ \$75,600 (Cr.)	Check #1002
* Note: your transaction will vary with taxes, fees, or local regulations.			
Jan. 1	Pay yearly insurance premium	5110 – Property Insurance ↑ \$359 (Dr.) 1010 – Business Checking ↓ \$359 (Cr.)	Check #1005
Jan. 1	Unit A tenants (Kristen and Jake) are a couple who already live there and have jointly paid a security deposit	1010 – Business Checking ↑ \$600 (Dr.) 2301 – Lee,Kristen&Jake[3304ACov...] ↑ \$600 (Cr.)	Make Deposits
* Note: in the example, the security deposit was paid to the company by the owners as terms to the sale.			
Jan. 1	Unit B is vacant	n/a	n/a
Jan. 15 to Mar. 31	Unit B is renovated (\$15,000 in capital improvements, \$2000 in repairs)	1303 – 3304 Covenant ↑ \$15,000 (Dr.) 2010 – Due to Partner CLA ↑ \$5050 (Cr.) 2011 – Due to Partner WGA ↑ \$9950 (Cr.) 5310 – Building Repairs ↑ \$2000 (Dr.) 1010 – Business Checking ↓ \$2000 (Cr.)	JE # 3 Check #1009
* Note: in a real company, there would likely be many small checks written, and several Journal Entries updating what is owed to owners. * Caution: check with your accountant on what is a capital improvement versus a repair; these numbers are arbitrary for the example.			
Jan. 1 Feb. 1, Mar. 1, Apr. 1, May 1, Jun. 1, Jul. 1, Aug. 1, Sep. 1, Oct. 1, Nov. 1, Dec. 1	Invoice Unit A tenants for rent due First invoice customer Lee,Kristen&Jake[A] until Kristen moves out in July, then invoice customer Lee,Jake[A]	1200 – Accounts Receivable (Unit A) ↑ \$600 (Dr.) 4100 – Rental Income ↑ \$600 (Cr.)	Invoice #1001, 1002, 1007, 1023, 1027, 1039, 1047, 1056, 1066, 1073, 1083, 1090

Date(s)	Description	Account and Amount	Txn Method
Jan. 1	Memorize Unit A's rent invoice to automatically enter the 1st of every month	n/a	n/a
Jan. 1 to June 1	Unit A tenants pay on time	1010 – Business Checking ↑ \$600 (Dr.) 1200 – Accounts Receivable ↓ \$600 (Cr.)	Receive Payments
Feb. 25	Pay back owners for 3304 Covenant rehabbing reimbursable expenses	2010 – Due to Partner CLA ↓ \$5050 (Dr.) 1010 – Business Checking ↓ \$5050 (Cr.) 2011 – Due to Partner WGA ↓ \$9950 (Dr.) 1010 – Business Checking ↓ \$9950 (Cr.)	Check #1024 Check #1025
Mar. 20	Advertise in newspaper and online	5700 – Advertising Expense ↑ \$40 (Dr.) 1010 – Business Checking ↓ \$40 (Cr.)	Check #1029
Apr. 1	New tenant (Jessica) moves in Unit B and pays security deposit	1010 – Business Checking ↑ \$450 (Dr.) 2307 – Keating, Jessica [3304BCov...] ↑ \$450 (Cr.)	Make Deposits
Apr. 1	Invoice Jessica for rent	1200 – Accounts Receivable ↑ \$450 (Dr.) 4100 – Rental Income ↑ \$450 (Cr.)	Invoice #1015
Apr. 1	Jessica pays April's rent and prepays nine months of rent	1010 – Business Checking ↑ \$450 (Dr.) 1200 – Accounts Receivable ↓ \$450 (Cr.) 1010 – Business Checking ↑ \$4050 (Dr.) 4100 – Rent Income ↑ \$4050 (Cr.) Issue Jessica a Credit Memo for 8 months of rent.	Receive Payments Make Deposits Credit Memo #1016
Apr. 27	Property taxes are paid (first of two installments)	6230 – Property Tax Expense ↑ \$451 (Dr.) 1010 – Business Checking ↓ \$451 (Cr.)	Check # 1037
May 1, June 1, July 1, Aug. 1, Sept. 1, Oct. 1, Nov. 1, Dec. 1	Invoice Jessica (Unit B) for rent)	No transactions occur (because Cash Accounting recognized all the income on Apr. 1st). The Credit Memo is decreased monthly by the posting of a new invoice.	Invoice #1026, 1040, 1048, 1057, 1067, 1074, 1084, 1091

Date(s)	Description	Account and Amount	Txn Method
May 1, June 1, July 1, Aug. 1, Sept. 1, Oct. 1, Nov. 1, Dec. 1	Receive payments, use "Set Credits" button instead of having an amount. This decreases the credit created on her prepayment.	n/a	Receive Payments
June 15	The couple in Unit A breaks up and Kristen leaves, receiving her half of the security deposit (less cleaning charge). Create a new account for Jake only and transfer his half into it.	5310 – Building Repairs ↑ \$13.43 (Dr.) 1010 – Business Checking ↓ \$13.43 (Cr.) 2301 – Lee,Kristen&Jake[3304ACov... ↓ \$600 (Dr.) 2308 – Lee,Jake[3304ACovenant] ↑ \$300 (Cr.) 1010 – Business Checking ↓ \$275 (Cr.) 4250 – Repair Fee Income ↑ \$25 (Cr.)	Check #1045 Check #1046
June 15	Jake stays and pays her security deposit amount.	1010 – Business Checking ↑ \$300 (Dr.) 2308 – Lee,Jake[3304ACovenant] ↑ \$300 (Cr.)	Make Deposits
Jul. 1	Delete existing memorized txn for Kristen and Jake, make their job inactive, make a new Job and invoice for Jake and memorize it	1200 – Accounts Receivable (Unit A) ↑ \$600 (Dr.) 4100 – Rental Income ↑ \$600 (Cr.)	Invoice # 1047, 1056, 1066, 1073, 1083, 1090
Jul. 1 to Dec. 1	Unit A tenant (Jake) pays on time	1010 – Business Checking ↑ \$600 (Dr.) 1200 – Accounts Receivable ↓ \$600 (Cr.)	Receive Payments
Sept. 8	The common area of this duplex needs repairs (use CAM class for tracking in QuickBooks)	5310 – Building Repairs ↑ \$500 (Dr.) 1010 – Business Checking ↓ \$500 (Cr.)	Check #1066
Nov. 5	Property Taxes are paid (second installment)	6230 – Property Tax Expense ↑ \$832.45 (Dr.) 1010 – Business Checking ↓ \$832.45 (Cr.)	Check #1081

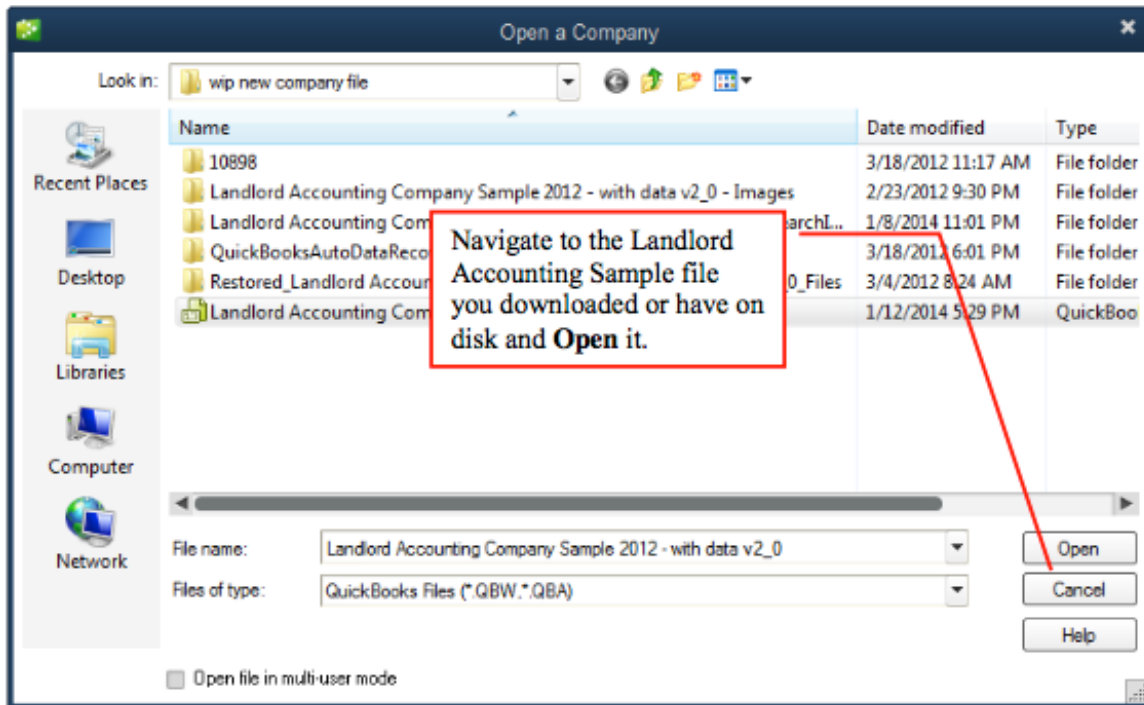
Date(s)	Description	Account and Amount	Txn Method
	* Note the memorized transaction was deleted so that when you open the file it does not ask you if you want to enter memorized transactions. In a real situation, you would keep the memorized transaction and you would approve QuickBooks to enter it for you.		

If possible, read this chapter with the sample file open on your computer. This will significantly help you master QuickBooks.

No Company Open

Select a company that you've previously opened and click Open

Assuming you already downloaded the files that came along with this book, leave the radio button selected on Open a company file (it has a ".QBW" extension).



Make sure you open the one with data, not the blank template. Later on when you are ready to work on your own books, use the template file and fill it with your information.

Regarding passwords:

- If using QB 2017 and prompted for a password use **Admin** and **coMp1ex**. Note the number one in there, not the letter L or I.
- If using QB 2016 or earlier and prompted for a User Name and Password, use "Admin" and leave the password blank.

See Also



See also: [3.35 Suggested Approach to Starting Your Company File](#) for how to open a blank data file and begin entering your company's information in it.

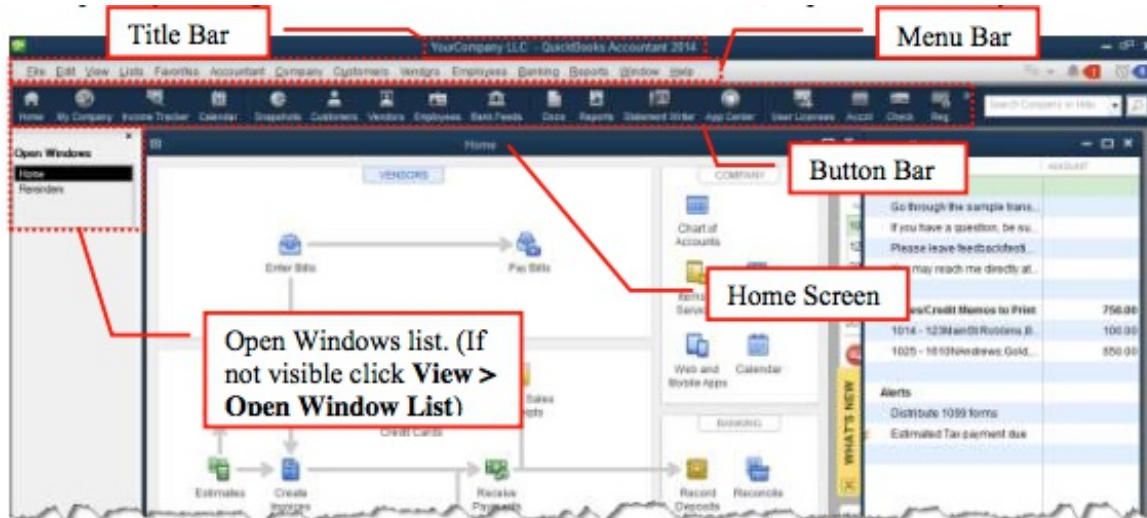
3.05 Introduction to the QuickBooks Environment

This section can be skipped by people familiar with using QuickBooks. The main QuickBooks user interface has the following elements:

- Title bar with the name of your currently open company file
- Menu bar with commands such as File, Edit, View, etc.
- Button bar with buttons to common functions
- Open Windows list on the left side panel.

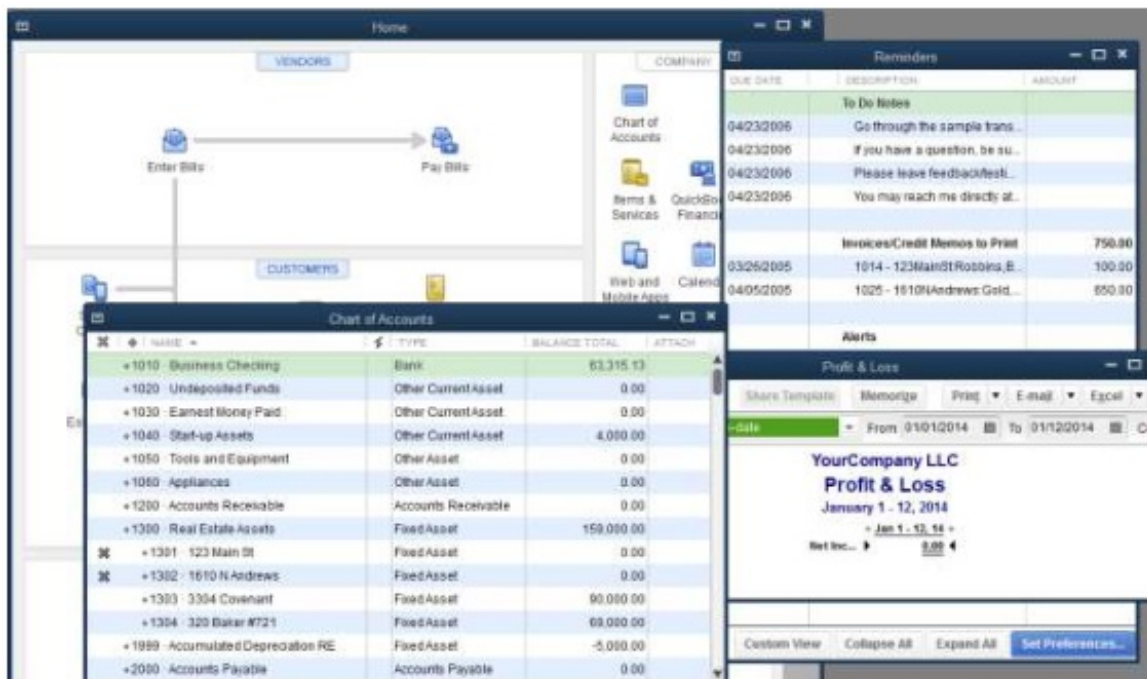
- Frequently, there will be a large window in the middle, such as the Company Navigator below.

The Home screen is the default large window that appears when you open everything up. There also may be more windows in the workspace. You can close a window in the workspace by clicking the close X button in each window's corner, or press the **Esc** key.



Also, you can choose to see one window at a time, or multiple windows. Change it by clicking **View > One Window**, or **View > Multiple Windows**.

Below you can see multiple windows in the workspace. I often have many windows open, and then maximize one while I am working on it.



FAQ



Q: I used the template file, but it still shows YourCompany LLC in the title bar. Help!

A: Click in the Menu Bar **Company > My Company, then change **Company Name**.**

CONTACT INFORMATION

Company Name: YourCompany LLC

Address: [Redacted]

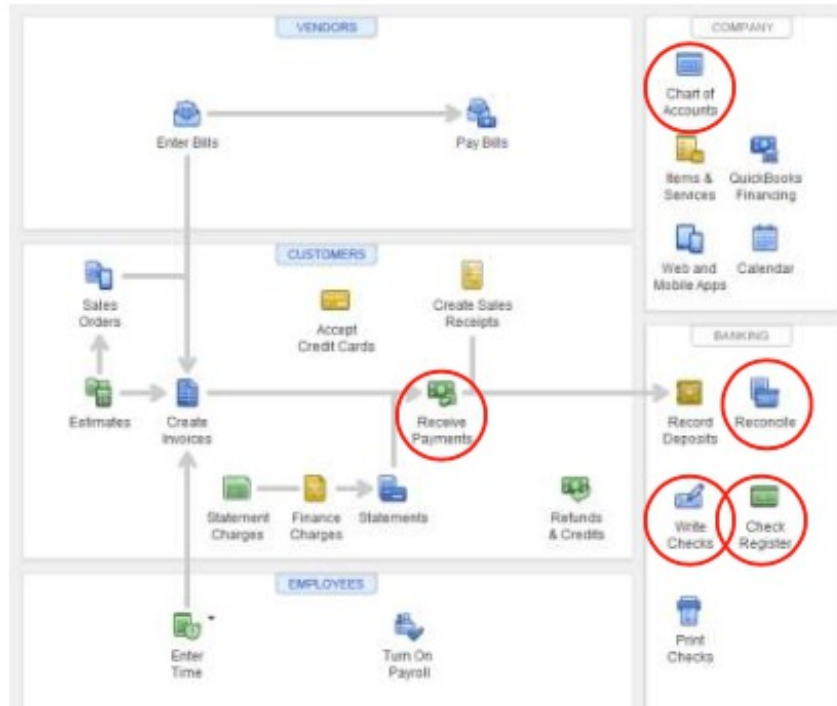
Country: US

Phone No: [Redacted]

When you get started you also may want to rename the **Landlord Accounting Company Template – no data.QBW** data file to your company name. If you want to rename a file after using it, that's fine, just create a backup first for safety.

Within the Home Screen, you'll see the following sections.

- Vendors – these are the people your company pays for services rendered.
- Customers – tenants' rent payments are created with an Invoice, and then you receive payments when they pay.
- Employees – your company may or may not have any. If you have a 1099 vendor, it goes under Vendors, above.
- Company – basic information about the company. The Chart of Accounts is crucial. Remember the shortcut to open it up, **Ctrl-A**.
- Banking – after receiving payments, you record them with your bank, and reconcile statements.



With that introduction, let's have a whirlwind tour of the rest of QuickBooks using the sample file you already opened. In subsequent chapters, I will get into more details for using QuickBooks with respect to Property Tasks, Tenant Tasks, Company Management Tasks, and Reporting Tasks.

QuickBooks is designed for hundreds of different types of businesses, so it has a lot more features than we will ever use. I'll carefully show you what you need to know to use it as a landlord or property manager.

Where to get Help

If at any time you want to learn more about a specific window, QuickBooks has an excellent integrated help. Click **Help > QuickBooks Help** or one of the other Help options. There also is a search section of the window in the workspace's title bar.



Pressing the **F1** key (above the number 1 or 2 keys on your keyboard) also often brings up window specific help.

3.06 Properties are “Customers” in the “Customer Center”

In order to set up QuickBooks for the most versatility in reporting, an individual property is called a

“Customer” and a tenant is a “Job” attached to that property. For new users of QuickBooks, this may be confusing. Hang in five minutes and you’ll understand.

Open the Customer Center in the sample company file. In the Menu bar, click **Customers > Customer Center** (or press **Ctrl+J**).



If you have not opened the sample data file, see [3.02 Open a Sample Data File](#) for instructions and where to find it.

Sarah Phillips is a tenant at 320 Baker, unit 721, who currently owes \$0. There are three other tenants in that apartment unit. Each property is a customer, and jobs are attached representing tenants. This creates organization and helps for creating a rent roll.

Customer Center: 320Baker#721 Phillips, Sarah

“123MainSt” is a customer, and the address of a property.

Hide or show inactive customers.

Sarah Phillips is a tenant that currently lives in 320Baker#721

If a tenant currently had rent due, it would appear here.

All of Sarah’s transactions are listed here.

These tenants live at 3304 Covenant

NAME	BALANCE	ATT
+ 123MainSt	0.00	
+ Robbins,Brad	0.00	
+ 1610NAndrews	0.00	
+ Gold,Audrey	0.00	
+ 320Baker#721	0.00	
- Phillips, Sarah	0.00	
+ Ortiz,Ernesto	0.00	
+ Kesey,Mike	0.00	
+ 3304Covenant	0.00	
+ Lee,Jake[A]	0.00	
+ Keating,Jessica[B]	0.00	

TYPE	DATE	AMOUNT
Invoice	09/10/2005	1200 - Accounts Receivable 175.0
Payment	1504 09/10/2005	1020 - Undeposited Funds 175.0
Invoice	1070 10/01/2005	
Payment	1515 10/01/2005	
Invoice	1080 11/01/2005	
Payment	11/01/2005	1010 - Business Checking 200.0

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This is a great place to look at a tenant’s transactions. Remember, you will need to always enter their Customer:Job name in all relevant transactions. If you create a Journal Entry changing a tenant’s account balance, they must be the first line item in the Journal Entry.

Caution

In journal entries for tenants (where they are chosen as the Customer:Job of a transaction), you must have their name on the first line item.

The Customer and Vendor Centers filter for the first line (known as the source) of a journal entry. If the Accounts Payable or Accounts Receivable account is not on the first line of the journal entry and the first line of the journal entry does not contain the name of the customer or vendor, the journal entry will not show up in the Customer or Vendor Center.

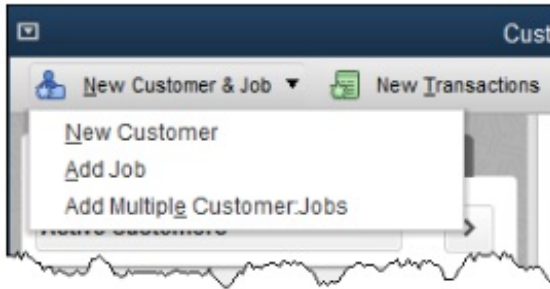
To fix a transaction that does not show up in the Customer Center, find the journal entry and edit the A/R or A/P line item with the customer or vendor name to the first line of the journal entry.

The list can also show past tenants or properties. Rather than deleting old tenants (jobs), you mark them as inactive. Below, you can see Joe Flannery (with the X on the left) was a former tenant in 320Baker#721.

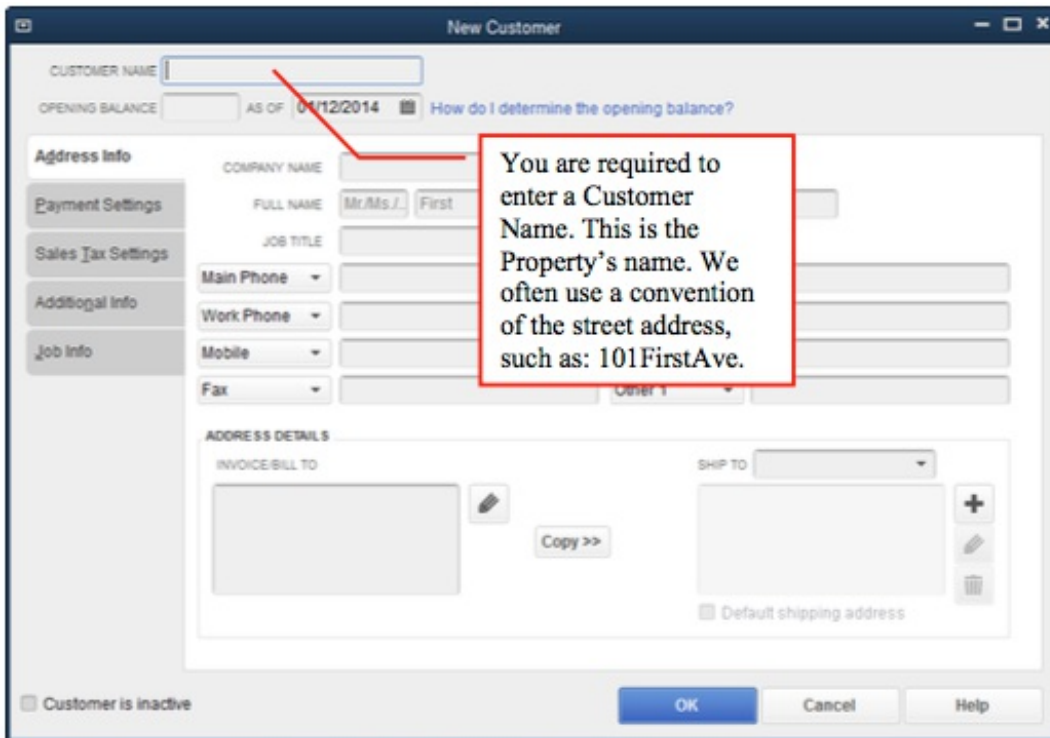
NAME	BALANCE	ATT.
+123MainSt	0.00	
+Robbins,Brad	0.00	
+1610NAndrews	0.00	
+Gold,Audrey	0.00	
+320Baker#721	0.00	
+Phillips,Sarah	0.00	
X +Flannery,Joe	0.00	
+Ortiz,Ernesto	0.00	
+Kesey,Mike	0.00	
+3304Covenant	0.00	
+Lee,Jake[A]	0.00	
+Keating,Jes...	0.00	
X +Lee,Kristen&...	0.00	

This selects all tenants, including the inactive ones.

More customers (properties) are added by clicking **New Customer & Job** in the Customer Center (or press **Ctrl+N**). You can always open the customer center with the Customers button.



Then, you fill in the information for a new customer. There are several tabs you can click and then enter more information.



The screenshot shows the 'New Customer' dialog box. On the left, a sidebar contains tabs for 'Address Info', 'Payment Settings', 'Sales Tax Settings', 'Additional Info' (circled in red), and 'Job Info'. The main area has 'CUSTOMER NAME' and 'OPENING BALANCE' fields. Below these are 'CUSTOMER TYPE' and 'REP' dropdowns. To the right is the 'CUSTOM FIELDS' section with 'MOVE-IN-DATE', 'BLDG INSURANCE EXPIRE', and 'STATUS' fields. A 'Define Fields' button is at the bottom right. At the bottom left, there is a checkbox for 'Customer is inactive' and buttons for 'OK', 'Cancel', and 'Help'. Two red callout boxes are present: one pointing to the 'BLDG INSURANCE EXPIRE' field with the text 'Optionally add a Bldg Insurance Expires field with the date the insurance expires.' and another pointing to the 'Define Fields' button with the text 'Click Define Fields to add custom fields'.

Please keep in mind properties owned by the company also need to be added as assets in the Chart of Accounts. We will show you how to enter those soon.



You can Define Fields to add additional information to properties "Customer" information (such as tracking insurance expiration). See section [6.02 Define Fields for Customers and Jobs](#).

Quick Tip

If you have a lot of tenants to add at once, you can use the following feature in QB Pro: “Add/Edit Multiple List Entries”.

Add/Edit Multiple List Entries

Manage your customer, vendor, and item lists all in one place. Paste from Excel to quickly add new or edit existing entries. Access this option under **Lists > Add/Edit Multiple List Entries**.

**FAQ**

Q: Is it possible to simplify this and make a tenant a customer and forget all these “jobs?”

A: Yes, however you will not be able to glance at the Customer Center and associate properties with who has an outstanding balance this month. Creating jobs for tenants also makes it easy to connect each tenant with their property when making tenant reports (i.e. of phone numbers, rent due dates, or move-in dates).

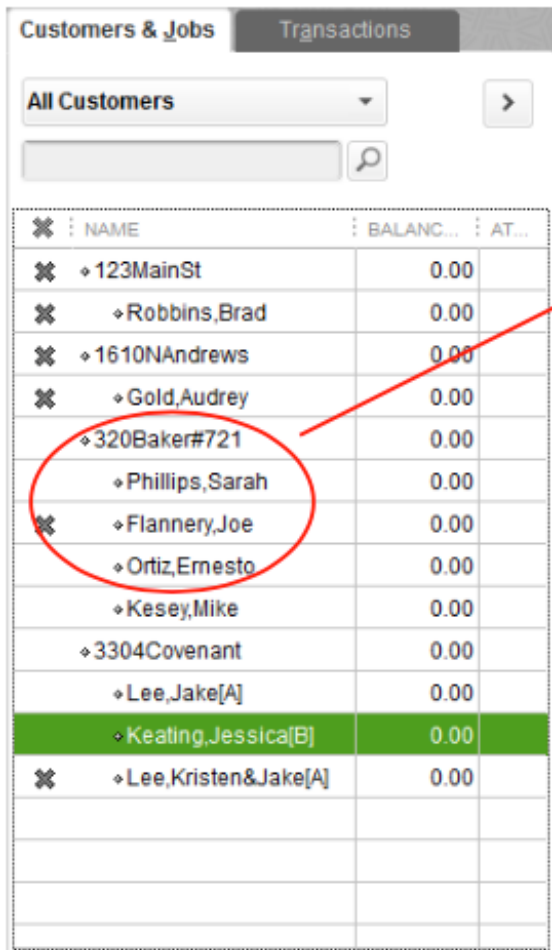
Q: It seems like a lot of extra work to create all the properties in the Customer list, and then put tenants under each property.

A: The extra effort makes for better reporting. If tenants were listed as customers, it would be less simple to associate each with a property. Also with this setup, upon opening the Customer Center, you immediately have a rent roll with renters sorted by property listing currently outstanding balances.

3.07 Tenants are “Jobs” in the “Customer Center”

For organization, properties are “Customers” and tenants go in as “Jobs” under their respective “Customer.” In single family homes, there is one job. In multi-units, multiple jobs are created. Examples of both are in the sample data file. In 123 Main there is one resident. 3304 Covenant is a

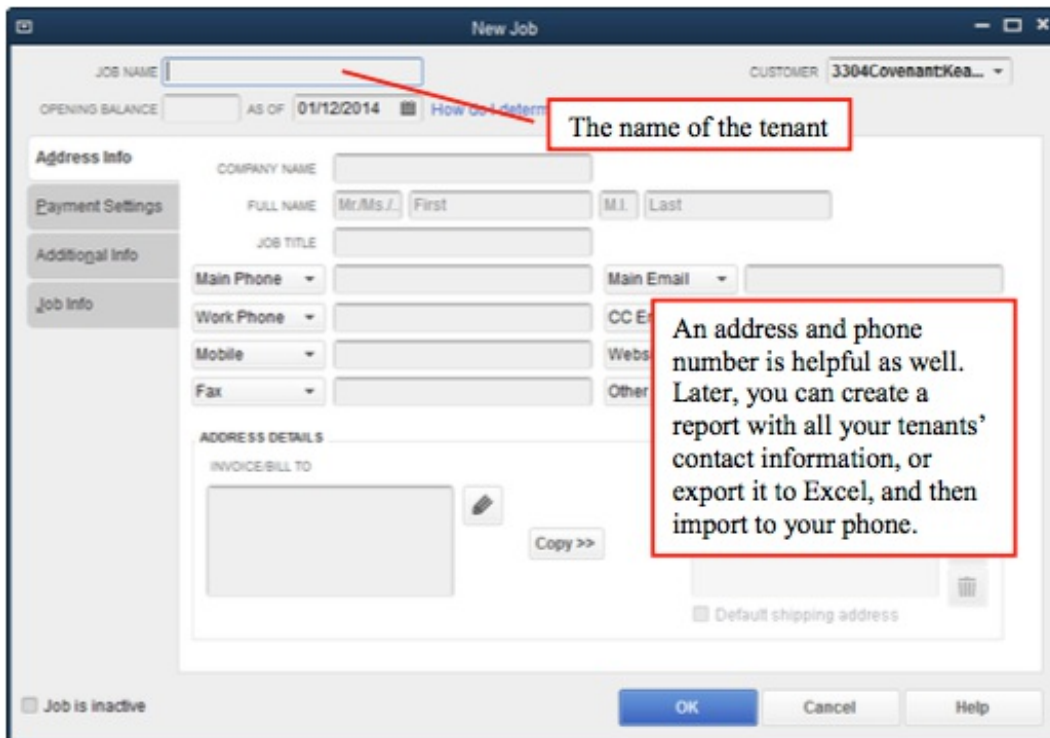
duplex. To indicate each apartment, each tenant's name ends in their respective unit number, but you could also have sub-jobs per unit, and sub-sub-jobs for the tenant.



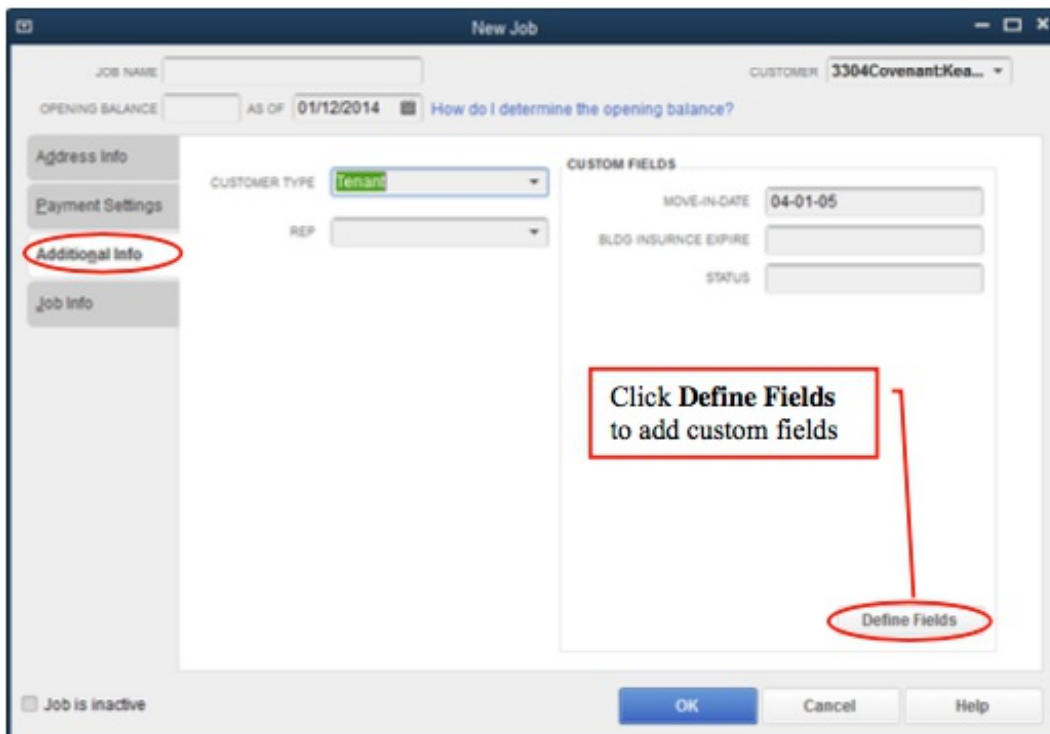
✘	NAME	BALANC...	AT...
✘	♦ 123MainSt	0.00	
✘	♦ Robbins,Brad	0.00	
✘	♦ 1610NAndrews	0.00	
✘	♦ Gold,Audrey	0.00	
	♦ 320Baker#721	0.00	
	♦ Phillips,Sarah	0.00	
✘	♦ Flannery,Joe	0.00	
	♦ Ortiz,Ernesto	0.00	
	♦ Keseey,Mike	0.00	
	♦ 3304Covenant	0.00	
	♦ Lee,Jake[A]	0.00	
	♦ Keating,Jessica[B]	0.00	
✘	♦ Lee,Kristen&Jake[A]	0.00	

QuickBooks calls these jobs under a customer. For us, they are tenants organized under a property.

Jobs are added by highlighting the customer (property) and clicking the Customer button and **New Customer & Job > Add Job**. Fill in the necessary fields.



If you want to have a handy way to reference the move in dates of all tenants, click the **Additional Info** tab and define a field as “move-in-date.” Enter each tenant’s move in date. You can generate a report then of all tenants’ move in dates.



See Also

For more information about a report of tenants' move in dates and defining custom fields, please refer to section [7.17 Tenant Move-In-Date and Contact Information Report](#). Hopefully you can see the flexibility you have to track various types of property and tenant attributes in Customers and Jobs. You do not need to use all of these techniques, but as your company grows, it will probably be useful to use more and more of them.

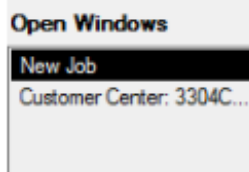
As tenants move out, set them as an inactive job (in the Customer Center list right click on the job—the tenant—and choose **Make Customer:Job Inactive**).

Close the Customer Center window.

Quick Tip

There are three ways to close a window:

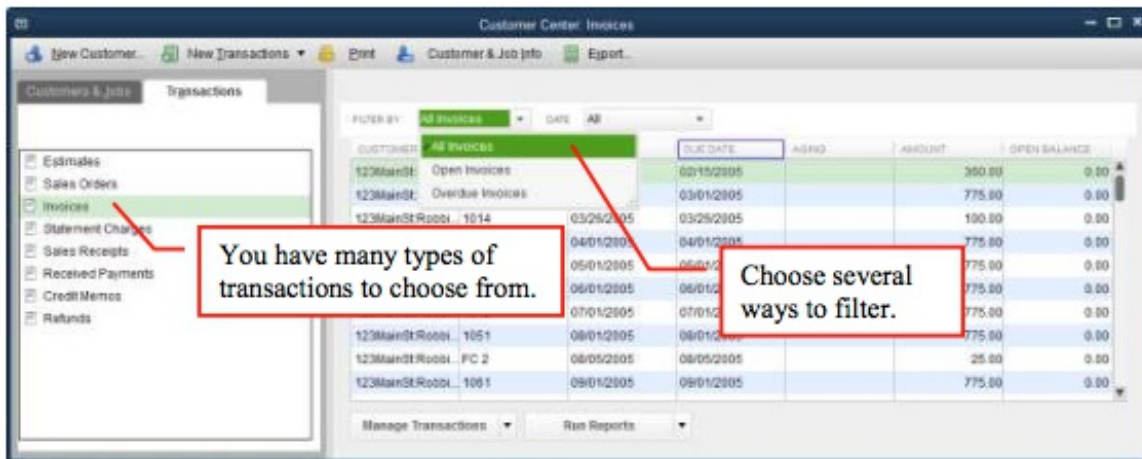
1. Click the “X” close window icon in the window’s corner
2. When a window is the active window, press the **Esc** key.
3. In the Open Windows list in the Navigation Sidebar, click the window you want to close and press the **Esc** key.

**See Also**

For more information about Jobs, please refer to section [5.01 Add a Tenant to a Property](#).

3.08 Transactions in the Customer Center

There is a second tab in the Customer Center called Transactions. This allows you to quickly filter for certain types of transactions, and monitor what is happening with tenants.



3.09 Every Account is in the “Chart of Accounts”

In QuickBooks, whenever you spend or earn money, it is tracked in at least two accounts at the same time (due to double entry accounting). There are four methods to view a list of all accounts: in the Menu Bar click **Lists > Chart of Accounts**, use the keyboard shortcut **Ctrl+A**, or click the following icon on the Button Bar.

For the sample data file, the Chart of Accounts is as follows (see next page).

You can see the current balance of some accounts by looking in the “Balance” column of the Chart of Accounts. Income and Expense accounts do not have a register and thus do not have a balance.

If you want to add a new account, click the button **Account > New** or press **Ctrl+N**.

Double clicking on one of the accounts typically opens it up. Also try Right clicking on different accounts and looking at the contextual menu that appears.

See Also



If you have an existing company file, you can import the chart of accounts from the template with the **chart_of_accounts.IIF** file included with the kit. However, first open that file in Excel to see what the accounts are. You can delete the ones you do not want to import. Import it with **File > Utilities > Import > IIF...** and browse to the file.

NAME	TYPE	BALANCE TOTAL	ATTACH
+1010 - Business Checking	Bank	60,721.13	
+1020 - Undeposited Funds	Other Current Asset	1,425.00	
+1030 - Earnest Money Paid	Other Current Asset	-1,000.00	
+1040 - Start-up Assets	Other Current Asset	8,000.00	
+1050 - Tools and Equipment	Other Asset	0.00	
+1060 - Appliances	Other Asset	0.00	
+1200 - Accounts Receivable	Accounts Receivable	-2,252.00	
+12100 - Inventory Asset	Other Current Asset	0.00	
+1300 - Real Estate Assets	Fixed Asset	208,599.00	
X +1301 - 123 Main St	Fixed Asset	0.00	
+1302 - 1610 N Andrews	Fixed Asset	0.00	
+1303 - 3304 Covenant	Fixed Asset	90,000.00	
+1304 - 320 Baker #721	Fixed Asset	69,000.00	
+1305 - 1 Northcrest Ave	Fixed Asset	0.00	
X +1307 - Sample Ave	Fixed Asset	0.00	
+1309 - Address Off Property	Fixed Asset	0.00	
+1999 - Accumulated Depreciation RE	Fixed Asset	0.00	
+2000 - Accounts Payable	Accounts Payable	0.00	
+2010 - Due to Partner C. Applegate	Other Current Liability	0.00	
+2011 - Due to Partner W. Applegate	Other Current Liability	0.00	
+2030 - Due to Other Person	Other Current Liability	0.00	
+2040 - Deposit to Hold	Other Current Liability	0.00	
+2050 - Payroll Liabilities	Other Current Liability	0.00	
+2200 - Mortgages RE	Long Term Liability	0.00	
X +2201 - Mtg 1 Northcrest	Long Term Liability	0.00	
+2201 - Mtg 1610N Andrews	Long Term Liability	0.00	
+2203 - Address Off Property	Long Term Liability	0.00	
+2207 - Mtg 1307 Sample	Long Term Liability	0.00	
+2300 - Security Deposits	Other Current Liability	2,850.00	
+2301 - Lee, Kristen & Jake [3304 Covenant]	Other Current Liability	600.00	
+2302 - Ortiz, Ernesto [320 Baker #721]	Other Current Liability	300.00	
+2303 - Kasey, Mike [320 Baker #721]	Other Current Liability	300.00	
X +2304 - Flannery, Joe [320 Baker #721]	Other Current Liability	0.00	
X +2305 - Robbins, Brad [123 Main]	Other Current Liability	0.00	
X +2306 - Gold, Audrey [1610 N Andrews]	Other Current Liability	0.00	
+2307 - Keating, Jessica [3304 B Covenant]	Other Current Liability	450.00	
+2308 - Lee, Jake [3304 Covenant]	Other Current Liability	600.00	
+2309 - Phillips, Sarah [320 Baker #721]	Other Current Liability	600.00	
X +2310 - Stone, Blake [1118 Tent]	Other Current Liability	0.00	
+2545 - Robbins, Brad Sec Dep	0.00		
+3010 - Member C. Applegate Equity	Equity	0.00	
+3011 - Member CLA Draws	Equity	0.00	
+3012 - Member CLAEarnings	Equity	0.00	
+3013 - Member CLA Investments	Equity	112,000.00	
+3020 - Member W. Applegate Equity	Equity	107,000.00	
+3021 - Member WGA Draws	Equity	-5,000.00	
+3022 - Member WGA Earnings	Equity	0.00	
+3023 - Member WGA Investments	Equity	112,000.00	
+3100 - Retained Earnings	Equity	0.00	
+3200 - Opening Bal Equity	Equity	0.00	
+4100 - Rental Income	Income	0.00	
+4200 - Fee Income	Income	0.00	
+4210 - Cleaning Fee Income	Income	0.00	
+4220 - Late Fee Income	Income	0.00	
+4230 - NSF Check Fee Income	Income	0.00	
+4240 - Mgmt Fee Income	Income	0.00	
+4250 - Damages Repairs & Fee	Income	0.00	
+4260 - Mgmt Advertising Fee	Income	0.00	
+4270 - Mgmt Early Termination Fee	Income	0.00	

As tenants move out or you sell property, set the corresponding account as "inactive" to hide them. (Indicated by the "X").

All of the different Types of accounts are shown

Scroll down for all accounts.

+4300 - Capital Gains (Loss)	Other Income
+4400 - Interest Income	Other Income
+4500 - Other Income	Other Income
+5000 - Filing Fees	Expense
+50900 - Cost of Goods Sold	Cost of Goods Sold
+5100 - Insurance	Expense
+5110 - Property Insurance	Expense
+5120 - Errors & Omissions	Expense
+5130 - Liability Insurance	Expense
+5200 - Interest Expense	Expense
+5210 - Finance Charge	Expense
+5220 - Loan Interest	Expense
+5300 - Repairs	Expense
+5310 - Building Repairs	Expense
+5320 - Computer Repairs	Expense
+5330 - Equipment Repairs	Expense
+5340 - Cleaning Expense	Expense
+5400 - Utilities	Expense
+5410 - Gas	Expense
+5420 - Water	Expense
+5430 - Electric	Expense
+5440 - Telephone	Expense
+5490 - Condo Assoc Fee	Expense
+5500 - Equipment Rental	Expense
+5600 - Renter Gifts	Expense
+5700 - Advertising	Expense
+5800 - Office Supplies	Expense
+5900 - Postage and Delivery	Expense
+6100 - Depreciation Expense	Expense
+6200 - Taxes	Expense
+6210 - Federal Taxes	Expense
+6220 - Local Taxes	Expense
+6230 - Property Taxes	Expense
+6240 - State Taxes	Expense
+6300 - Automobile Expense	Expense
+6400 - Travel & Ent	Expense
+6410 - Entertainment	Expense
+6420 - Meals	Expense
+6430 - Travel	Expense
+6500 - Professional Fees	Expense
+6510 - Legal Fees	Expense
+6520 - Accounting	Expense
+6600 - Yard Maintenance	Expense
+6700 - Uncollectible Rent	Expense
+7010 - Bank Service Charges	Expense
+7011 - NSF bank charge	Expense
+7012 - Check Fee	Expense
+7013 - PMI Fee	Expense
+7020 - Cash Discounts	Expense
+7030 - Dues and Subscriptions	Expense
+7040 - Licenses and Permits	Expense
+7041 - License	Expense
+7042 - Permit	Expense
+7043 - Other License	Expense
+7044 - Other Permit	Expense
+7110 - Other Expenses	Other Expense

The buttons on the bottom contain useful commands. Try clicking them.

"Inactive Accounts" are shown by checking this.

Quick Tip

We suggest setting up a numbering system for accounts based on their type. This prevents errors and speeds up data entry. When you enter data, you can type in the number and QuickBooks will automatically fill in the rest of the account details. A system will also prevent you from accidentally having duplicate accounts like “Rent Income” and “Tenant Payments Income.”

This is the numbering system the template file uses:

```
1000 - 1999 Assets
2000 - 2999 Liabilities
3000 - 3999 Equity
4000 - 4999 Income
5000 - 8999 Expenses
```

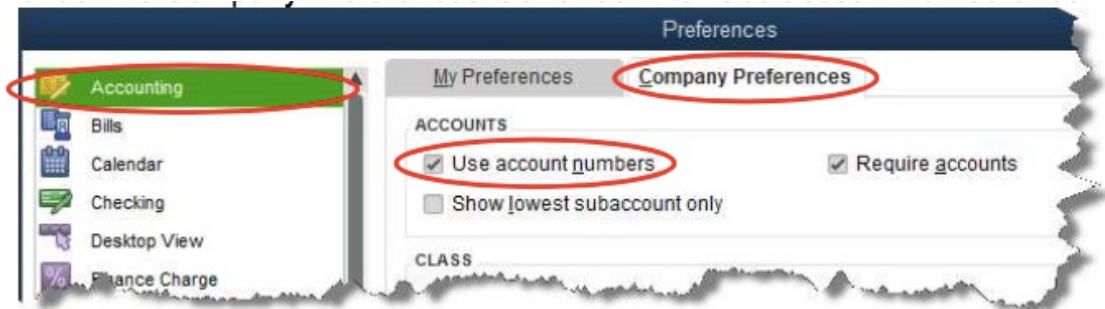
Note QuickBooks wants to default to a 5 digit numbering system, which is also acceptable to use, but we find this simple and convenient.

FAQ

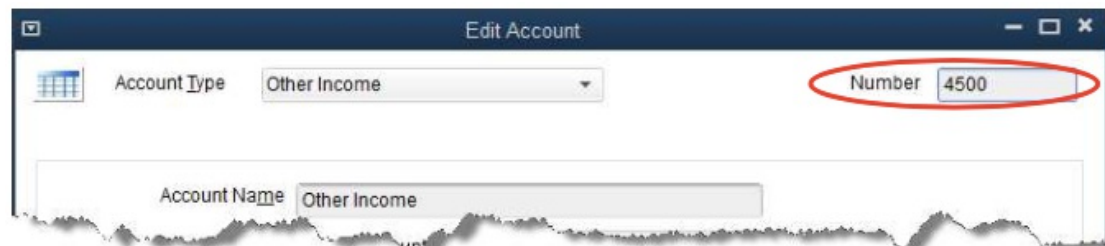


Q: What if I already have a data file, and now I want to add your account numbering convention?

A: This is easy to add to existing data files. Open your company file, then click **Edit > Preferences**. Turn on account numbers in the Accounting category on the left, and under the Company Preferences tab. Check the “Use account numbers” box.



Then, edit your existing accounts, and add account numbers. Go to the Chart of Accounts, click each account, then click the Account button and choose Edit Account. (Or right click on an account and choose edit). Lastly, set each of the account numbers to whatever you want. They can be letters and/or numbers.

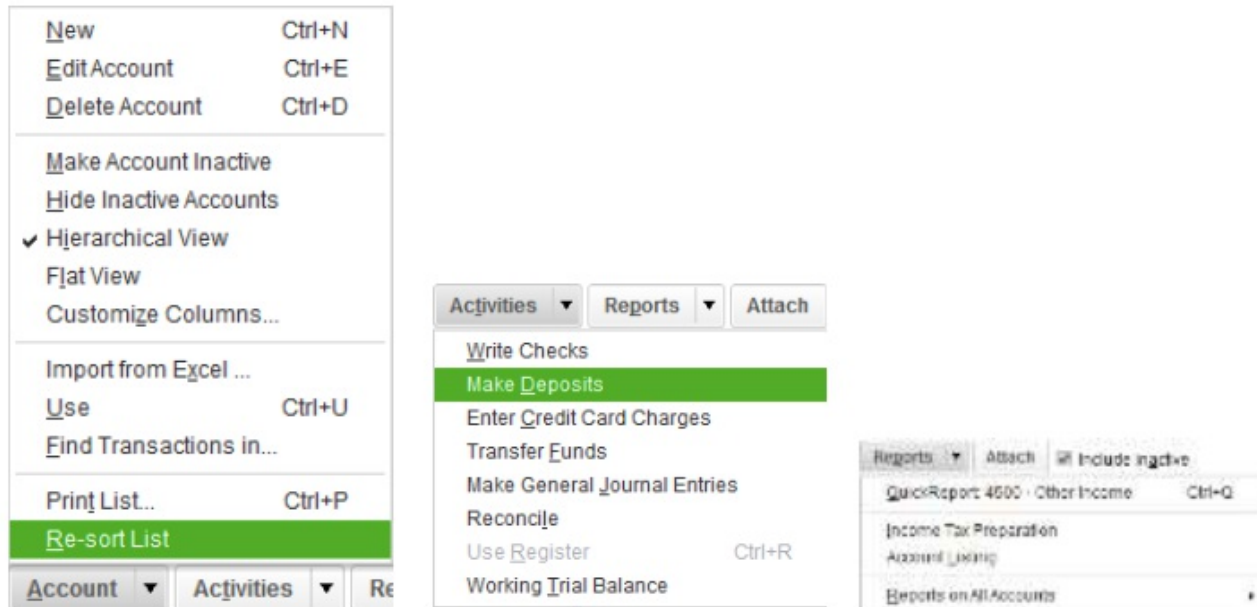


Q: I want to edit all my account numbers quickly. How do I do that?

A: This is easy to do if you have Excel, or some other spreadsheet tool. You will export your chart of accounts as an “IIF file”. **Note: you should create a Backup of your company file first, so you can always restore it if needed.**

Export the IIF file in QuickBooks by clicking **File > Utilities > Export > Lists to IIF Files**. Choose the Chart of Accounts, click OK, and save it somewhere. Open it with Excel (import a tab delimited file) and edit the account numbers. Save it as the same “.iif” file, and import that back into QuickBooks. **File > Utilities > Import > IIF Files...**

The Chart of Accounts has three common buttons on the bottom. These appear on several other screens in QuickBooks. The buttons Account, Activities and Reports expand to offer common tasks from your current view.



The accounts that are indented below other accounts are sub-accounts. The balance of an account with sub-accounts (let's call it a super-account) is the sum of the sub accounts plus transactions in the super-account. **1300 Real Estate Assets** has sub-accounts for every property. **2530 Security Deposits** has a sub-account for each tenant.

Caution



If you have the choice of entering a transaction in a sub-account or a super-account, choose the sub-account. This keeps your books tidy and insures in reports the super-account is equal to the sum of only the sub-accounts' transactions. Do not defeat the purpose of sub-accounts (they give you more detail in reporting) by throwing transactions into the super-account.

Definition



Balance Sheet Accounts: are accounts that appear on a balance sheet report. They each have a register that tracks the balance of the account. Current account values are displayed in the Chart of Accounts.

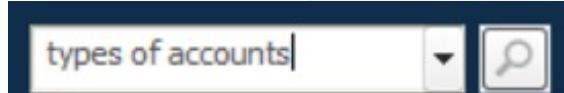
Income and Expense Accounts: track sources of income and purposes of each expense. When you enter a transaction with a balance sheet account, due to double entry accounting you typically also assign the amount to one or more income or expense accounts. Income and expense accounts do not display balances in the Chart of Accounts.

There are 14 total types of accounts in QuickBooks: 9 are "Balance Sheet Accounts" and 5 are "Income and Expense Accounts."

Real estate is a “Fixed Asset” account, checking is a “Bank” type, the owners’ contributed capital is “Equity,” and money that will come due soon is an “Other Current Liability.”

See Also

For an excellent in depth explanation of all account types, in the Menu Bar, click **Help > QuickBooks Help**, or type in **types of accounts** into the help search in the menu bar.



3.10 Properties are Asset Accounts

Properties you own as investments are considered Fixed Assets in the Chart of Accounts. Each property your company owns should be a sub account of **1300 – Real Estate Assets**. The only exception is for properties your company manages for other owners, but is not your own asset.

So when you add properties to QuickBooks, be sure to include them as Fixed Assets as well as add them to the Customer Center.

See Also

For instructions adding properties to the Customer Center, refer to section [3.06 Properties are “Customers” in the “Customer Center”](#).

For instructions adding properties’ fixed asset accounts, refer to [Chapter 4. Property Tasks](#).

3.11 Some Accounts have a “Register”

Only “Balance Sheet Accounts” have registers. “Income and Expense Accounts” do not. Balance Sheet Accounts appear on the Balance Sheet.

Definition

Register – a record of activity that changes an account’s balance. Registers exist for Balance Sheet type accounts, not Income and Expense accounts. When you double click on many accounts in QuickBooks, it opens the checkbook looking lines of transactions - that is a Register.

Each register is a record of activity that changes the account’s balance. Registers can be used directly to enter most transactions.

QuickBooks Account Types

Balance Sheet Accounts

(these have registers)

- Bank
- Accounts Receivable (A/R) Other Current Asset
- Fixed Asset
- Other Asset
- Accounts Payable (A/P) Credit Card
- Current Liability
- Long-term Liability
- Equity

Income and Expense Accounts

(these do not have registers)

- Income
- Other Income
- Expense
- Other Expense
- Cost of Goods Sold (COGS)

(Since these lack registers, you will create reports to analyze the transactions that posted into them).











To open a register (for one of the accounts that have registers), double click the line of an account in the above Chart of Accounts to see the corresponding Register. You can also click the register button on the Button Bar:

Below is the Register for the checking account, **1010 – Business Checking**.

DATE	NUMBER	PAYEE	PAYMENT	✓
	TYPE	ACCOUNT	MEMO	
12/01/2005		320Baker#721:Kesey, Mike		
	PMT	1200 - Accounts R	12/1 received	
			265.00	
				62,924.53
12/01/2005		3304Covenant:Lee, Jake[A]		
	PMT	1200 - Accounts R	12/1 received	
			600.00	
				63,524.53
12/10/2005	1088	Wireless Phone Co.	89.40	
	CHK	5400 - Utilities:54		
				63,435.13
12/20/2005	1089	Condo Agency	120.00	
	CHK	5490 - Condo Ass		
				63,315.13
1/13/2014				
	Number	Payee	Deposit	
	Account			

63,315.13

Take note that different registers have different background colors. This visual confirmation prevents entering incorrect transactions in an account.

Register Account Colors	
Account	Register Color
Bank	 green
Accounts Receivable (A/R)	 blue
Other Current Asset	 tan
Fixed Asset	 tan
Other Asset	 tan
Accounts Payable (A/P)	 lavender
Credit Card	 turquoise
Current Liability	 tan
Long-term Liability	 tan
Equity	 tan

3.12 Properties use a “Class” or “Sub-class”

One major purpose of using QuickBooks is to easily create reports to analyze your investments. “Classes” allow you to categorize spending or income. Use a different class for every property (or sub-classes for each unit in a multiunit building.)

Definition



Classes give you a method to track and classify income and expenses. They are absolutely essential to categorize spending or income into different properties. You will have a different class for every property (and optionally subclasses for units in multi units). To get to the Class List use the Menu bar: click **Lists > Class List**.

Sub Classes are indented below another class and are used as each unit in a multiunit.

In the Menu Bar click **Lists > Class List**. You will see the following.

NAME

- 123MainSt
- 1610NAndrews
- 320BakerUnit721
- 3304Covenant
 - A
 - B
 - CAM
- mgmt_Carnegie1118Tenth
- SampleProp
- YourCompany LLC

Class Reports Include inactive

Multiunit buildings have several sub-classes, one for each unit and one as Common Area Maintenance (shared expenses over all units). In transactions, never use the overall class, for example “3304Covenant” always choose one of the sub-classes. It makes for nicer reporting. Choose one of the appropriate sub-classes.

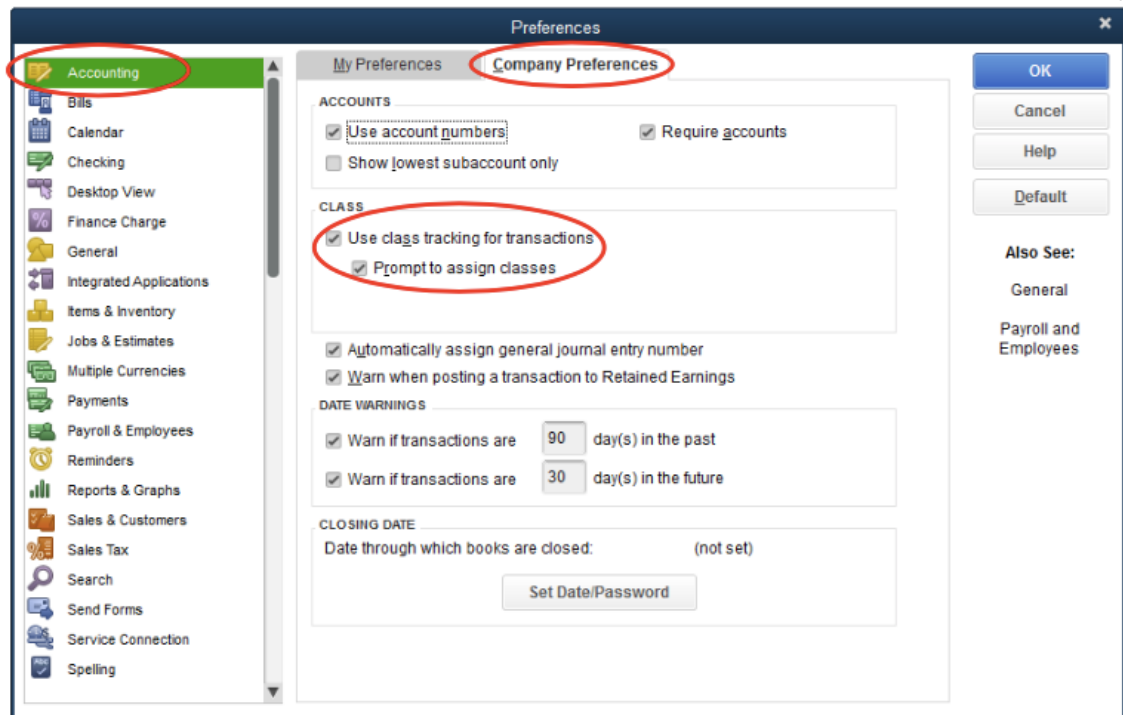
Quick Tip



If you create subclasses, try to only use them and do not put transactions into the super-class. In reports subclasses are aggregated into the super-class. Everything is intuitive if there are no stray transactions floating in the super-class. When you make subclasses, it is because you desire greater granularity in reporting—so always use them!

Quick Tip

In order to use classes, they must be turned on in the Accounting Preferences window. In the Menu Bar, click **Edit > Preferences...** scroll up to Accounting in the top of the scrollable list on the left and click the **Company Preferences** tab. Check **Use Class Tracking for transactions** and **Prompt to assign classes**.



If you use the sample company template, the preferences are already configured to use class tracking.

FAQ

Q: Does every single transaction use a class?

A: Generally, yes. With the exception of some special adjusting Journal Entries, you always want to use classes. Journal Entries are a powerful tool (allowing direct manipulation of accounts), and thus need extra thought. We help you with the examples in this book, though.

In general, always use the class that applies to each transaction. This corresponds to each property's class, or the company's class.

3.13 “Invoices” Charge Tenants for Rent

Do not worry; you will not have to mail physical invoices. “Invoices” are the method used in QuickBooks to charge tenants. They also allow for automatic late fee calculation.

Open the sample file and the Customer Center (**Ctrl+J**) and **right click** on the tenant at 3304 Covenant unit A: **Lee, Jake[A]**. Click **Use Register**. An Accounts Receivable register of all charges affecting Jake appears.

DATE	NUMBER	ITEM	QTY	RATE	AMT CHRG	AMT PAID	BALANCE
	TYPE	DESCRIPTION		CLASS	BILLED DATE	DUE DATE	
11/01/2005	1083				600.00		0.00
	INV					Paid	
12/01/2005						600.00	-600.00
	PMT	12/1 received					
12/01/2005	1090				600.00		0.00
	INV						
01/13/2014							

ENDING BALANCE **0.00**

Sort by: Date, Type, Number/Ref

Buttons: Record, Restore

Looking at Jake's User Register, it has two invoice charges (INV) and two rent payments. Each transaction typically takes two lines to show all the information. However, it can be set up to display less information by checking "1-Line" in the bottom left.

An alternative method to see a tenant's register is in the Customer Center. Highlight a specific tenant (a job) and look on the right side of the window. A transaction listing of Invoices and Payments shows up. Some other tenants also have late fees (Audrey Gold).

Job Information

Job Name: Lee, Jake[A] Main Phone: (555) 555-2000
 Customer Name: 3304Covenant Main Email: jlee@example.com
 Job Status: None
 Bill To: Jake Lee
 3304 Covenant

REPORTS FOR THIS JOB

- QuickReport
- Open Balance
- Job Profitability
- Estimates vs Actuals

Transactions

SHOW: All Trans... FILTER BY: All DATE: All

TYPE	NUM	DATE	ACCOUNT	AMOUNT
Invoice	1090	12/01/2005	1200 - Accounts Receivable	600.00
Payment		12/01/2005	1010 - Business Checking	600.00
Invoice	1083	11/01/2005	1200 - Accounts Receivable	600.00
Payment		11/01/2005	1010 - Business Checking	600.00
Invoice	1073	10/01/2005	1200 - Accounts Receivable	600.00

Manage Transactions Run Reports

Definition



Invoices are used in to charge rent to tenants. It can be set to automatically enter (through “memorized transactions”) and automatically assess late fees (through “Automatically Assess Finance Charges”).

The charges or payment line items each have (if applicable) room for the Date, Number, Item, Qty, Rate, Amt Charged, Amt Paid, Balance, Type, Description (memo), Class, Billed Date, and Due Date.

A sample invoice used for entering these charges is below. Later on we will go over all of these details.

Customer: 3304Covenant Lee, Jake[A]

SUMMARY

Phone: (555) 555-2000
 Email: jee@example.com
 Open balance: 0.00
 Active estimates: 0
 Sales Orders to be invoiced: 0

RECENT TRANSACTION

12/01/05 invoice - Paid: 600.00
 12/01/05 Payment: 600.00
 11/01/05 invoice - Paid: 600.00
 11/01/05 Payment: 600.00
 10/01/05 invoice - Paid: 600.00

NOTES

Definition

Accounts Receivable is the general account for money tenants (or anyone else) owes your company. It is increased when invoices (rent), sales receipts, or statement charges are entered and decreased when you receive payments.

See Also

To specifically set up your tenant's invoice charges (rent) see [5.02 Automatically Charge Residents for Rent](#). This current chapter is a higher level overview of QuickBooks' fundamental concepts.

3.14 "Items" go on Every Invoice

When you create an Invoice, you must charge for something. That something will be an "Item." You will have an item for rent, late fees, bad checks and more. First, look at the Items List in the sample data file. Click in the Menu Bar: **Lists > Item List**.

Each item has an associated account. When charging a tenant for an item, the revenue will go into the associated account. Items with predetermined charges have a price listed, while others do not and will have a custom price entered on the invoice directly.

If you ever have reason to create a new item, click the button **Item > New**.

The screenshot shows the 'New Item' window in QuickBooks. Red callout boxes provide the following instructions:

- Type is typically Service or Other:** Points to the 'TYPE' dropdown menu, which is currently set to 'Service'.
- The Name is how you refer to it internally:** Points to the 'Item Name/Number' text field.
- Use a 0.0 rate if it varies each time it is used (i.e. rent):** Points to the 'Rate' field, which is set to '0.00'.
- Fill in the associated Account:** Points to the 'Account' dropdown menu.
- If you print an invoice, the description is printed. Keep in mind tenants can read what you write here:** Points to the 'Description' text area.

Other visible fields include 'UNIT OF MEASURE', 'Enable...', 'This service is used in assemblies or is performed by a subcontractor or partner', and buttons for 'OK', 'Cancel', 'Next', 'Notes', and 'Custom Fields'.

If you want to add or edit many items, you can do that quickly with **Lists > Add/Edit Multiple List Entries**.

3.15 Rent is Your Primary “Item”

In QuickBooks, goods and services you provide customers are called items. Rent is a service you provide, so rent is an item.

Definition



Items are services, charges, or goods you provide to customers. Whenever you charge someone for something, it needs to have an item associated with it. Your main items are Rent, Late Rent Fee, NSF Fee and Bad Check Amt (the last two are related to bad checks tenants give you). To get to the Items List use the Menu bar: click **Lists > Item List**.

Let's look at the items. In the Menu bar, click **Lists > Item List**. There are several items, the most important one is “Rent”, which does not have a “Price” in the right because you enter the price in another screen (as it may vary between different properties, but you only want one item). The other items are related to late fees, tenant damage charges, or bad checks.

The rent item posts to the **4100 – Rental Income** account.

NAME	DESCRIPTION	TYPE	ACCOUNT	ON SALES	PRICE	ATT.
Rent	Rent due	Service	4100 - Rental Inc.		0.00	
+ tenant responsibl...	Repairs resident is responsible for	Service	4200 - Fee Incom...		0.00	
+ bad check amt	enter amount of bad c...	Other Charge	1010 - Business ...		0.00	
+ finance charge	Finance Charges on	Other Charge	4200 - Fee Incom...		0.0%	
+ late rent fee	Fee for late rent paym				25.00	
+ NSF fee	Bounced check fee				25.00	

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See Also



For instructions adding properties to the Customer Center, refer to section [3.06 Properties are “Customers” in the “Customer Center”](#). Also see section [3.12 Properties use a “Class” or “Sub-class”](#).

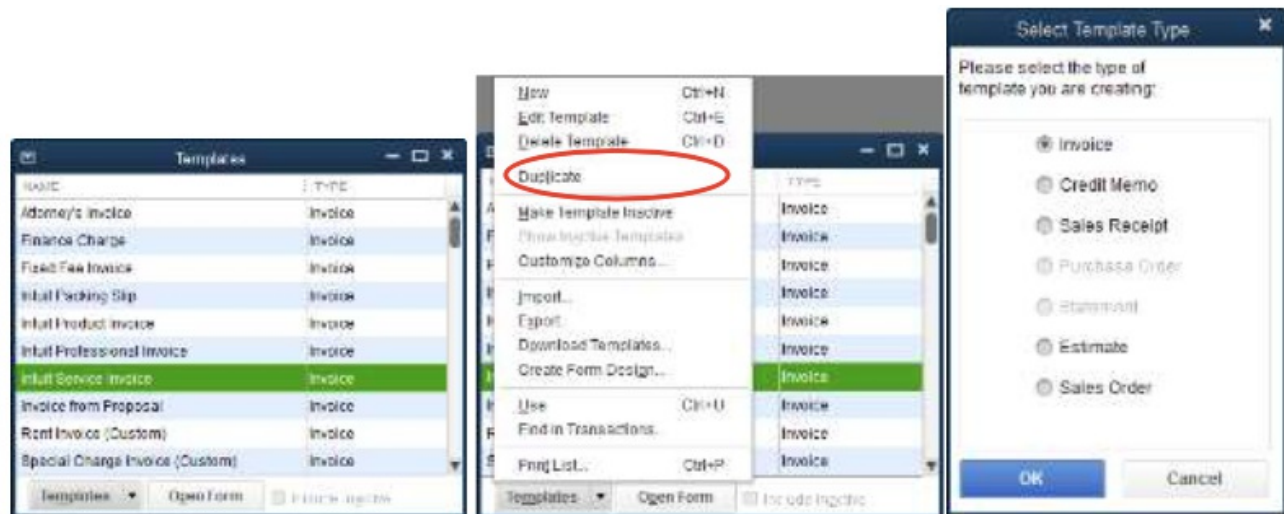
3.16 Customize Invoice Templates with your Logo

If you never print invoices, the default Intuit Service Invoice will probably work fine for your company. However if you need to print an invoice, you may want to include a logo or other customizations.

In the included company files there is a customized Rent Invoice you can use.

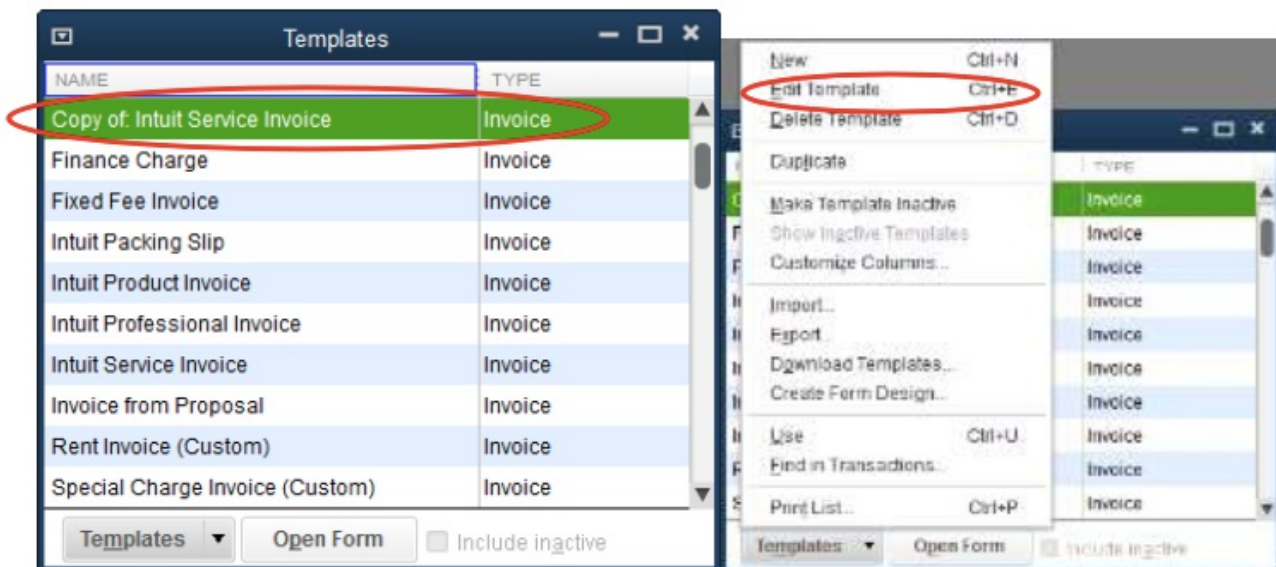
Customize forms and invoices by clicking in the Menu Bar **Lists > Templates**. You can duplicate an existing one, create a new one from scratch, or go online to browse more templates available for free from Intuit.

If you want to slightly modify the existing service invoice, **highlight** the Intuit Service Invoice and click the Templates button then click **Duplicate**.

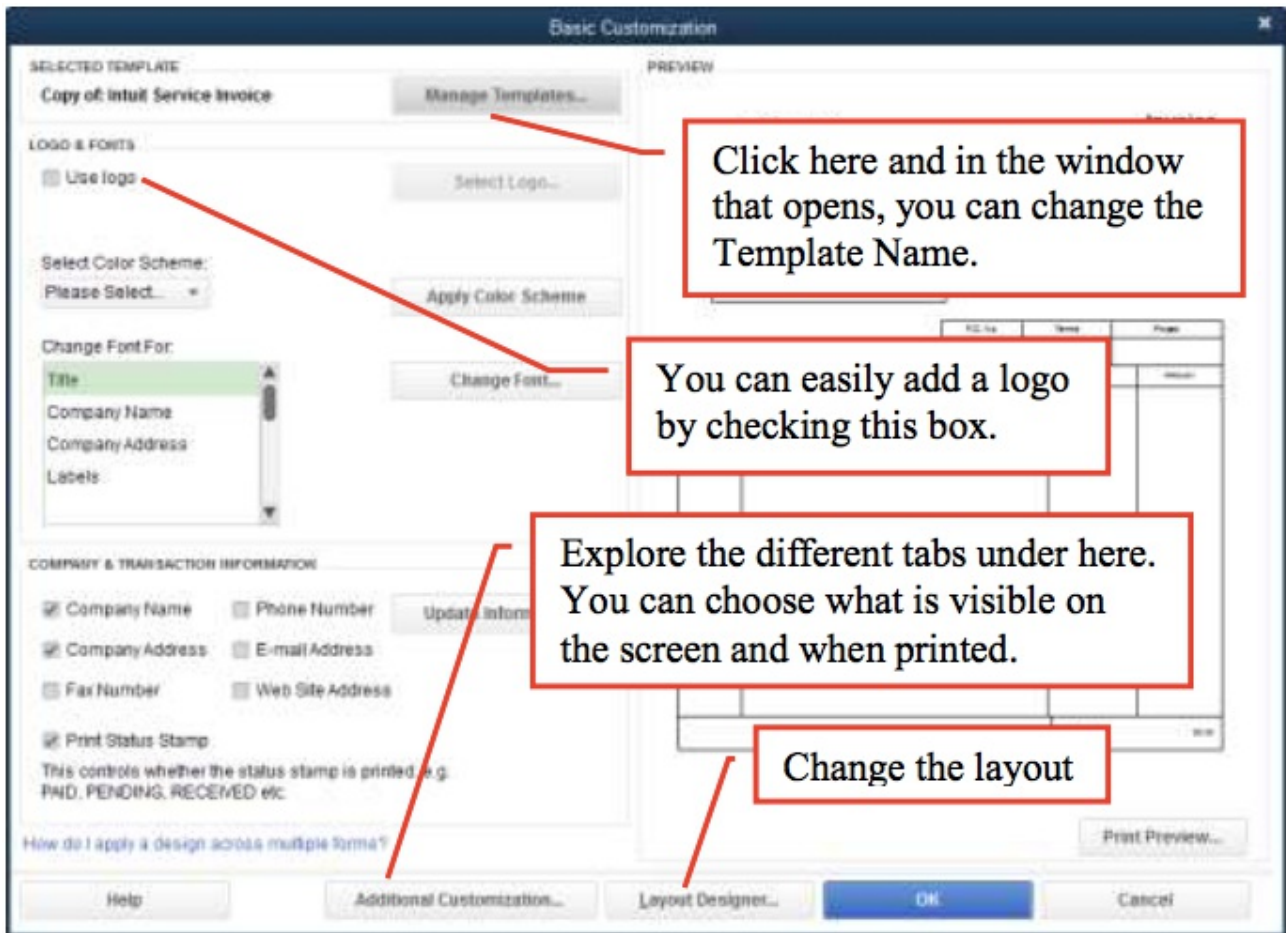


In the popup that appears, click Invoice, then OK.

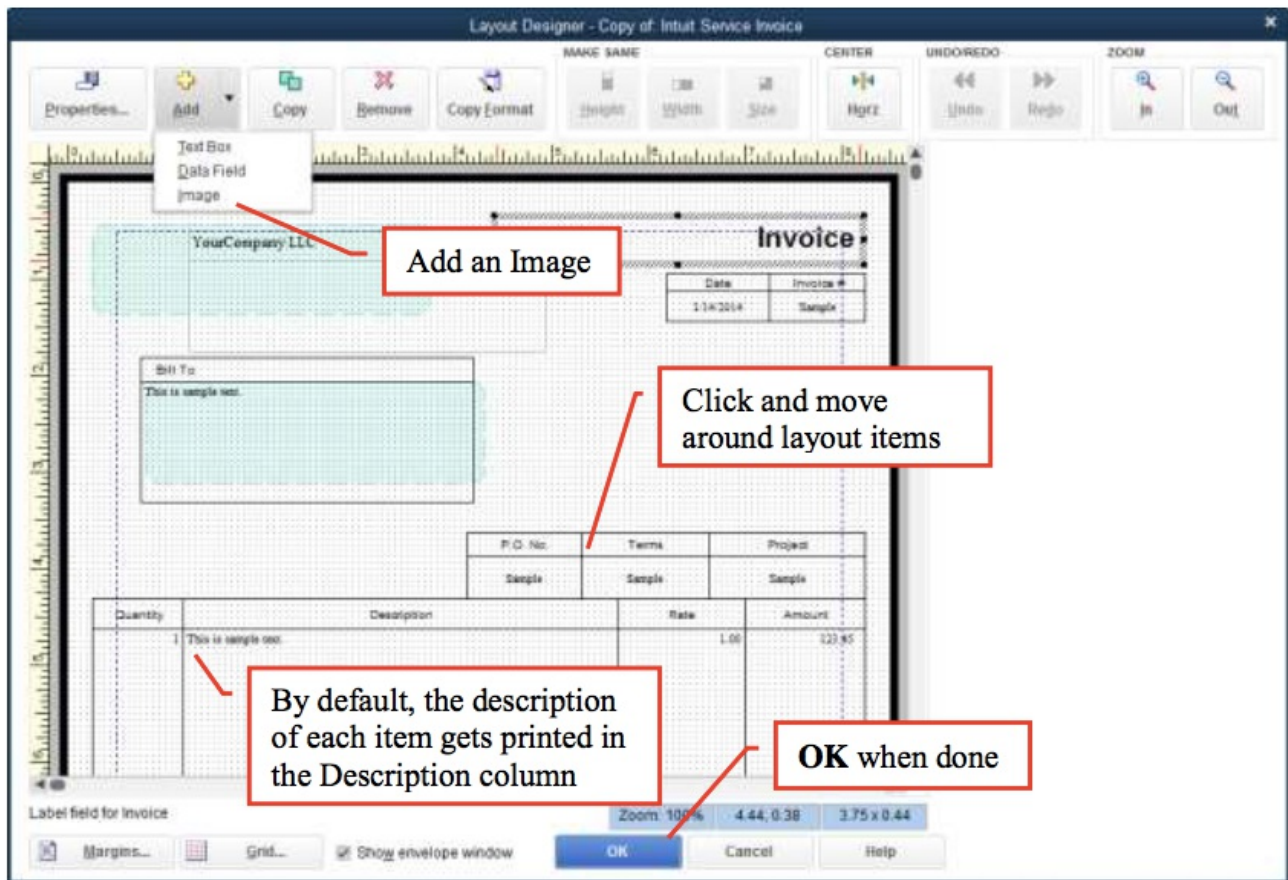
The duplicated invoice is now listed in the Templates window as **Copy of: Intuit Service Invoice**. Highlight it and click the **Templates** button > **Edit Template**.



In the window that appears, you can customize what information will be visible, both on the screen and when printed. Click through the various tabs to explore what options you can change.



Next, explore by clicking the **Layout Designer** button to customize the graphical look of your invoices. To add additional images and customize where they are, click the **Add...** button in the top toolbar and choose **Image**. Browse to the location of the image on your computer.



See Also



Look in the data file template and sample company file for an example of a customized Rent Invoice.

3.17 “Memorized Transactions” Occur Automatically

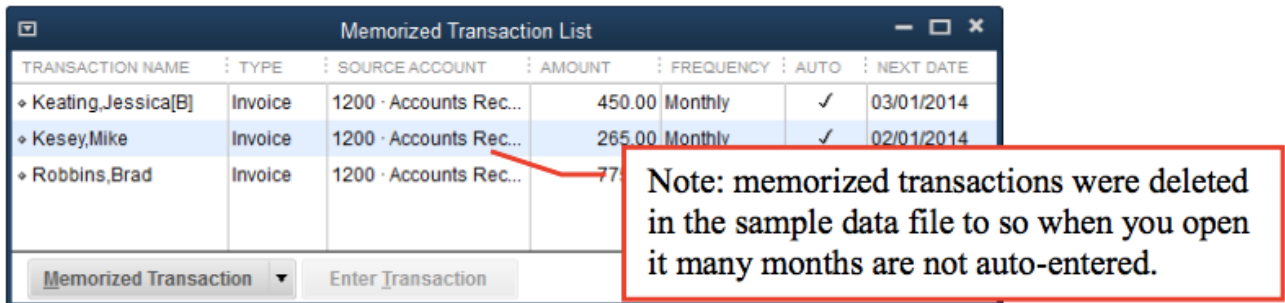
QuickBooks can memorize transactions and schedule to enter them repeating on in the future. These, in conjunction with “Invoices,” automatically charge every tenant, bill late fees, and generate a rent roll of tenants’ balances due.

See Also



To specifically set up your tenant’s invoice charges (rent) see [5.02 Automatically Charge Residents for Rent](#).

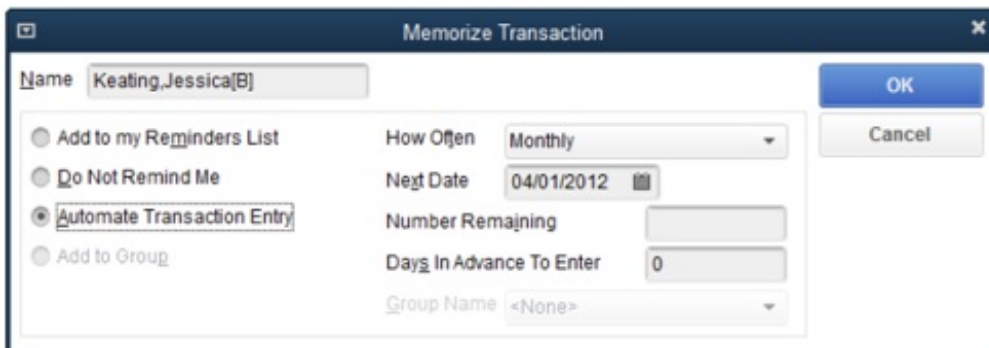
Look at the current memorized transactions by clicking in the Menu Bar, **Lists > Memorized Transaction List**, or press **Ctrl+T**. The following appears.



TRANSACTION NAME	TYPE	SOURCE ACCOUNT	AMOUNT	FREQUENCY	AUTO	NEXT DATE
Keating, Jessica[B]	Invoice	1200 - Accounts Rec...	450.00	Monthly	✓	03/01/2014
Keseey, Mike	Invoice	1200 - Accounts Rec...	265.00	Monthly	✓	02/01/2014
Robbins, Brad	Invoice	1200 - Accounts Rec...	77			

Note: memorized transactions were deleted in the sample data file to so when you open it many months are not auto-entered.

You can add to the list of memorized transactions at the time you enter a transaction. While the invoice is open (before clicking Save and Close) press **Ctrl+M** (or click **Edit > Memorize Invoice**). If you forget to memorize an invoice and close it, you can open that invoice back up and then press **Ctrl+M**.



Memorize Transaction

Name: Keating, Jessica[B]

Add to my Reminders List

Do Not Remind Me

Automate Transaction Entry

Add to Group

How Often: Monthly

Next Date: 04/01/2012

Number Remaining: []

Days In Advance To Enter: 0

Group Name: <None>

OK Cancel

As some tenants leave, delete the memorized transaction by selecting it and pressing **Ctrl+D**, or click in the Menu Bar, **Edit > Delete Memorized Transaction**.

Quick Tip

You may prefer to create Memorized Transaction Groups to organize the transactions. These groups can be per building, or per due date. Create a new group by clicking the button **Memorized Transaction > New Group**.

For instance, these could be grouped by apartment building, or if you also have loan servicing transactions, group “Rent” and “Loans” separately. Likewise, you could group Section-8 payments separately. You don’t need to decide now, you can always move them around later.

3.18 “Write Checks” don’t “Pay Bills”

The sample company uses the cash system of accounting, not accrual. (See [2.13 Cash Accounting, not Accrual](#)). “Pay Bills” would be used for accrual accounting – if you first entered a bill you had to pay, and then paid it.

In cash accounting, when one pays a bill, it is entered at the same time as an expense. Thus, “Write Checks” to utility companies, suppliers or anyone on our vendor list. Before paying anyone their name must be in the system, either as a vendor, customer or other name.

Write checks from the Menu Bar by clicking: **Banking > Write Checks** (or **Ctrl+W**). Look at previous checks that were written in the sample company file for examples.

The screenshot shows the 'Write Checks - Business Checking' window in QuickBooks. The 'Main' menu bar contains various actions: Find, New, Save, Delete, Memorize, Print, Pay Online, Attach File, Select PO, Enter Time, Clear Splits, Recalculate, Batch Transactions, Reorder Reminder, and Order Checks. The 'Reports' menu is also present. The 'BANK ACCOUNT' is set to '1010 Business Checking' and the 'ENDING BALANCE' is '63,315.13'. The check form includes fields for 'NO.' (1092), 'DATE' (01/13/2014), 'PAY TO THE ORDER OF', 'AMOUNT' (0.00), 'ADDRESS', and 'MEMO'. Below the form is an 'Expenses' table with columns for ACCOUNT, AMOUNT, MEMO, CUSTOMER, BILL, and CLASS. The table shows a total of \$0.00. At the bottom are buttons for 'Save & Close', 'Save & New', and 'Clear'.

3.19 Write Checks

In the Menu Bar click **Banking > Write Checks**, or click the Check menu button.

Type in the name you need to “Pay to the Order of”. If that name is not already on one of your lists (as a Customer, Vendor, Employee, etc.) you can quick add it.

Below is an example check paying a seller earnest money for a property we are making an offer on.

The screenshot shows the 'Write Checks - Business Checking' window. The 'BANK ACCOUNT' dropdown is set to '1010 - Business Checking'. The 'PAY TO THE ORDER OF' dropdown is set to 'Sally Seller'. The 'DATE' is '01/01/2005' and the amount is '\$ 1,000.00'. The check amount is written as 'One thousand and 00/100 ***** DOLLARS'. The 'ADDRESS' field contains 'Sally Seller' and the 'MEMO' field contains 'offer to purchase 1610 N.Andrews'. Below the check form is an 'Expenses' table with one entry: '1030 - Earnest Money Paid' for an amount of '1,000.00' and 'CLASS' set to 'YourCompany LLC'. Annotations with red boxes and arrows point to the 'PAY TO THE ORDER OF' dropdown, the amount field, the 'ACCOUNT' dropdown, and the 'CLASS' dropdown.

Choose a name from the dropdown menu. If you need to add a new name, type it in the blank.

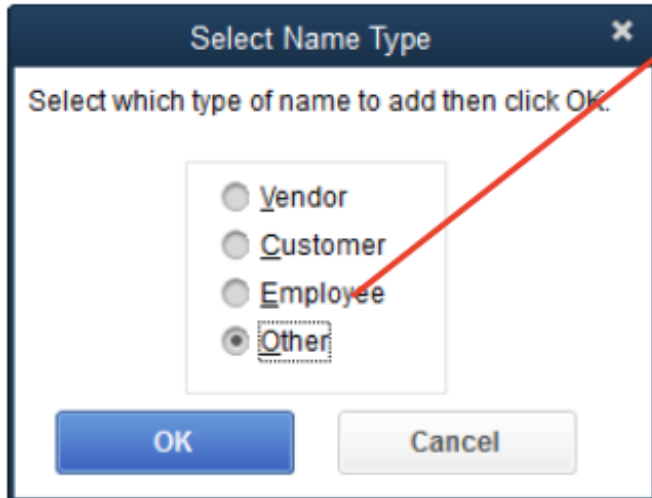
Enter the amount.

Choose what account describes this cost incurred (the other account besides checking in double entry accounting)

Fill in the Class.

The screenshot shows a 'Name Not Found' dialog box. It contains a question mark icon and the text: 'Sally Seller 2 is not in the list. To automatically add Sally Seller 2 to the list, click Quick Add. You can enter more details later. To enter the detailed information now, click Set Up (usually not required)'. At the bottom are three buttons: 'Quick Add', 'Set Up', and 'Cancel'. An annotation with a red box and arrow points to the 'Quick Add' button.

If you tried to pay someone who is not in a list, this pops up. Click Quick Add.



Choose the type of person that you are adding and click **OK** then you can complete the check. In the above example, the seller is an “Other Name,” which we discuss later.

3.20 “Make Deposits” versus “Receive Payments”

You “Make Deposits” if you do not have a charge entered against a tenant in your Accounts Receivable. This happens when you receive a security deposit. It is not income, and you did not charge a tenant for it. It is available in the Menu Bar under **Banking > Make Deposits**.

Technically you could charge (invoice) a tenant first for the security deposit, but that takes more steps and does not add much valuable information to your accounts.

Quick Tip



Save deposit slips and bank statements—or know how long they are archived online. If you ever get audited, you will want to be able to produce these as evidence.

See Also



For examples of using Make Deposits for security deposits, refer to section [5.12 Enter Security Deposits](#).

You “Receive Payments” when a payment has been made to offset a charge you entered for a specific tenant. It is available in the Menu Bar under **Customers > Receive Payments**. You need to create and enter an Invoice charge, and then when receiving payments, check a box next to that invoice. This indicates what the payment is applied against.

Definition

Accounts Receivable is the general account of money people (tenants) owe your company. It is increased every month when the statement charges (rent) are automatically entered and decreased when you receive payment, offsetting the charges.

Explore the sample data file, looking at both Make Deposits and Receive Payments windows. Click the Previous icon button (look for a left arrow) to view old transactions and observe how they were used.

See Also

For the specifics of how to receive rent, refer to section [5.03 Receive Rent](#).

3.21 The “Vendor Center” is for Companies You Pay

Anytime you pay somebody (using either Write Checks or Pay Bills) you need he, she, or it in the “Vendor Center.” Access the sample file vendors by clicking the Vendors button in the Button Bar.

Use the vendors when you write checks, as well as for reports on how much you spend with different companies. It is not necessary to fill in all of the information under the New Vendor window. The minimum entry is the Vendor Name field (unless a vendor is a 1099 vendor, then you need their tax id too).

If you don't have an employee, but a contractor who is unincorporated and paid over a certain amount, determined by the IRS, per year—make that vendor a 1099 vendor. A 1099 is an IRS form you complete for certain services paid for. QuickBooks tracks the amount of money spent with this vendor and enables you to print a form automatically.

Caution

Consult your tax professional or the IRS for information about the 1099-MISC form and current tax year compliance. For the IRS, call 800-TAX-FORM choosing option 1 then 2, or visit www.irs.gov.

To make an existing vendor a 1099 vendor, click, in the button bar, **Vendors**.

Choose the vendor to change and double click it. Enter information in the Address Info tab. The address must have the state abbreviation and zip code. If it is a person, enter the legal name. If you know a company name, but not the person's name—leave the company name blank to prevent double names on the 1099-MISC form. Click the Additional Info tab and select the 1099 check box

and enter the Tax ID. You cannot print 1099-MISC forms unless all the above information is filled for every eligible vendor.

In order to print the 1099-MISC forms you must set up the threshold amounts and the types of 1099's you will issue.

See Also

To adjust the 1099 vendor threshold amounts, refer to [3.29 Changing QuickBooks "Preferences"](#).

To learn how to set up 1099 accounts and threshold amounts search for "[set up 1099 account](#)" in QuickBooks Help.

For information on generating end of year 1099 vendor reports, refer to section [7.13 1099 Reports for Vendors](#).

3.22 If you have employees, use the "Employee List"

To use this feature, you need to register for one of QuickBooks's payroll services. Click in the menu bar: **Employees > Payroll**.

See Also

For more about the payroll services offered from QuickBooks, see [3.34 Payroll Options](#).

3.23 People on the "Other Names List"

The Other Names list is for persons, things, or companies that are not customers, employees or vendors. This will include owners and partners.

If you are a member (owner) in a LLC, you will want to get paid. When the checks are written to you, your name will be chosen from the "Other Names List." If you are paying a paycheck, you will use the Employees Center and pay paychecks.

To view the Other Names List, click in the Menu Bar: **Lists > Other Names List**. Here two partners of the sample file are listed. New ones are added by pressing [Ctrl+N](#). This also lists a sellers and a buyer of recent properties.

NAME	NOTES	ATTACH
Ben Buyermuch		
Cristy & Wess Applegate, sellers		
Partner_ChristyApplegate		
Partner_WessApplegate		
Sally Seller		

If you right click a name and choose **Edit Other Name...**, the following window appears.

3.24 Delete, Make Inactive, and Void

To delete something click in the Menu Bar **Edit > Delete** ___; where the blank is either transaction, class in class list, journal entry or whatever other thing you are trying to delete. Or with the transaction, class, etc. highlighted, press **Ctrl+D**.

Caution

In some versions, you cannot undo deleted transactions. Make a backup before attempting anything that might mess up your records. In fact, it's a great idea to make backups every day to your hard drive and every couple of days to a removable disk, CD or USB drive and store that offsite. Also, consider online backups.

Quick Tip

You can right click something on the screen and additional commands usually appear on the popup menu. If applicable, "void" is an option but "delete" is not.

The fastest way to delete a transaction is to highlight it in a register and use **Ctrl+D**. If you forget that, just look in the Edit menu and there should be a delete option.

Many times you will try to delete something, only to get an error message saying it cannot be deleted. Classes, accounts, or the like cannot be deleted if they are still being used in any previous transactions. Make things inactive instead of trying to delete them. Former tenants (jobs in the Customer Center), classes, fixed asset accounts of properties you have sold, or security deposit sub-accounts for a former tenant all are best to make inactive when no longer needed. On the list view of that thing, you can right click and choose **Make Inactive**.

Checks can be voided by right clicking on the check and choosing **Void**, or with the check you want to void active (in the register or checkbook) click in the Menu Bar **Edit > Void Check**.

3.25 "Merge" List Items

Inevitably you will want to reorganize some of your items, classes, customers, accounts, etc. There is not a command to merge two items or a menu that you can choose and merge things. Instead rename whatever you want to merge into something else as the same name. If you discover two vendors which should be the same, "Wireless Phone" and "Cell Phone Co.", rename one to the other and they will be merged.

Merge combines items, classes, accounts, etc. to the name of an existing item, class, account, etc. You will be prompted if you really want to merge. It cannot be undone.

Caution

You cannot undo the merge of two items, classes, accounts, etc. Make sure you absolutely want to do it, and make a backup before attempting anything that might mess up your records.

3.26 "Reconcile" your bank account

Reconciling an account makes sure your checking account record matches the bank's record. The bank account should be used exclusively for the business. Each month you get a bank statement showing all activity in the recent statement period.

To reconcile, click in the Menu Bar **Banking > Reconcile**.

If you are reconciling against today's current online balance, instead of a statement, choose the "Statement Date" to today, and the "Ending Balance" to the current balance.

The screenshot shows the 'Begin Reconciliation' window with the following fields and callouts:

- Select an account to reconcile, and then enter the ending balance** (Title)
- Select the account to reconcile** (Callout pointing to the Account dropdown menu)
- Enter the statement date** (Callout pointing to the Statement Date field)
- Enter the ending balance on the bank statement** (Callout pointing to the Ending Balance field)
- Fill in all service charges and interest earned as well as the corresponding accounts and classes.** (Callout pointing to the Service Charge and Interest Earned sections)

Additional text in the window includes: "What if my beginning balance doesn't match my statement?" and buttons for "Locate Discrepancies", "Undo", and "Help".

Enter in the above information and click **Continue**.

Reconcile - Business Checking

For period: 01/31/2014 Hide transactions after the statement's end date

Checks and Payments Deposits and Other Credits

DATE	CHK #	PAYEE	AMOUNT	DATE	CHK #	MEMO	TYPE	AMOUNT
01/01/			1,000.00	01/01/2005		Deposit ...	DEP	160,000.00
01/01/			5,000.00	01/01/2005		Security D...	DEP	600.00
01/01/			589.90	01/01/2005		1/1 receiv...	PMT	600.00
01/01/			325.00	02/01/2005		Security D...	DEP	900.00
01/01/			359.00	02/01/2005		1/1 receiv...	PMT	265.00
01/08/2005	1006	Hardware St...	386.00	02/01/2005		2/1 receiv...	PMT	265.00
01/10/2005	1007	Wireless Ph...	89.40	02/01/2005		2/1 receiv...	PMT	600.00
01/15/2005	1008	Hardware St...	229.00	02/01/2005		2/1 receiv...	PMT	600.00
01/18/2005	1009	Hardware St...	2,000.00	02/15/2005		Deposit	DEP	775.00
01/18/2005	1010	Bank	2,505.00	02/15/2005		2/15 recei...	PMT	360.00
01/18/2005	1011	Insurance Co.	255.00	02/22/2005		Deposit t...	DEP	100.00
01/20/2005	1012	Newspaper	40.00	03/01/2005		Security D...	DEP	500.00
01/20/2005	1013	Condo Agency	120.00	03/01/2005				
02/10/2005	1014	Wireless Ph...	89.40	03/01/2005				
02/12/2005	1015	Mortgage Co...	307.07					

Highlight Marked Mark All Unmark All Go To Columns to Display...

Beginning Balance 0.00 Service Charge 0.00
 Items you have marked cleared Interest Earned 0.00
 10 Deposits and Other Credits 5,130.00 Ending Balance 3,578.16
 9 Checks and Payments Cleared Balance 1,623.20
 Difference 1,954.96

Check the transactions that match on the bank statement and in your register.

Modify lets you go back to edit the previous screen.

When the difference is zero, click Reconcile Now. Here it is not yet reconciled.

When you look back at the register, there will be a checkmark in the cleared column for reconciled transactions. If you do not get \$0.00 as the difference, you must go through your transactions to find where the difference is compared to the bank.

In order to more quickly reconcile every month, check the box "Hide transactions after the statement's end date" and then check "Mark All" and often the difference is \$0.00, so skim over the transactions, and click "Reconcile Now".

Whenever reconciliation is not balancing, it is helpful to move back halfway in your date range and try reconciling as of that date. If that works, then search forward half of the remaining until you isolate the period and transaction that is in error.

3.27 Online Banking Setup

It is suggested to choose a bank that allows online banking, and connects with QuickBooks. This allows you to download statements in order to more quickly reconcile transactions. Online bill

payment is also available. To get a list of banks that integrate with QuickBooks electronically, click in the Menu Bar: **Banking > Bank Feeds > Participating Financial Institutions.**

For period: 01/31/2014 Hide transactions after the statement's end date

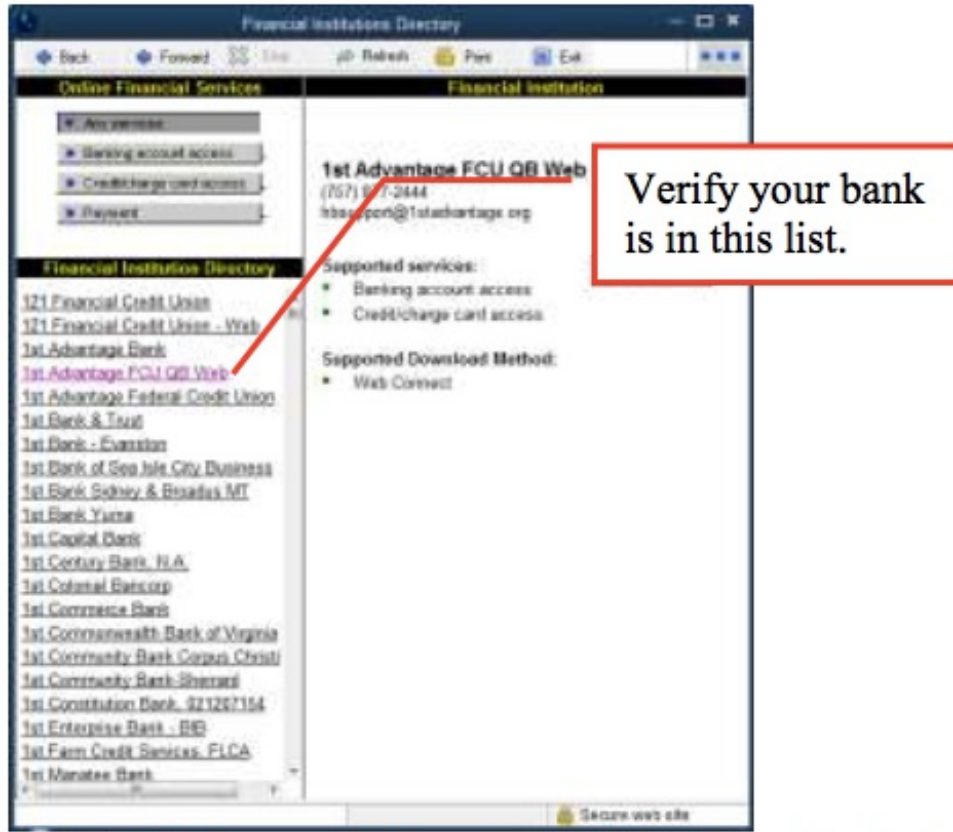
Checks and Payments				Deposits and Other Credits				
DATE	CHK #	PAYEE	AMOUNT	DATE	CHK #	MEMO	TYPE	AMOUNT
01/01/2005			1,000.00	01/01/2005		Deposit ...	DEP	160,000.00
01/01/2005			5,000.00	01/01/2005		Security D...	DEP	600.00
01/01/2005			589.90	01/01/2005		1/1 receiv...	PMT	600.00
01/01/2005			325.00	02/01/2005		Security D...	DEP	900.00
01/01/2005			359.00	02/01/2005		1/1 receiv...	PMT	265.00
01/08/2005	1006	Hardware St...	386.00	02/01/2005		2/1 receiv...	PMT	265.00
01/10/2005	1007	Wireless Ph...	89.40	02/01/2005		2/1 receiv...	PMT	600.00
01/15/2005	1008	Hardware St...	229.00	02/15/2005		Deposit	DEP	775.00
01/18/2005	1009	Hardware St...	2,000.00	02/15/2005		2/15 recei...	PMT	360.00
01/18/2005	1010	Bank	2,505.00	02/22/2005		Deposit t...	DEP	100.00
01/18/2005	1011	Insurance Co.	255.00	03/01/2005		Security D...	DEP	500.00
01/20/2005	1012	Newspaper	40.00	03/01/2005				
01/20/2005	1013	Condo Agency	120.00	03/01/2005				
02/10/2005	1014	Wireless Ph...	89.40					
02/12/2005	1015	Mortgage Co...	307.07					

Beginning Balance: 0.00
 Items you have marked cleared:
 10 Deposits and Other Credits: 5,130.00
 9 Checks and Payments: 5,130.00

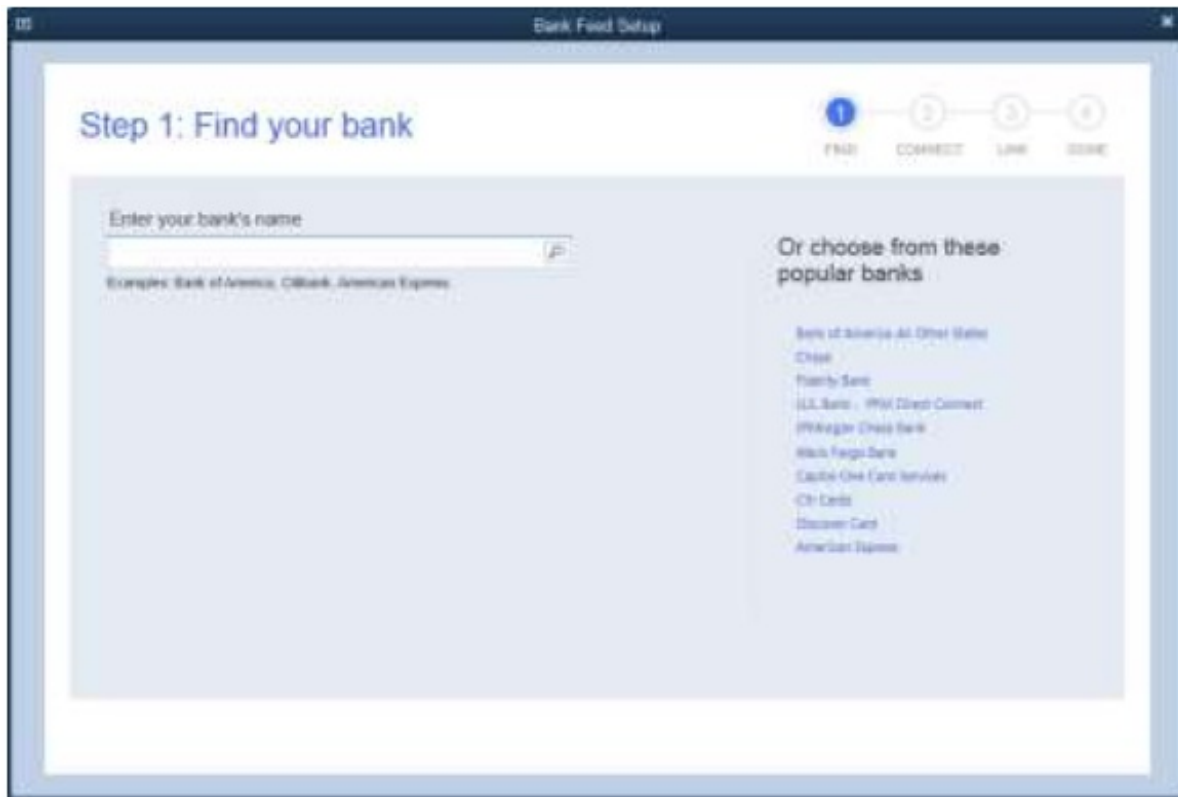
Service Charge: 0.00
 Interest Earned: 0.00
 Ending Balance: 3,578.16
 Cleared Balance: 1,623.20
 Difference: 1,954.96

Buttons: **Reconcile Now**, Leave, Modify, Mark All, Unmark All, Go To, Columns to Display...

Once you know your bank offers QuickBooks integration, click: **Lists > Chart of Accounts** and right click on your checking account. Choose Edit Account.



You will enter a wizard to set up online banking for this account. Follow the steps, and then you are done.



Depending on the bank you choose, you will be prompted to use “Direct Connect” or “Web Connect.” Direct Connect is a much faster process. It is well worth the \$10 fee your bank may charge per month.



Here are the key differences between the two options:

Direct Connect	WebConnect
<i>Ease of Use</i>	

Direct Connect	WebConnect
Statement information is downloaded directly from your financial institution into QuickBooks.	Statement download is more complex: <ol style="list-style-type: none"> 1. Go to your financial institution's Web site. 2. Sign in. 3. Find and download the statements. 4. Save the statement file to your hard disk. In QuickBooks, find the saved file and import it.
<i>Features</i>	
Send and receive. If your financial institution supports it, you can transfer funds between accounts and send payment inquiries and cancellations, messages, bill payments, and checks online.	Receive information only. QuickBooks can receive information about transactions your financial institution processes, but it can't send information back to the financial institution.
<i>Fees</i>	
Many financial institutions charge fees for this method. Contact your financial institution directly to see if it charges fees, and if so, how much those fees are.	Most financial institutions do not charge fees for this method.

Once the account is linked, you can click the **Bank Feeds** button on the button bar and it will prompt you to authenticate and then download the transactions.

3.28 “Split Transactions”

Think of these as one transaction that has many detailed itemizations that go to different accounts. Consider a check to reimburse someone that includes fees on several properties, and office supplies. You “split” the transaction to track everything appropriately.

Split Transactions involve more than the typical two accounts per transaction. You can have as many as you want. This is very useful, whether paying for a vendor for work associated with multiple properties, or paying interest and principle back in a single mortgage payment.

In double entry accounting you remember there are at least two accounts involved in every transaction. One is where money is coming from (or going to); the other is the income, expense, liability, or cash account that is recognizing the transaction. It is possible for three or more accounts to be involved through split transactions. An example is in the payment of mortgage principle and

interest.

Transaction	Debit	Credit	Notes
(1) cash account		\$658 decrease	Spend money for mortgage payment
(1) interest expense	\$58 increase		Recognize the interest expense
(1) mortgage liability	\$600 decrease		Decrease the principle balance of the mortgage.

A check in QuickBooks for the above transaction would look like the following.

See Also

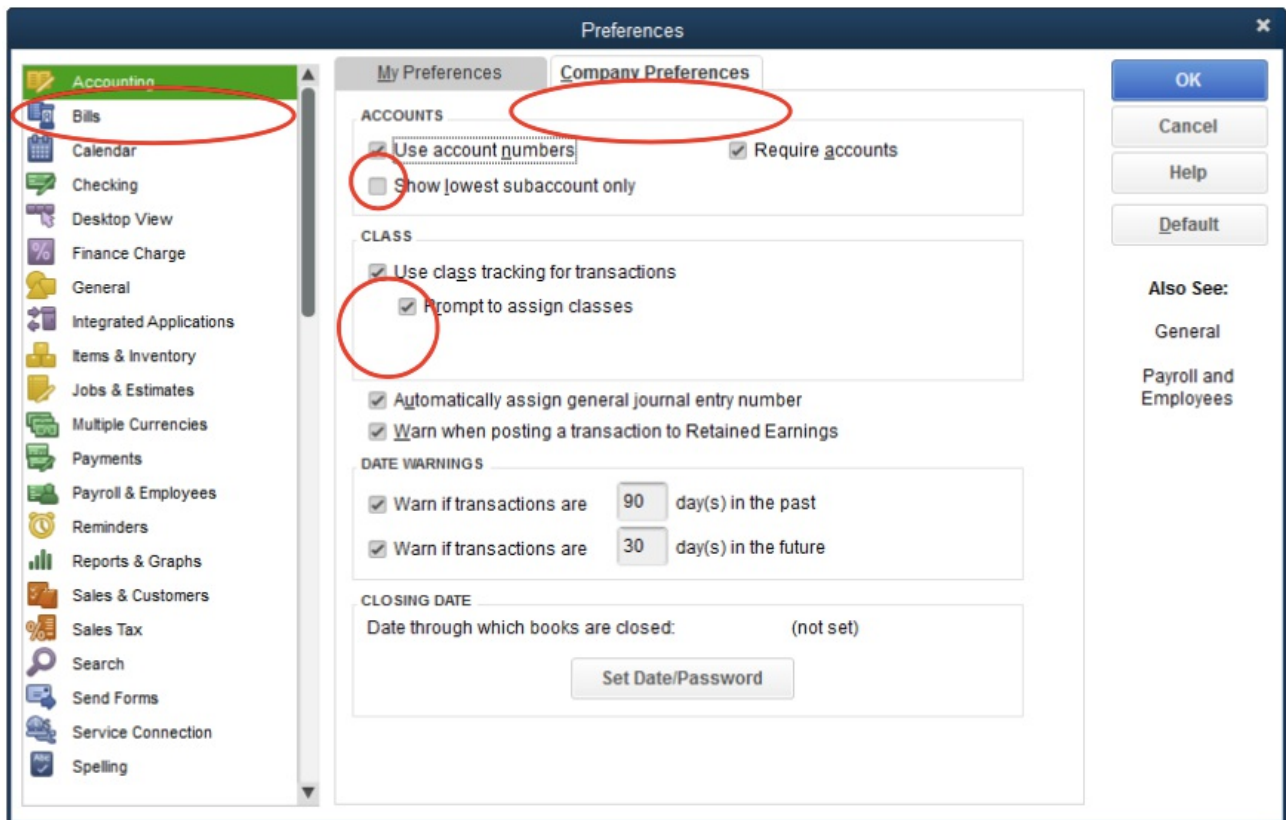


For another example of a split transaction (and when to use a negative number in the “Amount” field) see [5.13 Enter Security Deposit and First Month’s Rent Together](#).

3.29 Changing QuickBooks “Preferences”

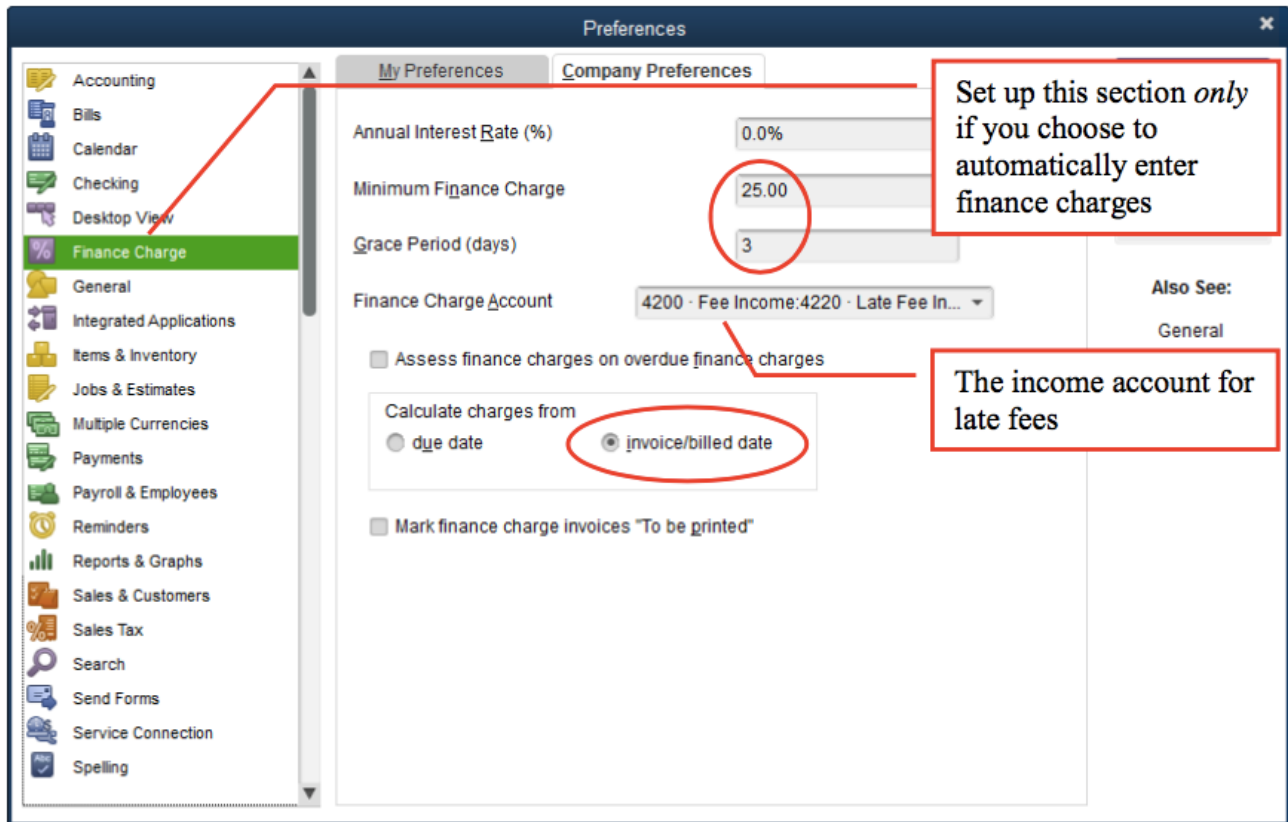
QuickBooks Preferences are properly configured in the template files included with this manual. The following are the custom changes that have been made in the template files.

Open the Menu Bar’s **Edit > Preferences...** menu option. Go to the **Accounting** section (top left icon) and click the **Company Preferences** tab. Click “**use account numbers**”, “**use class tracking**” and “**prompt to assign classes.**”

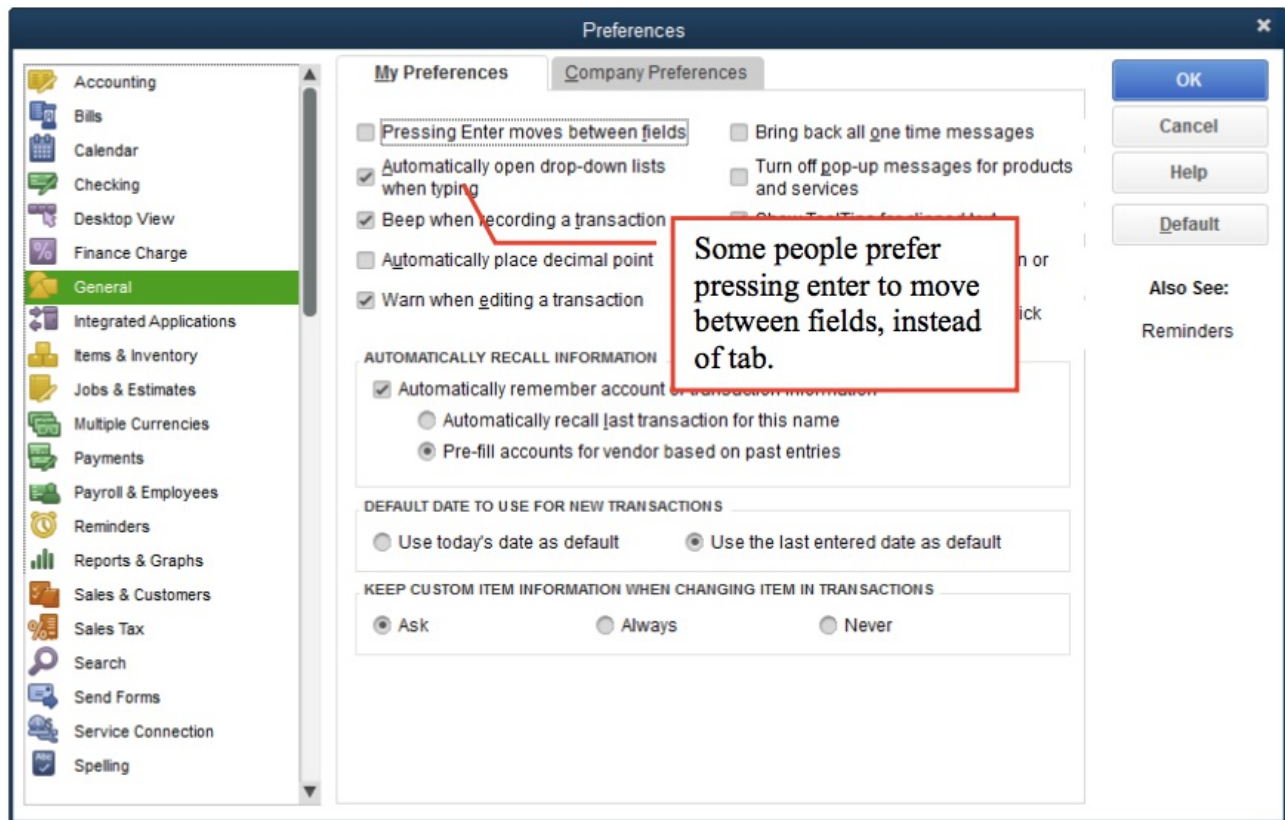


The sample data file is configured to *automatically* enter finance charges for late rent. You can always undo assessed finance charges if you later want to forgive a tenant's late fees. (Delete the finance charges invoice).

To modify this setting, go to the **Finance Charges** section. Under the **Company Preferences** tab, set your late fee and the **grace period**. Click calculate charges from the **invoice/billed** date. Verify that the account charged is appropriate for this fee income as well. The sample company file uses the account **4220 – Late Fee Income**.

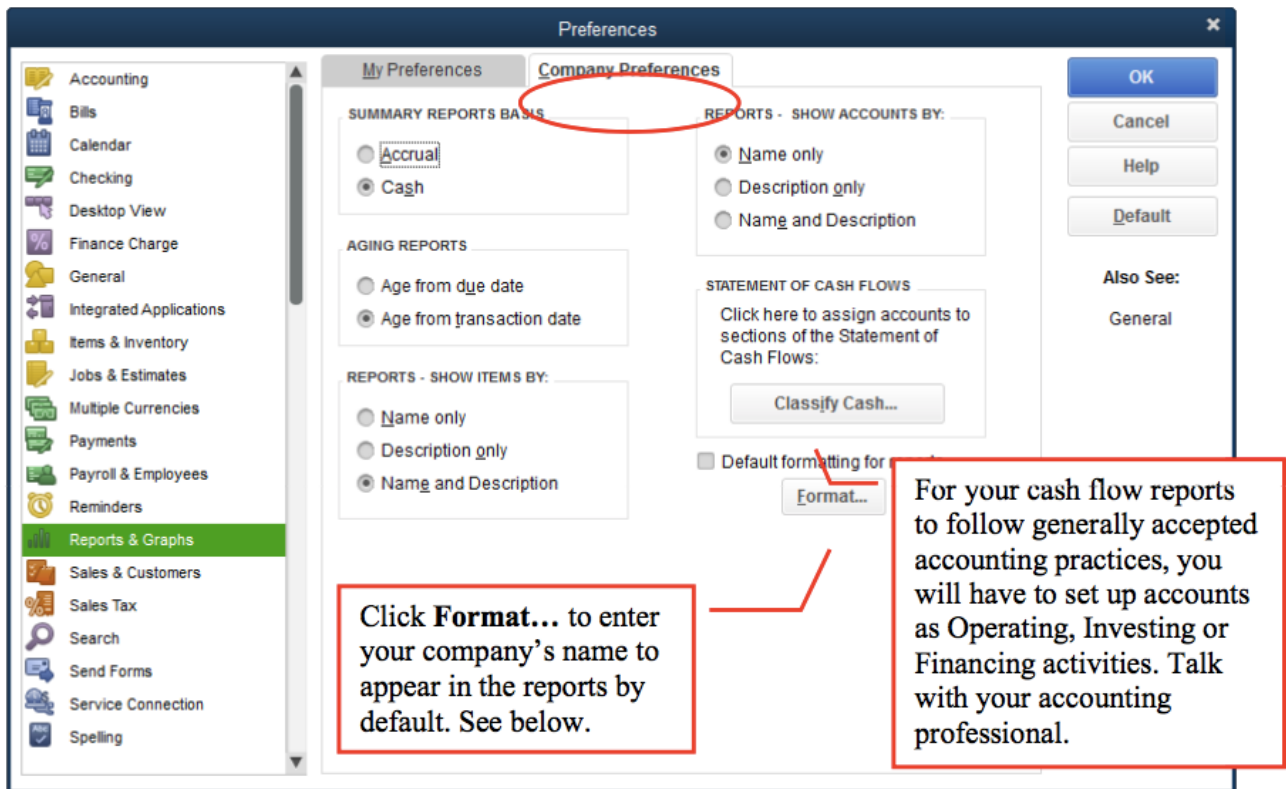


Next, in the **General** section, click the **My Preferences** tab. You may prefer to press enter to move between fields, instead of tab.



In the **Reports and Graphs** section, click the **Company Preferences** tab. Click **Format** and customize what appears on report headers.

If it is important to configure the **Classify Cash...** options in the statement of cash flows, talk to your accountant.



Note that only the *Summary Reports* will display on the cash basis after setting the above preference. Detail Reports will still default to the accrual method, but you can change that to cash on an individual report if you want.

See Also



Refer to the Quick Tip clarifying cash and accrual reports in section [7.04 Profit and Loss Detail Report](#).

To have your company name appear in reports, open preferences (**Edit > Preferences...**) and choose the **Reports & Graphs** section, click the **Company Preferences** tab and click **Format...** Change the **Company Name** field to your company's name.

Report Format Preferences

Header/Footer | **Fonts & Numbers**

SHOW HEADER INFORMATION

- Company Name:**
- Report Title:**
- Subtitle:**
- Date Prepared:**
- Time Prepared:**
- Report Basis:**
- Print header on pages after first page**

SHOW FOOTER INFORMATION

- Page Number:**
- Extra Footer Line:**
- Print footer on first page**

PAGE LAYOUT

Alignment:

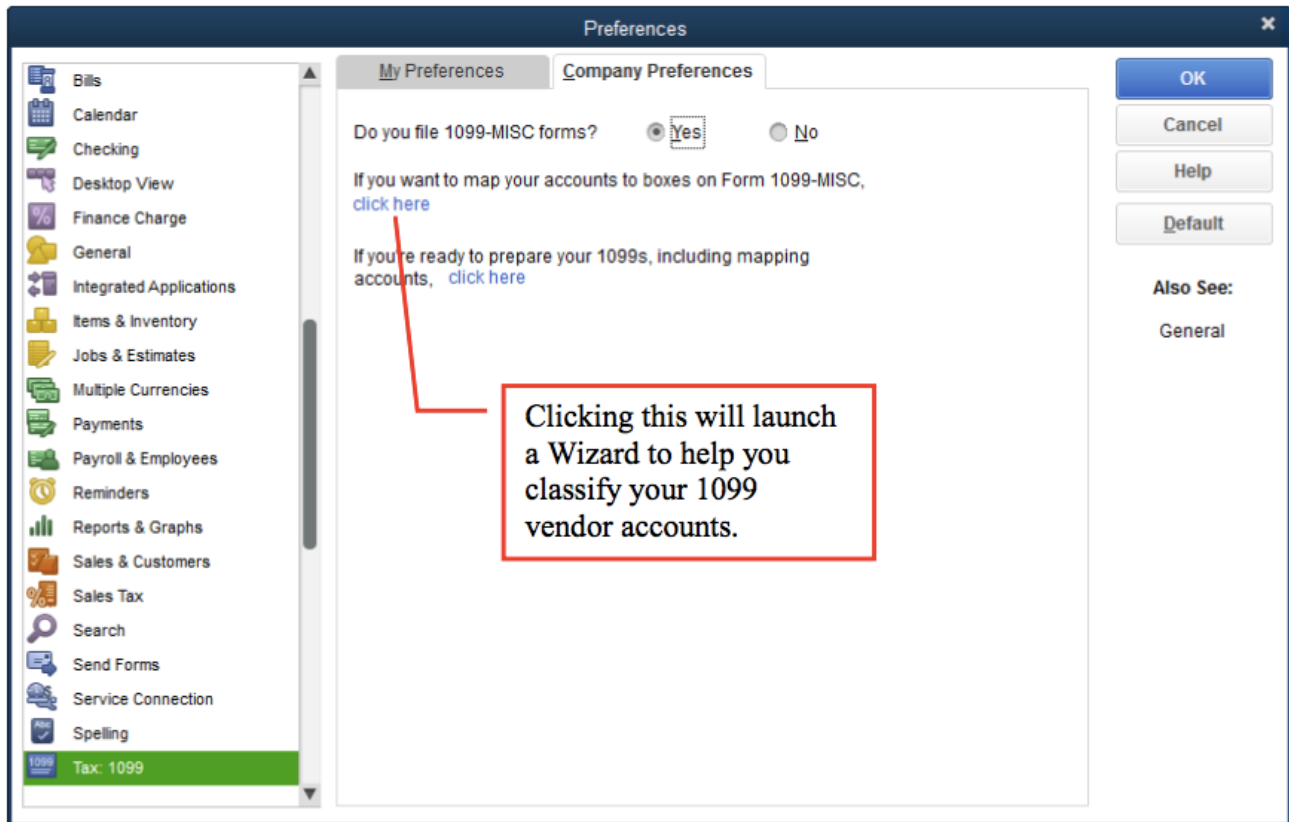
Time	Company
Date	Title
Basis	Subtitle
Inv/Exp Description	
Max 1099	
Ordinary Income	
Car Allowance	0.00
Consulting fee	0.00
Dividends	
Income	0.00
Other - Dividends	0.00
Total - Dividends	0.00
Draw - P-C Salary	0.00
Gifts Received	0.00
Interest Earned	11.55
Rental Income	0.00
Salary	
Income	0.00
Profit Sharing	0.00
Other Salary	1,079.52
Total - Salary	1,079.52

Extra Line **Page**

Revert

OK **Cancel** **Help**

If you deal with 1099 vendors, QuickBooks can automatically generate the appropriate IRS forms. You will need to check with your tax professional and set up the appropriate accounts and thresholds according to the current tax laws. Access the Tax: 1099 section and change the **Company Preferences** tab.



3.30 “Back up” your Company Data

As you get your accounts set up, create several intermediate backups in case you decide you want to go back and undo significant changes to your file. QuickBooks does not have a helpful “undo” feature, so creating many backups is all the more important as you are learning the software.

Practice restoring a backup once too, so you feel confident in the usefulness of the backups. Learn how to do that in the following section.

I suggest backing up data routinely as well as backing up before making significant changes. Click in the Menu Bar, **File > Back Up Company > Create Local Backup...** The following window appears. You can create an online or local backup.

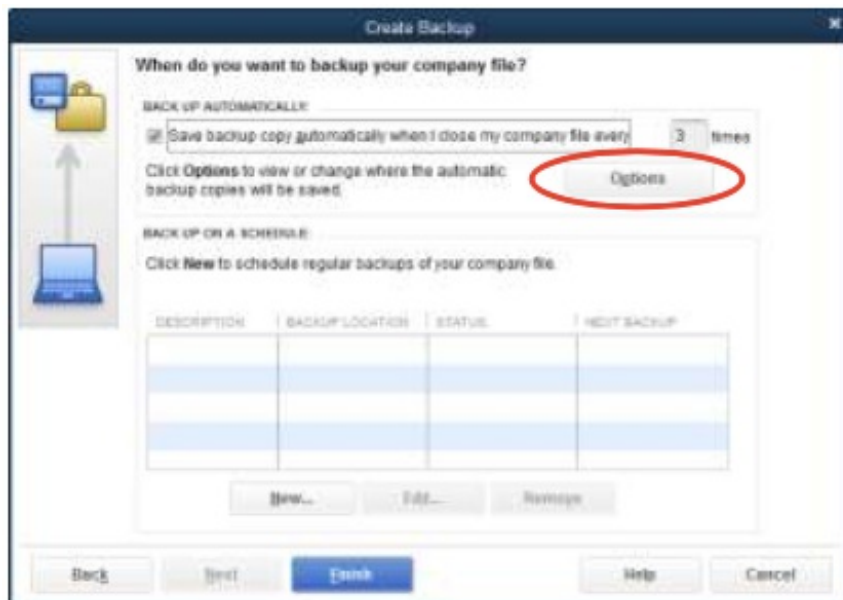


Keep several copies of your backups in different locations (perhaps with an online backup and a USB drive) so if your office is burglarized, or online passwords compromised, you will still have your data to restore to another computer running QuickBooks.

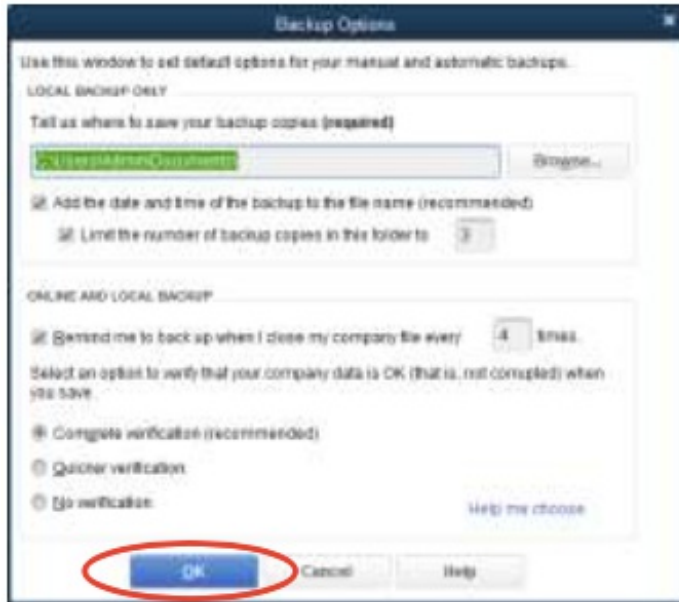
If you chose Local backup on your first time through the wizard, clicking “Next” asks you to configure when you will save the backup. Set to save now and schedule future backups.



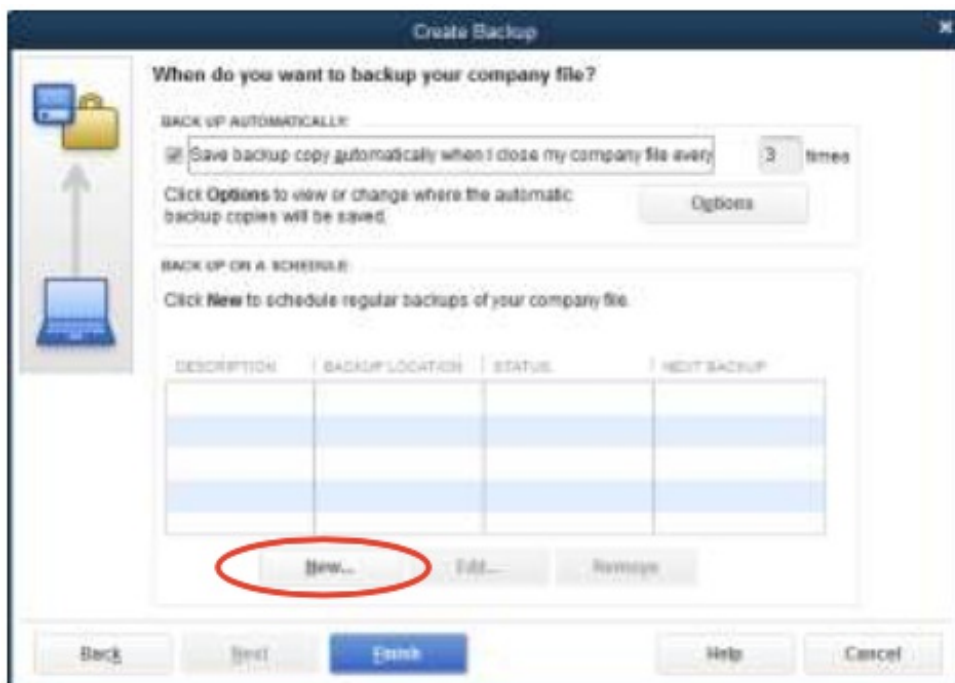
Choose the location where the automatic backups will be saved by clicking **Options...**



Click **OK...** to confirm the location where the backups will be saved.



Then click **New...** to set the schedule for automatic backups.



Choose how you want to schedule your backups.

Quick Tip



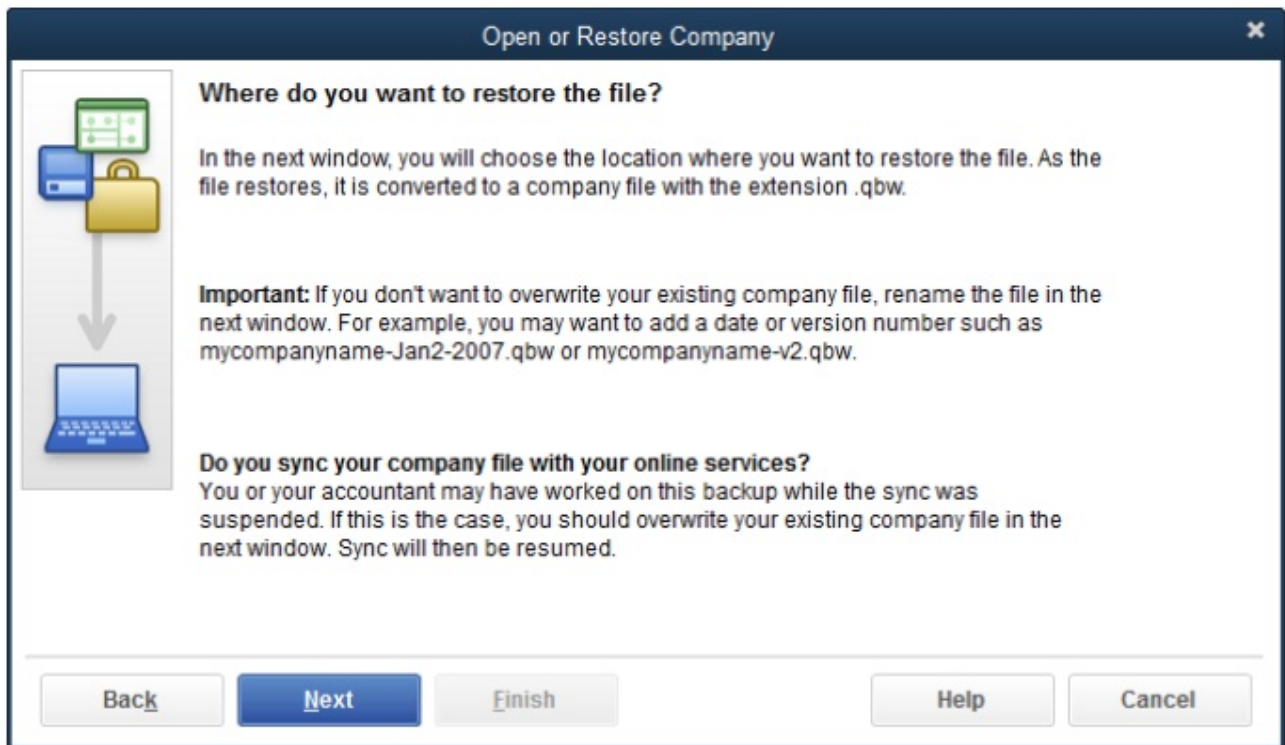
QuickBooks uses several types of files:

- Company Data Files, which have the extension **.QBW**. This is what you will always use to open and edit as your company's file.
- Backup Files, which have the extension **.QBB**. You may use this file to restore a company file.
- Accountant's Review Copy files, which have the extension **.QBX**. You create this file to send to your accountant. Accountant's Copy files ***.QBA**. Your accountant opens the QBX file and it becomes a QBA.
- Finished Accountant's Review Copy files, returned from your accountant, which have the extension ***.AIF**. After the accountant has finished making changes, it becomes an AIF file, which you can re-import into your company file.

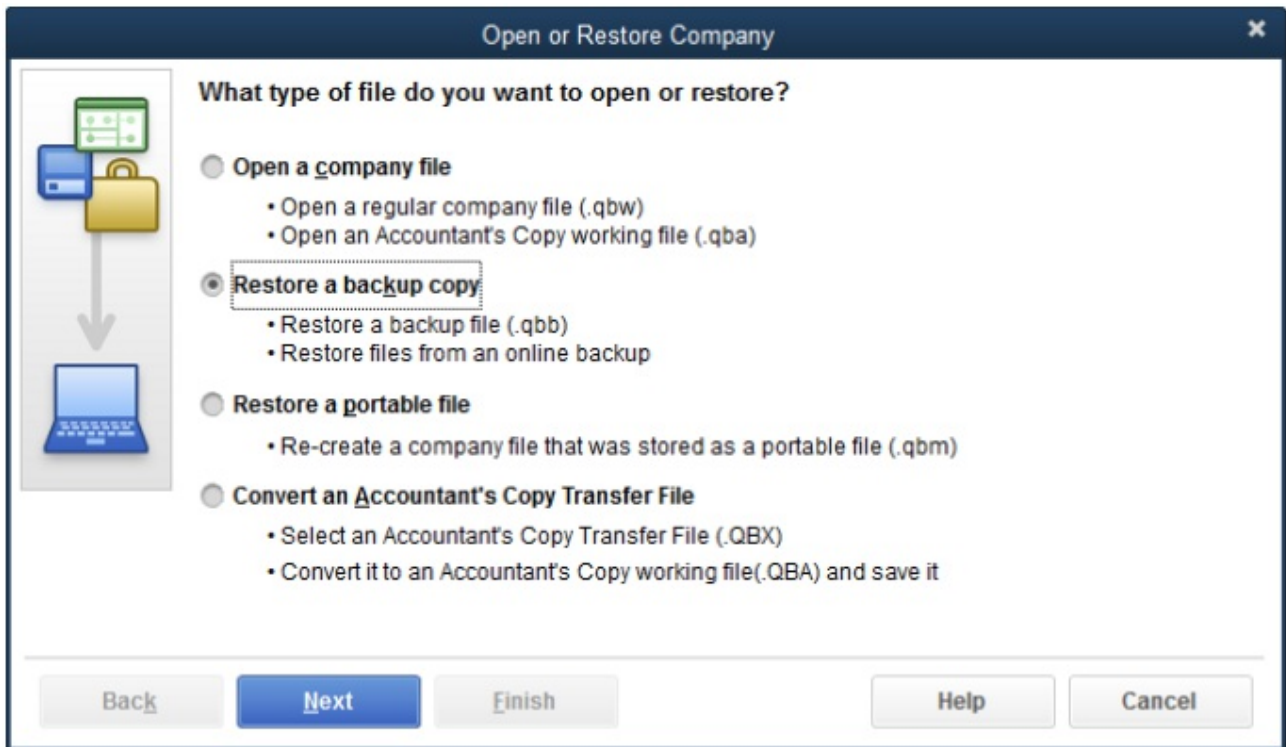
You cannot "open" a backup file; you must "restore" it. You cannot "restore" a data file; you must "open" it.

3.31 "Restore" your Company Data

If you recently backed up on this computer, Click in the Menu Bar, **File > Back Up Company > Restore Previous Local Backup...** The following window comes up. Follow the instructions, choosing to restore overwriting the old file or into a new file.



Alternatively, if you are restoring from another computer, or your file is not listed as a recent local backup, click in the Menu Bar **File > Open or Restore Company...** Choose to **Restore a backup copy**.



Follow the prompts, and navigate to which backup file to restore, and where you want to restore it to.

3.32 Enter Your Reimbursable Expenses in Journal Entries

It is important for many investors to reimburse people for purchases made on the company's behalf. The actual purchase could be made with an owner, employee, or vendor's personal cash, check, or credit card. Below is the format of such a journal entry. Create a new one with **Company > Make General Journal Entries...**

Observe how Christy was owed \$2,034.53 by the company. She bought a trimmer and a new mower, so they are itemized into the **1050 - Tools and Equipment** account. The classes used were to allocate where the tools were to be used for.

Make General Journal Entries

Main Reports

Find New Save Delete Memorize Create a Copy Reverse Print Attach File Hide List Send GJEs

DATE: 03/03/2013 ENTRY NO: 6 ADJUSTING ENTRY

ACCOUNT	DEBIT	CREDIT	MEMO	NAME	CLASS
1050 - Tools and Equipment	127.59		3/3/13 trimmer for mowing repairs	Menards	3304Covenant
1050 - Tools and Equipment	1,906.94		2/20/12 mower	Menards	3304Covenant
2010 - Due to Partner C. Applegate		2,034.53		Partner_ChristyApple...	YourCompany LLC
Totals	2,034.53	2,034.53			

List of Selected General Journal Entries: Last Month

DATE	ENTRY NO.	DJ	ACCOUNT	MEMO

Save & Close Save & New Clear

This Partner purchased tools and needs to be reimbursed.

When you increase the amount the company owes someone that increases a liability. So it is a credit.

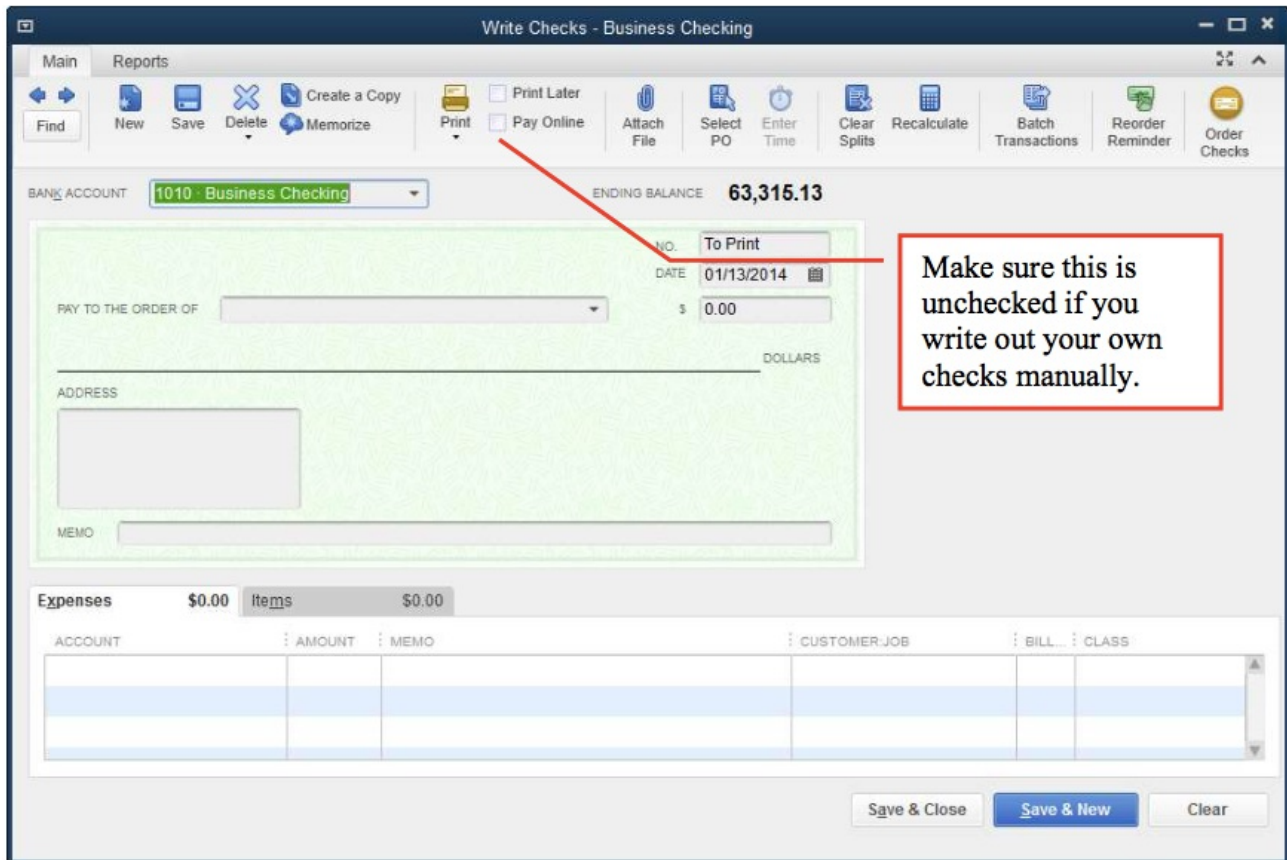
The sum of debits equals the sum of credits (always true)

Above, it appears that 3304 Covenant is a property that would exclusively use these tools. If they were going to be general tools the landlording company could use for any property, they would be categorized into the "YourCompany" class.

Other times Journal Entries are used by accountants to rearrange account's balances. This could happen at the end of the year for depreciation, making corrections in your books and modifying capitalized assets and expenses. For instance, the accountant for Christy in the example above would probably want to create Section 179 deductions for the tools investments. This will take a journal entry to account for, and then it becomes an expense rather than a depreciable asset. Request for an explanation of all changes your accountant makes, and understand why there were made.

3.33 Writing, Ordering and Printing Checks

Three options exist with ordering checks: fill them out by hand, print them out on preprinted check paper, or print them on blank check paper with special software. First you can use a traditional handwritten checkbook register and opt not to print your checks when you enter them in QuickBooks. This works fine for a low volume of checks. Just make sure the "Print Later" box is not checked as shown below.



Alternatively, if you use a significant quantity of checks, check the box “To be printed” and print on checks ordered from QuickBooks or a discount third party vendor. Search Google for [QuickBooks checks](#) for a list of vendors. When you are ready to print your checks, click in the Menu Bar, **File > Print Forms... > Checks...**

The last option is to print the checks out as before, however you can save money and increase security by not ordering custom checks and instead just getting the check stock and printing out the checks with all the codes and routing numbers yourself. I have not done this, although <http://www.wellspringsoftware.com> offers Print Boss software and the right paper to do this. If you like this, please share it with us on the forums.

3.34 Payroll Options

QuickBooks offers several levels of add on service to run payroll (including features like direct deposit.) Third party companies offer services as well. Search QuickBooks’ help for detailed information on [payroll](#).

Furthermore, for many small businesses Square Payroll is a good option: <http://squareup.com/payroll>.

See Also

QuickBooks offers numerous payroll options, depending on how much you want them to do for you. Check out <http://payroll.intuit.com/> for more details.

3.35 Suggested Approach to Starting Your Company File

You've done it. You understand the basics of the QuickBooks environment, and how it applies to rental properties. It's almost time to enter your own company into QuickBooks!

A word of caution: learning to use QuickBooks is a process. Initially, you will ideally run two sets of books (your existing system and QuickBooks) because as you learn, you will make mistakes and need a backup bookkeeping system. Some people commit to continue using their current bookkeeping method until the end of this tax year. Switch over fully to QuickBooks when your accountant agrees that the data you have been entering is correct and he or she is willing to accept QuickBooks files or reports. Skim through the next several chapters to see how different types of transactions are handled.

Start making lists below for your company corresponding to each of the following QuickBooks terms. Then open the sample data file without data and add your custom information. You may not be able to fill everything out in this list. That is expected; however, as you work through this book, add what you will need in your file to these lists.

Deciding Classes

I suggest a different class for every property. In multi-units, create sub-classes for each unit and one sub-class for common area maintenance. Sample entries follow.

Class Name	Corresponding Property
123SampleSt	123 Sample St, Anytown, USA 54555

Class Name	Sub-class	Property
3304Covenant	A	3304 Covenant, Unit A
3304Covenant	CAM	3304 Covenant, Common Area Maintenance subclass

Accounts.

Reference the Chart of Accounts section on page 57, and open the sample company file. Do you need any additional accounts (vending machines, laundry income, etc.)? How many properties (fixed asset accounts) will you include? Add another digit if there are not enough account numbers for all the sub accounts you will need in Real Estate Assets (Account numbers 1301 through 1998), Mortgages (2201 through 2299), and Security deposits (2301 through 3009). RE Assets’ range becomes 13010-19980, for instance.

List new custom, Fixed Asset, Mortgage and Security Deposit accounts to add:

Type	Account #	Custom Account Name	Details

Items

I suggest using the sample file’s items, possibly adding more if you have other sources of income like coin vending, laundry, etc. Then link them to the appropriate account you may have listed above,

or that already is in the QB file.

Item Name	Type	Account	Details

Customers Customers represent properties in our setup. You need a list of every property you own or manage.

Customer (Property) Name	Address	Notes

Jobs Make a list of every tenant, and their addresses and unit.

Tenant Name	Property (Customer)	Notes

Custom Fields Custom Fields for Customers or Jobs. For more information about custom fields, see section [7.16 Building Insurance Expiration and Status Report](#).

Custom Field	Why you need it?	Applies to Customers, Jobs or both?	Details

Vendors Make a list of who your company pays on a regular basis. Looking back into old check books is often helpful. Include 1099 contractors.

Vendor Name	1099?	Address	Contact	Phone	Custom Fields

Employees If you have employees, you will need all of their personal information, including SSN's.

Employee Name	SSN	Address	Phone	Details

Other Names If your company is an LLC or partnership, the owners belong in this list to receive distributions. Also people whom you reimburse for purchases on the company's behalf belong here.

If you make an offer to purchase a property, the seller would go here. Refer to QuickBooks help for details.

Name	Phone	Details

You will use the blank template file that includes our suggested customizations and Chart of Accounts. First browse to the folder you downloaded **Landlord Accounting Company Template – no data.QBW** into. Copy that file, and rename the copy to whatever your company is, **Your Company Name.QBW**.

Open up QuickBooks. In the Menu Bar click, **File > Open Company...** Browse to and open the file you just renamed **Whatever Your Company Name Is.QBW**.

Quick Tip



Do not use the sample data file for your company, it is full of entries! **Rename the blank template** file for your own company, and then open it. It is called **Landlord Accounting Template File – no data.QBW**. If you forget to rename the file before opening it, close QuickBooks and you can rename it in Windows Explorer at any time.

When you start editing the template file (without data) you will need to remove a few accounts, classes, customers, etc. I've included them as a convenient reference. Be sure to remove the following. You can delete accounts or items by highlighting them and pressing **Ctrl + D**, or **Edit > Delete**. Some of the accounts may be marked as inactive, be sure to check "include inactive".

- Accounts: 1301, 2101, 2201, 2301, and 3010 – 3023
- Two classes: for a property and the company (**Lists > Class List**)
- One customer and job (**Customer Center**)
- Two partners are left in the Other Names List. (**Lists > Other Names**)
- Several vendors are included, however you will want to delete or customize them
- Common rental Items are included; however you may need to customize them
- Edit your company information too (**Company > My Company...**)

Caution



I suggest you make a backup copy of the sample data file and the blank template file. Refer to section 3.30 "**Back up**" your **Company Data**.

You will enter all the information in the previous pages' tables into QuickBooks. Keep reading the following pages for specific instructions to enter all of your information. Consulting the Table of Contents at the beginning may be helpful. Make frequent backups of your data file. Every question should be answered between this manual (check table of contents) and your accountant.

If something is not clear, first check the table of contents, then the support forum at <http://LandlordAccounting.com/forum>, and or contact me by email: info@LandlordAccounting.com. Include the date you purchased this book and your email address or other contact information used at the time of purchase.

3.36 You Must Complete Company Information

It is not necessary to run the EasyStep Interview. Most of the preferences are already set up in the template file specifically for real estate investors. However, you still must set up the Company Information. This includes the business's name, address, and the tax form it files.

Access this from the Menu Bar. Click **Company > My Company...**

Caution



If you do not complete the Company Information, your company file will not contain any information about your specific company. You also will not be able to assign tax lines to accounts.

Company Information

CONTACT INFORMATION

Company Name: YourCompany LLC

Address:

Country: US

Phone No.:

Fax No.:

E-mail:

Web Site:

Attach...

Privacy

Fill in all pertinent company information. This will be used in reports as well as for tax preparation assistance.

Company Information

REPORT INFORMATION

First month in your:

Fiscal Year: January Tax Year: January

Income Tax Form Used: Form 1065 (Partnership)

Buttons: OK, Cancel, Help, Attach..

Privacy

Choose the tax form the company returns. If you do not fill this out, you will not be able to assign tax lines to accounts.

If you change the tax form, you will see the following prompt. This is expected, click “Yes.”

Income tax warning

Income tax settings now invalid and will be deleted in all accounts. Continue?

Buttons: Yes, No

It means you next need to go to the chart of accounts and right click Edit Account on each of the accounts that should correspond to a custom tax line item. Verify or set the tax setting on that account. If your accountant prepares your taxes, this does not matter. He or she will take care of it.

Chapter 4: Property Tasks

4.01 The Basics of Properties in QuickBooks

Properties are “Customers” and “Fixed Assets” and “Classes.” By setting things up this way, you will gain the maximal efficiency and reporting detail. You can glance at the sample company file to get an idea of how this is set up.

Properties the company owns are considered a “Fixed Asset” account in QuickBooks. If there is a mortgage, then another account, a “Long Term Liability,” is also created. In the account numbering convention used here (see the template file) real estate properties go as sub-accounts under **1300 – Real Estate Assets**. Giving each property a unique account number, there is room for 699 real estate asset accounts (accounts numbered **1301** through **1998**). If you need more numbers, switch to a 5 digit account numbering system – appending a zero to all the accounts in the template file.

All properties are also “Customers” in the Customer Center. Tenants are “Jobs” attached to a Customer (property). This gives us hierarchy and organization in reporting about tenants.

See Also



For more information about adding Customers (properties) to the Customer Center, see section [3.06 Properties are “Customers” in the “Customer Center”](#).

The easiest way to add accounts is to first look at the Chart of Accounts. Click in the Menu Bar, **Lists > Chart of Accounts** (or press **Ctrl+A**). Then click the **Account** button and **New** (or press **Ctrl+N**). More detailed instructions follow below for special cases.

See Also



For help in deciding when to Debit and when to Credit, refer to section [2.05 Debits and Credits](#).

4.02 Record Earnest Money in an Offer to Purchase

In almost every sale, a deposit is made by the potential buyer along with the terms of the offer. This is earnest money, and it is held by the broker until the offer is accepted or rejected. If accepted, it decreases the amount the buyer must bring to the table at closing, and if rejected it is immediately returned.

From the buyer’s perspective (your perspective), this money is no longer in your checking account, but it is still an asset. When you make an offer and are writing the earnest money check select the

line item as **1030 – Earnest Money Paid**, an “other current asset” type account. Use the class of your company: YourCompany LLC, because you don’t know if the offer will be accepted yet. Later, if it is accepted, you will create a new class and associate the money with that class.

Write Checks - Business Checking

Main Reports

1010 - Business Checking ENDING BALANCE **63,315.13**

NO. 1001
DATE 01/14/2014
\$ 1,000.00

Pay TO THE ORDER OF Sally Seller

One thousand and 00/100* DOLLARS

ADDRESS
Sally Seller

MEMO offer to purchase 1010 N Andrews

Expenses \$1,000.00 Items \$0.00

ACCOUNT	AMOUNT	MEMO	CUSTOMER JOB	SELL.	CLASS
1030 - Earnest Money Paid	1,000.00				YourCompany LLC

Save & Close Save & New Clear

If the offer is accepted, at closing treat the earnest money as cash you would bring to the table. Include a line in the closing journal entry crediting (decreasing) **1030 – Earnest Money Paid** asset account. Use the new class of the new property.

ACCOUNT	DEBIT	CREDIT	MEMO	NAME	BI	CLASS
1300 - Real Estate Assets	29,500.00					1610NAndr...
1030 - Earnest Money Paid		1,000.00				1610NAndr...
2200 - Mortgages RE		28,500.00				1610NAndr...
Totals	29,500.00	29,500.00				

If the offer is not accepted, the broker will give you back your check (voided) or cut you a new check for your earnest money amount. If you are cut a check, deposit this (**Banking > Make Deposits**) into your checking account, crediting (decreasing) the “1030 – Earnest Money Paid” asset account.

At the end of a year you can generate a report to show all transactions into and out of the earnest money account. In **Lists > Chart of Accounts**, right click on the Earnest Money Paid account and choose **QuickReport: 1030 – Earnest Money Paid**. The net balance will be zero (or the amount of pending offers’ earnest money).

4.03 Record a Purchase with Cash

Caution



When you buy a property, talk to your accountant for specific advice in handling the different itemized lines on the settlement statement. Commissions, points, closing fees, recording fees, property tax credits, etc. all affect the purchase. Before you record a property in QuickBooks, talk to your accountant to correctly enter your transaction.

This is the simplest property transaction possible. Create a new fixed asset account for the property

(from the Chart of Accounts press **Ctrl+N**).

Add New Account: Choose Account Type

Choose **one** account type and click Continue.

Categorize money your business earns or spends

Income

Expense

Or, track the value of your assets and liabilities

Fixed Asset (major purchases)

Bank

Loan

Credit Card

Equity

Other Account Types

Fixed Asset Account

Tracks the value of significant items* that have a useful life of more than one year, such as:

- Buildings
- Land
- Machinery and equipment
- Vehicles

* Consult your tax professional for a minimum dollar amount.

[More...](#)

[Help me choose the right account type.](#)

Click “Continue” and fill in the remaining fields of the form.

Add New Account

Account Type: Fixed Asset Number: 1305

Account Name: 1 Northcrest Avenue
 Subaccount of: 1300 - Real Estate Assets

OPTIONAL

Description: sample house purchase

Note:

Tax-Line Mapping: B/S-Assets: Buildings/oth. de...
[How do I choose the right tax line?](#)
[Enter Opening Balance...](#) [Should I enter an opening balance?](#)

Save & Close Save & New Cancel

Create a new class for that property. Click **Lists > Class List**, and add a new one with the property's address.

New Class

Class Name: 1 NorthcrestAven

Subclass of

Class is inactive

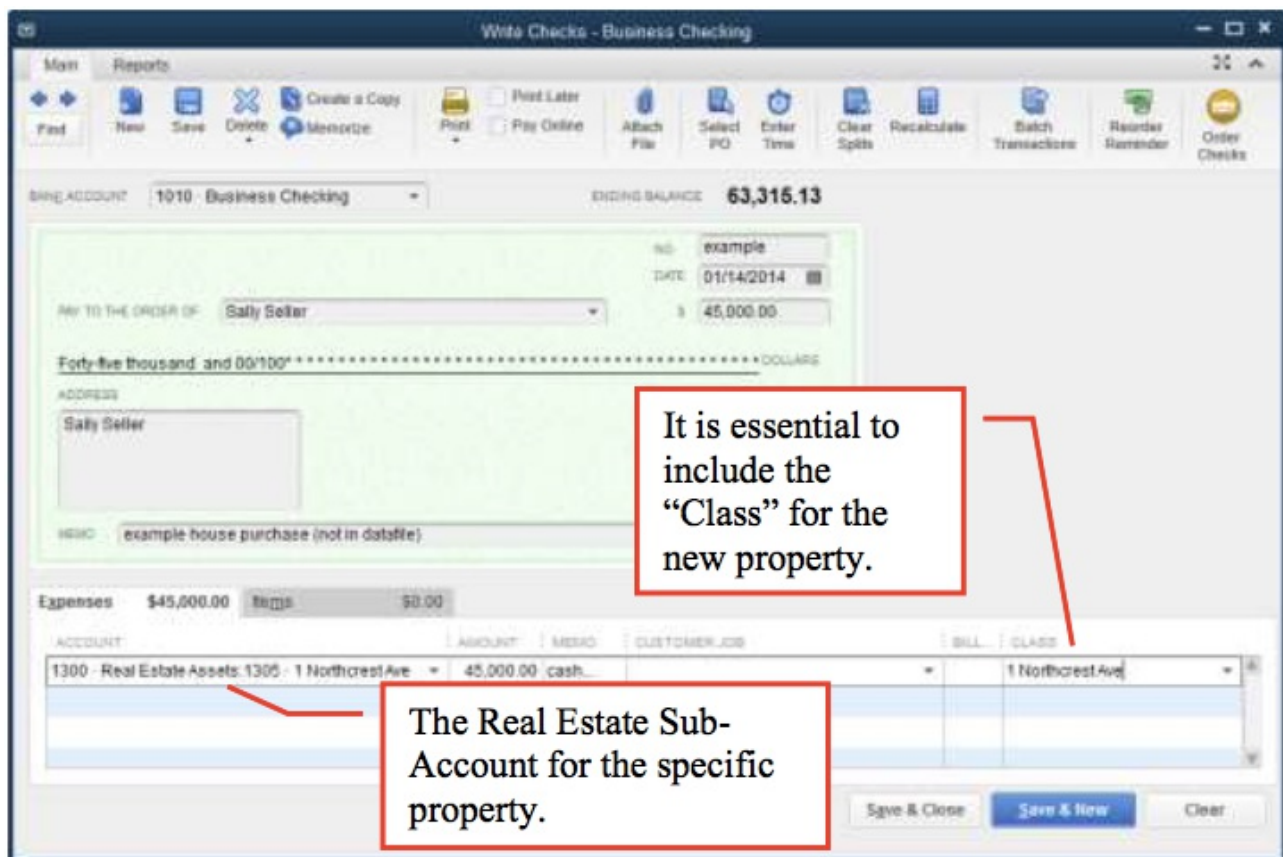
OK Cancel Next

Create a new Customer for that property. Click **Customers > Customer Center** and add a new customer.



It is best practice for the class, customer, and fixed asset account all to have the same punctuation and spelling.

Since this example is for a cash purchase, write a check to pay for it. It is likely you will use a cashier's check, paying to the order of the bank. However, in the example below it is written to the seller.



If you used some type of loan to get that cash, continue reading the next few sections.

4.04 Record a Purchase with a Conventional Mortgage

Caution



When you buy a property there are a multitude of financial vehicles to use. Talk to your accountant for specific advice in handling the different itemized lines on the settlement statement, and your particular funding source. Commissions, points, closing fees, recording fees, property tax credits, etc. all affect the purchase. Before you record a property in QuickBooks, talk to your accountant to correctly enter your transaction.

Sometimes “Cash” purchases are not really “Cash.” A private investor, a personal loan to the company, or another property’s refinancing may fund the new purchase. In any of those cases, you must show the creation of debt, and the acquisition of a fixed asset.

Quick Tip



To help track your mortgage payments, you can use the Loan Manager. Go to the Menu Bar, click **Banking > Loan Manager**. This is designed for mortgages you pay. For financing your company has extended to others (when you are the lender), you need to enter the payments due as invoices. Loan Manager is not designed when you are the lender.

To record a new mortgage, create its liability account in the Chart of Accounts (**Banking > Chart of Accounts** or press **Ctrl+A** , then click the button **Account > New Account** or press **Ctrl+N** for a new account). Create a “Long Term Liability” account. If you choose “Loan,” it will create a current liability, which is incorrect for a mortgage payable over several years. (In accounting the term “current” means a liability will last only one year.)

Add New Account: Choose Account Type

Choose **one** account type and click Continue.

Categorize money your business earns or spends

- Income
- Expense

Or, track the value of your assets and liabilities

- Fixed Asset (major purchases)
- Bank
- Loan
- Credit Card
- Equity

Other Account Types Long Term Liability

Long Term Liability Account

Tracks money your business owes and expects to pay back over more than one year, such as:

- Mortgages
- Long-term loans
- Notes payable

[More...](#)

[Help me choose the right account type.](#) Continue Cancel

Fill in the account number, name, and description to correspond with your naming conventions.

Next we need to fund it with the balance of your mortgage and enter the basis of the new fixed asset (real estate) account. Three cases follow:

1. Bring no cash to the closing, record it in a Journal Entry
2. Bring cash to the closing, record it in a Check
3. Bring cash to the closing, splitting transactions in a Check and a Journal Entry

Case 1) Bring no cash to the closing, use a Journal Entry

If you do not need to bring money to the closing because funding will entirely come from mortgages or earnest money already paid, you can make one Journal Entry. The following image is a sample Journal Entry. (This particular transaction. is not in the sample company file). Create one with **Company > Make General Journal Entries...**

The increase in the value of the property (the new basis of it)

Amount of the mortgage

The "Earnest Money Paid" account decreases and is added to the purchase amount of the property.

If you had more lines from the HUD-1, such as property taxes, etc. they would be additional lines debited or credited to the appropriate account.

ACCOUNT	DEBIT	CREDIT	
1300 - Real Estate Assets	49,500.00		
2200 - Mortgages RE###- Mtg 1 Northcrest		48,500.00	1 Northcrest Ave
1030 - Earnest Money Paid		1,000.00	1 Northcrest Ave

Case 2) Bring cash to the closing, recording the transaction in one Check

If you must bring money to the closing, you will write a check. To write a check click in the Menu Bar: **Banking > Write Checks**. On that check, you will itemize the other accounts involved in the transaction.

The screenshot shows the 'Write Checks - Business Checking' window in QuickBooks. The account is '1010 - Business Checking' with an ending balance of 63,315.13. The check number is 1092, dated 01/14/2014, for an amount of 8,000.00. The expense breakdown is as follows:

ACCOUNT	AMOUNT	DESCRIPTION
1300 Real Estate Assn 1305 - 1 Northcrest Ave	-40,500.00	new b
2200 Mortgages RE #44 - 187 1 Northcrest	-40,500.00	loan
1030 Earnest Money Paid	-1,000.00	transf

Annotations on the screenshot:

- The balance due comes from the business checking account.
- This amount will become the new basis of the property.
- Amount of the mortgage (it must be negative so the sum of all these equals the amount of the check).
- The "Earnest Money Paid" account decreases and is added to the purchase amount of the property.
- If you find the negative numbers confusing, refer to Case 3 below.

Just like Case 1, if you had more line items to enter from the closing paperwork, you would create additional lines in the Expenses tab to split them out.

Case 3) Bring cash to the closing, splitting transactions in a Check and a Journal Entry

Sometimes those negative numbers on the bottom of a check can get confusing. (However, nothing is wrong about them). If you do not like them, split up writing the check and creating the detailed line items in closing. First write the check (**Banking > Write Checks**) to the bank (or seller). This is the method used for 1610 N. Andrews in the sample company file.

Write Checks - Business Checking

Bank ACCOUNT: 1010 - Business Checking ENDING BALANCE: 63,315.13

NO: 1092
DATE: 01/14/2014
\$ 2,505.00

PAY TO THE ORDER OF: Bank

Two thousand five hundred five and 00/100* ***** DOLLARS

ADDRESS: Bank

MEMO: purchase property (this transaction is not in the sample company file)

Expenses: \$2,505.00 Rema: \$0.00

ACCOUNT	AMOUNT	DEBIT
7010 - Bank Service Charges 7012 - Check Fee	5.00	
1300 - Real Estate Assets	2,500.00	

\$5.00 records the service fee the bank charged for writing a cashier's check.

The amount of money you brought to the closing as "cash"

If you had more lines from the HUD-1, such as property taxes, etc. they go in the following Journal Entry.

But this check does not convey the complete transaction. There is a mortgage that you also need to create. That happens in the following journal entry.

Click **Company > Make General Journal Entries...** to fund the liability account and record the non-cash part of the purchase of the real estate fixed asset.

The screenshot shows the 'Make General Journal Entries' window in QuickBooks. The window title is 'Make General Journal Entries'. The date is 01/18/2005 and the entry number is 4. The journal entry is as follows:

ACCOUNT	DEBIT	CREDIT	MEMO
1300 - Real Estate Assets; 1302 - 1610 N Andr...	29,500.00		
1030 - Earnest Money Paid		1,000.00	
2200 - Mortgages RE; 2201 - Mtg 1610NAn...		28,500.00	

Callout boxes provide the following explanations:

- The increase in the value of the property (the new basis of it)**: Points to the debit amount of 29,500.00.
- The "Earnest Money Paid" account decreases and is added to the purchase amount of the property.**: Points to the credit amount of 1,000.00.
- Amount of the mortgage**: Points to the credit amount of 28,500.00.
- If you had more lines from the HUD-1, they would go here. Remember expenses increase when entered as a debit, and assets increase as debits as well (such as prepaid property taxes).**: Points to the empty rows below the journal entry.

Buttons at the bottom of the window include 'Save & Close', 'Save & New', and 'Clear'.

To review *Case 3*, you first write a check to the bank for the amount of the cashier's check you need to bring to the closing. Then afterwards you record in a journal entry the activities of all accounts involved. Make sure the dates are the same. When done, you can double check the basis of your property is correct by looking at the register for this particular real estate asset account.



Q: I purchased a rental property last year. What closing costs can I deduct? (This question comes from the IRS in [this FAQ](#), you should always consult your accountant).

*A: Generally, *deductible* closing costs are those for interest, certain mortgage points, and deductible real estate taxes.*

Many other settlement fees and closing costs for buying the property become *additions to your basis* in the property and part of your depreciation deduction, including:

- Abstract fees
- Charges for installing utility services
- Legal fees
- Recording fees
- Surveys
- Transfer taxes
- Title insurance
- Any amounts the seller owes that you agree to pay (such as back taxes or interest, recording or mortgage fees, charges for improvements or repairs, and sales commissions).

Additional Information:

- [Publication 17](#), *Your Federal Income Tax for Individuals*
- [Publication 527](#), *Residential Rental Property (Including Rental of Vacation Homes)*
- [Publication 535](#), *Business Expenses*

4.05 Financing from another Property (or an Investor)

If you establish one loan on an existing property before using those funds to purchase a new property, create a liability account as above but deposit the proceeds into your checking account. This can be entered as a Journal Entry. Increase your checking account (debit), and increase the liability account (credit) for the existing property you refinanced. If this is a second mortgage on an existing property, you should create a new liability for the second mortgage. This keeps each of the mortgage balances clear.

If the funding came from an outside investor, it can be recorded in a similar fashion, but instead of a liability against a property, it is a new liability account for the investor's loan.

Then, write a check to purchase the property as in a pure cash transaction.

If the investor funding happens at the same time as the house closing, you can combine all of these transactions in one single journal entry. It will be beneficial to have your accountant double check the transaction to confirm it is correct.

Caution

If the investor that helped purchase the property was actually investing in your company that is different. He or she would need a new equity account that represents the amount of your company he or she now owns. No liability account would be created.

It is best to work with your accountant and attorney in an example such as this, because it will change your company's capitalization (ownership percentages), and has tax implications (ex: additional K-1's you need to create for the new investor).

4.06 Record a Hard Money Loan or Line of Credit

Definition

A **Hard Money Loan** is a specific type of financing in which a borrower receives funds based on the value of a real estate property. Hard money loans are typically issued at much higher interest rates than standard commercial or residential property loans and are almost never issued by a standard commercial bank.

From the QuickBooks' perspective this is the same as if it were a mortgage (albeit to you it is likely at a higher interest rate). Differences may exist in points due at closing, terms of repayment, closing costs, etc. You must make payments to decrease the liability. Enter the transactions according to the repayment schedule. Deposit the money as it is received from the loans into the checking account. If you want to use a line of credit checking book (given to you by your bank), enter the transactions as journal entries against the Liability. Remember a credit increases a liability, and a debit increases an asset.

If closing the hard money loan happens at the same time as the house closing, you can combine all of these transactions in one single journal entry. Have your accountant double check the first few transactions you do like this.

4.07 Add an Existing Company-Owned Property

If your company already exists, and owns properties, it is possible to add the current balances of properties, mortgages and accumulated depreciation from the current year. It is not necessary to go

back to the formation of the company and record all transactions in QuickBooks.

See Also



For more information on the different ways to handle recording an existing company's historical transactions, refer to our blog post [Entering Landlords' Historical Transactions in QuickBooks](#).

First you need to consult your accountant to get the account balances of the existing properties to enter into the new QuickBooks fixed asset accounts. From the Menu Bar, click **Lists > Chart of Accounts**. You will add a new Fixed Asset account, so click the **Account** button and **New** (or press **Ctrl+N**). Make it a sub-account of **1300 – Real Estate Assets** and set the account number to follow the convention (**13xx**).

The screenshot shows the 'Add New Account' dialog box in QuickBooks. The 'Account Type' is set to 'Fixed Asset' and the 'Number' is '1305'. The 'Account Name' is '1111 Address Of Property'. The 'Subaccount of' is set to '1300 - Real Estate Assets'. The 'Description' field contains 'property purchased mm/dd/yy'. The 'Note' field is empty. The 'Tax-Line Mapping' is set to 'B/S-Assets: Buildings/oth. de...'. The 'Enter Opening Balance...' button is highlighted. The 'Save & New' button is also highlighted. Annotations in red boxes provide instructions: 'Choose Fixed Asset' points to the Account Type dropdown; 'Make it a sub-account of 1300' points to the Subaccount of dropdown; 'Account number 13xx' points to the Number field; 'Don't touch this when initially creating the account. We will create Journal Entries to set the initial balances.' points to the Enter Opening Balance... button; and 'When done, click Save & New to add another property.' points to the Save & New button.

Repeat this for each property the company owns. If any of these have mortgages, create Long Term Liability accounts. From the Chart of Accounts press **Ctrl+N** and enter information as the following example shows.

The screenshot shows the 'Add New Account' window in QuickBooks. The window title is 'Add New Account' and the subtitle is 'Choose Long Term Liability'. The 'Account Type' is set to 'Long Term Liability' and the 'Number' is '2203'. The 'Account Name' is '1111 Address Of Property'. The 'Subaccount of' is set to '2200 - Mortgages RE'. The 'Description' is 'Mortgage payable 14th of month'. The 'Account No.' field is empty. The 'Tax-Line Mapping' is set to 'B/S-Liabs/Cap: L-T Mortgage/...'. There are two blue links: 'How do I choose the right tax line?' and 'Should I enter an opening balance?'. There is a button labeled 'Enter Opening Balance...'. At the bottom, there are three buttons: 'Save & Close', 'Save & New', and 'Cancel'. Red callout boxes highlight the following elements:

- 'Choose Long Term Liability' (Account Type)
- '2203' (Number)
- 'Make it a sub-account of 2200' (Subaccount of)
- 'Account number 22xx' (Number)
- 'Don't set this now.' (Enter Opening Balance... button)

If the mortgage will be paid off in less than one year, choose an Other Current Liability, not Long Term Liability.

You will need to create a new Class for this property. Click in the Menu Bar: **Lists > Class List**. Click the **Class** button and choose **New**. Name the new class the address of the property, according to some naming convention (i.e. **123StreetNameUnit3**). If you have not also added a company class, add that now (i.e. **YourCompanyLLC**). These will be used in the following Journal Entry.

Click in the Menu Bar, **Company > Make General Journal Entries....**

The following journal entry will set up the opening balances on each property. Get the numbers to use from your accountant. This entry will likely include (1) a value for the asset, (2) accumulated depreciation (3) the balance of the mortgage and (4) any equity the company has in the property. Choose the corresponding Classes for each line as well.

The example below assumes a property with a basis of \$150,000, \$15,000 in accumulated depreciation, and an outstanding mortgage balance of \$96,000. It was already owned by the corporation, however was not previously added to the company's books.

ACCOUNT	DEBIT	CREDIT	MEMO	MA	BL	CLASS
1300 - Real Estate Assets:1309 - AddressOfP...	150,000.00					1111AddressOfProperty
1999 - Accumulated Depreciation RE		15,000.00				1111AddressOfProperty
2200 - Mortgages RE:2203 - AddressOfProperty		95,000.00				1111AddressOfProperty
3200 - Opening Bal Equity		35,000.00				YourCompany LLC
		0.00				
Totals		150,000.00	150,000.00			

If you accidentally get lines with 0.00 as shown above in the last entry of the Debit column, you can remove them by highlighting the line (click on it), then in the Menu Bar, click **Edit > Delete Line**.



For help in deciding when to Debit and when to Credit, refer to section [2.05 Debits and Credits](#).

4.08 Transfer a Property you own into Your Company

In some states, there are two ways to contribute a property owned by the company's owners into an entity (i.e. LLC). Your state may differ, and there may be a transfer tax or any number of laws that apply. Figure this out with your accountant and attorney.

1. You can "contribute" a property as member/owner "contributed capital" when you are forming a new LLC (or in an existing one). This is simpler if the members' ownership is proportionally equal in the original property as well as the new company – such as husband and wife owned properties and companies. Taxes and legal issues get really tricky fast, consult your tax and

legal professionals.

2. If you have an existing LLC you can also sell the property to the company. Some investors sell it at a fair market price, and others sell it below their cost. Talk to your attorney and accountant on how to get properties into your company that are owned in other ways. Watch out for the tax issues.

QuickBooks lets you make changes

Your method of recording a contributed property may change (before finalizing for taxes). This is a tremendous advantage of QuickBooks. Entries are not recorded in stone, but can be changed very easily.

A company I worked with contributed several properties first at fair market value but then changed to un-depreciated basis, and finally in the same year switched to depreciated basis at the advice of their accountant.

What follows is the method of contributing properties at their depreciated basis. I suggest you track depreciation in QuickBooks.

Once you decide on a method to get the property into the company, it must be valued monetarily in QuickBooks. Some investors choose to use: depreciated tax basis, an un-depreciated basis, the fair market value of the property contributed, and other methods. Some accountant's keep track of depreciation on their own, so it does not need to be in QuickBooks, while others want it tracked within the program.

The sample file is of an LLC formed January 1, 2004. The members (married owners of the LLC) previously owned several properties in their own names. These properties were all transferred to the LLC as contributed capital. For reporting purposes properties were recorded as their cost plus capital improvements (basis). An accumulated depreciation account was also used to include past years' depreciation.

No matter the method of recording a property in QuickBooks, you will need to work closely with your accountant at tax time and when you sell a property. Also in order for the company to own the properties, legal transfer of ownership must occur. This may involve a Quit Claim deed or another method depending on your state. Check with your lawyer.

4.09 Contribute Properties with Accumulated Depreciation

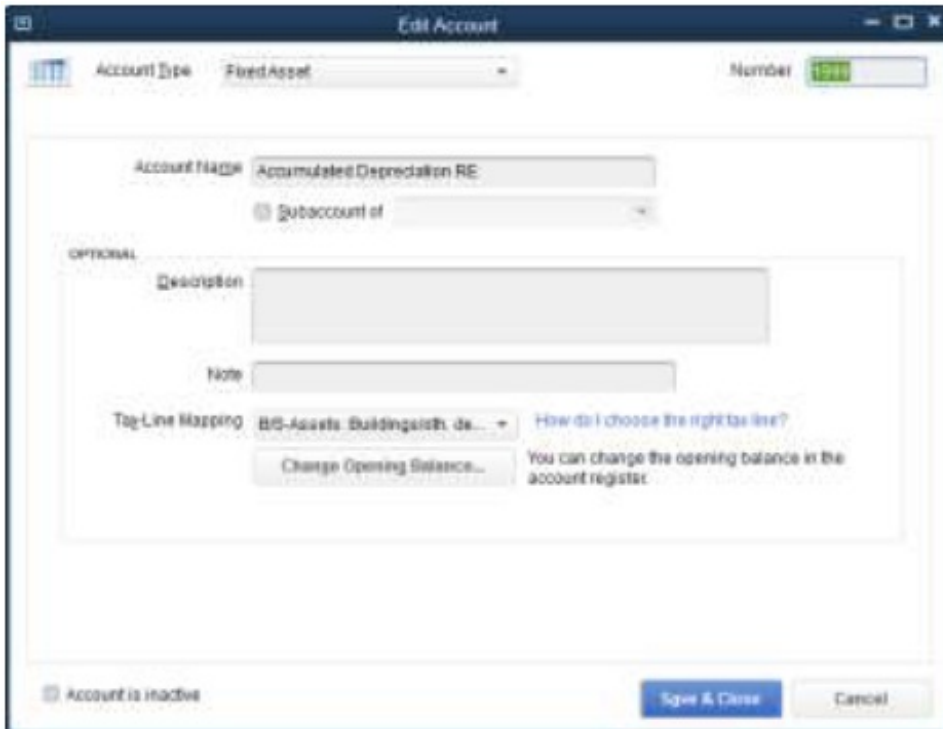
Verify that you have an accumulated depreciation account in your chart of accounts (**Ctrl+A**). To follow the numbering convention, it should be account number 1390.

Also verify the tax line is accumulated depreciation. If you cannot set the tax line, that is because you

have not configured your Company Information, refer to section [3.36 You Must Complete Company Information](#).

Accumulated Depreciation is a “contra” account

Accumulated depreciation is an asset account, but it is a special “reverse” one. (It’s called a contra asset account). Normally asset accounts increase with debits and decrease with credits. However, a contra account increases with credits and decreases with debits (like a liability account). It must be like this because on a balance sheet your total real estate assets are decreased by the accumulated depreciation. So when you combine all the value of your real estate and the accumulated depreciation, you get a smaller number.



The screenshot shows the 'Edit Account' window in QuickBooks. The 'Account Type' is set to 'Fixed Asset' and the 'Number' is '1300'. The 'Account Name' is 'Accumulated Depreciation RE'. There is a 'Subaccount of' dropdown menu. Under the 'OPTIONAL' section, there are fields for 'Description', 'Note', and 'Tag-Line Mapping'. The 'Tag-Line Mapping' is set to 'BD-Assets Buildings with de...'. There is a link 'How do I choose the right tag line?' and a button 'Change Opening Balance...'. At the bottom, there is a checkbox for 'Account is inactive', a 'Save & Close' button, and a 'Cancel' button.

We will use a Journal Entry to record this transaction. Go to **Company > Make General Journal Entries...** QuickBooks may tell you it uses auto numbers on the entries. Click **Okay**.

1300 – Real Estate is a super account. Each property goes under it as a sub-account of the type Fixed Asset Account. **13XX** sub-accounts go under **1300 Real Estate Assets** for each legal property address. 1999 is for all accumulated depreciation.

Two examples follow. First you will enter a property that is owned free and clear in a partner’s name into the entity, and then you will enter one with a mortgage. As always, the sum of Debits must equal the sum of Credits (due to double entry accounting.)

Transaction	Debit	Credit	Notes	Class
(1) 1300 RE: 13XX address	\$ XXX		Basis in real estate property sub-account	The property's address
(1) 1999 Accumulated Depreciation		\$ XXX	Amount of accumulated depreciation	The property's address
(1) 1170 Partner ABC Equity: 1190 Partner ABC Investments		\$ XXX	Calculate what the basis minus accumulated depreciation equals. (So that debits = total credits)	The property's address

A journal entry of this type of transaction (with two owners) follows:

The screenshot shows the 'Make General Journal Entries' window in QuickBooks. The date is 01/14/2014 and the entry number is 7. The journal entry table is as follows:

ACCOUNT	DEBIT	CREDIT	MEMO	CLASS
1300 - Real Estate Assets:1304 - 320 Baker #...	69,000.00			320BakerUnit721
1999 - Accumulated Depreciation RE		5,000.00		320BakerUnit721
3010 - Member C. Applegate Equity:3013 - Me...		32,000.00		320BakerUnit721
3020 - Member W. Applegate Equity:3023 - ...		32,000.00		320BakerUnit721
Totals	69,000.00	69,000.00		

Annotations in the image include:

- A box pointing to the 'Accumulated Depreciation' credit line with the text: "Accumulated depreciation".
- A box pointing to the 'Class' column for all entries with the text: "Don't forget to assign the class to all entries."
- A large box at the bottom with the text: "The property owners contribute this wholly owned property into their wholly owned company as contributed capital. They equally owned the property, and equally own the LLC."

Properties may have mortgages on them when you transfer them into an entity. If there was a mortgage on the property, it would be a long-term liability account credited for the outstanding balance. The remaining amount to make debits equal credits goes in a Partner Equity or Opening Equity account. An example of this (using a journal entry) follows. Journal entries are the tool of choice for transactions that involve more than two accounts and a check is not written.

Quick Tip



If you wish to move a property in your own name into an entity, your bank may balk at the change of title. Try to get permission from your bank to transfer title to the new entity (to avoid any due on sale clauses) and keep insurance up to date with the bank listed as “other insured.” They may not allow it at all though, requiring a new closing.

The screenshot shows the 'Make General Journal Entries' window in QuickBooks. The date is 01/14/2014 and the entry number is 7. The window contains a table with the following data:

ACCOUNT	DEBIT	CREDIT	MEMO	NA...	BIL...	CLASS
1300 - Real Estate Assets:1305 - 1 Northcrest...	56,300.00					1307 Sample Ave
1999 - Accumulated Depreciation RE		5,004.00				1307 Sample Ave
2200 - Mortgages RE:2207 - Mtg 1307 Samp		50,000.00				1307 Sample Ave
3010 - Member C. Applegate Equity:3013 - Me...		1,296.00				1307 Sample Ave
Tot						

Annotations in the screenshot include:

- Accumulated depreciation**: Points to the 1999 - Accumulated Depreciation RE credit entry.
- Value of the mortgage**: Points to the 2200 - Mortgages RE:2207 - Mtg 1307 Samp credit entry.
- Member contributed capital**: Points to the 3010 - Member C. Applegate Equity:3013 - Me... credit entry.
- Don't forget to assign the class to all entries**: Points to the CLASS column for all entries.

Caution



The information in the previous section may not apply to your business. It is included as an introduction of a method that works in some situations. By understanding these transactions, you will be more prepared for your transactions. Capital contributions require professional assistance.

4.10 Accounting for Escrow Impound Accounts

If your loan has an escrow impound account, you can track the individual expenses the bank pays through it. You can enter this two ways in QuickBooks:

1. There is an easy (quick) method that often is enough
2. There is a slightly harder (more time consuming) method to it most accurately

We will go through both examples next.

Definition



Escrow Impound Accounts are maintained by lenders to collect “up-front” money from you when you take out a mortgage to cover future expenses such as property taxes and insurance.

When you pay into an escrow impound account, lenders are certain the property taxes and insurance will be paid on time, as they will be holding the money and paying these expenses for you. Typically you can waive escrows on a conventional loan if your loan-to-value ratio is 80% or less (calculated by dividing the total amount for the mortgage or loan by the appraised value of the property).

See Also



For more information about escrow impound accounts, rules and how to get rid of it, see <http://www.escrowhelp.com>.

Method 1) the easy method

Write a check just like you normally do to the bank. If it is included with one of your monthly statements, just add another line to the accounts area on the bottom.

With the amount that goes to escrow impound accounts; report it directly as property taxes, utilities, bank service charges, etc. You will need to know the breakdown of the different expenses. If you do not know those, continue reading to the next section.

Make General Journal Entries

Main Reports

Find New Save Delete Create a Copy Memorize Reverse Print Attach File Hide List Send GJEs

DATE: 01/14/2014 ENTRY NO.: 7 ADJUSTING ENTRY

ACCOUNT	DEBIT	CREDIT	MEMO	NA...	BIL...	CLASS
1300 - Real Estate Assets:1305 - 1 Northcrest...	56,300.00					1307 Sample Ave
1999 - Accumulated Depreciation RE		5,004.00				1307 Sample Ave
2200 - Mortgages RE:2207 - Mtg 1307 Samp		50,000.00				1307 Sample Ave
3010 - Member C. Applegate Equity:3013 - Me...		1,296.00				1307 Sample Ave
Totals		56,300.00	56,300.00			

List of Selected General Journal Entries: Last Month

DATE	ENTRY. NO.	ADJ	ACCOUNT	MEMO	DEBIT/CREDIT(+/-)

Save & Close Save & New Clear

This is quick and easy because it pretends you are paying directly these expenses with each mortgage payment, not using the bank as an intermediary. And in the end of the year, it will show the correct amount paid for property taxes, utilities, bank service charges, etc.

Method 2) harder, slower and only slightly more accurate method

If you wanted to be completely accurate, you could create a prepaid asset account for property taxes, insurance, etc. and when the bank pays it, use a journal entry to reduce (debit) that asset account, and increase (credit) the respective expense account (i.e. debit prepaid property taxes and credit property taxes expense).

If there is a spread between the amounts you pay the bank and the actual expenses you can create another account, "Impound Fees" and enter the spread there.

4.11 Record Maintenance Expenses

Maintenance expenses incur on different properties, but they are expenses in the year they happen. They do not add to the value of your real estate like capital improvements do.

There are two basic ways to incur maintenance expenses: (1) someone pays for an expense and

needs reimbursed and (2) write a check or use a credit card directly with the vendor. In either case, enter the transaction with the **5100 – Building Repairs** account. Choose the class for the respective property.

For small businesses, it is common for an owner to purchase things on their credit card (and earn points or miles), and then have the company reimburse them. The sample data file contains many examples of that kind of transaction.

See Also

If someone else pays for expenses and needs to be reimbursed, see [6.04 Reimburse someone's purchase for the company](#).

If you write a check for the expenses, see [3.18 "Write Checks" don't "Pay Bills"](#).

If you use a credit card for the expenses, enter the expense in the credit card's register. See the integrated QuickBooks help for more specifics.

4.12 Record Capital Improvements

Capital improvements are usually the high cost items to make properties last longer and become more valuable. A more official definition follows from [IRS publication 527](#). Your accountant may have a more aggressive perspective on classifying repairs versus capital improvements.

Expenses benefit profitable companies because they offset revenue (thus taxes) immediately in the year incurred. Capitalized costs are spread over many years to offset income, lacking the immediate tax savings of expenses. Work with your accountant carefully to understand what you can get away with expensing, and what must be capitalized.

Definition

Repairs keep your property in good operating condition. They do not materially add to the value of your property or substantially prolong its life. Repainting your property inside or out, fixing gutters or floors, fixing leaks, plastering, and replacing broken windows are examples of repairs. If you make repairs as part of an extensive remodeling or restoration of your property, the whole job is an improvement. For instance, in a large rehab project if you repaint the walls (typically this is a repair) it is an improvement.

Capital Improvements add to the value of property, prolong its useful life, or adapt it to new uses. If you make an improvement to property, the cost of the improvement must be capitalized. The capitalized cost can generally be depreciated as if the improvement were a separate property.

When you make a capital improvement, debit (increase) the real estate fixed asset account. In the sample file, these transactions were paid for by individuals and need to be reimbursed. The following

journal entry increases the basis of 3304 Covenant, Unit A in the sample file.

See Also



For more information on capital improvements and repairs, refer to section [2.12](#)
[What are Capital Improvements versus Repairs?](#)

Choose the real estate sub-account for the specific property.

Don't forget the property class.

The company owes the partners money so use the company class.

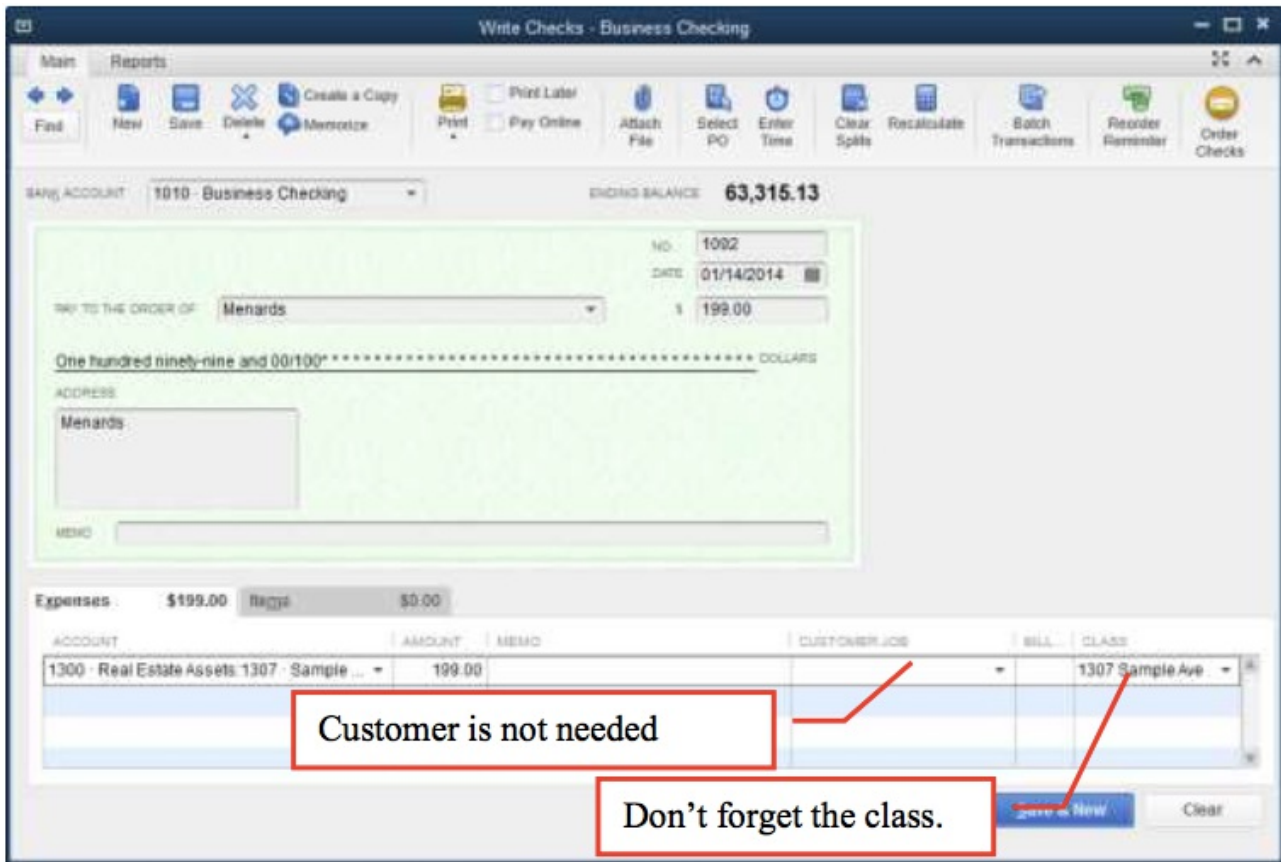
ACCOUNT	AMOUNT	DATE	NAME	CLASS
1300 - Real Estate Assets:1302 - 1610 N Andrews	10,000.00	2/1/05 cap...	Menards	1610NAndrews
2010 - Due to Partner C. Applegate	6,450.00		Partner_ChristyA...	YourCompany LLC
2011 - Due to Partner W. Applegate	3,550.00		Partner_WessAp...	YourCompany LLC
Totals				
	10,000.00			10,000.00

The above example shows the accumulation of money due to both partners in a \$10,000 transaction with home improvement retailer Menards. The Memo indicates what was in the transaction. This was all for one property, 1610 N Andrews, but it consisted of several receipts. The journal entry only enters the total amount.

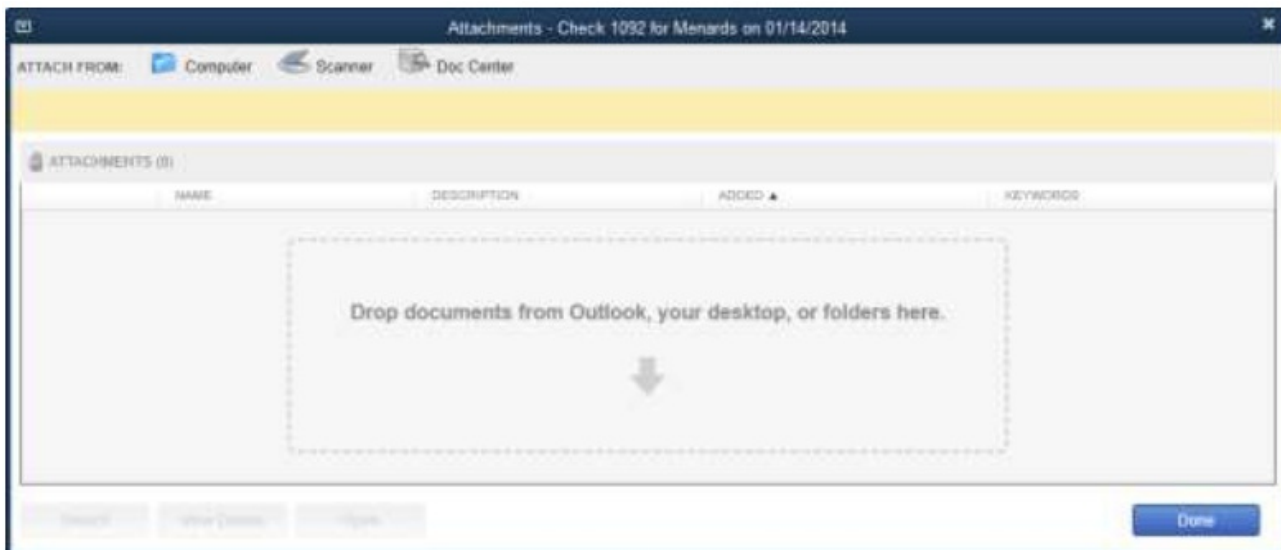
Keep all of the receipts together and file or scan them for safekeeping.

If working on several properties, it is helpful to ring up individual receipts per property so that you can keep the itemizations filed separately.

If it were a check written directly to the home improvement retailer “Menards,” Write Checks would be used instead of a journal entry. That would look like the following:



Keep and file the receipts that correspond to this entry. If you want, you can use QuickBooks scanning feature, and scan the receipt directly to associate it with the transaction. Click the Attach paperclip button on the check. Then you can directly scan or attach the receipt. A time saving trick is to take a picture of the receipt with your phone, sync that to your computer, and attach it.



4.13 Pay a Mortgage

You can either write a check for the mortgage payments, or use the Loan Manager. The Loan Manager lets you enter the terms of most types of mortgages, and then automatically calculate the checks to write each month. Try it out by clicking **Banking > Loan Manager**. There is a simple wizard you go through to set up the loan. It can also do “what if” analysis regarding different loan and payback scenarios.

The instructions below show how to enter a mortgage payment without using loan manager.

Write Checks - Business Checking

Main Reports

Find New Save Delete Memorize Create a Copy Print Print Later Pay Online Attach File Select PO Enter Time Clear Splits Recalculate Batch Transactions Reorder Reminder Order Checks

BANK ACCOUNT: 1010 - Business Checking ENDING BALANCE: 63,116.13

NO: 1093 DATE: 01/14/2014

PAY TO THE ORDER OF: Bank \$ 307.07

Three hundred seven and 07/100*****

ADDRESS: Bank

MEMO:

Expenses \$307.07

ACCOUNT	AMOUNT	MEMO	CUSTOMER:JOB	BILL	CLASS
2200 - Mortgages RE: 2203 - AddressOfProp...	75.82				1111AddressOfProp...
5200 - Interest Expense	213.75				1111AddressOfProp...
7010 - Bank Service Charges: 7013 - PMI Fee	18.00				1111AddressOfProp...

Save & Close Save & New Clear

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Don't forget the classes

Intuit Inc.

Quick Tip



If you pay PMI (Private Mortgage Insurance) on your mortgage, add that as another line item in the expenses tab when writing a check.

If the property has appreciated in value since the loan origination date, contact your bank and you may be able to remove PMI. It is expensive and provides no value to the investor.

FAQ



Q: *Can you deduct Private Mortgage Insurance (PMI) premiums on rental property? If so, which line item on Schedule E?* (This question comes from the IRS in [this FAQ](#), you should always consult your accountant).

A: In general, you can deduct PMI premiums in the year paid. However, if you prepay PMI premiums for more than one year in advance, for each year of coverage you can deduct only the part of the PMI payment that will apply to that year. Report a deduction for PMI premiums on line 9 of [Schedule E \(Form 1040\)](#), *Supplemental Income and Loss*.

Additional Information:

- [Instructions for Schedule E \(Form 1040\)](#), *Supplemental Income and Loss*
- [Publication 527](#), *Residential Rental Property*

4.14 Sell a Property

In the sample file a rented property (123 Main St.) was sold. The purchase price was for \$50,000 (as was the cash basis). It was sold for \$52,000. The gain was recognized as other income.

Caution



If you buy and sell a property, there are various tax and legal implications. The sample transaction simply enters the difference in the basis and the sales price as Capital Gains. You will need to enter taxes, closing fees, and other details. Talk to your accountant and consult the closing statements.

The sales transaction is entered at the time you make a deposit of the funds you received. **Banking > Make Deposits**. It could have been recorded as a Journal Entry, but this way (as lines in the “Make Deposit”) is more intuitive for some people. The key thing is to include all of the appropriate line items needed in the transaction.

Make Deposits

Previous Next Save Print Payments History Journal Attach

Deposit To: 1010 - Busine... Date: 11/18/2005 Memo: Deposit

Click Payments to select customer payments that you have received. List any other amounts to deposit below.

RECEIVED FROM	FROM ACCOUNT	CHK NO.	PMT M...	CLASS	AMOUNT
Ben Buermuch	1300 - Real Estate	8512	Check	1610NAndrews	42,000.00
Ben Buermuch	4300 - Capital Gains (Lo... this is a simplified example...	188512	Check	1610NAndrews	-13,000.00
Ben Buermuch	2200 - Mortgages RE	188512	Check	1610NAndrews	-27,720.87
	a line for Accum. Dep. would also be needed. Please see your accountant.				
					1,279.13

To get cash back from this deposit, enter the amount below. Indicate the account where you want this money to go, such as your Petty Cash account.

Memo: Cash back amount

Deposit Total: 1,279.13

Save & Close Save & New Clear

Decrease the property's value to zero

Capital gains (use a negative amount if a loss)

Another line for Accumulated Depreciation would be needed. Ask your Accountant for the amount.

All classes are the property's class

If you sold the property, but did not receive cash (for a 1031 Exchange for instance), you would use a Journal Entry. Consult your attorney, accountant and/or qualified intermediary for specifics.



Q: What form(s) do we need to fill out to report the sale of rental property? (This question comes from [this IRS FAQ](#) – it is listed here for convenience, always consult your accountant).

A: Report the gain or loss on the sale of rental property on [Form 4797, Sale of Business Property](#). Individuals typically use [Schedule D \(Form 1040\), Capital Gains and Losses](#), together with Form 4797.

Additional Information:

- [Publication 544, Sales and Other Dispositions of Assets](#)
- [Publication 550, Investment Income and Expenses](#)
- [Instructions for Form 4797, Sales of Business Property](#)
- [Instructions for Schedule D, Capital Gains and Losses](#)

Q: What forms do we file to report a loss on the sale of a rental property? (This

question comes from [this](#) IRS FAQ – it is listed here for convenience, always consult your accountant!)

A: Rental property is income-producing property and as such, considered business property. Report the loss on the sale of rental property on [Form 4797](#), *Sales of Business Property*. Normally, you transfer the loss as ordinary loss to line 14 of [Form 1040](#), *U.S. Individual Income Tax Return*.

Additional Information:

- [Instructions for Form 4797](#), *Sales of Business Property*
- [Publication 544](#), *Sales and Other Dispositions of Assets*

Q: We sold a rental property last year and used the like-kind exchange rules under section 1031 of the Internal Revenue Code to purchase a replacement property and defer the gain of the rental property sold. How do I report this transaction on my tax return? (This question comes from [this](#)) IRS FAQ – it is listed here for convenience, always consult your accountant!)

A: Report the exchange of like-kind property on [Form 8824](#), *Like-Kind Exchanges*. The [Instructions for Form 8824](#) explain how to report the details of the exchange. Even if you recognize no gain or loss, you must report the exchange.

If you received money or other property (not like-kind) as part of the exchange, you must recognize gain to the extent of the amount of money or the value of other property you received, but you do not recognize a loss. For this purpose, consideration received by a taxpayer in the form of an assumption of a liability by the other party to the exchange or the transfer by the taxpayer of property subject to a liability is treated as money or other property. However, a taxpayer may offset a liability assumed with consideration given by the taxpayer assuming a liability or receiving a property subject to a liability in the exchange. You must report recognized gain on [Form 4797](#), *Sales of Business Property*, and [Schedule D \(Form 1040\)](#), *Capital Gains and Losses*. Refer to the detailed section on qualifying like-kind exchanges in Chapter 1, *Gain or Loss*, in [Publication 544](#), *Sales and Other Dispositions of Assets*.

Additional Information:

- [Instructions for Form 4797](#), *Sales of Business Property*

Chapter 5: Tenant Tasks

5.01 Add a Tenant to a Property

Tenants are “Jobs” under Customers in the Customer Center. Open the Customer Center through the Menu Bar’s **Customers > Customer Center** or press **Ctrl+J**. To add a tenant to an existing property: select the property (a customer) that you want to add a tenant (job) to and right click, choosing **Add Job**. (Or click the button **New Customer & Job > Add Job**).



 A screenshot of the 'Edit Job' form in QuickBooks. The form is titled 'Edit Job' and shows a job named 'Gold,Audrey' for customer '1610Andrews'. The current balance is 0.00. The form has several tabs on the left: 'Address Info', 'Payment Settings', 'Additional Info', and 'Job Info'. The 'Additional Info' tab is selected. A red box highlights the 'JOB NAME' field with the text: 'Enter at minimum the Job Name (LastName, FirstName format)'. Another red box highlights the 'Additional Info' tab with the text: 'If you wish to enter custom fields (such as move in date, rent amount, lease expiration, etc.) click the Additional Info tab and Define Fields.' The form includes fields for 'FULL NAME' (Mr./Ms./, Audrey, M.I. Gold), 'JOB TITLE', 'Main Phone' ((211) 555-1234), 'Main Email' (audrey_gold@example.com), 'Work Phone', 'CC Email', 'Mobile', 'Website', 'Fax', and 'Other 1'. There is also an 'ADDRESS DETAILS' section with 'INVOICE/BILL TO' (Audrey Gold, 1610 N Andrews) and 'SHIP TO' (Gold,Audrey). At the bottom, there are 'OK', 'Cancel', and 'Help' buttons.

If you want to track tenant move in dates, or other information, you can do so through defining additional fields to go on the Additional Info tab.

See Also

For more information about Jobs, please refer to section [3.07 Tenants are “Jobs” in the “Customer Center”](#). Also see section [3.06 Properties are “Customers” in the “Customer Center”](#).

You can Define Fields to add additional information to tenants “Job” information (such as track move in dates). See section [6.02 Define Fields for Customers and Jobs](#).

5.02 Automatically Charge Residents for Rent

You will regularly receive rent. QuickBooks calls this service you are paid for an “Item.” Whatever you charge for requires an item. This includes services and everything a company buys, sells, or resells (and wants to track) while doing business.

Most items you need (including the Rent Item) is preconfigured in the sample data files.

See Also

If you have an existing company file, you can import the items with the items_list.IIF file included with the kit. Open that file in Excel if you want to see what the items are. Import it with **File > Utilities > Import > IIF...** and browse to the file.

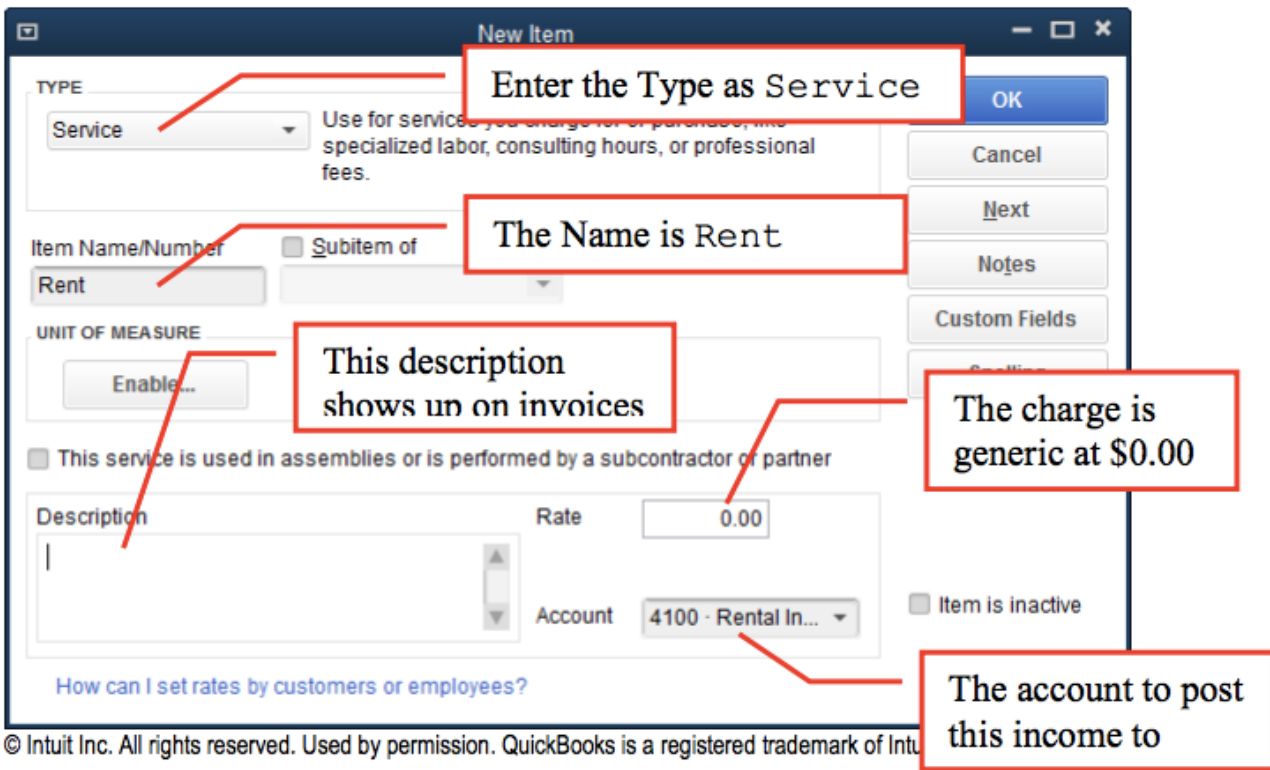
Alternatively, open the template sample file and remember which items you want and then enter them manually in your company file.

Quick Tip

If you use the sample data template, the Rent Item (and probably every other Item you need) is already set up. Look in the sample file to see how it is configured.

To create a new Rent item go to the Menu Bar and click: **Lists > Item List**. In the Items List window that appears, click the **Items** button and **New** (or press **Ctrl+N**).

When creating the Rent item, the charge is \$0.00 and you will edit it at the time you assign it to tenant’s invoice. (You will not have to enter it every month, just once for each tenant before memorizing a repeating transaction). The account it is assigned to is **4100 – Rental Income**. Click **OK** and you now have a rent item.



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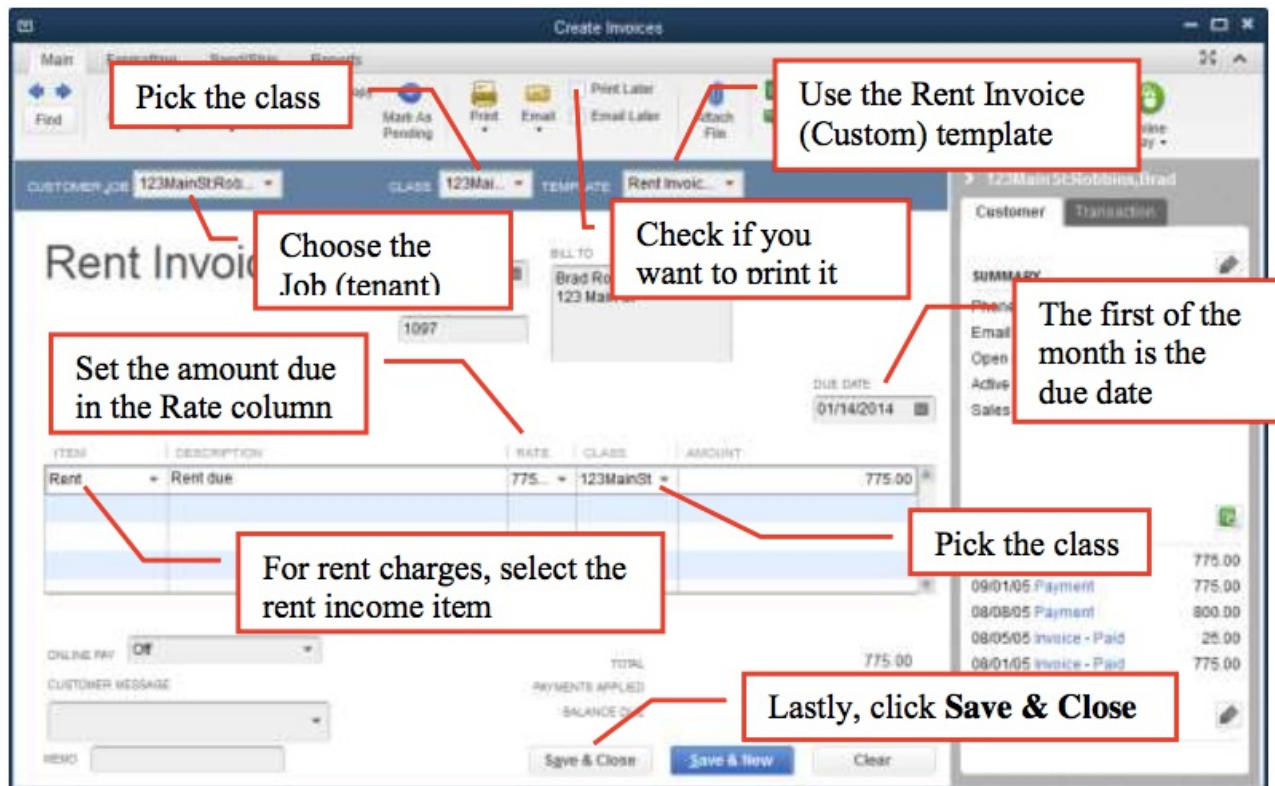
You will now set up a repeating charge for a resident. This automatically enters the rent due every month. There are two steps: create a rent invoice for a tenant, and then memorize that invoice as a repeating transaction.

In the button bar click the **Customer Center**. Click to highlight the tenant (this is a job) and click the button **New Transactions > Invoices**.



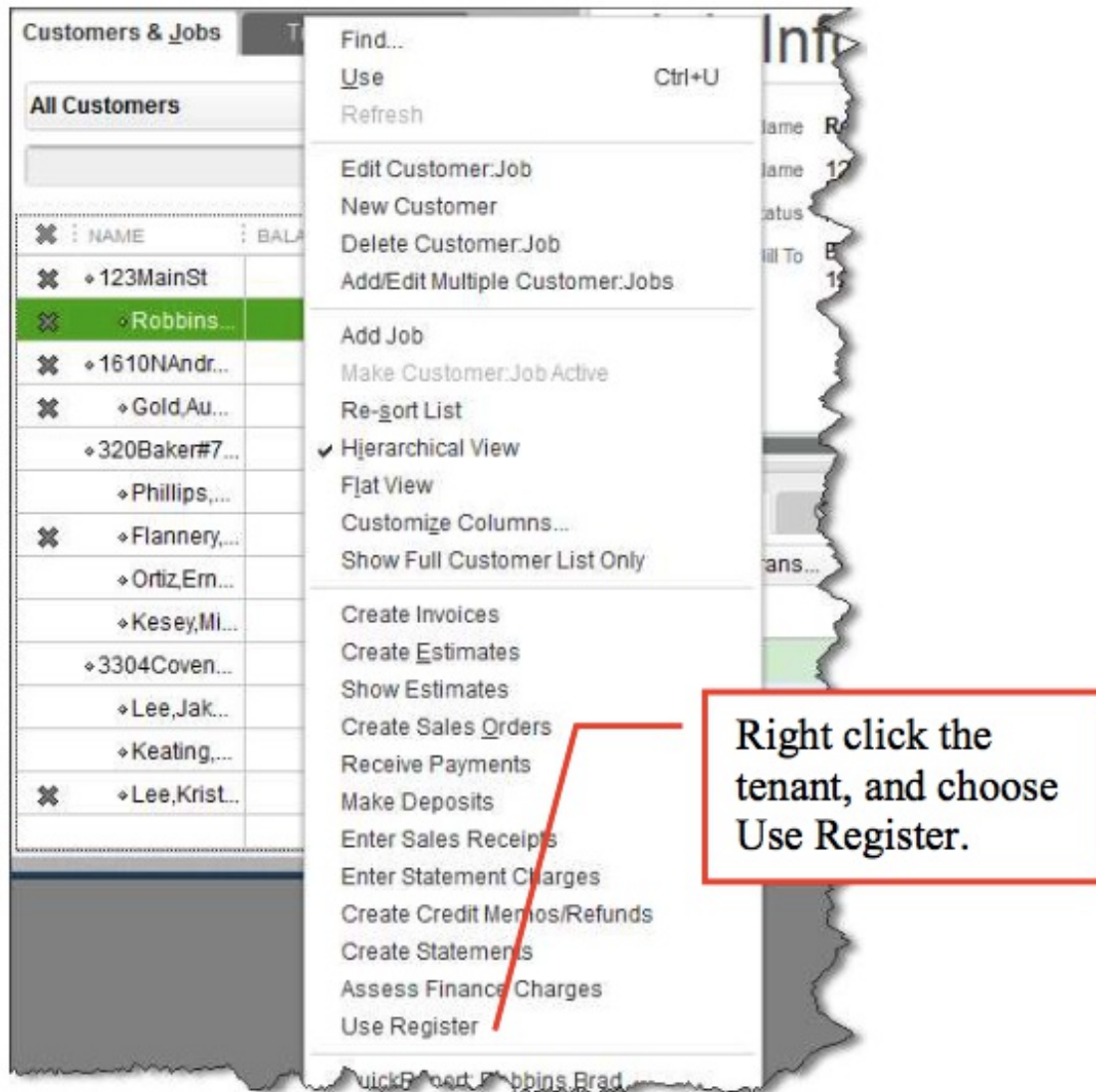
Even though you see the word “Invoice”, you will not have to create and mail invoices to renters every month. This is just how we tell QuickBooks what to charge a resident.

Here we directly enter charges for a tenant. Typically this is just the rent, although you could have items for cleaning fees, parking charges, or pet rent surcharge that you also charge for. The benefit with multiple items on an invoice is for slicing and dicing your reporting. You can see how much revenue each item brings in. For simplicity, we will just use the Rent item.



If want to print this Invoice, check the box “To be printed” and when you have several ready to print, click in the Menu Bar, **File > Print Forms > Invoices...**

To verify your Invoice was charged to that tenant, click **Customers > Customer Center** and right click on that tenant (Job) and choose **Use Register**.



What will open is that tenant’s Accounts Receivable register. In it, scroll down and you will find that invoice entered.

DATE	NUMBER	ITEM	QTY	RATE	AMT CHRG	AMT PAID	BALANCE
	TYPE	DESCRIPTION		CLASS	BILLED DATE	DUE DATE	
09/01/2005						775.00	775.00
	PMT	9/1 received					
09/01/2005	1061				775.00		
	INV					Paid	
01/14/2014	1097				775.00		775.00
	INV					01/14/2014	

ENDING BALANCE **775.00**

Double click, or right click and click **Edit Invoice**, to open that invoice back up.

With the invoice open, or its line in the A/R register highlighted, memorize this transaction by pressing **ctrl+M** (or **right clicking** the entry and selecting **Memorize Transaction**). Select **Automate Transaction Entry** and set it to reoccur on the next due date.

Name: Robbins,Brad

Add to my Reminders List
 Do Not Remind Me
 Automate Transaction Entry
 Add to Group

How Often: Monthly
 Next Date: 02/01/2014
 Number Remaining:
 Days In Advance To Enter: 0
 Group Name: <None>

OK Cancel

If rents are due the first of every month and late fees start incurring on the fifth, you would enter the first (due date) for the Memorize Transaction window and not the fifth (late fee date). The late fee date is set in **Edit > Preferences**, under **Finance Charges**. Refer to the section [5.05 Automatically Charge Late Fees](#) for more details.

5.03 Receive Rent

Receive rent through: **Customers > Receive Payments**. You will deposit this to your checking account. Renters first must have an outstanding invoice that they need to pay. If you followed the previous section, you have memorized invoices set up to bill tenants automatically every month.

Caution

Do not “Make Deposits” to receive rent. You must receive rent through the “Receive Payments” dialog in order for the Invoice to be marked as paid.

If you incorrectly Make Deposits, you can fix this. Delete the deposit (or the one payment line item on the aggregate deposit), and then Receive Payments. Link the payment to the corresponding invoice.

Update

For Customer Payments, you will Deposit to “Undeposited Funds.” (This is the recommended method when receiving payments.) Why? It’s easier to make one deposit with 5 checks, rather than 5 deposits with 1 check each. It also makes for easier reconciling.

Past versions of this book with old versions of QuickBooks suggested not depositing into undeposited funds. However, experience and customer feedback has found using Undeposited Funds is the best method. The sample company file still uses the old method and does not use Undeposited Funds. A future version will be updated to reflect the new recommended method.

If you want to set Undeposited Funds as the default when receiving payments, go to **Edit > Preferences....** Click **Payments**, the **Company Preferences** tab, and check Use Undeposited Funds as a default deposit to account.

Use Undeposited Funds as a default deposit to account

Receive Payments

Main Reports Payments

Find New Delete Print Email Attach File Look up Customer/Invoice

Customer Payment

RECEIVED FROM: 123MainSt.Robbins,...

PAYMENT AMOUNT: 775.00

DATE: 01/14/2014

CHECK #: 1234

DEPOSIT TO: 1020 - Undep...

CASH CHECK Visa e-CHECK MORE

DATE	NUMBER	ORIG. AMT.	AMT. DUE	PAYMENT
01/14/2014	1097		775.00	775.00
Totals			775.00	775.00

AMOUNTS FOR SELECTED INVOICES

AMOUNT DUE	775.00
APPLIED	775.00
DISCOUNT AND CREDITS APPLIED	0.00

MEMO

Save & Close Save & New Clear

Choose the renter's name, payment method, date, amount, and check number.

Deposit to Undeposited Funds (see Update on prior page).

Check the invoice this payment is to be applied against.

Breakdown of how the payment was applied

Enter the date as the day the payment is received, not the day deposited. This way you will be able to track payment timeliness.

See Also



If you receive prepaid rent many months in advance refer to section [5.08 Enter Prepaid Rent](#).

FAQ



Q: What if my tenant pays before I invoice (i.e. before the 1st), how can I check the box next to the invoice if the invoice has not yet been entered?

A: You can receive rent at any time, even if it is before the Invoice has been charged for the tenant. You cannot, however, apply a payment to an invoice until the invoice exists.

Enter the payment and as soon as it is received, it will not be applied to any invoices at first. Later when the invoice is issued, open the appropriate Customer Payment entry from that job (tenant's) register. Find the entry with PMT in the Type field, and double click that.

09/02/2005	1045	1610NAndrews:Gol					750.00
	PMT						

When the payment opens, **check** the checkbox column next to the invoice this should be applied against and click **Save & Close**.

<input checked="" type="checkbox"/>	DATE	NUMBER
<input checked="" type="checkbox"/>	09/01/2005	1061

So you don't forget to apply the payment, make yourself a memo to revisit this transaction at the first of the month. Refer to section [6.01 "Reminders," "To Do" Lists, and the "Calendar"](#) about QuickBooks' memo features.

If you forget to do this, you will be reminded next month, as there will be two seemingly unpaid invoices for that tenant. (QuickBooks is assuming they have not paid either month's rent yet.) At that time, go back and apply the first payment.

As another option, you could wait until the rent becomes due and Receive Payments then. This is an especially good idea at the start of your company's fiscal year. Recognize (receive payments) the rent in the right month (and fiscal year).

5.04 Manually Charge Late Fees

First, you need a Late Fee "Item." To create one, in the Menu Bar click: **Lists > Item List**. When the window opens, click the Item dropdown button and New to add a new item (or press **Ctrl+N**). This is already created in the sample files.

Quick Tip



If you use the sample data template the Late Fee Item (and probably every other Item you need) is already set up. Look in the sample file to see how it is configured.

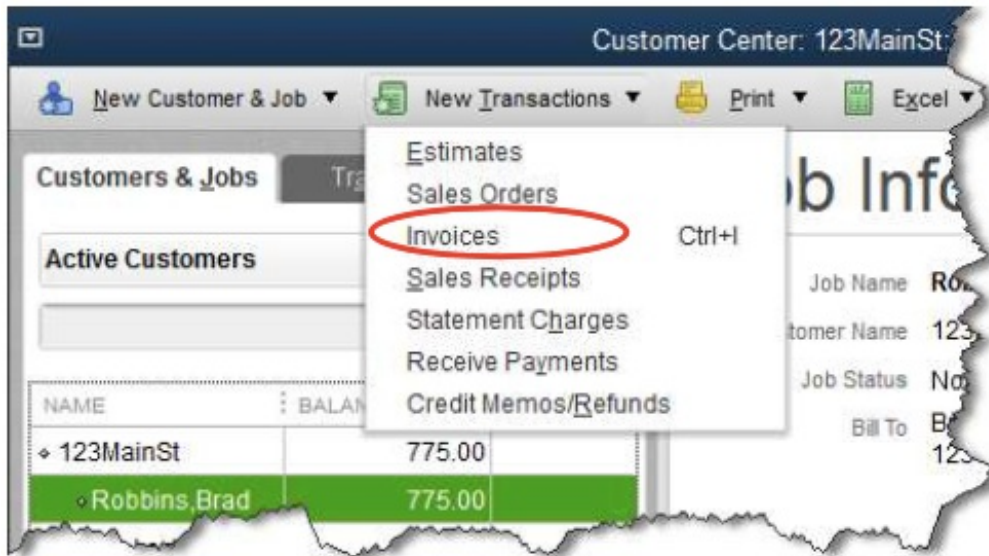
The screenshot shows the 'New Item' window in QuickBooks. The 'TYPE' dropdown is set to 'Service'. The 'Item Name/Number' field contains 'Late fee'. The 'UNIT OF MEASURE' is set to 'Each'. The 'Rate' is set to '25.00'. The 'Account' dropdown is set to '4200 - Fee Inco...'. The 'Item is inactive' checkbox is unchecked. Red callout boxes with arrows point to the following fields:

- Enter the Type as Service**: Points to the 'TYPE' dropdown menu.
- The Name is Late Fee**: Points to the 'Item Name/Number' text box.
- How much you charge for late fees**: Points to the 'Rate' text box.
- The account to post this income into**: Points to the 'Account' dropdown menu.

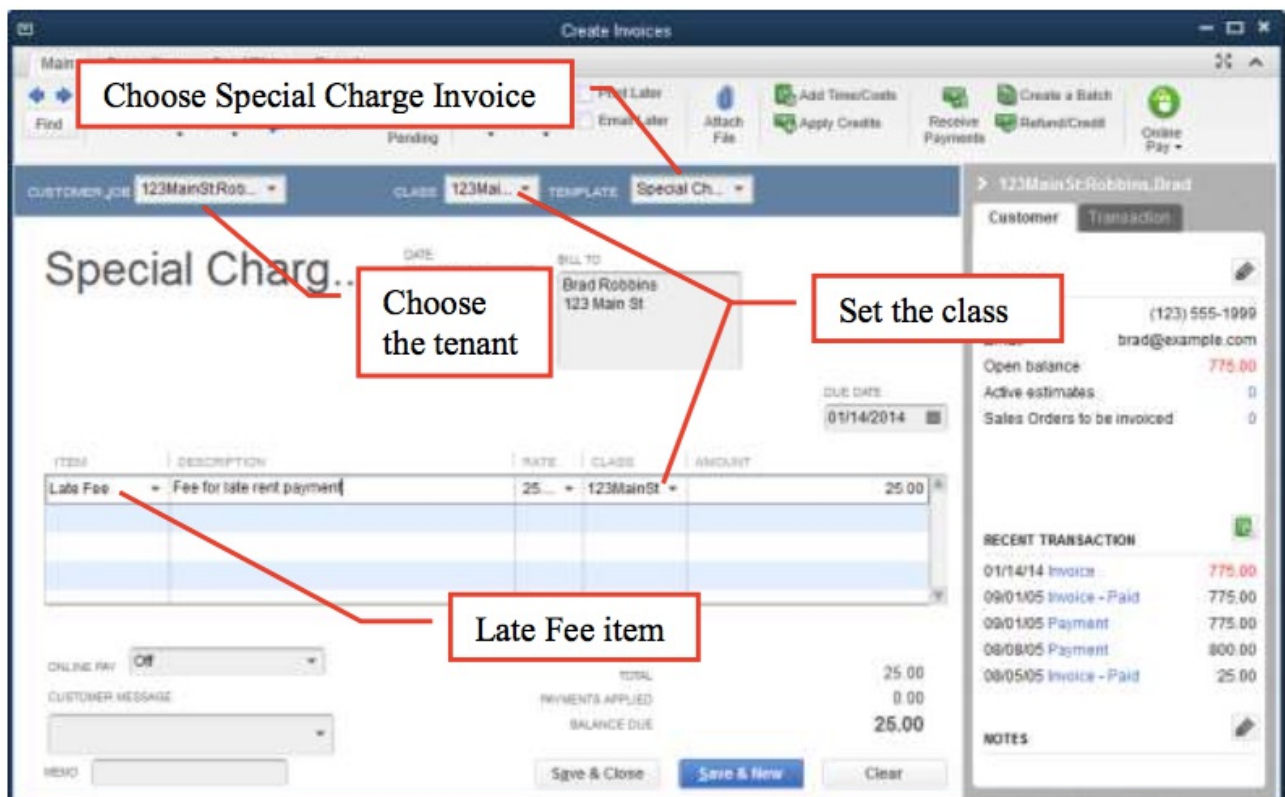
See Also

If you are not a lenient landlord, but rather are strict about charging late fees at every possible opportunity, see section [5.05 Automatically Charge Late Fees](#).

Manually enter late fees for tenants by going to the Customer Center (in the Menu Bar, click **Customers > Customer Center**). Highlight the tenant (a job in the list) and click the **New Transactions** menu button and choose **Invoices**.



In the new invoice, use the Special Charge Invoice template and add the late rent fee item, the rate (\$25 here) and the corresponding class (property). Check To be printed if you want to send it to your tenant. Then click **Save & Close**.



5.05 Automatically Charge Late Fees

QuickBooks can determine which tenants owe late fees based on their invoice date and the

preferences set for the grace period and late fee amount ([3.29 Changing QuickBooks “Preferences”](#)). Before you charge late fees, you need to record an invoice that charges them for rent, preferably automatically with a memorized transaction.

QuickBooks’ feature “Assess Finance Charges” allows you to charge a set amount as the late fee, including a grace period if desired. Any unpaid invoices exceeding the grace period will appear on the assess finance charges list.

Automatically charging late fees is based on:

- Your grace period (set in **Edit > Preferences** click **Finance Charge** icon, then the **Company Preferences** tab)
- The day rent is due for each tenant (set it up in **Lists > Memorized Transactions List**, open the appropriate memorized transaction invoice, and verify it is entered on the 1st of the month.

When you create an Invoice, you must charge for something. That something in QuickBooks is called an “Item.” You will have items for rent, late fees, bad checks and more. Look at the Items List in the sample data file. Click in the Menu Bar: **Lists > Item List**. Refer to the previous section on how to set up the Late Fee item.

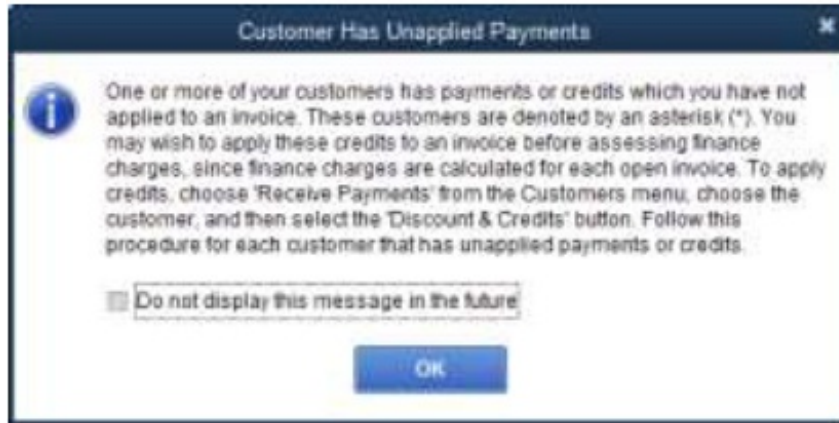
See Also



You must set the Finance Charge preferences, please refer to section [3.29 Changing QuickBooks “Preferences”](#). Also see section [3.14 “Items” go on Every Invoice](#).

Quick Tip

It is possible the following information window pops up. It is saying you may have not “Received Payments” from one of your tenants properly, as they made a payment or have a credit as well as an unpaid invoice.



Do you want to apply the payment or credit to the unpaid invoice? Probably you do, so look through your previously entered “Receive Payments” and see if one is missing the checkbox next to an invoice.

✓	DATE	NUMBER	ORIG. AMT.	AMT. DUE	PAYMENT	
✓	09/01/2005	1061		775.00	775.00	775.00
	01/14/2014	1097		775.00	775.00	0.00

This could also occur if a tenant has a credit due to prepaid rent. If that is the case (or if the tenant needs a credit for any reason), this message can safely be ignored – you don’t have a problem.

After the grace period has run out and some tenants have not yet paid their rent, it’s time to assess finance charges. Click in the Menu Bar, **Customers > Assess Finance Charges**.

The template you choose here will affect what the invoice looks like (important if you want to print it)

Assessment Date: 01/18/2014

Finance Charge: Custom

List of delinquent tenants (Jobs), sorted by property (Customer)

ASS...	LAST FC	CUSTOMER	OVERDUE BAL	FINANCE CHARGE
<input checked="" type="checkbox"/>	08/05/2005	*Robbins,Brad	1,548.00	25.00

Check the column for those you want to charge late fees

Check if you want to print Finance Charge Invoices for each tenant.

This amount was configured in the Preferences for Finance Charges

Mark Invoices "To be printed"

Customers with no invoices applied to any of these credits

Settings... Collection History **Assess Charges** Cancel

Click **Assess Charges** and the tenants ledgers will be charged for late fees

After you click **Assess Charges** they will have posted to the tenant’s ledger.

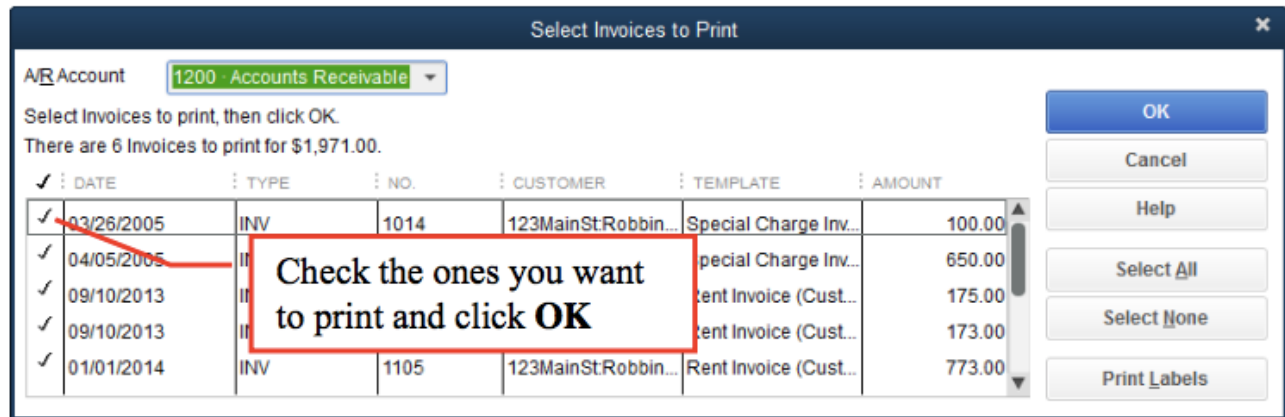
If you clicked the Collection History button in the Assess Finance Charges window, you would see the following report.

Useful by displaying number of days due and the open balance

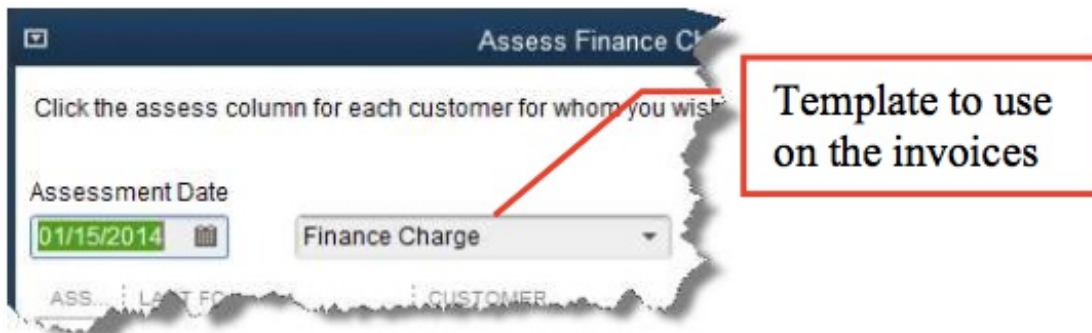
Type	Date	Num	P.O.#	Terms	Due Date	Class	Aging	Open Balance
Invoice	01/01/2014	1105			01/01/2014	123MainSt	17	773.00
Invoice	01/14/2014	1097			01/14/2014	123MainSt	4	775.00
Total Robbins,Brad								1,548.00
Total 123MainSt								1,548.00
TOTAL								1,548.00

This report is also accessible through **Reports > Customers & Receivables > Collections Report**

If you checked the “Mark Invoices ‘To be printed,’” you can print them by clicking in the Menu Bar, **File > Print Forms > Invoices...** The following screen will come up with all the unprinted invoices.



If you want to change the look or formatting of the invoice, change the underlying template it was based on. You chose that in the Assess Finance Charges window.



The template this was based on was the Intuit standard Finance Charge Invoice Template. By default, the Finance Charge invoice looks like this.

YourCompany LLC

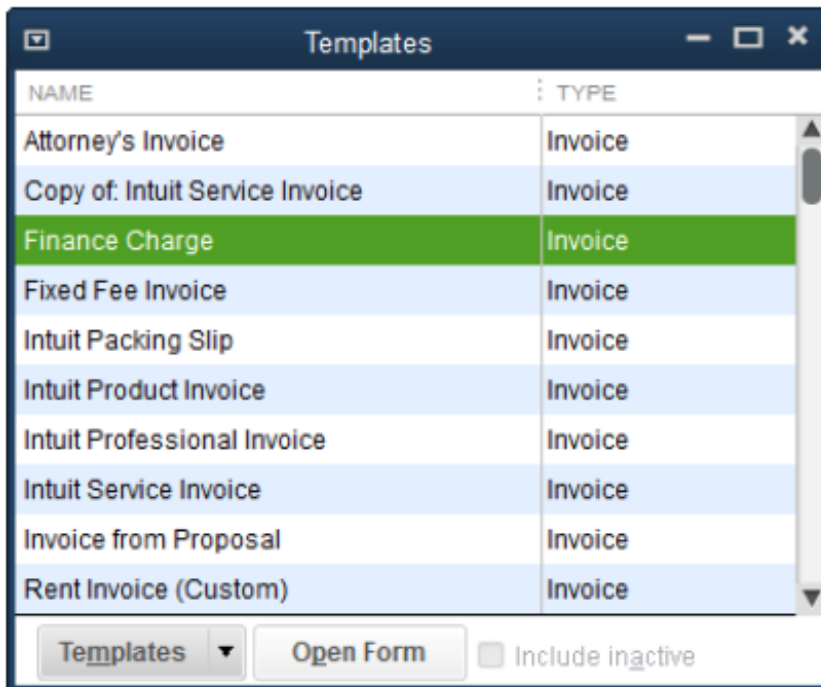
Finance Charge

Date	Invoice #
1/17/2014	1106

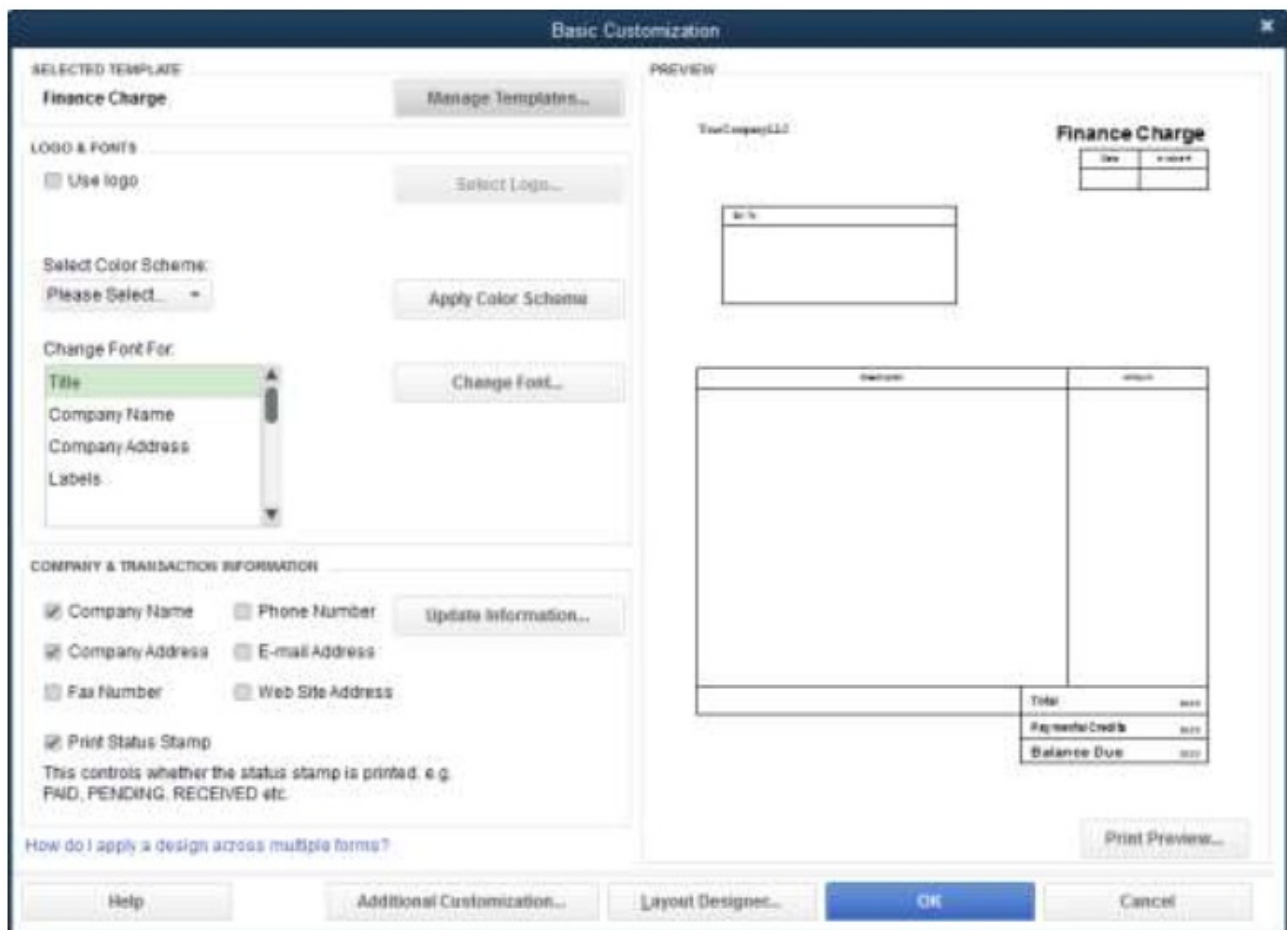
Bill To

Description	Amount
Total	\$0.00
Payments/Credits	\$0.00
Balance Due	\$0.00

You can customize templates by clicking in the Menu Bar, **Lists > Templates**.



Right click on one and choose **Edit Template**.



5.06 Deal with Bad Checks

Tenants may write checks that bounce. If the bank notifies you a check you deposited has been returned because of insufficient funds, you must do all of:

1. Re-charge the tenant for rent
2. Charge the tenant for the NSF fee
3. Pay your bank an NSF fee

Assuming you already created an original invoice and received payment (which bounced); create a new Invoice using the **bad check amt** item for the amount of the bad check.

Also in the same invoice, add the **NSF fee** item that you charge tenants for a bad check. Create the invoice, optionally printing it and sending it to the Tenant.

These items exist in the sample files. If you need to create them yourself, both are “Other Charges”. The **bad check amt** item posts to **1010 – Business Checking**. The **NSF fee** posts to **4200 – Fee Income:4230 – NSF Check Fee Income**.

Below is the new Invoice. Note that the Special Charge Invoice template is selected, and the appropriate class is selected at the top of the invoice, and in the line items.

The screenshot shows the 'Create Invoices' window in QuickBooks. The invoice is titled 'Special Charge...' and is for 'Audrey Gold' at '1010 N Andrews'. The date is 01/14/2014 and the invoice number is 1098. The invoice includes the following line items:

ITEM	DESCRIPTION	RATE	CLASS	AMOUNT
bad check amt	enter amount of bad check (then delete this line in the description before printing)	600.00	1010NAndr...	600.00
NSF fee	Bounced check fee	25.00	1010NAndr...	25.00
Late Fee	Fee for late rent payment	25.00	1010NAndr...	25.00

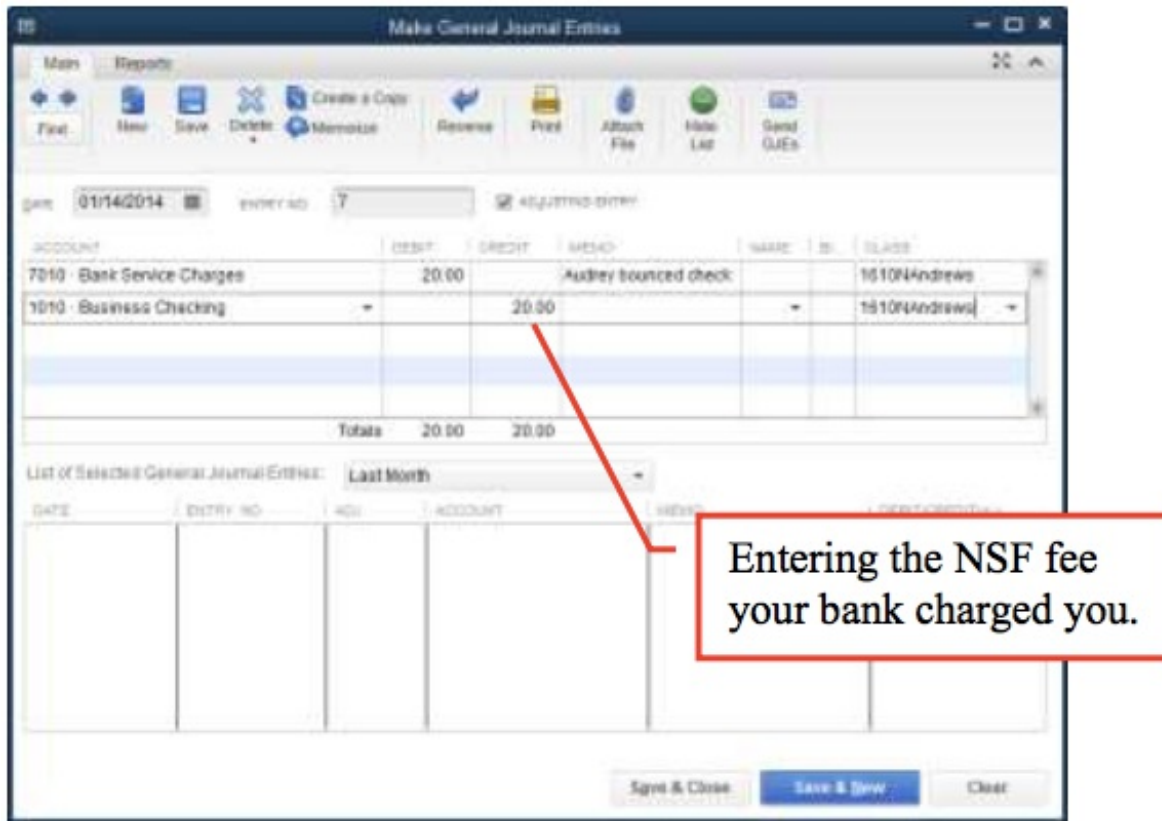
The total amount due is 650.00. The invoice also shows a 'RECENT TRANSACTION' list and a 'NOTES' section.

Two red callout boxes provide instructions:

- Box 1: "If you print this, reword the description of the bad check amount." (points to the 'bad check amt' description)
- Box 2: "If the rent is also late, add a late rent fee item" (points to the 'Late Fee' description)

This posts the amount of the bad check against your bank account, which increases the account's receivables by the same amount (causing the tenant to once again owe their rent).

Add the NSF fee from your bank via a Journal Entry (**Company > Make General Journal Entry...**) decreasing (crediting) your checking account and increasing (debiting) the **7011 – NSF Bank Charge** account. If you forget, you will have to enter it when you reconcile with your bank statement.



5.07 Send Statements to Tenants

Occasionally it is helpful to mail a tenant a statement of their late charges, back due rent, or other fees to encourage him or her to pay the rent. QuickBooks can prepare a professional looking statement.

In the Menu Bar click **Customers > Create Statements**. This creates a statement of what is owed and how long it has been owed. This is also useful if preparing formal statements for eviction proceedings.

Create Statements

SELECT STATEMENT OPTIONS

Statement Date: 01/15/2014

Statement Period From: 12/16/2013 To: 01/15/2014

All open transactions as of Statement Date

Include only transactions over 30 days past due date

SELECT CUSTOMERS

All Customers

Multiple Customers

One Customer: 1610NAndrews:Gold,Audrey

Customers of Type

Preferred Send Method

View Selected Customers

SELECT ADDITIONAL OPTIONS

Template: Intuit Standard Statement [Customize]

Create One Statement: Per Customer

Show invoice item details on statements

Print statements by billing address zip code

Print due date on transactions

Do not create statements:

with a zero balance

with a balance less than 0.00

with no account activity

for inactive customers

Assess Finance Charges...

Preview [Close] [Help]

You may customize templates

Select the customers you want to print statements for.

Configure the options then Preview

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An example statement for Audrey at 1610 N. Andrews is below. This is not included in the sample data file, as all invoices are paid for tenants. These Statements can have any type of charges on it, such as rent, late fee, and NSF charges. Simplify yours as necessary by customizing the Template.

YourCompany LLC

Statement

Date
1/15/2014

To:

AudreyGold
1610 N. Andrews

		Amount Due	Amount Enc.		
		\$650.00			
Date	Transaction	Amount	Balance		
01/14/2014	Gold,Audrey- DNV #1095. Due 01/14/2014. Orig. Amount \$650.00	650.00	650.00		
CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	Amount Due
0.00	650.00	0.00	0.00	0.00	\$650.00

5.08 Enter Prepaid Rent

This method assumes your company is using the cash accounting method where income is recognized at the time the payment is received. If you use the accrual method, which recognizes income as the service (inhabitation) is performed, as you accountant to assist you with creating an unearned revenue liability account which slowly converts to income.

When you receive prepaid rent, under cash accounting, it is all income. Imagine if a tenant pays you \$4,050 upfront for 9 months of rent (\$450 due the first of each month). \$4,050 is paid the 1st of the first month, and is split as a \$450 rent payment and \$3600 in prepaid rent.

First enter the invoice charging the tenant for the rent in the normal method. Memorize this invoice and set it to be entered monthly on the first.

The screenshot shows the 'Create Invoices' window in QuickBooks. The toolbar includes buttons for 'Find', 'New', 'Save', 'Delete', 'Memorize', 'Mark As Pending', 'Print', 'Email', 'Print Later', 'Email Later', 'Attach File', 'Add Time/Costs', 'Apply Credits', and 'Receive Payments'. A red box highlights the 'Memorize' button with the text 'Memorize the transaction'. The invoice details are as follows:

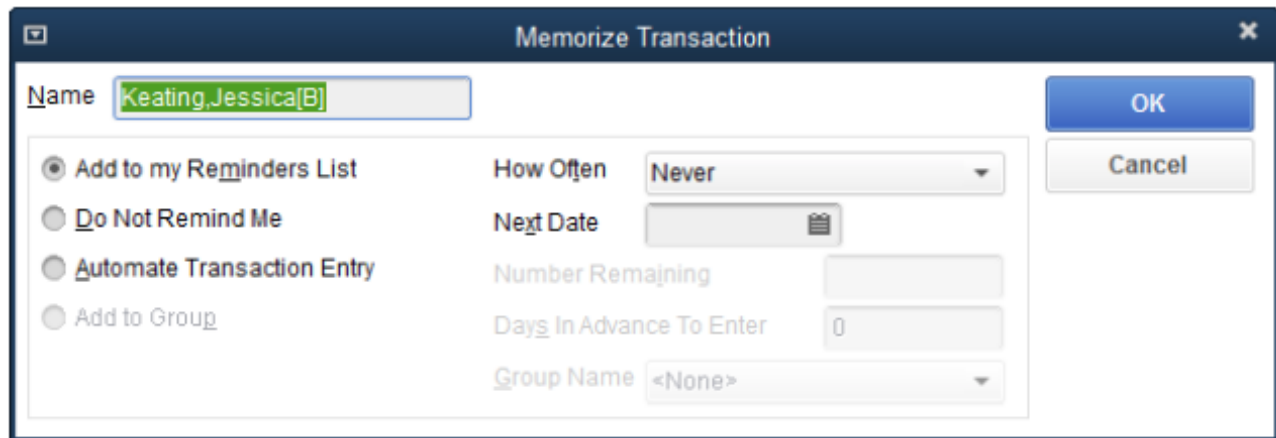
ITEM	DESCRIPTION	RATE	CLASS	AMOUNT
Rent	Rent due	450.00	3304Covena...	450.00

Summary:

TOTAL	450.00
PAYMENTS APPLIED	0.00
BALANCE DUE	450.00

Buttons: Save & Close, Save & New, Clear

As a reminder, this is how you memorize a monthly rent transaction.



Memorize Transaction

Name

Add to my Reminders List How Often

Do Not Remind Me Next Date

Automate Transaction Entry Number Remaining

Add to Group Days In Advance To Enter

Group Name

OK Cancel

Next click in the Menu Bar, **Customers > Receive Payments** for the first month's rent. The amount is equal to the first month's rent. Do not enter the full amount of the payment – only the first month is due. The amount you enter should match the amount on the invoice you check in the bottom half of the screen.

Update



For this Customer Payment, you will Deposit to "Undeposited Funds." (This is the recommended method when receiving payments.)

The first version of this book suggested not depositing into undeposited funds. However, our experience and customer feedback has found using Undeposited Funds is the best method. You benefit going to the bank with a stack of checks (entered into Undeposited Funds) and make one deposit, which then creates only one entry you need to reconcile.

Customer Payment 450.00

RECEIVED FROM: 3304CovenantKeati... **Pick the job (tenant)**

PAYMENT AMOUNT: 450.00 **Amount equals the first month's rent, not the entire prepayment.**

DATE: 02/01/2014

CHECK #: 1234

DEPOSIT TO: 1020 - Undep... **Deposit to Undeposited Funds**

✓	DATE	NUMBER	ORIG. AMT.	AMT. DUE	PAYMENT
✓	02/01/2014	1099		450.00	450.00
Totals				450.00	450.00

Check the invoice for this payment

AMOUNTS FOR SELECTED INVOICES

AMOUNT DUE	450.00
APPLIED	450.00
DISCOUNT AND CREDITS APPLIED	0.00

MEMO: _____

Buttons: Save & Close, Save & New, Clear

Make deposits by clicking in the Menu Bar **Banking > Make Deposits...** You will see the following popup alerting you that you have payments in Undeposited Funds ready to deposit. Check the box for the previous payment, which was grouped with other undeposited funds. Click **OK**.

Payments to Deposit

SELECT VIEW
View payment method type: All types
Sort payments by: Payment Method

SELECT PAYMENTS TO DEPOSIT

DATE	TIME	TYPE	NO	PAYMENT METHOD	NAME	AMOUNT
02/01/2014		PMT	1234	Check	3304Covenant Keating...	450.00

1 of 1 payments selected for deposit

Payments Subtotal: 450.00

Select All Select None

OK Cancel Help

Amount equals the first month's rent

After you click **OK**, in the Make Deposits window, add a new line for the remaining \$3,600 prepayment. Choose the account as the rental income account. Enter this deposit.

The screenshot shows the 'Make Deposits' window in QuickBooks. The window title is 'Make Deposits'. At the top, there are navigation buttons: Previous, Next, Save, Print, Payments, History, Journal, and Attach. Below this, there are fields for 'Deposit To' (1010 - Business) and 'Date' (8/20/2014). A red box with the text 'Remember to always set the class' points to the 'CLASS' column in the table below. The table has columns: RECEIVED FROM, FROM ACCOUNT, MEMO, CHK. NO., PAY. M., CLASS, and AMOUNT. The first row shows '3304CovenantK...' with '1020 - Undeposited Fun...' and '2/1 received' in the memo, and '450.00' in the amount. The second row shows '3304Covenant...' with '4100 - Rental Income' and 'prepaid rent' in the memo, and '3,600.00' in the amount. A red box with the text 'Add the second line as Rental Income for the remaining amount of the prepayment' points to the second row. Below the table, there is a 'Deposit Subtotal' field with the value '4,050.00', which is circled in red. A red box with the text 'The deposit total is the amount of the check she wrote to the company' points to this field. At the bottom, there are buttons for 'Sign & Close', 'Save & New', and 'Clear'.

RECEIVED FROM	FROM ACCOUNT	MEMO	CHK. NO.	PAY. M.	CLASS	AMOUNT
3304CovenantK...	1020 - Undeposited Fun...	2/1 received		Check	3304CovenantB	450.00
3304Covenant...	4100 - Rental Income	prepaid rent		Check	3304Covena...	3,600.00

Deposit Subtotal: 4,050.00

Total: 4,050.00

Lastly, you will create a credit memo for the prepaid part of the rent. In this case the credit memo will be for \$3,600.

Check if you want to print it

Rent is the item

ITEM	DESCRIPTION	QTY	RATE	CLASS	AMOUNT
Rent	Rent due	B	450.00	3304...	3,600.00

TOTAL: 3,600.00
REMAINING CREDIT: 3,600.00

Buttons: Save & Close, Save & New, Clear

If you want to print the Credit Memo, click **File > Print Forms... > Credit Memos...**

Caution



You may want to enter the full \$4,050 as the amount you received through Receive Payments and only apply \$450 to the first month's rent. In other words, you would not Make Deposits for the \$3,600 plus \$450 for the first payment. This seems to work, but is wrong for cash accounting.

If you make a deposit with the Received Payments window and there are not enough outstanding invoices that have the credits applied to cover all you receive, the extra will not be reflected on the P&L statement. It remains a credit for that tenant. If the financial statements are on a cash basis, QuickBooks uses the later of the date the payment was received and the date of the invoice to determine when revenue will be reported.

To summarize, in handling prepaid rent with cash accounting, you must receive payments for the first month's rent (here, only \$450). Then Make Deposits for the remaining \$3,600, choosing Rent Income as the account. Lastly, issue a Credit Memo.

5.09 Receiving Prepaid Rent

This assumes you followed the previous section's instructions for initially entering the prepaid rent. In the following months, enter the (memorized) invoice. This will automatically decrease the tenant's credit memo by the amount due.

Then go to Receive Payments by clicking in the Menu Bar, **Customers > Receive Payments**. Choose the customer but do not type in an amount. Instead click on the line of the invoice or bill you want to apply a credit to.

Click Discount & Credits...

Don't enter any amount for the payment

Click on the line of the invoice to apply the credit towards the invoice

The customer has credits available

DATE	NUMBER	ORIG. AMT.	AMT. DUE	PAYMENT
03/01/2014	1101		450.00	450.00
			450.00	0.00

AVAILABLE CREDITS
3,600.00
THIS CUSTOMER HAS CREDITS AVAILABLE. TO APPLY CREDITS CLICK DISCOUNT_CREDITS...

AMOUNTS FOR SELECTED INVOICES

AMOUNT DUE	0.00
APPLIED	0.00
DISCOUNT AND CREDITS APPLIED	0.00

Then click the **Discounts and Credits...** button. The following window opens up.

Discount and Credits

INVOICE

Customer:Job	3304Covenant Keating, Jessica[B]		
Number	1101	Amount Due	450.00
Date	03/01/2014	Discount Used	0.00
Original Amt.	450.00	Credits Used	450.00
		Balance Due	0.00

Discount | **Credits**

AVAILABLE CREDITS

✓	DATE	CREDIT NO.	CREDIT AMT.	AMT. TO USE	CREDIT BALANCE
<input checked="" type="checkbox"/>	02/01/20...	1100	3,600.00	450.00	3,150.00
Totals					00

Of all the credits issued to this customer, only unused credits applicable to this specific invoice are displayed above. Clear

PREVIOUSLY APPLIED CREDITS

✓	DATE	CREDIT NO.	CREDIT AMT.	AMT. TO USE	CREDIT BALANCE
Totals			0.00	0.00	0.00

Done Cancel Help

Check the credit you want to use towards this invoice

Click Done

When you click **Done**, a Credits column will be added to the Customer Payment.

Assuming you are using cash accounting, at any time you can create a P&L report it will show the full prepayment as income in the year it was paid. Below is a sample for Keating, Jessica in the data file. Create it with **Reports > Company & Financial > Profit & Loss Detail**. Then filter to only include the class **3304Covenant:B**.

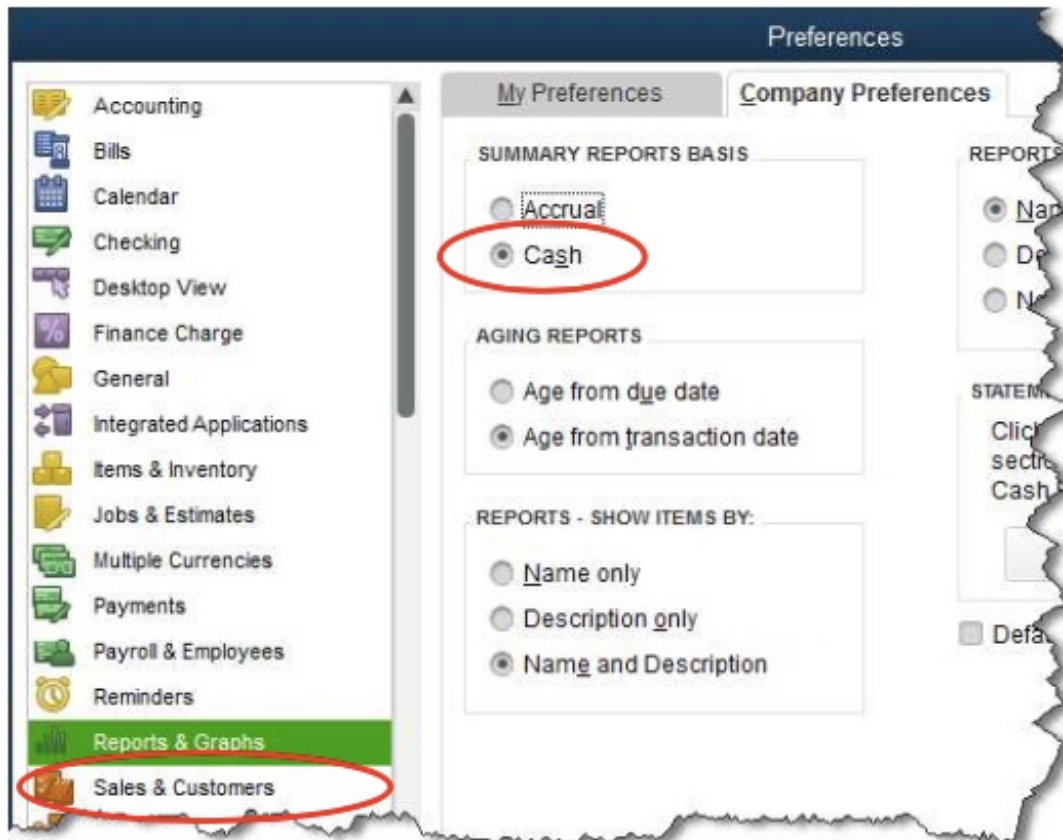
10:46 PM
01/16/14
Cash Basis

YourCompany LLC
Profit & Loss Detail
All Transactions

Type	Date	Num	Adj	Name	Memo	Class	Chr	Split	Debit	Credit	Original Amount	Balance
Credit Memo	05/01/2005	1010		3304Covenant Kea...	Monthly rent	3304Cs...	1200	Access...	3,600.00		-3,600.00	450.00
Invoice	05/01/2005	1020		3304Covenant Kea...	Rent due	3304Cs...	1200	Access...		450.00	450.00	900.00
Invoice	06/01/2005	1040		3304Covenant Kea...	Rent due	3304Cs...	1200	Access...		450.00	450.00	1,350.00
Invoice	07/01/2005	1048		3304Covenant Kea...	Rent due	3304Cs...	1200	Access...		450.00	450.00	1,800.00
Invoice	08/01/2005	1057		3304Covenant Kea...	Rent due	3304Cs...	1200	Access...		450.00	450.00	2,250.00
Invoice	09/01/2005	1067		3304Covenant Kea...	Rent due	3304Cs...	1200	Access...		450.00	450.00	2,700.00
Invoice	10/01/2005	1074		3304Covenant Kea...	Rent due	3304Cs...	1200	Access...		450.00	450.00	3,150.00
Invoice	11/01/2005	1084		3304Covenant Kea...	Rent due	3304Cs...	1200	Access...		450.00	450.00	3,600.00
Invoice	12/01/2005	1091		3304Covenant Kea...	Rent due	3304Cs...	1200	Access...		450.00	450.00	4,050.00
Invoice	02/01/2014	1099		3304Covenant Kea...	Rent due	3304Cs...	1200	Access...		450.00	450.00	4,500.00
Deposit	03/01/2014			3304Covenant Kea...	prepaid rent	3304Cs...	1010	Busine...	3,600.00		3,600.00	8,100.00
Credit Memo	03/01/2014	1100		3304Covenant Kea...	Rent due	3304Cs...	1200	Access...	450.00		-3,600.00	7,650.00
Invoice	03/01/2014	1101		3304Covenant Kea...	Rent due	3304Cs...	1200	Access...		450.00	450.00	8,100.00
Total 4100 - Rental Income									4,850.00	12,150.00		8,100.00
Total Income									4,850.00	12,150.00		8,100.00

Note that the report needs to be set to use cash accounting. When you have opened a P&L report,

click Customize Report and verify that cash is selected. You may also want to configure Cash accounting in your preferences (**Edit > Preferences...**, **Reports & Graphs** icon, **Company Preferences** tab, select **Cash**). This will only default Summary Reports to Cash accounting, Transaction Detail reports will still use Accrual unless changed through the Customize Report button after creating the report.



See Also



For more information on reports, refer to [Chapter 7. Reporting Tasks](#). Also refer to the Quick Tip clarifying cash and accrual reports in section [7.04 Profit and Loss Detail Report](#).

5.10 Charge for Damages while Rented

Sometimes you will discover a current tenant's unit needs repairs that they are responsible for paying. Create an item and use that on an invoice which will be sent to the tenant. If they are not responsible for paying it, then it is regular maintenance or capital improvements as described previously. You have the option of invoicing the tenant for only the actual amount of repairs, or charging for the expense plus a premium, recognized as fee income.

Create a new Item by clicking in the Menu Bar, **Lists > Item List**. In the item, use the appropriate income account, below it was **4250 – Damages Repairs & Fee**. Leave the Rate 0.00 to fill it in

later when an actual amount is known. This item already exists in the sample company file.

The screenshot shows the 'Edit Item' window in QuickBooks. The window title is 'Edit Item'. The 'TYPE' dropdown is set to 'Service'. The 'Item Name/Number' field contains 'tenant responsible rep:'. The 'UNIT OF MEASURE' section has an 'Enable...' button. The 'Description' field contains 'Repairs resident is responsible for'. The 'Rate' field is set to '0.00'. The 'Account' dropdown is set to '4200 - Fee Inco...'. There are buttons for 'OK', 'Cancel', 'Notes', 'Custom Fields', and 'Spelling' on the right side. A link at the bottom says 'How can I set rates by customers or employees?'.

Pay the repair as normal with a check or via reimbursement (described elsewhere) to an owner who paid for the repair. Remember to include the property's class in the transaction.

In order to be reimbursed by the tenant, you will charge the tenant in an invoice for the "Tenant Responsible Repairs" Item. Open the Customer Center (**Ctrl + J**) and highlight the job (tenant) you will charge these fees to. Then right click and **Create Invoices** (or click the **New Transactions** button and **Invoices**). The following window will appear.

Check this if you plan to print it for the tenant.

The address information appears based on what you entered in the job (tenant) in the Customer Center window.

By default the description from the Item description appears. Be sure to erase that and use a custom description.

Choose the Rate and Class.

To print the invoice for mailing to the tenant click in the Menu Bar: **File > Print Forms > Invoices**. Check the boxes for the invoices you want to print.

DATE	TYPE	NO	CUSTOMER	TEMPLATE	AMOUNT
03/26/2005	INV	1014	123MainStRobbin...	Special Charge Inv.	100.00
04/05/2005	INV	1025	1610NAndrews.G...	Special Charge Inv.	650.00
02/01/2014	INV	1102	123MainStRobbin...	Special Charge Inv.	100.00

The invoice will look something like this:

YourCompany LLC

Special Charge Invoice

Date	Invoice #
3/26/2005	1014

Bill To Brad Robbins 123 Main St

Due Date
3/26/2005

Description	Rate	Amount
Repairs incident is responsible for. Living room wall had 18" hole that needed patching.	100.00	100.00
Total		\$100.00

See Also



If the tenant is charged for damages after they have left, refer to section [5.15 Partially Refund Security Deposits](#).

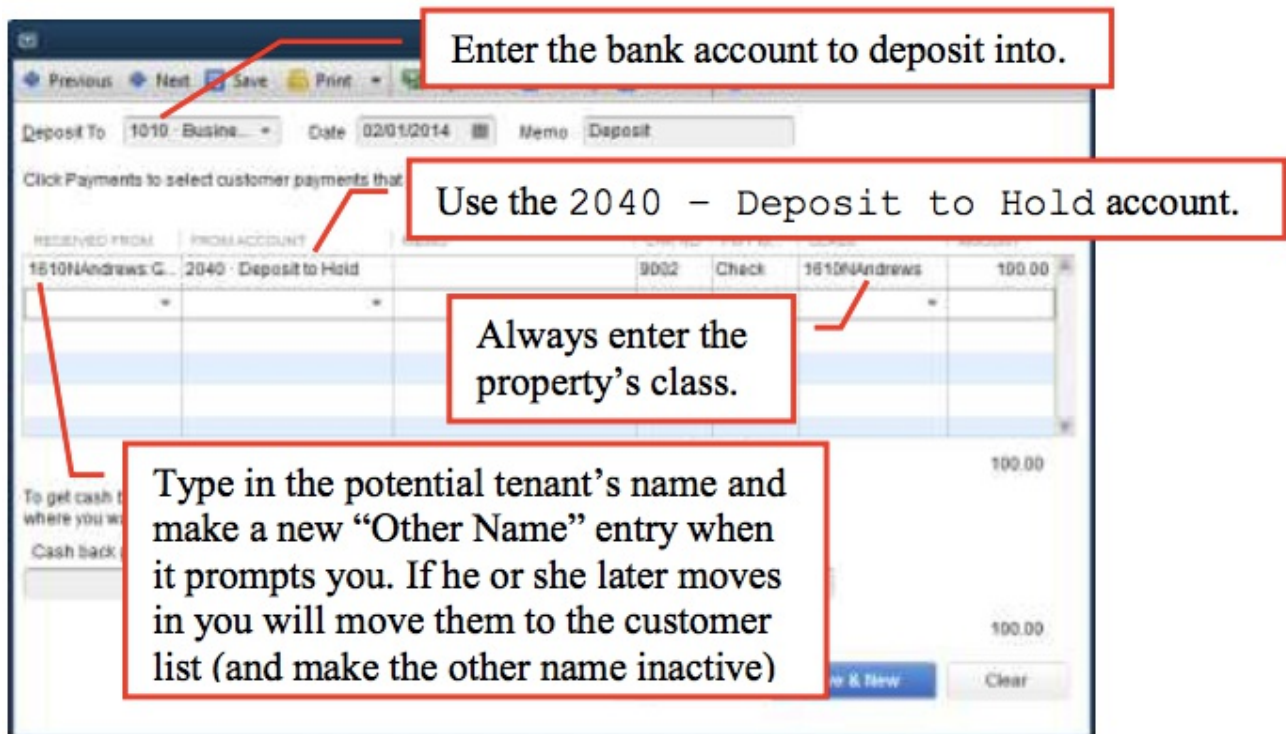
5.11 Enter Deposit to Hold a Unit

Perhaps a potential tenant really likes your unit, however cannot commit to moving in immediately. He or she may be willing to pay you upfront the security deposit amount (or a portion of it) to hold the unit for several days. There are three possible ways to handle the money.

1. As a refundable deposit which is a liability and must be fully repaid to the prospective tenant no matter if they choose to stay or not.
2. As a pro-rated refundable deposit and thus partly income and partly a liability.
3. As a refundable deposit unless the potential tenant chooses to move in. Then it would go towards the security deposit.

Make sure whichever case you use it is in writing and it follows your state and local laws. In all three cases, the money is initially deposited in the same way.

In the Menu Bar click **Banking > Make Deposits**. Use the Other Current Liability account **2040 - Deposit to Hold**. Below is a screenshot from the sample company file when Audrey Gold deposits \$100 to hold the property.



Case 1) Treat a deposit to hold as a refundable liability

If Audrey does not rent the unit, refund her the money by writing a check and selecting the **2040 - Deposit to Hold** account. A screenshot of this transaction follows.

Write Checks - Business Checking

Main Reports

Find New Save Delete Memorize Create a Copy Print Print Later Attach File Select PO Enter Time Clear Spills Recalculate Batch Transactions Reorder Remainder Order Checks

BANK ACCOUNT: 1010 - Business Checking ENDING BALANCE: 66,646.13

NO: 1093 DATE: 02/01/2014 AMOUNT: 100.00

One hundred and 00/100* DOLLARS

ADDRESS: Audrey Gold, 1610 N Andrews

MEMO:

Expenses: \$100.00 Items: \$0.00

ACCOUNT	AMOUNT	MEMO	CUSTOMER JOB	BILL	CLASS
2040 - Deposit to Hold	100.00	fully refunding	1610NAndrews Gold,Au...		1610NAndrews

Save & New Clear

Enter the amount to refund the potential tenant

To fully refund a deposit to hold, charge the Deposit to Hold account.

Always enter the property's class.

Case 2) Treat a deposit to hold as a pro-rated refundable deposit

If you have in writing that the prospective tenant will be charged so many dollars per day, only a partial refund will occur. Make the deposit the same as before. If the tenant does not rent—some of the deposit will become income, the rest will be refunded as follows.

The screenshot shows the 'Write Checks' window in QuickBooks. The bank account is '1010 - Business Checking' with an ending balance of 66,646.13. The check number is 1093, dated 02/01/2014, for \$50.00. The payee is Audrey Gold at 1510 N Andrews. The check is split into two items: a \$100.00 'Deposit to Hold' (partially refunding) and a -\$50.00 'Other Income' (days @ \$10/day). The split items are linked to two different classes: '1510NAndrews:Gold,Audrey' and '1510NAndrews'. Annotations explain that the \$50.00 is the amount to refund, the \$100.00 is charged to the Hold account, and the -\$50.00 is a holding fee. The split items are used to balance the check value, with the holding fee class being where revenue is generated.

Enter the amount to refund the potential tenant

Charge the Deposit to Hold account

Enter holding fee as negative

The sum of the "split" breakdown will balance the value written in the check. The FAQ below explains why it is negative

Both classes are for the respective property, because this is where the revenue is generated

ACCOUNT	AMOUNT	MEMO	CUSTOMER/JOB	BILL	CLASS
2010 - Deposit to Hold	100.00	partially refunding	1510NAndrews:Gold,Audrey		1510NAndrews
4500 - Other Income	-50.00	days @ \$10/day	1510NAndrews:Gold,Audrey		1510NAndrews

FAQ



Q: Why is there a negative amount in 4400 – Other Income “Account” field above?

Simple Answer: In the Account listing area in the bottom half of the check, when you add up all the amounts, it must match the amount on the actual check. Also that is an income account in an Expense tab so it is the opposite of the normal entries. (On the check notice how all the accounts for that check are under Expenses).

Detailed Answer: The underlying reason lies in the way debits and credits need to equal each other in any given transaction. The amount written on a check is always a credit to checking (decreasing an asset). The values in the “Amount” fields on the bottom are debits.

Section [2.04 What is The Chart of Accounts?](#) explains an asset decreases with a credit, a liability decreases with a debit and revenue increases with a credit. The checking account is an asset (which decreases by a \$50 credit). The deposit liability account decreases by a \$100 debit. So far we have a \$50 credit and a \$100 debit so the last transaction must be a \$50 credit. But the “Amount” field is in terms of debits, so you can think of a negative debit as a credit. Putting in -50.00 essentially gives the revenue account a \$50 credit as it needs. Hopefully you followed this explanation and think it is very elegant, if not don't worry just keep this book handy when you need it.

Case 3) If the potential tenant chooses to move in, it goes towards the security deposit.

If the tenant decides to move in; her deposit to hold will become part of her security deposit. First, receive the rest of the security deposit in the usual way (ex. for a \$600 security deposit, where \$100 was initially deposited to hold, receive \$500).

Make Deposits

Previous Next Save Print Payments History Journal Attach

Deposit To: 1610 - Busine... Date: 02/01/2014 Memo: Security Deposit

Click Payments to select customer payments that you have received. List any other amounts to deposit below.

RECEIVED FROM	FROM ACCOUNT	MEMO	DWL NO	PRT M	CLASS	AMOUNT
1610Andrews - 2300	Security Deposits:2306	Gold. - plus \$100 deposit to hold	9005	Check	1610N...	500.00

Deposit Subtotal 500.00

To get cash back from this deposit, enter the amount below. Indicate the account where you want this money to go, such as your Petty Cash account.

Cash back goes to: Cash back memo: Cash back amount:

Deposit Total 500.00

Save & Close Save & New Clear

Then make a journal entry decreasing (debit) the deposit to hold account and increasing (credit) her security deposit account.

DATE: 02/01/2014 ENTRY NO.: 8 ADJUSTING ENTRY

ACCOUNT	DEBIT	CREDIT	MEMO	NAME	BL...	CLASS
2040 - Deposit to Hold	100.00					1610NAndrews
2300 - Security Deposits:2306 - Gold,Audr...		100.00				1610NAndrews
Totals	100.00	100.00				

List of Selected General Journal Entries: Last Month

DATE	ENTRY. NO.	ADJ	ACCOUNT	MEMO	DEBIT/CREDIT(+/-)

Buttons: Save & Close, Save & New, Clear

5.12 Enter Security Deposits

Various states' laws differ in how you must handle security deposits. Make sure you follow the right rules for your locale. The sample file assumes one can commingle security deposit money in the business checking account. Some areas forbid this, and specify it must be in another account. If so, you will need another checking account, but otherwise these instructions will still be applicable.

Quick Tip



If your state requires you to setup another bank account to hold security deposits, create that new bank account with your bank of choice. Then add it in QuickBooks by selecting **List > Chart of Accounts**, then click the button **Account > New** and choose the type as "Bank" then call it "Security Deposit Account" and number it as 1110. Ideally, all of your bank accounts support online banking for quick and time saving reconciliation.

Security Deposits are not income, but money you will owe back to the tenants when they move out. This is considered a current liability until you give it back, or issue charges for cleaning or damage (converting it to income).

In double entry accounting at least two accounts are always affected for each transaction. The two accounts involved in making the deposit are the **1010 – Business Checking**, and a Security Deposits sub account we name in the form of **23XX – Last,First**. Depositing the tenant's check increases the checking account and the Security Deposit liability account.

Quick Tip



If you have many tenants, it may be helpful to append *[Address]* to the security deposit account. For example: **2301 – Lee, Kevin [3304ACovenant]** clarifies the property Kevin is living in, without needing to consult the Customer:Job list. You could also enter the address in the Description field of the account, if you do not want it to be in the account name.

Use a main security deposit account and individual tenant security deposit sub accounts, which show the actual deposits for each tenant. This organization helps for reporting and knowing at a glance individual balances and the total security deposit liability.

NAME	TYPE	BALANCE TOTAL	ATTACH
2300 · Security Deposits			
2301 · Lee, Kristen&Jake[3304ACove...]			
2302 · Ortiz,Ernesto[320Baker#721]			
2303 · Kesity, Mike[320Baker#721]			
2304 · Flannery, Joe[320Baker#721]	Other Current Liability	0.00	
2305 · Robbins, Brad[123Main]	Other		
2306 · Gold, Audrey[1610NAndrews]	Other		
2307 · Keating, Jessica[3304BCoven...]	Other		
2308 · Lee, Jake[3304ACovenant]	Other Current Liability	600.00	
2309 · Phillips, Sarah[320Baker#721]	Other Current Liability	300.00	
2310 · Stone, Blake[1118Tenth]	Other Current Liability	0.00	

Quick Tip



As tenants move out, and their security deposit balance becomes zero set their account to inactive. (Ensure the balance first is set to zero by refunding them or charging for fees). In the Menu Bar click **Lists > Chart of Accounts** (or type **Ctrl+A**) and **right click** on the account to turn inactive and select **Make Account Inactive**).

To enter a new tenant's security deposit, first create the new account. Click in the Menu Bar: **Lists >**

Chart of Accounts (or press **Ctrl+A**). Then click the **Account** button and click **New** (or press **Ctrl+N**) and enter the appropriate information as shown below. Do not, however, enter a “beginning balance.” We will take care of that in a second.

Account Type Other Current Liability

Number 2301

Account Name Lee,Kristen&Jake[3304ACovenant]

Subaccount of 2300 - Security Deposits

OPTIONAL

Desc

Account No.

Routing Number

Tax-Line Mapping B/S-Liabs/Cap: Other current I... [How do I choose the right tax line?](#)

Change Opening Balance... You can change the opening balance in the account register.

Account is inactive Set Up Bank Feeds... Save & Close Cancel

Account number, following the numbering convention in section 3.08 Transactions in the Customer Center

Do not enter an Opening Balance

Click Save & Close.

The new tenant must exist in the Customer Center as a Job under the corresponding Customer (property) before the deposit can be entered. For instructions on how to add a tenant, refer to the following See Also box.

See Also

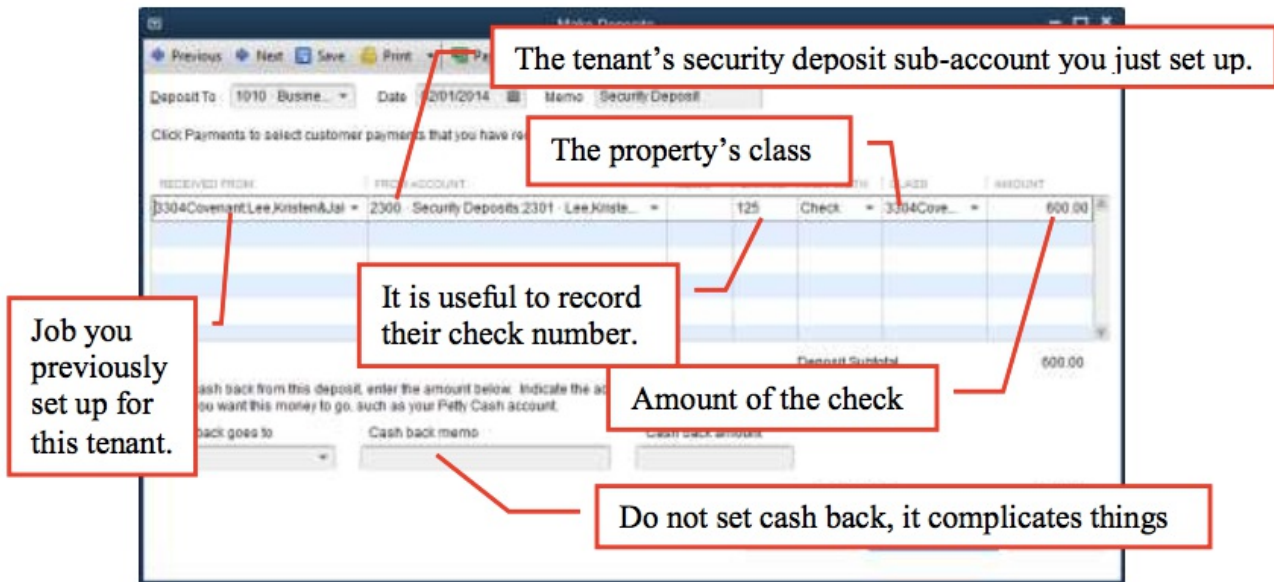


For an explanation of why Tenants are treated as Jobs and Properties are Customers, Every Account is in the “Chart of Accounts” see sections [3.06 Properties are “Customers” in the “Customer Center”](#) and [3.07 Tenants are “Jobs” in the “Customer Center”](#).

For instructions to add a new property (Customer) to the Customer Center see section [3.06 Properties are “Customers” in the “Customer Center”](#).

For instructions to add a new tenant (Job) to a property (Customer) see section [5.01 Add a Tenant to a Property](#).

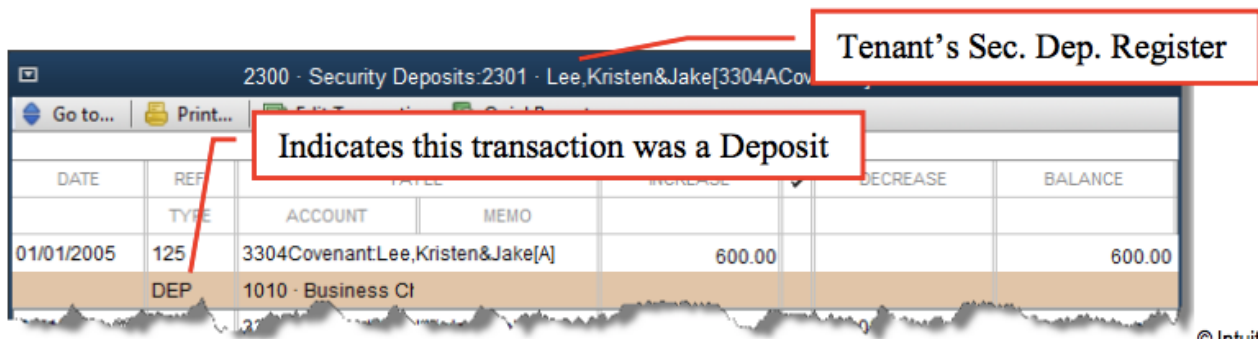
Click in the Menu Bar: Banking > Make Deposits to enter the security deposit into the designated checking account. The following appears:



If you keep security deposits in the business checking account, that goes in the corresponding "Deposit To" field. Enter the date and a memo.

The Check Number field and Payment Method can be helpful if later you need to verify the deposit details. Click **Save & Close** when done.

You can verify the security deposit is in the correct account by opening the Chart of Accounts (**Ctrl + A**) and opening the register of the tenant's security deposit sub account. Listed should be the deposit you just made.



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Quick Tip



You need to enter a Customer and Job (the tenant in the name field) while entering a security deposit. Due to the way QuickBooks is set up, it will appear on the "unbilled costs by job" report. This is because you received a deposit (security deposit) from a Customer and Job without billing them. There is no consequence if it is on the report. But some readers will want to know why it is on that report.

FAQ



Q: Why did we create sub-accounts for each tenant under 2300 – Security Deposits?

A: This added work increases the ability to instantly track the money owed to each tenant and makes for helpful reporting. When printing your detailed balance sheet report it will list separately who you owe security deposits to. Also a glance at the Chart of Accounts indicates the status of every security deposit.

5.13 Enter Security Deposit and First Month's Rent Together

A new tenant may pay their security deposit and first month's rent in one check. If this happens, you will have to specify which part is income and which part is the security deposit. In the sample data file, Sarah of 320 Baker #721 does this when she moves in on Sept. 10.

First, the tenant must be added in the Customer Center as a job under his or her respective Customer (Property). Create an Invoice for the first month's rent.

Second, click in the Menu Bar: **Customers > Receive Payments**.

Receive Payments

Main Reports Payments

Find New Delete Print Email Attach Look up Up Apply Discounts And Credits Record Bounced Check Process payment

Customer Payment

CUSTOMER BALANCE 175.00

RECEIVED FROM: 320Baker#721:Philli... **Select the tenant's name**

PAYMENT AMOUNT: 175.00 **Enter the amount of the rent due, not the total check they gave you.**

DATE: 09/10/2013

CHECK #: 1345 **Check num. is helpful**

DEPOSIT TO: 1020 - Undep. **Select Undeposited Funds**

DATE	NUMBER	ORIG	AMT. DUE	PAYMENT
09/10/2013	1103		175.00	175.00
			175.00	175.00
			175.00	175.00

Check the rent invoice this payment is for.

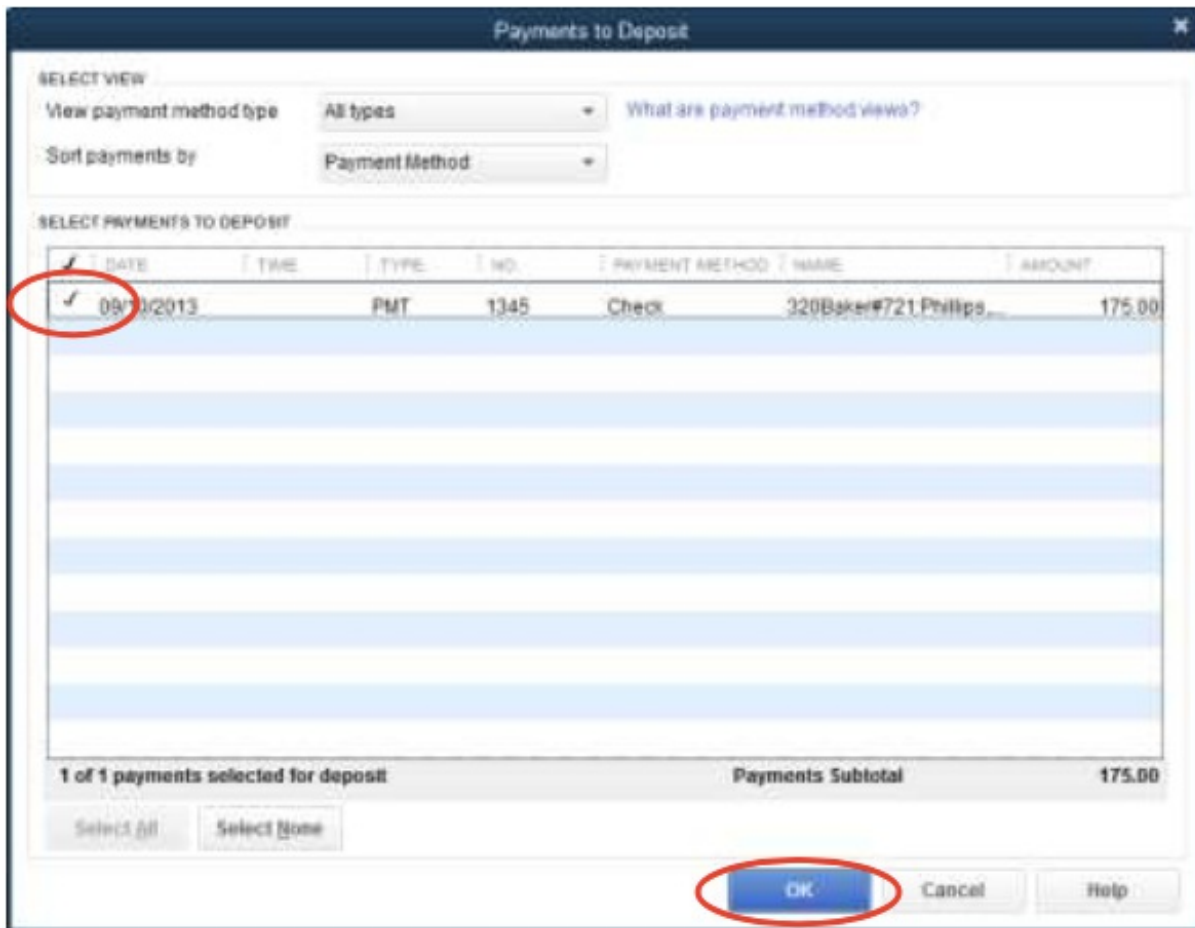
AMOUNTS FOR SELECTED INVOICES

AMOUNT DUE	175.00
APPLIED	175.00
DISCOUNT AND CREDITS APPLIED	0.00

MEMO

Save & Close Save & New Clear **Click Save & Close**

Lastly, click in the Menu Bar: **Banking > Make Deposit**. You will be confronted with a dialog window of all transactions that have been "Grouped with other undeposited funds." Probably, you only see the above payment. Checkmark that payment and click **OK**.



When you make the deposit, it will include the amount of the check that has both the first month's rent and the security deposit.

Make Deposits

Deposit To: [Blank] Deposit

Click Payment [Blank] List any other amounts to deposit below.

RECEIVED FROM	MEMO	CHK NO.	PMT METH	CLASS	AMOUNT
020Baker#721-Phillips, Sarah	1020 Undeposited Funds	1345	Check		175.00
320Baker#721-Phillips, Sarah	2300 Security Deposits.2300 - Phillips, Sarah...	1345	Check	320BakerUnit...	300.00

Deposit Subtotal 475.00

To get cash back from this deposit, enter the amount below. Indicate the account where you want this money to go, such as your Petty Cash account.

Cash back goes to [Blank] Cash back memo [Blank] Cash back amount [Blank]

Deposit Total 475.00

Save & Close Save & New Clear

5.14 Fully Refund Security Deposits

For full refunds, write a check (**Banking > Write Checks**) in full to the tenant (listed in the Customer Center as a job). Enter the Account as the individual tenant's security deposit account.

Pick the tenant (job) under the property (customer).

Always set the class

The security deposit sub-account for the tenant

ision. QuickBooks is a registered trademark of Intuit Inc.

After you refunded the tenant, click **Lists > Chart of Accounts** and scroll down to verify the new balance of the tenant’s security deposit sub account is zero.

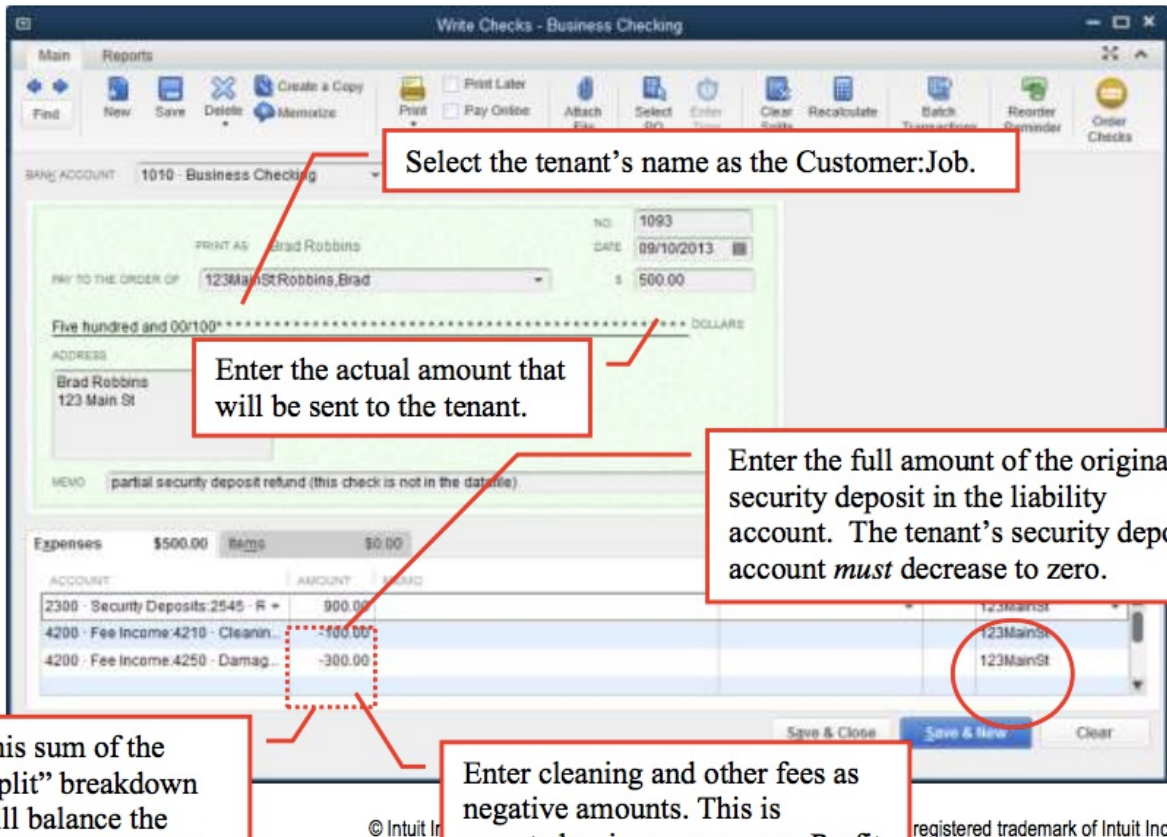
Account Name	Balance
2305 - Robbins,Brad[123Main]	0.00

Then make that security deposit account inactive by **right clicking** on it and selecting **Make inactive**. It will disappear, or if you have the “Include inactive” checkbox at the bottom of the Chart of Accounts window, it will have a big X to the left of the account number.

5.15 Partially Refund Security Deposits

By charging a tenant for damages he or she will not get all of their deposit back. Below is a partial refund example.

You must decrease the security account liability by the complete value of the deposit. If not, your balance statement will show you still owe a liability to a tenant who moved out.



Select the tenant's name as the Customer:Job.

Enter the actual amount that will be sent to the tenant.

Enter the full amount of the original security deposit in the liability account. The tenant's security deposit account *must* decrease to zero.

This sum of the "split" breakdown will balance the value written on the check.

Enter cleaning and other fees as negative amounts. This is reported as income on your Profit and Loss statement.



See Also
For an explanation of why there is a negative number in the Amounts field on the bottom of the check, refer to the FAQ box in section [5.10 Charge for Damages while Rented](#).

5.16 Write Off Rent as Uncollectible

When it is reasonable to believe rent will never be collected from former tenants, and you choose not to submit it to a collection agency, you must write it off. Then you will make the tenant inactive. Do not make a tenant inactive with an outstanding balance.

You can clear the tenant's account receivable by creating a Journal Entry decreasing the tenant's ledger (A/R balance) to zero, and increasing an expense of **6700 – Uncollectible Rent**. Create the account if it does not exist.

Edit Account

Account Type: Expense Number: 0700

Account Name: Uncollectible Rent

Subaccount of

OPTIONAL

Description: bad debt rents write off

Note:

Tag-Line Mapping: Deductions: Bad debts [How do I choose the right tax line?](#)

Account is inactive

Save & Close Cancel

Enter a new journal entry by clicking in the Menu Bar **Company > Make General Journal Entries....** This will be used to zero out their A/R balance. You can find out their current balance by opening the Customer Center, and looking at the Balance Total column next to their name (the job).

The screenshot shows the 'Make General Journal Entries' window in QuickBooks. The window title is 'Make General Journal Entries'. The interface includes a menu bar with 'Main' and 'Reports', a toolbar with icons for 'Create a Copy', 'Memorize', 'Reverse', 'Print', 'Attach File', 'Hide List', and 'Send GJEs', and a numeric entry field with the value '8'. Below the toolbar is a table with columns: ACCOUNT, DEBIT, CREDIT, MEMO, NAME, BL..., and CLASS. The table contains two entries: 1200 - Accounts Receivable (CREDIT 173.00) and 6700 - Uncollectible Rent (DEBIT 173.00). Both entries have the name '320Baker...' and class '320BakerUnit721'. Below the table is a 'Totals' row and a 'List of Selected General Journal Entries' section with columns for DATE, ENTRY. NO., ADJ, and IO. At the bottom are buttons for 'Save & Close', 'Save & New', and 'Clear'. Five red-bordered callout boxes with arrows point to specific elements: 'Decrease (credit) Accounts Receivable by the uncollectible amount' points to the CREDIT column of the first entry; 'Increase the uncollectible rent expense' points to the DEBIT column of the second entry; 'Choose the tenant (job) for the Name' points to the NAME column; 'Set the class for the property.' points to the CLASS column; and 'The Accounts Receivable line item must be the first entry in the Journal Entry to show up in the Customer Center under this user.' points to the first entry in the table.

ACCOUNT	DEBIT	CREDIT	MEMO	NAME	BL...	CLASS
1200 - Accounts Receivable		173.00		320Baker...		320BakerUnit721
6700 - Uncollectible Rent	173.00					320BakerUnit721
Totals						

List of Selected General Journal Entries:

DATE	ENTRY. NO.	ADJ	IO

Annotations:

- Decrease (credit) Accounts Receivable by the uncollectible amount
- Increase the uncollectible rent expense
- Choose the tenant (job) for the Name
- Set the class for the property.
- The Accounts Receivable line item *must* be the first entry in the Journal Entry to show up in the Customer Center under this user.

Caution

In journal entries for tenants (where they are chosen as the Customer:Job of a transaction), you must have their name on the first line item.

The Customer and Vendor Centers filter for the first line (known as the source) of a journal entry. If the Accounts Payable or Accounts Receivable account is not on the first line of the journal entry and the first line of the journal entry does not contain the name of the customer or vendor, the journal entry will not show up in the Customer or Vendor Center.

The screenshot shows the Customer Center interface for 'Flannery, Joe'. On the left, the 'Customers & Jobs' list includes several entries, with 'Flannery, Joe' highlighted in green and circled in red. A red box around this entry contains the text 'The selected tenant's transactions'. On the right, the 'Job Information' section shows details for 'Flannery, Joe'. Below this, the 'Transactions' table is displayed, with a red oval highlighting the list of transactions. The transactions table has columns for TYPE, SLIP, DATE, ACCOUNT, and AMOUNT. The highlighted transactions are:

TYPE	SLIP	DATE	ACCOUNT	AMOUNT
Invoice	1044	07/01/2005	1200 - Accounts Receivable	265.00
Payment		07/01/2005	1010 - Business Checking	265.00
Invoice	1053	08/01/2005	1200 - Accounts Receivable	265.00
Payment		08/01/2005	1010 - Business Checking	265.00
Invoice	1063	09/01/2005	1200 - Accounts Receivable	265.00
Invoice	1068	09/07/2005	1200 - Accounts Receivable	183.00
Invoice	FC 3	09/05/2005	1200 - Accounts Receivable	25.00
General Journal	10	09/07/2005	1200 - Accounts Receivable	-300.00

To fix a transaction that does not show up in the Customer Center, find the journal entry and edit the A/R or A/P line item with the customer or vendor name to the first line of the journal entry.

Lastly, because you have just written off this rent as uncollectible, you also must mark the invoice as "Paid." It is no longer outstanding—you will not collect from it. Receive Payments for that specific tenant by clicking in the Menu Bar: **Customers > Receive Payments**. Choose the tenant but do not type in an amount. Instead click on the line of the invoice or bill you want to apply a credit to. Then click the **Set Credits** button.

Receive Payments

Main Reports Pay

Find New Delete Print Email Attach File Look up Customer/Invoice Auto Apply Payment Discounts And Credits Record Bounced Check Process payment

Customer Payment

CUSTOMER BALANCE 173.00

RECEIVED FROM: 320Baker#721:Flann...
 PAYMENT AMOUNT: 0.00
 DATE: 09/10/2013
 CHECK #:

CASH CHECK CREDIT DEBIT e-CHECK MORE

DEPOSIT TO

Make sure the Amount and Payment is \$0.00

DATE	NUMBER	ORIG. AMT.	AMT. DUE	PAYMENT
09/10/2013	1104		173.00	173.00
				0.00

Click the on the line of the invoice to apply the credit towards. But *do not* check the first column.

AMOUNTS FOR SELECTED INVOICES

AMOUNT DUE	0.00
APPLIED	0.00
DISCOUNT AND CREDITS APPLIED	0.00

MEMO

Save & Close Save & New Clear

Then you must check the credit you want to use towards this bill or invoice. The credit was applied through the previous Journal Entry (no credit memo need be issued).

Discount and Credits

INVOICE

Customer:Job 320Baker#721:Flannery,Joe

Number 1104 Amount Due 173.00

Date 09/10/2013 Discount Used 0.00

Original Amt. 173.00 Credits Used 173.00

Balance Due 0.00

Discount **Credits**

AVAILABLE CREDITS

✓	DATE	CREDIT NO.	CREDIT AMT.	AMT. TO USE	CREDIT BALANCE
✓	09/10/20...	8	173.00	173.00	0.00
Totals			173.00	173.00	0.00

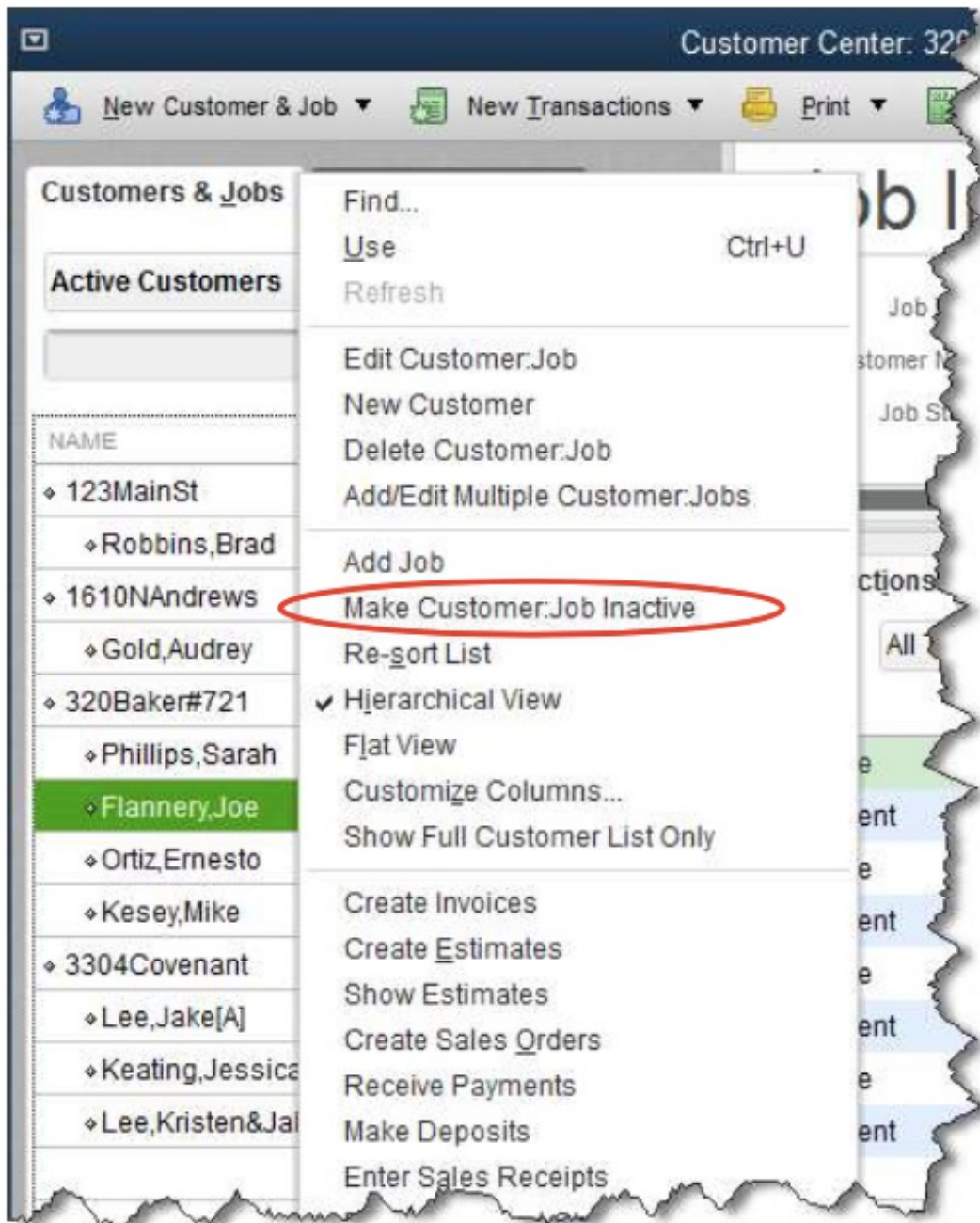
Check the credit you want to use towards this invoice.

Click **Done** to close the Discount and Credits window. The Receive Payments window will now have a new column, "Credits," that shows the credit applied to the amount due.

✓	DATE	NUMBER	ORIG. AMT.	AMT. DUE	CREDITS	PAYMENT
	09/10/2013	1104	173.00	173.00	173.00	0.00
Totals			173.00	173.00	173.00	0.00

AMOUNTS FOR SELECTED INVOICES

Lastly, verify the former tenant's balance is zero in the Customer Center. Then make him or her inactive. Right click on the job (tenant) and select **Make Customer:Job Inactive**.



Chapter 6: Advanced QuickBooks Usage and Tips

6.01 “Reminders,” “To Do” Lists, and the “Calendar”

There is a reminder window that can pop up every time you start QuickBooks. In it, you can include items from a To Do List. If you do not see it, click in the Menu Bar **Company > Reminders**.

The screenshot shows the 'Reminders' window in QuickBooks. It contains a table with columns for 'DUE DATE' and 'DESCRIPTION'. The table is divided into sections: 'To Do Notes', 'Overdue Invoices', 'Invoices/Credit Memos to Print', and 'Alerts'. Three callout boxes provide instructions: one points to a 'To Do Note' with the text 'Double click a To Do Note for the full note.', another points to an 'Overdue Invoice' with the text 'See who is late with their rent payments', and a third points to an 'Invoice/Credit Memo to Print' with the text 'Checks and invoices are listed here which have “To be printed” checked. Double click one to open it for printing.'

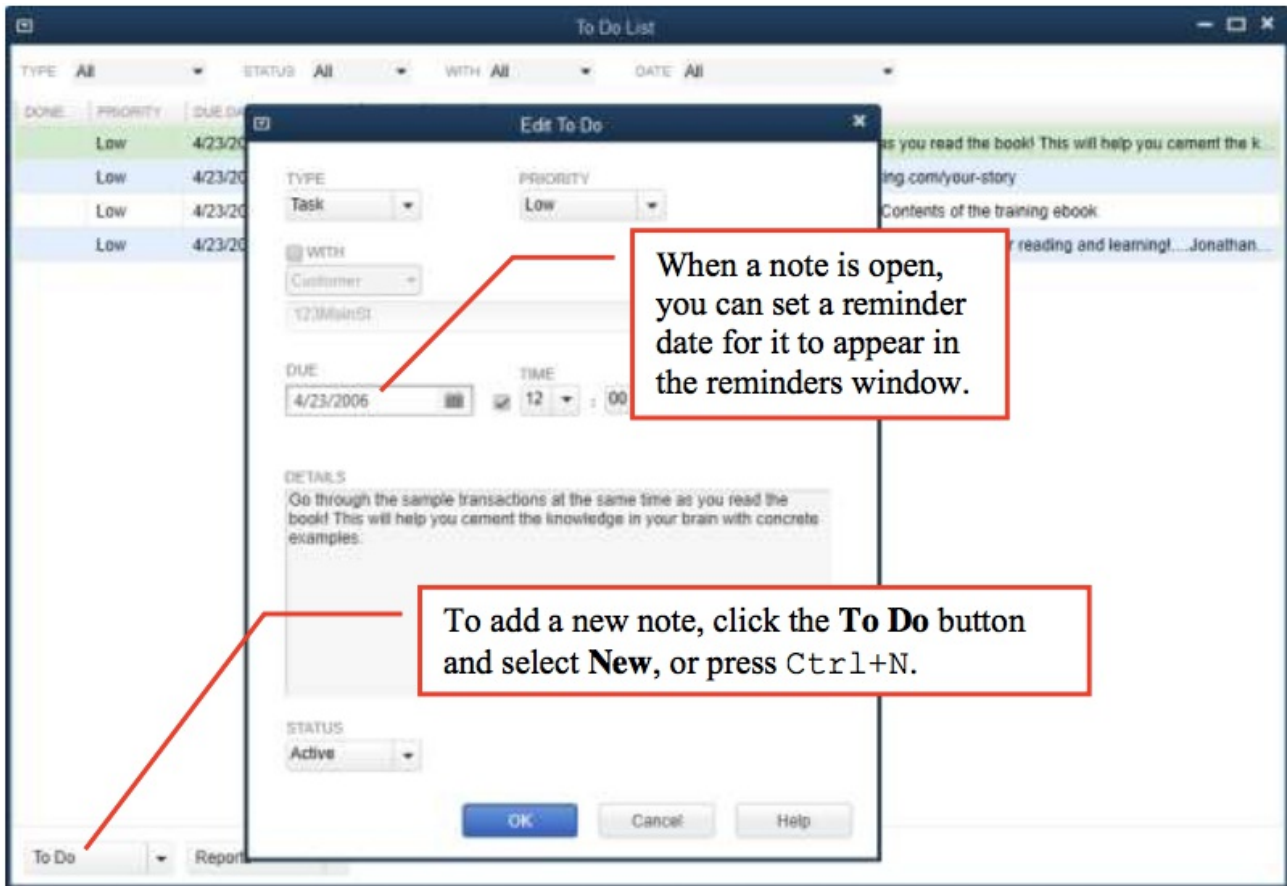
DUE DATE	DESCRIPTION	
To Do Notes		
04/23/2006	Go through the sample transactions at the same time as you	
04/23/2006	If you have a question, be sure to consult the Table of Contents or the training ebook	
04/23/2006	Please leave feedback/testimonials at landlordaccounting.com	
04/23/2006	You may reach me directly at info@landlordaccounting.com	
Overdue Invoices		
01/01/2014	1105 - 123MainStRobbins,Brad	773.00
		773.00
Invoices/Credit Memos to Print		
03/26/2005	1014 - 123MainStRobbins,Brad	1,871.00
04/05/2005	1025 - 1610NAndrews,Gold,Audrey	100.00
09/10/2013	1103 - 320Baker#721 Phillips,Sarah	
08/10/2013	1104 - 320Baker#721 Flannery,Joe	
01/01/2014	1105 - 123MainStRobbins,Brad	
Alerts		
	Distribute 1099 forms	

Quick Tip



To enable or disable showing the Reminders or To Do List every time you startup QuickBooks, go to **Edit > Preferences** and look at the Reminders section on the left. Change the setting in the **My Preferences** tab.

To add items to the To Do List, first open it through the Menu Bar: **Company > To Do List**. You can link them to customers, vendors, and leads.



Open the Calendar view by clicking **Company > Calendar**. It shows you upcoming transactions and to do items, as well as itemized historical transactions.

The screenshot shows the QuickBooks Calendar interface for January 2014. The calendar grid is visible, with the 14th of January highlighted in green. Three callout boxes provide instructions:

- Top-left callout:** "You can toggle between day, week, and month views." (Points to the view toggle icons at the top left of the calendar).
- Top-right callout:** "Side pane shows transaction and tasks. You can hide it by clicking the arrow." (Points to the expand/collapse arrow on the right side of the calendar pane).
- Bottom callout:** "Click a date and that day's transactions are listed in the bottom pane." (Points to the transaction list pane at the bottom of the window).

The transaction list pane shows the following data for January 14, 2014:

TRANSACTIONS DUE (2)					
INVOICES (2)	AMOUNT DUE	NUMBER	PHONE		
123MainSt Robbins, Brad	775.00	1087	(123) 555-1999		
1610NAndrews Gold, Audrey	650.00	1098	(211) 555-1234		
TRANSACTIONS ENTERED (5)					
CHECKS (1)					
Menards	-189.00	1092			
INVOICES (2)					
123MainSt Robbins, Brad	775.00	1087	(123) 555-1999	Open	1
1610NAndrews Gold, Audrey	650.00	1098	(211) 555-1234	Open	1
JOURNAL ENTRIES (2)					
AMOUNT	NUMBER				

6.02 Define Fields for Customers and Jobs

You can define additional fields for Customers as well as Jobs. This allows tracking of custom information within QuickBooks. Without these you could not create reports for the Move-In-Date for each tenant (Job), building insurance expiration dates for properties (Customers), or tenant lease or birthday reminders.

Open the Customer Center and edit either a Customer or Job by right clicking on it and Choose **Edit Customer** or **Edit Job**. On the **Additional Info** tab, click **Define Fields**.

The screenshot shows the 'New Job' window in QuickBooks. The window title is 'New Job'. It features a sidebar with tabs for 'Address Info', 'Payment Settings', 'Additional Info', and 'Job Info'. The main area contains the following fields:

- JOB NAME: Smith, John
- CUSTOMER: 123Main St
- OPENING BALANCE: 0.00
- AS OF: 01/17/2014
- How do I determine the opening balance?
- CUSTOMER TYPE: Tenant
- REF: [Dropdown]
- CUSTOM FIELDS:
 - MOVE-IN-DATE: 02-01-2014
 - BLDG INSURANCE EXPIRE: [Empty]
 - STATUS: Rented
- Define Fields button

A red box highlights the 'Define Fields' button with the text: "This is a custom field, to add more, click **Define Fields**. They appear on both Customers and Jobs, so only fill in the ones that are applicable."

Whatever custom fields you define for a Customer (property) is also added to Jobs (tenants). QuickBooks works that way. This could be confusing at first glance. (One may ask, "Why should I enter Bldg Insurance Expire for a tenant?") Leave blank the fields that do not apply. Later you can run a report on all tenants, and it will list their Move-In-Dates or other fields you define.

Set up Custom Fields for Names ✕

Label	Use for:		
	Cust	Vend	Empl
Move-In-Date	✓		
Bldg Insurance Expire	✓		
Status	✓		
Rented (y/n)	✓		
For sale (y/n)	✓		
In rehab (y/n)	✓		
Vacant (y/n)	✓		

You can add additional information. Note whatever is added to a Customer (property), is also added to all Jobs (tenants), so some things do not apply.

See Also

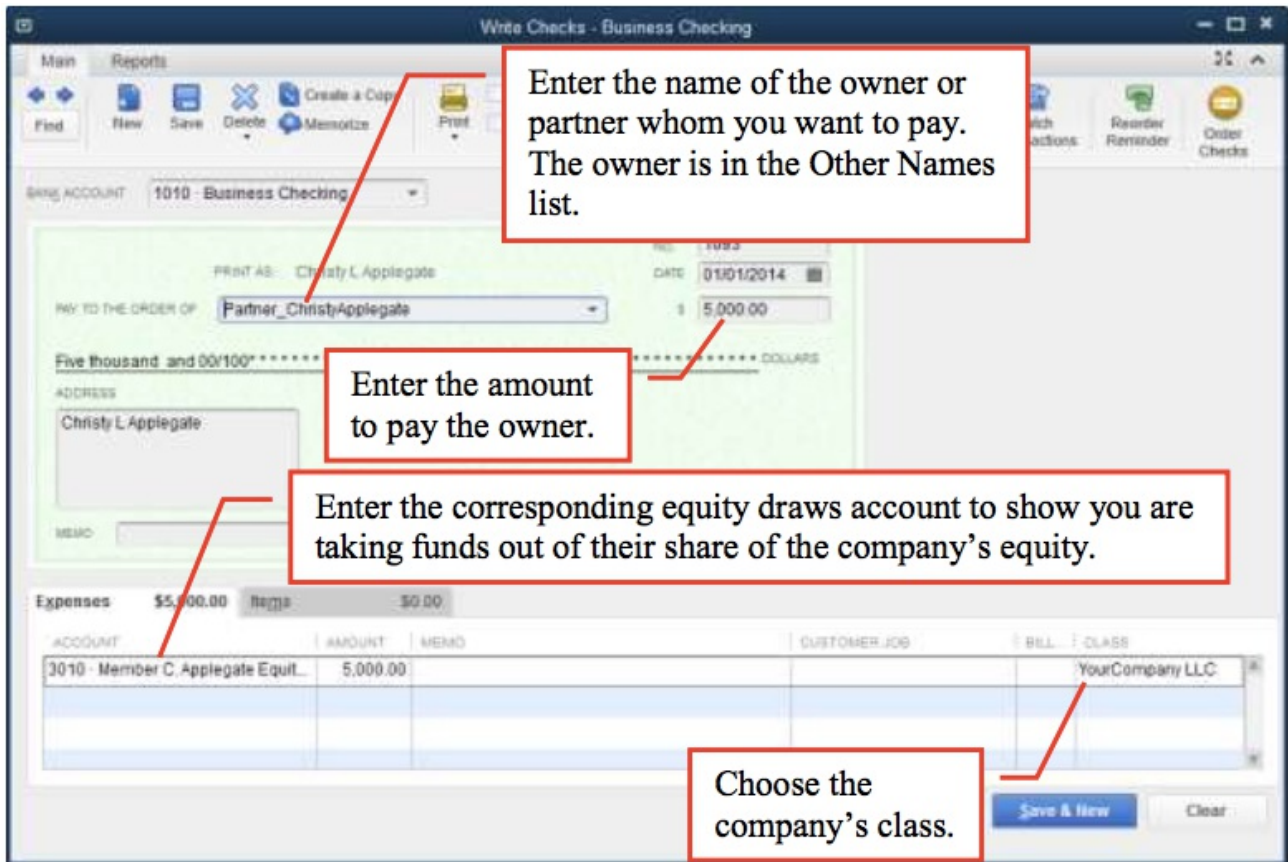


For information about running custom reports for Defined Fields, refer to sections [7.16 Building Insurance Expiration and Status Report](#) and section [7.17 Tenant Move-In-Date and Contact Information Report](#). Hopefully you can see the flexibility you have to track various types of property and tenant attributes in Customers and Jobs. You do not need to use all of these tricks, but as your company grows, it will probably be useful to use more and more of them.

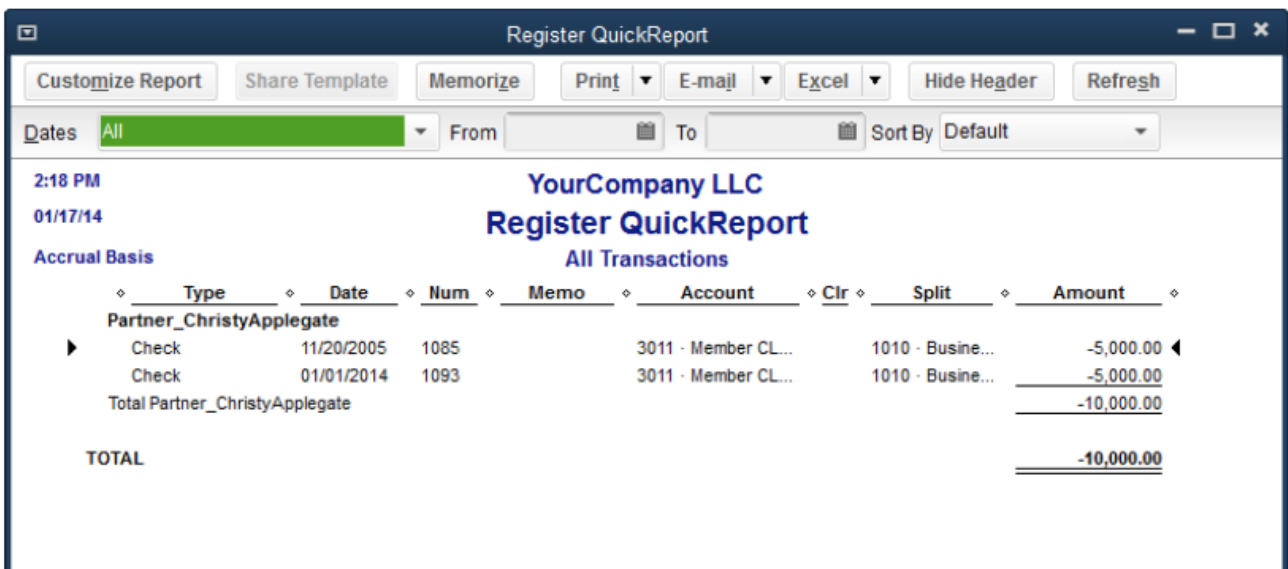
6.03 Paying an Owner who is not on Payroll

If you own a company but are not on the employee payroll, you still need to get paid. The sample file's company does not have any employees but is operating as a two member LLC taxed as a partnership. One way to pay an owner is to take draws from the owner's equity account.

From the Menu Bar, click **Banking > Write Checks**.



To view all draws of an owner, open his or her equity draws account register from the chart of accounts. Click in the Menu Bar: **Lists > Chart of Accounts**. View the register of **3011 – Member CLA Draws** by highlighting that account, then clicking the **Activities** button and **Use Register** (or highlight it and press **Ctrl+R**). Make a QuickReport by highlighting the account and pressing **Ctrl+Q**.



See Also



You can also reimburse someone for a purchase made on behalf of the company, whether or not they are an employee. See [6.04 Reimburse someone's purchase for the company](#).

6.04 Reimburse someone's purchase for the company

When an individual purchase things or spends money for the company with personal funds (including their credit card), the company needs to make a reimbursement. The person's cash outflow also needs to be recorded as the appropriate business transaction.

You will use a Journal Entry. In the Menu Bar, click **Company > Make General Journal Entry...** Separate properties should be on separate Journal Entries. This helps for going back and finding past journal entries, as well as preventing accidental errors.

Choose the account that the cost falls under and Debit it for the amount the individual spent. Choose the corresponding Vendor in the Name field and property in the Class field. Credit the liability account **30XX - Due to ABC** the total amount.

Choose the Name(s) of who is owed, typically on the Other Name List

ACCOUNT	DEBIT	CREDIT	MEMO	NAME	BILLABLE?	CLASS
1300 - Real Estate Assets:1303 - 3304 Coven...	15,000.00					3304Covenant
2010 - Due to Partner C. Applegate		5,050.00		Partner_Chris...		YourCompany LLC
2011 - Due to Partner W. Applegate		9,950.00		Partner_Wes		YourCompany LLC
Totals		15,000.00	15,000.00			

List of Selected General Journal Entries: Last Month

DATE	ENTRY NO.	ADJ	ACCOL	DEBIT/CREDIT(+/-)

Use the class for the company for the Credit entry which increases the amount due to some individual

Choose the applicable property's class. Use one property per Journal Entry.

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Quick Tip

When generating Journal Entries to reimburse someone it may help to follow “one person, one property”

- Only enter one person who is owed per journal entry
- Only have one property on the journal entry
- If a purchase is made for multiple properties, separate it while at the store over multiple receipts.
- If you cannot follow these rules, explain the special case in the Memo field, or better, create copies of receipts and enter them as separate journal entries.

Doing this will prevent errors. If two properties or persons are ever listed on the same entry, it is a red flag that one is likely a mistake.

It is not necessary once you become an advanced user, but it helps keep things organized while getting started.

Quick Tip

It's a good idea to link the receipts to the Journal Entry. You can use the “Attach File” button on the Journal Entry window to scan and import the receipt and directly associate it with the journal entry. Or, take a photo of the receipt with your phone, skip the scanning, and just import it.

If you keep paper records, you can staple the receipt(s) you are reimbursing to a printout of the report. File these in a folder of Journal Entries if your accountant or the IRS ever needs them. If multiple properties were on one receipt and each property has a separate journal entry, create photocopies and store each in their respective property folder.

6.05 Tracking Company Startup Costs

Before a company can exist, someone must pay for the incorporation fees with the state, get some office supplies, and possibly hire an attorney and accountant. Most likely the owners will pay these fees and be reimbursed by the company after its formation.

To track these costs, create a current liability account for the company, **Due to (Partner) ABC**, where ABC is the person's initials. Use the asset account **1040 – Startup Assets**. Make a journal entry to increasing the liability (credit) and increasing the asset (debit) by the amount of the startup costs.

If the partners share the startup costs, as in the following example, enter each partner's contribution in the amount contributed and due to each.

Make General Journal Entries

Main Reports

Find New Save Delete Create a Copy Memorize

DATE: 01/01/2014 ENTRY NO.: 9

ACCOUNT	DEBIT	CREDIT	MEMO	NAME	BILLABLE?	CLASS
1040 - Start-up Assets	4,000.00					YourCompany LLC
2010 - Due to Partner C. Applegate		2,000.00		Partner_Chris...		YourCompany LLC
2011 - Due to Partner W. Applegate		2,000.00		Partner_Wess...		YourCompany LLC

List of Selected General Ledger Accounts

DATE	MEMO	DEBIT/CREDIT(+/-)

Save & Close Save & New Clear

Choose 1040 - Startup Assets and enter the amount of all startup costs

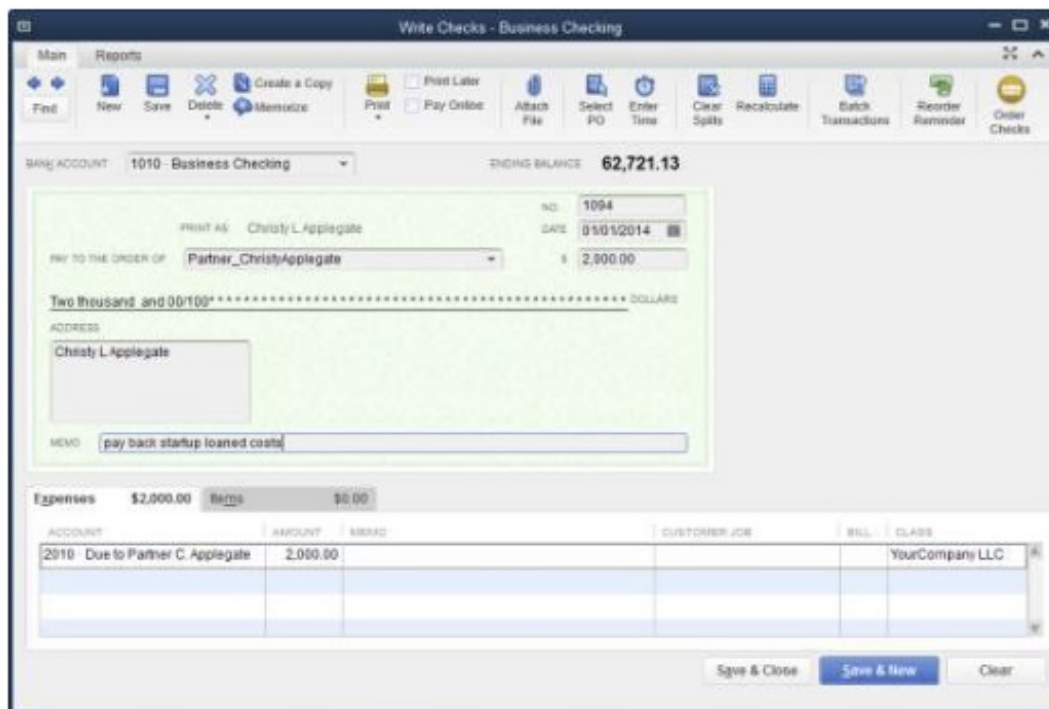
Select liability accounts for each person the company must pay back

Enter the names of who is owed; typically they will be on the "Other Names List"

The class for the company applies on all lines.

The reason for an asset account for startup costs is because at the time of this writing the IRS depreciated startup costs. They are not an expense. Learn and follow the current regulations from your accountant.

When it is time to reimburse the person, write a check for the amount to zero out the liability account.



6.06 Common Area Maintenance (CAM)

As owner or manager of a multiunit rental, you need to know how much common area maintenance is costing your company. Run a report on the actual CAM costs and then you can charge tenants their prorated share of CAM.

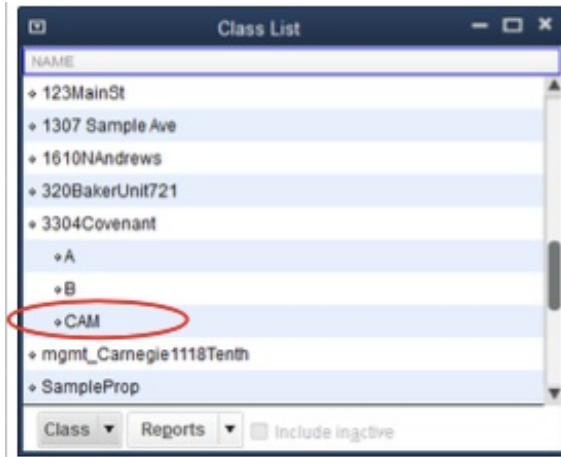
3304 Covenant is a property in the sample file with a CAM sub-class. Run a report, setting each column as a class and read the amount of the CAM and divide it among all units and bill tenants accordingly.

To bill the tenants create a new CAM Fee Item (under **Lists > Item List**) and a Service Invoice (under **Customers > Create Invoices**). Print and mail the new invoice to the tenants. Be aware that if you enabled Auto Finance Charges in the **Edit > Preferences** menu, tenants will be automatically charged if not paid by the due date plus the grace period.

If you have a fixed CAM fee, you can monitor the actual CAM costs in the report against the CAM revenue. Every time you make a common expenditure, be sure to use the CAM subclass for that property.

Classes and Sub-Classes

Calculating CAM hinges on accurately entering expenses for multiunit apartments. Create a regular class for the multiunit (the super-class), one sub-class for CAM and other sub-classes for each individual unit. If an expense is directly traced to a unit, enter that unit's sub-class. If it is for a roof or another common area element, enter the CAM sub-class.



It is better to enter CAM expenses into its own sub-class as opposed to using the above super-class because using sub-classes only.

6.07 Contributing Cash into Your Company

In some legal structures, an owner may contribute his or her own money into the company. This becomes contributed capital, and in the sample file is a part of that member's equity account. The contribution is made with a deposit into the checking account, selecting the member's equity contribution account in the Account field.

The sample data file is an LLC and makes the following deposit for a member contribution.

RECEIVED FROM	FROM ACCOUNT	MEMO	CHK. NO.	PMT METH	CLASS	AMOUNT
Partner_ChristyApplegate	3010 - Member C. Applegate Equity		5542	Check	YourCompany LLC	80,000.00
Partner_WessApplegate	3020 - Member W. Applegate Equity		5543	Check	YourCompany LLC	80,000.00

6.08 End of Year

Work closely with your accountant and follow the “Year-End Guide” in the QuickBooks Help. In the Menu Bar, click **Help > Year-End Guide**.

See Also



For instructions in creating an Accountant’s Review Copy of your company file, see section [6.10 Using an Accountant’s Review Copy File](#).

Quick Tip



Some users will choose to track depreciation on property and enter it at the end of the year. If you are tracking depreciation in your books, (we recommend that), your accountant will tell you how much your property depreciated for tax purposes. He or she may also enter the transactions for you.

It is also likely that your accountant will make several adjusting end of year transactions (perhaps you misclassified a repair by capitalizing it, etc.) Ask many questions why these transactions were made to learn more about accounting and prevent errors in the future.

If you track depreciation in your QuickBooks file, follow the following steps. Make sure you have the real estate accounts and one accumulated depreciation account. You also need a depreciation expense account.

A journal entry will be made with depreciation entries like the following, including all properties:

Transaction	Class	Debit	Credit	Notes
(1) 6100 Depreciation Expense	Class for Company	\$ XXX		The total depreciation amount
(1) 1390 Accumulated Depreciation	Class for first property		\$ XXX	Depreciation for first property
.	.		.	.
.	.		.	.
.	.		.	.
(1) 1390 Accumulated Depreciation	Class for last property		\$ XXX	Depreciation for last property

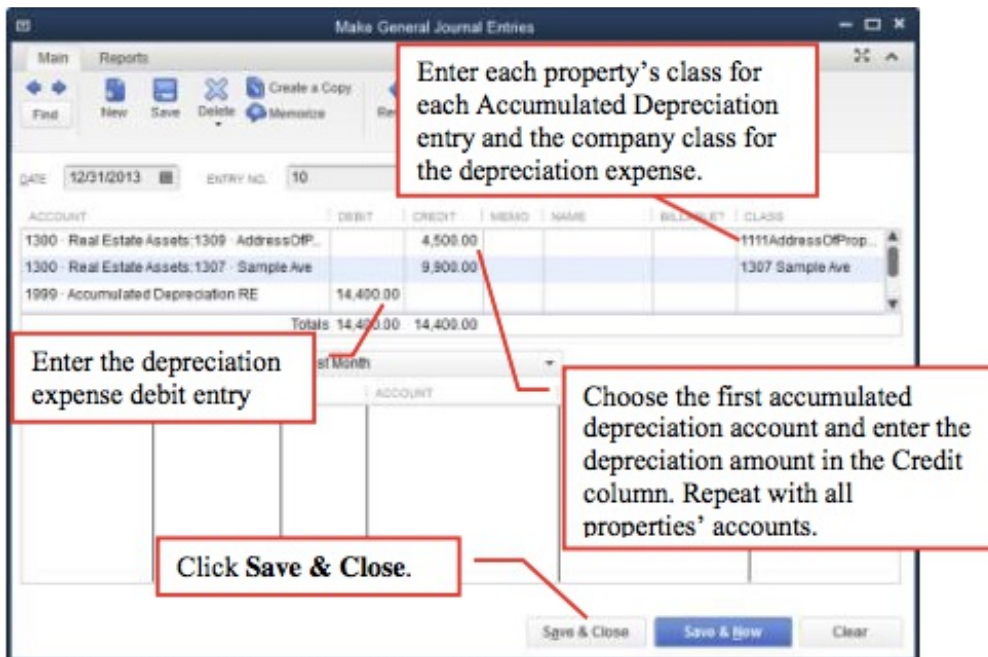
Caution

If you sent an Accountant's Review Copy of your file to your accountant, it is likely that he or she will enter these depreciation expense transactions and you only need to merge in the accountant's changes.

Quick Tip

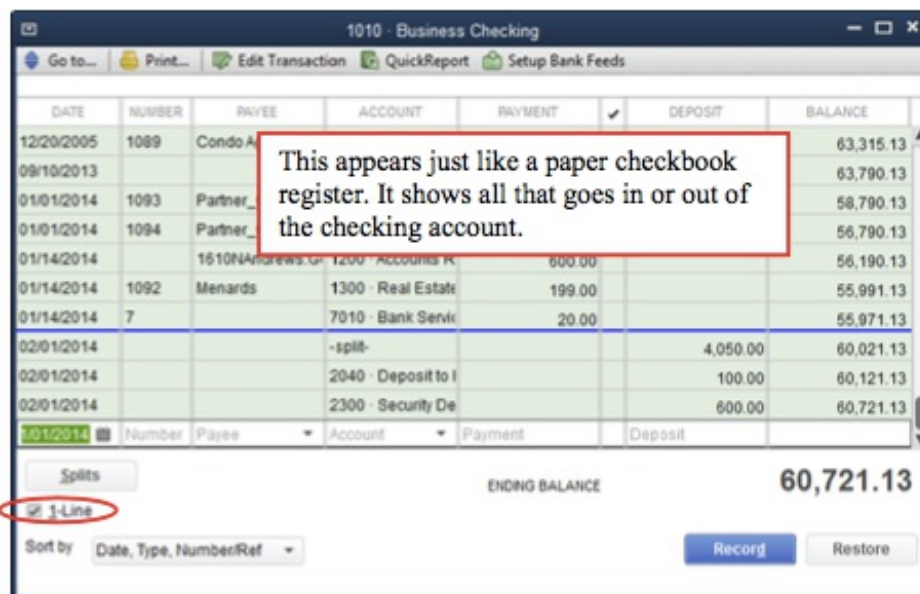
If your accountant did not segregate accumulated depreciation by property (listing each class in the journal entry), and you want to enter it that way you can make changes to his or her entry—just be very careful and backup before any changes are made. Then check your Balance Sheet before and after and run your new balances by your accountant. An easier method is to request he or she enters an Accumulated Depreciation transaction for each property.

If you are entering the accumulated depreciation yourself, click in the Menu Bar **Company > Make General Journal Entries...**



6.09 1-Line View in the Register

Registers default to a two line display format and it is often difficult to find a specific transaction by scanning the lines. The "1-Line" view method allows easy scanning with most of the important information of each transaction on each line. Activate or deactivate this with the "1-Line" checkbox in the bottom left of most registers.



6.10 Using an Accountant's Review Copy File

An Accountant's Review is made when your accountant needs the file to review and to make some adjustments to your books, but you still want to have access to your books. This is an important topic if your accountant receives an electronic copy of your file (an Accountant's Review Copy) and sends you his or her entries back electronically.

Only one Accountant's Review Copy can exist at any one time. If you do not currently have one outstanding, you can create one by clicking in the Menu Bar **File > Accountant's Copy > Save File...** (or **Send to Accountant...**). Saving the file will require you email or transfer it to your accountant, sending it will use Intuit's secure transfer service and allow your accountant to log in and download the file from Intuit's servers.

Choose one of the two methods and send the file to your accountant.

While your accountant has the review copy, you will lose the ability to perform some functions within QuickBooks. You cannot:

- Delete a list entry
- Rename existing accounts or items
- Reorganize your lists

However, you still can:

- Record deposits
- Enter Invoices
- Create new list, customer, vendor entries, etc.

Caution



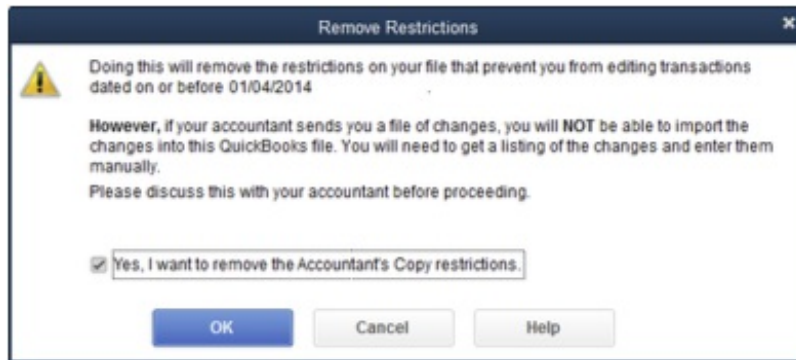
You should make a backup copy of your QuickBooks file before creating an Accountant's Review Copy. In case anything goes wrong when you try to merge the changes, you can always restore your backup and try again. For instructions on how to create a backup copy, please refer to section 3.30 "[Back up](#)" your Company Data and section 3.31 "[Restore](#)" your Company Data.

The phrase "Accountant's Changes Pending" appears in the title bar of the QuickBooks program window, and will remain there until you have received your disk back from your accountant and merged the accountant's changes into your QuickBooks file, or you cancel the Accountant's copy.

YourCompany LLC (Accountant's Changes Pending) - QuickBooks

Quick Tip

If you ever need to cancel an Accountant's Copy, click in the Menu Bar **File > Accountant's Review > Cancel Accountant's Changes**. Click **OK**.



6.11 Merging your Accountant's Changes

When you receive the Accountant's Review file back from your accountant you need to merge the file with your current QuickBooks file. It can be through Intuit's secure servers, or via a file transferred to you. If it is a file, it should have an extension of ".AIF".

Caution

You should make a backup copy of your QuickBooks file before importing your Accountant's Changes. In case anything goes wrong when you try to merge the changes, you can always restore your backup and try again. For instructions on how to create a backup copy, please refer to section [3.30 "Back up" your Company Data](#) and section [3.31 "Restore" your Company Data](#).

Open QuickBooks. Verify by looking in the title bar that this is the correct company to import changes into. This is an issue only if you have multiple QuickBooks company files. Then click the Menu Bar **File > Accountant's Copy > Import Accountant's Changes from File...** (or **from Web...**).

After your data has been imported you will have full functionality of the QuickBooks file again.

FAQ



Q: I wanted to know exactly what transactions my accountant made, how can I view them?

A: Hopefully you made a backup before importing the file, so you can restore the backup and none of the changes will be included. It is helpful to print a few reports (especially a P & L and Balance Sheet) and re-import the Accountant's changes. Make these reports again and compare to find the net changes are for the accountant's copy to your previous version.

Ask your accountant for a report of the transactions he or she performed.

An accountant's review copy only allows the following actions:

- Entering general journal transactions
- Memorize new general journal transactions
- Adjust inventory values (not applicable to real estate)
- Create and print tax forms
- Create new reports
- Add new items to the Chart of Accountants, To Do and Notes list
- Edit existing account names and numbers
- Edit account and tax information for existing items

Take a look through your file and see if any of the above changes were made.

6.12 Keyboard Shortcuts

The following is a quick reference of the keyboard shortcuts available throughout the application. Print this page out and try to learn a new one every day. They save considerable time.

General	Key
To start QuickBooks without a company file	CTRL + double-click
To suppress the desktop windows (at Open Company window)	ALT (while opening)
Display information about QuickBooks	F2
Cancel	ESC
Record (when black border is around OK, Next, or Prev button)	↵
Record (always)	CTRL + ↵
Close QuickBooks	ALT + F4

Dates	Key
Next day	+ (plus key)
Previous day	– (minus key)
T oday	T
First day of the Week	W
Last day of the weekK	K
First day of the Month	M
Last day of the monthH	H
First day of the Year	Y
Last day of the yearR	R
Date calendar	ALT + down arrow

Editing	Key
Edit transaction selected in register	CTRL + E
Delete character to right of insertion point	DEL
Delete character to left of insertion point	BACKSPACE
Delete line from detail area	CTRL + Del
Insert line in detail area	CTRL + Ins
Cut selected characters	CTRL + X
Copy selected characters	CTRL + C
Paste cut or copied characters	CTRL + V
Increase check or other form number by one	+ (plus key)
Decrease check or other form number by one	– (minus key)
Undo changes made in a field	CTRL + Z

Help Window	Key
Display Help in context	F1
Select next option or topic	TAB

Help Window	Key
Select previous option or topic	SHIFT + TAB

Activity	Key
Account list, display	CTRL + A
Check, write	CTRL + W
Copy transaction in register	CTRL + O
Customer:Job list, display	CTRL + J
Delete check, invoice, transaction, or item from list	CTRL + D
Edit lists or registers	CTRL + E
QuickFill and Recall (type first few letters of name and press Tab, name fills in)	abc TAB
Find transaction	CTRL + F
Go to register of transfer account	CTRL + G
Display information about QuickBooks	F2
History of A/R or A/P transaction	CTRL + H
Invoice, create	CTRL + I
List (for current field), display	CTRL + L
Memorize transaction or report	CTRL + M
Memorized transaction list, display	CTRL + T
New invoice, bill, cheque or list item	CTRL + N
Paste copied transaction in register	CTRL + V
Print	CTRL + P
QuickZoom on report	↵
QuickReport on transaction or list item	CTRL + Q
Register, display	CTRL + R
Show list	CTRL + S
Use list item	CTRL + U

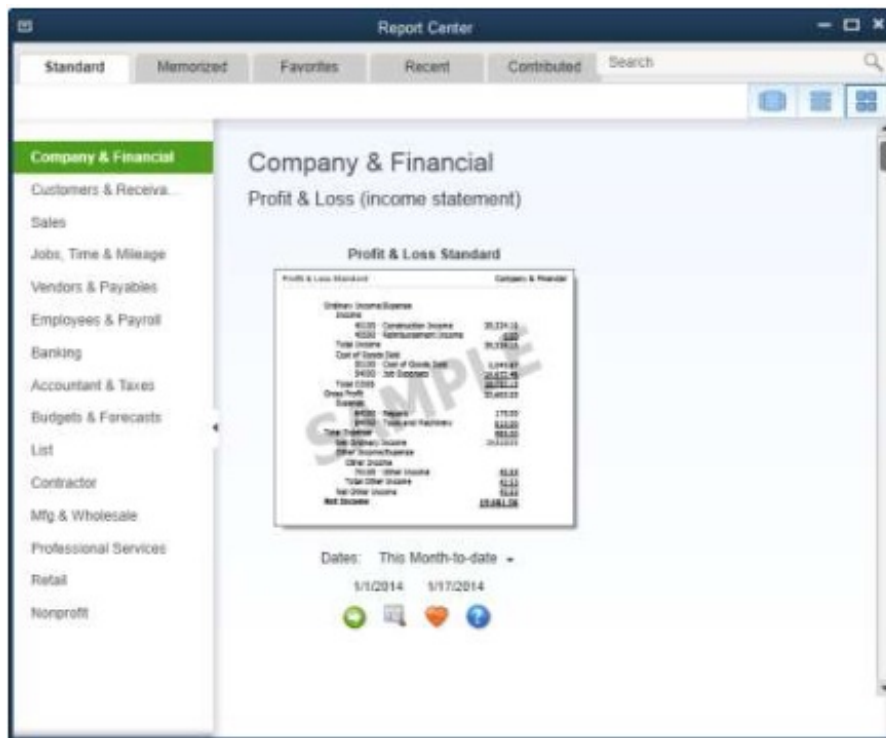
Activity	Key
Transaction journal, display	CTRL + Y

Moving around a window	Key
Next field	Tab
Previous field	SHIFT + TAB
Report column to the right	Right arrow
Report column to the left	Left arrow
Beginning of current field	HOME
End of current field	END
Line below in detail area or on report	Down arrow
Line above in detail area or on report	Up arrow
Down one screen	PAGE DOWN
Up one screen	PAGE UP
Next word in field	CTRL + →
Previous word in field	CTRL + ←
Next name down in a list	CTRL + ↓
Next name up in a list	CTRL + ↑
First item on list or previous month in register	CTRL + PAGE UP
Last item on list or next month in register	CTRL + PAGE DOWN
Close active window	ESC or CTRL + F4

Chapter 7: Reporting Tasks

7.01 Using Reports

Reports are one of the most powerful and time saving features of QuickBooks. In a manual system (or even in a spreadsheet based bookkeeping system), generating reports is time consuming and error prone. QuickBooks comes with many pre-configured reports you can start using immediately. Access the Report Center in the Menu Bar, **Reports > Report Center**.



Open Report Finder to browse through the existing QuickBooks reports. Spending some time looking at the reports available through QuickBooks is the best way to become familiar with the many reports available to you.

Landlord Accounting has included several custom reports in the sample files that may be useful as well. Access these through the Menu Bar, **Reports > Memorized Reports > LandlordAccounting.com >** (then choose a report).

Quick Tip



If for some reason you cannot access these memorized reports (using QB Online, or not using the sample company file), fear not. Keep reading the following pages and you will be able to understand how these reports are built and recreate them yourself in your company file.

If you still need a more advanced report, you can customize existing reports, or (in the Pro and higher versions of QuickBooks) export reports to Excel for further analysis.

When you customize a report that you like, memorize it by clicking the Memorize button.



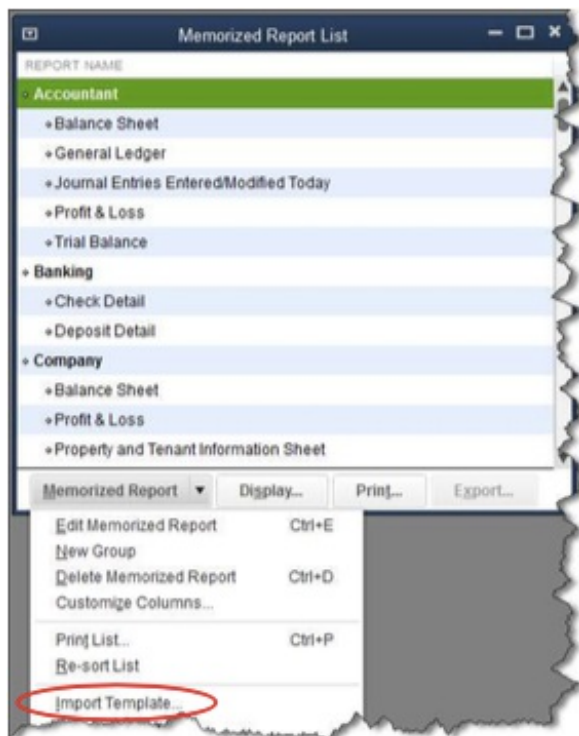
Access the list of memorized reports through **Reports > Memorized Reports > Memorized Reports List**.

Quick Tip



If you have an existing company file, you can import the Landlord Accounting.com memorized reports group. (Unfortunately, importing memorized reports is not supported in the online edition. There you can recreate them and memorize them though).

Click **Reports > Memorized Reports > Memorized Reports List**. Click the button Memorized Report and choose **Import Template...**



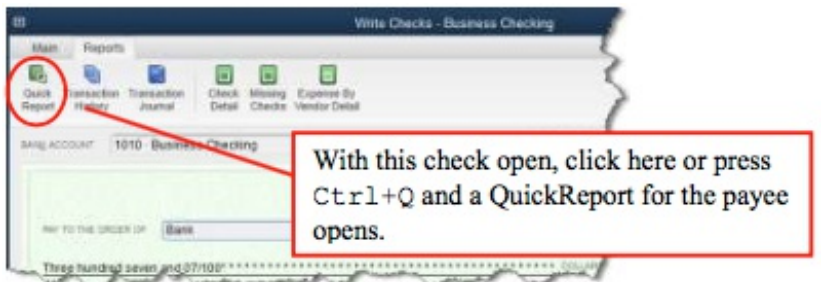
Browse to the Memorized Report Group file, and import it.

The following sections introduce the basic QuickBooks reports that are useful for landlords.

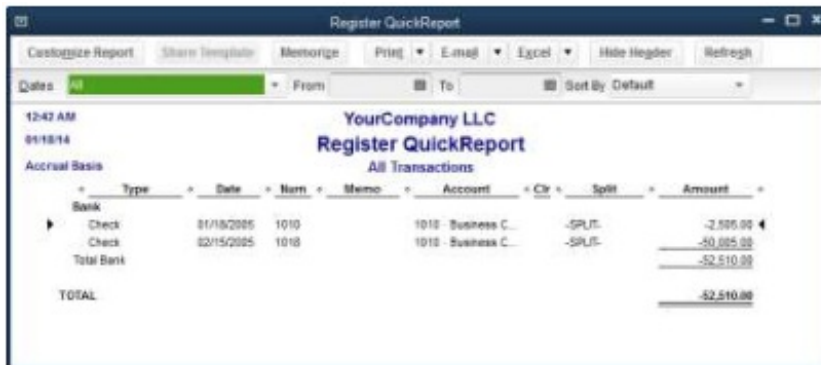
7.02 QuickReports

With almost every entry (customer register entry, checkbook entry, etc.) you can right click and create a QuickReport. These reports present the financial information you're most likely to want in the context of that transaction.

If you click **QuickReport** (**Ctrl+Q**) after selecting a check in your checking account register, QuickBooks displays a list of all the checks in the register made out to that payee.



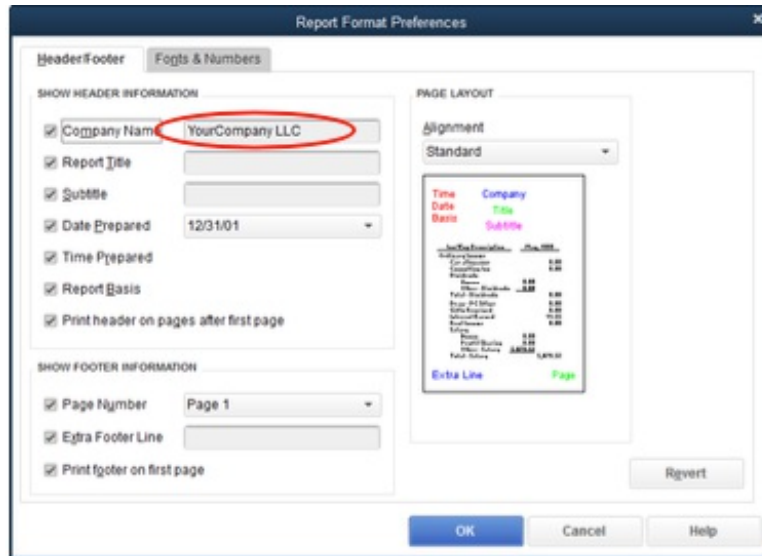
With this check open, click here or press Ctrl+Q and a QuickReport for the payee opens.



Type	Date	Mem	Account	Clr	Split	Amount
Bank						
Check	01/19/2005	1010	1010 - Business C...	-SPLIT-		-2,505.00
Check	02/15/2005	1010	1010 - Business C...	-SPLIT-		-50,005.00
Total Bank						-52,510.00
TOTAL						-52,510.00

Quick Tip

To have your company name appear in reports, open preferences (**Edit > Preferences...**) and choose the Reports & Graphs section, click the Company Preferences tab and click **Format...** Change the Company Name field to your company's name.



While you are setting your company's name in reports, also go to **Company > My Company...** and set your company name and identification.

Quick Tip

The best thing you can do to start understanding reports is to make lots of them. Try every report in the **Reports** menu and determine which ones will be helpful for your company. Add custom fields to Customers and Jobs to get the information out of QuickBooks that your business needs.

7.03 Profit and Loss (Income Statement) Standard Report

The P&L Standard Report will show you income and expenses for your entire business. In the Menu Bar click **Reports > Company & Financial > Profit & Loss Standard**. This defaults to summarizing your income and expense accounts for the month. In the following picture, the date range was changed to twelve months by editing the dates in the From and To fields.

Quick Tip

If you want to find out more about a payment, hold your mouse over a line and it will turn into a magnifying glass with a “Z” inside it. You can “drill down” to the underlying transactions (and make corrections or analyze details) by double clicking. This feature is called “QuickZoom.”



Profit & Loss

Customize Report Share Template Memorize Print E-mail Excel Hide Header Collapse

11:49 AM
01/21/11
Cash Basis

YourCompany LLC
Profit & Loss
January through December 2005
Jan - Dec 05

Income	31,017.00
Dividend Income	75.00
Check Fee Income	25.00
4200 - Damages Repairs & Fee	308.00
Total 4200 - Fee Income	408.00
Total Income	31,425.00
	31,425.00
Insurance	
Property Insurance	1,207.00
Liability Insurance	589.90
Life Insurance	1,796.90
5200 - Interest Expense	
5220 - Loan Interest	2,111.57
Total 5200 - Interest Expense	2,111.57
5300 - Repairs	
5310 - Building Repairs	3,746.78
5340 - Cleaning Expense	30.00
Total 5300 - Repairs	3,776.78
5400 - Utilities	
5410 - Gas	245.00
5430 - Electric	76.00
5440 - Telephone	1,072.80
Total 5400 - Utilities	1,393.80
5490 - Condo Assoc Fee	1,440.00
5700 - Advertising	120.00
6200 - Taxes	
6230 - Property Taxes	3,587.82
Total 6200 - Taxes	3,587.82
6600 - Yard Maintenance	450.00
6700 - Uncollectible Rent	173.00
7010 - Bank Service Charges	
7011 - NSF bank charge	20.00
7012 - Check Fee	10.00
7013 - PMI Fee	180.00
Total 7010 - Bank Service Charges	210.00
Total Expense	15,059.87
Net Ordinary Income	16,365.13
Other Income/Expense	
Other Income	
4300 - Capital Gains (Loss)	-11,000.00
Total Other Income	-11,000.00
Net Other Income	-11,000.00
Net Income	5,365.13

Customize the date range

To further customize a report, click **Customize Report...**

Click **Collapse** to change the format between this and the next graphic.

See Also



If you want to display this by property, refer to section [7.05 Profit and Loss by Property](#).

Profit & Loss

Customize Report Share Template Memorize Print E-mail Excel Hide Header Expand

Dates Custom From 01/01/2005 To 12/31/2005 Columns Total only

11:50 AM
01/18/14
Cash Basis

YourCompany LLC
Profit & Loss
January through December 2005
◀ Jan - Dec 05 ▶

Ordinary Income/Expense		
Income		
4100 · Rental Income		31,017.00
4200 · Fee Income		408.00
Total Income		31,425.00
Expense		
5100 · Insurance		1,796.90
5200 · Interest Expense		2,111.57
5300 · Repairs		3,776.78
5400 · Utilities		1,393.80
5490 · Condo Assoc Fee		1,440.00
5700 · Advertising		120.00
6200 · Taxes		3,587.82
6600 · Yard Maintenance		450.00
6700 · Uncollectible Rent		173.00
7010 · Bank Service Charges		210.00
Total Expense		15,059.87
Net Ordinary Income		16,365.13
Other Income/Expense		
Other Income		-11,000.00
Net Other Income		-11,000.00
Net Income		5,365.13

Adjust the date range

If you like a report, click Memorize...

This is after Collapsing the previous report

Double clicking on this amount will give the following view. That feature is called "QuickZoom."

This report corresponds to the entry double clicked on in the previous Profit and Loss Report.

Type	Date	Num	Adj	Name	Memo	Class	Clr	Split	Debit	Credit	Original Amount	Balance
Check	05/15/2005	1040		Yard Care		1010NA...	1010	Busine...	45.00		45.00	45.00
Check	05/30/2005	1042		Yard Care		1010NA...	1010	Busine...	45.00		45.00	90.00
Check	06/15/2005	1047		Yard Care		1010NA...	1010	Busine...	45.00		45.00	135.00
Check	06/30/2005	1048		Yard Care		1010NA...	1010	Busine...	45.00		45.00	180.00
Check	07/15/2005	1053		Yard Care		1010NA...	1010	Busine...	45.00		45.00	225.00
Check	07/30/2005	1055		Yard Care		1010NA...	1010	Busine...	45.00		45.00	270.00
Check	08/15/2005	1061		Yard Care		1010NA...	1010	Busine...	45.00		45.00	315.00
Check	08/30/2005	1064		Yard Care		1010NA...	1010	Busine...	45.00		45.00	360.00
Check	09/15/2005	1069		Yard Care		1010NA...	1010	Busine...	45.00		45.00	405.00
Check	09/30/2005	1072		Yard Care		1010NA...	1010	Busine...	45.00		45.00	450.00
Total 5600 - Yard Maintenance									450.00	0.00	450.00	450.00
TOTAL									450.00	0.00	450.00	450.00

7.04 Profit and Loss Detail Report

This report shows all transactions for the date range (instead of just the totals above) for income and expense accounts. In the Menu Bar, click **Reports > Company & Financial > Profit & Loss Detail**. Please note that no matter what your preferences are for cash accounting, detail reports (including this one) default to use accrual accounting.

Quick Tip



You can change it by clicking on **Customize Report** If you particularly like a report after modifying it, memorize it. Memorized reports are available from the Menu Bar; click **Reports > Memorized Reports > Memorized Report List**.

Profit & Loss Detail

12/31/14
01/26/14
YourCompany LLC
Profit & Loss Detail
January through December 2015

This is a long report, listing every income and expense transaction.

Type	Date	Num	Adj	Name	Memor	Class	Cr	Dr		
4100 - Rental Income										
Invoice	01/01/2015	1001		3384CovenantLea...	Rent due	3384Co...	1200	Accts...	600.00	600.00
Invoice	02/01/2015	1002		3384CovenantLea...	Rent due	3384Co...	1200	Accts...	600.00	1,200.00
Invoice	02/01/2015	1003		328Baker#721 O...	Rent due	328Bake...	1200	Accts...	265.00	1,465.00
Invoice	02/01/2015	1004		328Baker#721 K...	Rent due	328Bake...	1200	Accts...	265.00	1,730.00
Invoice	02/01/2015	1005		328Baker#721 P...	Rent due	328Bake...	1200	Accts...	265.00	1,995.00
Invoice	02/15/2015	1006		123MarSt Robba...	Rent due	123MarSt	1200	Accts...	360.00	2,355.00
Invoice	03/01/2015	1007		3384CovenantLea...	Rent due	3384Co...	1200	Accts...	600.00	2,955.00
Invoice	03/01/2015	1008		328Baker#721 O...	Rent due	328Bake...	1200	Accts...	265.00	3,220.00
Invoice	03/01/2015	1009		328Baker#721 K...	Rent due	328Bake...	1200	Accts...	265.00	3,485.00
Invoice	03/01/2015	1010		328Baker#721 P...	Rent due	328Bake...	1200	Accts...	265.00	3,750.00
Invoice	03/01/2015	1011		123MarSt Robba...	Rent due	123MarSt	1200	Accts...	775.00	4,525.00
Invoice	04/01/2015	1012		1018Andrews G...	Rent due	1018An...	1200	Accts...	600.00	5,125.00
Invoice	04/01/2015	1013		3384CovenantLea...	Rent due	3384Co...	1200	Accts...	600.00	5,725.00
Deposit	04/01/2015	1014		3384CovenantLea...	Deposit	3384Co...	1010	Bank...	2,000.00	7,725.00
Crash/leak	04/01/2015	1016		3384CovenantLea...	Monthly rent	3384Co...	1200	Accts...	3,000.00	10,725.00
Invoice	04/01/2015	1017		1018Andrews G...	Rent due	1018An...	1200	Accts...	600.00	11,325.00
Invoice	04/01/2015	1018		123MarSt Robba...	Rent due	123MarSt	1200	Accts...	775.00	12,100.00
Invoice	04/01/2015	1019		328Baker#721 O...	Rent due	328Bake...	1200	Accts...	265.00	12,365.00
Invoice	04/01/2015	1020		328Baker#721 K...	Rent due	328Bake...	1200	Accts...	265.00	12,630.00
Invoice	04/01/2015	1021		328Baker#721 P...	Rent due	328Bake...	1200	Accts...	265.00	12,895.00
Invoice	04/01/2015	1022		3384CovenantLea...	Rent due	3384Co...	1200	Accts...	600.00	13,495.00
Invoice	05/01/2015	1026		3384CovenantLea...	Rent due	3384Co...	1200	Accts...	450.00	13,945.00
Invoice	05/01/2015	1027		3384CovenantLea...	Rent due	3384Co...	1200	Accts...	600.00	14,545.00
Invoice	05/01/2015	1028		123MarSt Robba...	Rent due	123MarSt	1200	Accts...	775.00	15,320.00
Invoice	05/01/2015	1029		1018Andrews G...	Rent due	1018An...	1200	Accts...	600.00	15,920.00
Invoice	05/01/2015	1030		328Baker#721 O...	Rent due	328Bake...	1200	Accts...	265.00	16,185.00
Invoice	05/01/2015	1031		328Baker#721 K...	Rent due	328Bake...	1200	Accts...	265.00	16,450.00
Invoice	05/01/2015	1032		328Baker#721 P...	Rent due	328Bake...	1200	Accts...	265.00	16,715.00
Invoice	05/01/2015	1034		123MarSt Robba...	Rent due	123MarSt	1200	Accts...	775.00	17,490.00
Invoice	06/01/2015	1035		1018Andrews G...	Rent due	1018An...	1200	Accts...	600.00	18,090.00
Invoice	06/01/2015	1036		328Baker#721 O...	Rent due	328Bake...	1200	Accts...	265.00	18,355.00
Invoice	06/01/2015	1037		328Baker#721 K...	Rent due	328Bake...	1200	Accts...	265.00	18,620.00
Invoice	06/01/2015	1038		328Baker#721 P...	Rent due	328Bake...	1200	Accts...	265.00	18,885.00
Invoice	06/01/2015	1039		3384CovenantLea...	Rent due	3384Co...	1200	Accts...	600.00	19,485.00
Invoice	06/01/2015	1040		3384CovenantLea...	Rent due	3384Co...	1200	Accts...	600.00	20,085.00
Invoice	07/01/2015	1042		123MarSt Robba...	Rent due	123MarSt	1200	Accts...	775.00	20,860.00
Invoice	07/01/2015	1043		1018Andrews G...	Rent due	1018An...	1200	Accts...	600.00	21,460.00
Invoice	07/01/2015	1044		328Baker#721 P...	Rent due	328Bake...	1200	Accts...	265.00	21,725.00
Invoice	07/01/2015	1045		328Baker#721 O...	Rent due	328Bake...	1200	Accts...	265.00	22,000.00
Invoice	07/01/2015	1046		328Baker#721 K...	Rent due	328Bake...	1200	Accts...	265.00	22,265.00
Invoice	07/01/2015	1047		3384CovenantLea...	Rent due	3384Co...	1200	Accts...	600.00	22,865.00
Invoice	07/01/2015	1048		3384CovenantLea...	Rent due	3384Co...	1200	Accts...	600.00	23,465.00
Invoice	08/01/2015	1051		123MarSt Robba...	Rent due	123MarSt	1200	Accts...	775.00	24,240.00
Invoice	08/01/2015	1052		1018Andrews G...	Rent due	1018An...	1200	Accts...	600.00	24,840.00
Invoice	08/01/2015	1053		328Baker#721 P...	Rent due	328Bake...	1200	Accts...	265.00	25,105.00
Invoice	08/01/2015	1054		328Baker#721 O...	Rent due	328Bake...	1200	Accts...	265.00	25,370.00
Invoice	08/01/2015	1055		328Baker#721 K...	Rent due	328Bake...	1200	Accts...	265.00	25,635.00
Invoice	08/01/2015	1056		3384CovenantLea...	Rent due	3384Co...	1200	Accts...	600.00	26,235.00
Invoice	08/01/2015	1057		3384CovenantLea...	Rent due	3384Co...	1200	Accts...	600.00	26,835.00
Other Income/Expenses										
4300 - Capital Gains (Loss)										
Deposit	08/15/2015	1058		Ben Bayemuch	Deposit	123MarSt	1010	Bank...	2,000.00	-2,000.00
Deposit	10/10/2015	1055		Ben Bayemuch	the only s.s.	1010An...	1010	Bank...	11,000.00	-11,000.00
Total 4300 - Capital Gains (Loss)									13,000.00	-13,000.00
Total Other Income									2,000.00	-13,000.00
Net Other Income									2,000.00	-13,000.00
Net Income									31,887.01	37,283.00
									6,395.99	

Profit and Loss Detail Report



Q: What is the difference between the Summary and Detail reports?

A: Summary (standard) Reports do not list individual transactions. They summarize groups of transactions by showing a single total for each group. To see a list of the transactions that make up an amount, double-click the amount. For high level understanding of a business, a summary report is more useful than a detailed report, which is full of individual transactions.

Detail Reports show the individual totals from which QuickBooks calculated each group total. This will typically list individual transactions.

Quick Tip

Transaction detail reports are always displayed on an accrual basis, regardless of the preference you selected. To customize the report to be on a cash basis, click the Customize Report... button and select cash as the Report Basis.

Transaction reports, as opposed to transaction detail reports, are always on an accrual basis and cannot be changed to a cash basis.

Accrual-basis transaction reports and transaction detail reports show a single amount for each transaction. QuickBooks displays this amount in the Amount column.

Cash-basis transaction detail reports have two amount columns for each transaction. A sale transaction can be composed of an invoice amount and a payment. A purchase transaction can be composed of a bill amount and a bill payment. QuickBooks displays these amounts in the Original Amount column and the Paid Amount column, respectively. (Read more in QuickBooks Help).

7.05 Profit and Loss by Property

In the Menu Bar, click **Reports > Company & Financial > P & L** (Standard or Detail). Under the Columns dropdown menu, set it to Class. There will be a column for every property in this view, as well as a grand total on the right. If you have many properties, you may wish to export to Excel. This report is also available in **Reports > Memorized Reports > LandlordAccounting.com > Profit & Loss by Class**.

The Expand or Collapse button shows or hides sub-accounts. **Collapse** was clicked in the below report, so all sub-accounts were summed into the accounts displayed. You can click **Expand** to see sub accounts.

Profit & Loss by Class

Customize Report Show Columns Memoize Print E-mail Export Hide Header Expand Refresh

Date Custom From 9/18/2005 To 12/31/2005 Columns Class Sort By Default

3:47 PM 8/25/14 my LLC by Class

Cash Basis Summary through December 2005

Columns are by class. Expand to see sub-accounts as line items.

	A	B	CAM	3394Cover...	Total 3394C...	YourComp...	TOTAL
Income							
4100 - Rental Income	5,447.00	5,400.00	9,920.00	7,200.00	4,950.00	0.00	31,017.00
4200 - Fee Income	125.00	50.00	200.00	25.00	0.00	0.00	400.00
Total Income	5,572.00	5,450.00	10,120.00	7,225.00	4,950.00	0.00	31,425.00
Gross Profit	5,572.00	5,450.00	9,120.00	7,225.00	4,950.00	0.00	31,425.00
Expense							
5100 - Insurance	260.00	250.00	320.00	0.00	0.00	0.00	1,790.00
5200 - Interest Expense	0.00	2,111.57	0.00	0.00	0.00	0.00	2,111.57
5300 - Repairs	85.35	0.00	1,178.00	13.43	0.00	1,200.00	3,776.78
5400 - Utilities	0.00	321.00	0.00	0.00	0.00	0.00	1,393.80
5400 - Condo Assoc Fee	0.00	0.00	1,440.00	0.00	0.00	0.00	1,440.00
5700 - Advertising	0.00	40.00	40.00	0.00	40.00	0.00	120.00
6200 - Taxes	364.37	936.00	1,004.00	0.00	0.00	1,283.45	3,587.82
6600 - Yard Maintenance	0.00	450.00	0.00	0.00	0.00	0.00	450.00
6700 - Uncollectible Rent	0.00	0.00	173.00	0.00	0.00	0.00	173.00
7010 - Bank Service Charges	0.00	205.00	0.00	0.00	0.00	0.00	205.00
Total Expense	720.72	4,318.57	4,100.00	13.43	40.00	1,300.00	15,059.87
Net Ordinary Income	4,851.28	1,131.43	4,960.00	7,211.57	4,910.00	-1,300.00	16,365.13
Other Income/Expense							
Other Income							
4300 - Capital Gains (Loss)	2,000.00						-11,000.00
Total Other Income	2,000.00	-11,000.00	0.00	0.00	0.00	0.00	-11,000.00
Net Other Income	2,000.00	-11,000.00	0.00	0.00	0.00	0.00	-11,000.00
Net Income	6,851.28	-11,000.00	4,960.00	7,211.57	4,910.00	-1,300.00	5,365.13

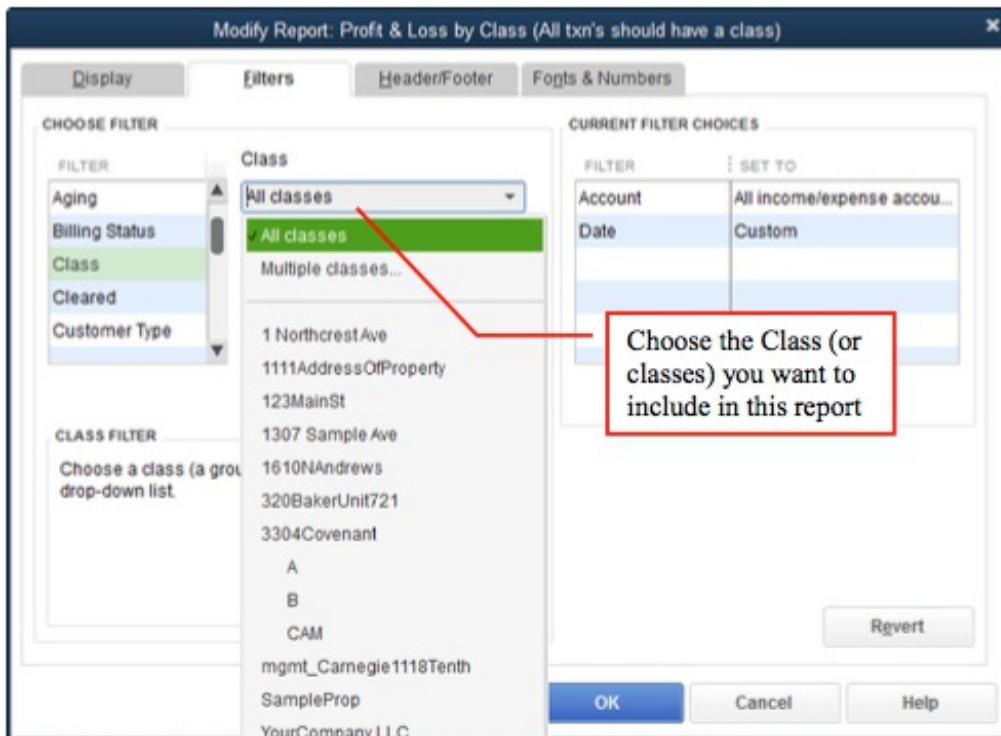
Profit and Loss by Property

**YourCompany LLC
Profit & Loss by Class
January through December 2005**

	A	B	CAM	3304Coven...	3304Coven...	3304Coven...	3304Coven...	3304Coven...	3304Coven...	
Income										
4100 - Rental Income	5,447.00	5,400.00	8,920.00	7,200.00	4,050.00	0.00	0.00	11,250.00	0.00	31,817.00
4200 - Fee Income										
4220 - Late Fee Income	25.00	25.00	25.00	0.00	0.00	0.00	0.00	0.00	0.00	75.00
4230 - NSF Check Fee Income	0.00	25.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.00
4250 - Damages Repairs & Fee	100.00	0.00	193.00	20.00	0.00	0.00	0.00	20.00	0.00	300.00
Total 4200 - Fee Income	125.00	50.00	218.00	20.00	0.00	0.00	0.00	20.00	0.00	400.00
Total Income	5,572.00	5,425.00	9,138.00	7,220.00	4,050.00	0.00	0.00	11,270.00	0.00	31,400.00
Gross Profit										
Expense										
5100 - Insurance										
5110 - Property Insurance	200.00	255.00	325.00	0.00	0.00	0.00	0.00	300.00	0.00	1,200.00
5120 - Liability Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	500.00	500.00
Total 5100 - Insurance	200.00	255.00	325.00	0.00	0.00	0.00	0.00	300.00	500.00	1,700.00
5200 - Interest Expense										
5220 - Loan Interest	0.00	2,111.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,111.57
Total 5200 - Interest Expense	0.00	2,111.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,111.57
5300 - Repairs										
5310 - Building Repairs	85.35	0.00	1,140.00	13.43	0.00	1,300.00	1,200.00	2,513.43	0.00	3,746.78
5340 - Cleaning Expense	0.00	0.00	30.00	0.00	0.00	0.00	0.00	0.00	0.00	30.00
Total 5300 - Repairs	85.35	0.00	1,170.00	13.43	0.00	1,300.00	1,200.00	2,513.43	0.00	3,776.78
5400 - Utilities										
5410 - Gas	0.00	245.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	245.00
5420 - Electric	0.00	76.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	76.00
5440 - Telephone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,072.00	1,072.00
Total 5400 - Utilities	0.00	321.00	0.00	0.00	0.00	0.00	0.00	0.00	1,072.00	1,393.00
5490 - Condo Assoc Fee	0.00	0.00	1,440.00	0.00	0.00	0.00	0.00	0.00	0.00	1,440.00
5700 - Advertising	0.00	40.00	40.00	0.00	40.00	0.00	0.00	40.00	0.00	120.00
6200 - Taxes										
6230 - Property Taxes	364.37	0.00	1,004.00	0.00	0.00	0.00	1,283.45	1,283.45	0.00	3,687.82
Total 6200 - Taxes	364.37	0.00	1,004.00	0.00	0.00	0.00	1,283.45	1,283.45	0.00	3,687.82
6600 - Yard Maintenance	0.00	450.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	450.00
6700 - Uncollectible Rent	0.00	0.00	173.00	0.00	0.00	0.00	0.00	0.00	0.00	173.00
7010 - Bank Service Charges										
7011 - NSF bank charge	0.00	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.00
7012 - Check Fee	5.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.00
7013 - P/W Fee	0.00	180.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00
Total 7010 - Bank Service Charges	5.00	205.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	210.00
Total Expense	722.72	4,315.57	4,100.00	13.43	40.00	1,300.00	2,043.45	4,196.85	1,082.70	15,059.87
Net Ordinary Income	4,849.28	1,109.43	4,900.00	7,210.57	4,010.00	-1,300.00	-2,043.45	7,073.12	-1,082.70	16,300.13
Other Income/Expense										
4300 - Capital Gains (Loss)	2,000.00	-11,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-11,000.00
Total Other Income	2,000.00	-11,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-11,000.00
Net Other Income	2,000.00	-11,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-11,000.00
Net Income	6,849.28	-11,886.57	4,900.00	7,210.57	4,010.00	-1,300.00	-2,043.45	7,073.12	-1,082.70	5,300.13

7.06 Profit and Loss for One Property

If you want to produce the previous report, however only for one property, you will need to create a “Filter.” In the Menu Bar, click **Reports > Memorized Reports > LandlordAccounting.com > Profit & Loss by Class**. Then, in the report that appears, click the **Customize Report** button. Click the **Filters** tab.



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Then click on the **Header/Footer** tab and rename the **Report Title** to reflect the property in this new customized report. Click **OK** to close the Modify Report window.

You will see a report similar to the following. Click the **Expand or Collapse** buttons to show more or less information.

12:39 PM
01/18/14

YourCompany LLC
Profit & Loss 123 Main
January through December 2005

Customize Report Share Template Memorize Print E-mail Excel Hide Header Expand Ret

Dates Custom From 01/01/2005 To 12/31/2005 Columns **Total only**

± Jan - Dec 05

Total Income	31,425.00
Expense	
> 5100 - Insurance	1,796.90
> 5200 - Interest Expense	2,111.57
> 5300 - Repairs	3,776.78
> 5400 - Utilities	1,393.80
5490 - Condo Assoc Fee	1,440.00
5700 - Advertising	120.00
> 6200 - Taxes	3,587.82
6600 - Yard Maintenance	450.00
6700 - Uncollectible Rent	173.00
> 7010 - Bank Service Charges	210.00
Total Expense	<u>15,059.87</u>
Net Ordinary Income	16,365.13
Other Income/Expense	
Other Income	
4300 - Capital Gains (Loss)	-11,000.00
Total Other Income	<u>-11,000.00</u>
Net Other Income	<u>-11,000.00</u>
Net Income	<u>5,365.13</u>

Customize the report title to clarify what property (class) this report is filtered against

Choose Totals only to show one column

7.07 Balance Sheet Standard

A balance sheet is often described as a “snapshot” of the company’s financial condition on a given date. The balance sheet looks at a single point in time, displaying the then-current values of Assets, Liabilities and Equity.

These three parts: assets, liabilities and shareholders’ equity are related to the fundamental accounting equation: $Assets = Liabilities + Equity$. The difference between the assets and the liabilities is known as the net assets or the net worth of the company.

The net assets shown by the balance sheet equals the shareholders’ equity. This occurs due to the system of double entry accounting.

The following image shows a standard QuickBooks balance sheet. In the Menu Bar, click **Reports > Company & Financial > Balance Sheet Standard**.

See Also



For more information about the fundamental accounting equation, see section [2.02 The Basic Accounting Equation](#).

Double entry accounting is covered in section [2.09 What is Double-Entry Accounting?](#)

4:04 PM
01/21/14
Cash Basis

Like the previous report, **Expand** and **Collapse** will show and hide sub-accounts as line items.

Balance Sheet		
Customize Report Share Template Memorize Print E-mail Excel Hide Header Collapse		
Dates: This Fiscal Year-to-date	As of: 01/21/2014	Columns: Total only Sort By: Default
		: 31,05 ◊
ASSETS		
Current Assets		
Checking/Savings		
1010 · Business Checking	▶ 63,315.13 ◀	
Total Checking/Savings	63,315.13	
Other Current Assets		
1040 · Start-up Assets	4,000.00	
Total Other Current Assets	4,000.00	
Total Current Assets	67,315.13	
Fixed Assets		
▶ 1300 · Real Estate Assets	159,000.00	
1999 · Accumulated Depreciation RE	-5,000.00	
Total Fixed Assets	154,000.00	
TOTAL ASSETS	<u>221,315.13</u>	
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities		
▶ 2300 · Security Deposits	1,950.00	
Total Other Current Liabilities	1,950.00	
Total Current Liabilities	1,950.00	
Total Liabilities	1,950.00	
Equity		
▶ 3010 · Member C. Applegate Equity	107,000.00	
▶ 3020 · Member W. Applegate Equity	107,000.00	
Net Income	5,365.13	
Total Equity	219,365.13	
TOTAL LIABILITIES & EQUITY	<u>221,315.13</u>	

Quick Tip

After you have several years in your company file, you can compare how the Balance Sheet has changed over the years. In the Menu Bar, click **Reports > Company and Financial > Balance Sheet Standard**, then click the **Columns** dropdown and choose **Year**. This will show values for all years on record.

7.08 Balance Sheet Details

For a detailed balance sheet that lists individual transactions and their impact to Assets, Liabilities and Equity—create a Balance Sheet Details report. In the Menu Bar, click **Reports > Company and Financial > Balance Sheet Detail**.

**YourCompany LLC
Balance Sheet Detail
As of December 31, 2005**

ASSETS

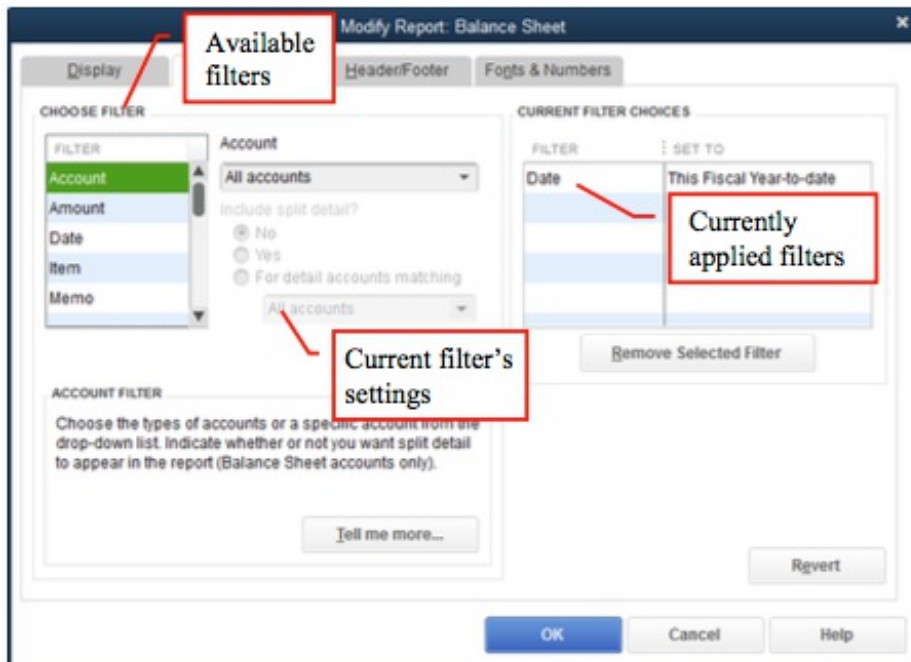
Type	Date	Num	Adj	Name	Memo	Class	Ctr			
Current Assets										
Checking/Savings										
1010 - Business Checking										
Check	01/01/2005	1001		Sally Seller	offer to purc...	1030 - Earnest Mon...		1,000.00	-1,000.00	
Deposit	01/01/2005				Deposit mem...	-SPLIT-	**** **		159,000.00	
Check	01/01/2005	1002		Cristy & Wess ...	purchase of...	1300 - 3304 Coven...		75,000.00	84,000.00	
Check	01/01/2005	1003		Insurance Co.	LLC umbrella...	5130 - Liability Insu...		589.90	83,410.10	
Check	01/01/2005	1004		Insurance Co.	320 Baker p...	+ 5110 - Property Ins...		325.00	83,085.10	
Check	01/01/2005	1005		Insurance Co.	3304 Coven...	+ 5110 - Property Ins...		359.00	82,726.10	
Deposit	01/01/2005				Security Dep...	+ 2301 - Lee,Kristen...	600.00		83,326.10	
Payment	01/01/2005				3304Covenant...	+ 1200 - Accounts R...	600.00		83,926.10	
Check	01/08/2005	1006		Hardware Store	repairs need...	5310 - Building Rep...		386.00	83,540.10	
Check	01/10/2005	1007		Wireless Phone...		+ 5440 - Telephone		89.40	83,450.70	
Check	01/15/2005	1008		Hardware Store	repairs to 32...	+ 5310 - Building Rep...		229.00	83,221.70	
Check	01/18/2005	1009		Hardware Store		+ -SPLIT-		2,000.00	81,221.70	
Check	01/18/2005	1010		Bank		-SPLIT-		2,505.00	78,716.70	
Check	01/18/2005	1011		Insurance Co.		+ 5110 - Property Ins...		244.00	78,461.70	
Total 3020 - Member W. Applegate Equity - Other										
								5,000.00	112,000.00	107,000.00
3100 - Retained Earnings										
										0.00
3200 - Opening Bal Equity										
										0.00
Net Income										
								31,997.87	37,363.00	5,365.13
Total Equity								41,997.87	261,363.00	219,365.13
TOTAL LIABILITIES & EQUITY										
								**** **	323,273.35	221,316.13

7.09 Customizing Reports, using Filters, and More

If you need to customize a report, click the **Customize Report** button. From there, the Modify Report window opens. You can configure Display, Filters, Header/Footer and Fonts. The first two affect the data presented, the last two affect style, formatting and layout.



The Filters tab can allow you to exclude certain accounts, classes, transaction types, etc. from the report. This is quite useful, and best mastered through playing with it creating different types of reports.



The display tab varies depending on which type of report you are modifying. If you cannot configure what you want by customizing one report, try generating another report and modifying that instead.

7.10 Reports to Find and Correct Errors

It is likely some errors will crop up in your company file. Having the ability to catch these errors and quickly correct them is very important. The following reports (accessible through **Reports > Memorized Reports > LandlordAccounting.com**) are helpful to identify errors. Run these reports monthly.

Profit and Loss by Class

If any transactions are Unclassified, double click them and add the correct class. Remember, we want to specify classes (corresponding to each property) for transactions.

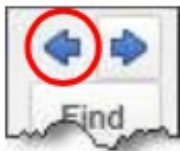
Unpaid Rent Invoices

Monthly check for all unpaid invoices (remember, we invoice for rent). Click in the Menu Bar, **Reports > Customers & Receivables > Open Invoices** and choose the Dates as **All**. This will show invoices that have not yet been paid, along with when they are due. You may have forgotten to Receive Payments for a customer's payment, or they may actually be overdue and you can send a letter.



Verify Invoiced Rent dates are correct

At the end of the month, open invoices (**Ctrl+I**) and click the “previous” icon (left arrow) to go through the current month's invoices one by one.



Verify the dates are correct. QuickBooks has an option to use the last entered date as the default for new transactions. In special charge invoices you manually enter, if you did not specify the date, it will default to the last date entered (which could be from a check you wrote last month). You can disable this option through **Edit > Preferences...** go to the General section and uncheck **Use today's date as default**.

Double Check Classes

Verify you assigned the correct class to each tenant's properties. Click **Reports > Customers & Receivables > Customer Balance Detail**. It lists each Customer:Job with the transactions assigned to it. Verify the class is correct for the corresponding customer (property).

Frequently Generate Reports

The most powerful way to catch errors is to frequently generate reports. The more you analyze your data, the more likely you are to catch mistakes. Start by creating all of this chapter's reports in the

sample data file, and then in your company file.

7.11 Running a Rent-Roll (Report on Overdue Tenants)

At any one moment, it is important to know how many renters owe you money, and how much they owe. You can do this several ways. This method assumes you have automatically entered charges as rents became due through memorizing each rent invoice and automatically entering monthly. Or, if you manually entered invoices, all tenants must be first charged for rent due before this report is run.

To create reports about which tenants have paid for the month and which are overdue (a rent roll) do the following. In the Menu Bar, click **Reports > Memorized Reports > LandlordAccounting.com > Tenant Rent Roll**.

YourCompany LLC	
Tenant Rent Roll	
As of April 6, 2005	
Apr 6, 05	
123MainSt	
Robbins,Brad	100.00
Total 123MainSt	100.00
1610Andrews	
Gold,Audrey	650.00
Total 1610Andrews	650.00
3304Covenant	
Keating,Jessica[B]	-3,800.00
Total 3304Covenant	-3,800.00
TOTAL	-2,850.00

For delinquent tenants, you can also create the Collections Report, which shows more detail about the outstanding amounts receivable. Click: **Reports > Customers & Receivables > Collections Report**.

4:11 PM
01/16/14

YourCompany LLC
Collections Report
As of April 6, 2005

Type	Date	Num	P.O.#	Terms	Due Date	Class	Aging	Open Balance
123MainSt								
Robbins,Brad								
(123) 555-1999								
Invoice	03/26/2005	1014			03/26/2005	123MainSt	11	100.00
Total Robbins,Brad								100.00
Total 123MainSt								100.00
1610NAAndrews								
Gold,Audrey								
Audrey Gold								
(211) 555-1234								
Invoice	04/05/2005	1025		Rent Du...	04/05/2005	1610NA...	1	650.00
Total Gold,Audrey								650.00
Total 1610NAAndrews								650.00
3304Covenant								
Keating,Jessica[B]								
Jessica Keating								
(437) 555-1285								
Credit Memo	04/01/2005	1016			04/01/2005	3304Co...	5	-3,600.00
Total Keating,Jessica[B]								-3,600.00
Total 3304Covenant								-3,600.00
TOTAL								-2,850.00

Note the due date, days aging, and open balance.

7.12 Historical Charges and Payments by Tenant

View historical charges for all tenants: **Reports > Memorized Reports > LandlordAccounting.com > Tenant Historical Payments**. This lists properties and tenants along with their charges and payments.

Type	Date			Balance
123MainSt				
Robbins, Brad				
Invoice	02/15/2005	1006	123MainSt	360.00
Payment	02/15/2005	2/15 received		-360.00
Invoice	03/01/2005	1011	123MainSt	775.00
Payment	03/02/2005	3/2 received		-775.00
Total Robbins, Brad				0.00
Total 123MainSt				0.00
1610NAndrews				
Gold, Audrey				
Invoice	03/01/2005	1012	1610NAndrews	600.00
Payment	03/02/2005	3/2 received		-600.00
Total Gold, Audrey				0.00
Total 1610NAndrews				0.00

You may want to record in the memo line of the Receive Payments window the date each rent check was received, however if you “Receive Payment” with the specific date each one was received, then you do not need to enter anything in the memo. It’s your choice to use whichever is easier for you to remember when entering the payments.

If you want to further customize the report to only include one property: click **Customize Report**, the **Filters** tab, and set the Class to the property you are interested in.

If you need further customization of the report and have Excel installed, click the **Excel...** button on

top of the report. You can choose to export to a new Excel worksheet, or update an existing one.

Type	Due Date	Num	Memo	Account	Class	Amount	Date	Paid Date	Avg Days to Pay
123MainSt									
Robbins, Brad									
Invoice	02/15/2005	1006		1200 - Accounts R...	123MainSt	360.00	02/15/2005	02/15/2005	
Invoice	03/01/2005	1011		1200 - Accounts R...	123MainSt	775.00	03/01/2005	03/02/2005	1.00
Invoice	03/26/2005	1014		1200 - Accounts R...	123MainSt	100.00	03/26/2005	04/09/2005	14.00
Invoice	04/01/2005	1018		1200 - Accounts R...	123MainSt	775.00	04/01/2005	04/02/2005	1.00
Invoice	05/01/2005	1028		1200 - Accounts R...	123MainSt	775.00	05/01/2005	05/01/2005	
Invoice	06/01/2005	1034		1200 - Accounts R...	123MainSt	775.00	06/01/2005	06/01/2005	
Invoice	07/01/2005	1042		1200 - Accounts R...	123MainSt	775.00	07/01/2005	07/01/2005	
Invoice	08/01/2005	1051		1200 - Accounts R...	123MainSt	775.00	08/01/2005	08/08/2005	7.00
Invoice	08/05/2005	FC 2	Finance Cha...	1200 - Accounts R...	123MainSt	25.00	08/05/2005	08/05/2005	3.00
Invoice	09/01/2005	1061		1200 - Accounts R...	123MainSt	775.00	09/01/2005	09/01/2005	
Total Robbins, Brad						5,910.00			2.60
Total 123MainSt						5,910.00			2.60
1610NAndrews									
Gold, Audrey									
Invoice	03/01/2005	1012		1200 - Accounts R...	1610NA...	600.00	03/01/2005	03/02/2005	1.00

Modify the spreadsheet before printing or saving. You can customize reports in Excel beyond what you can do with QuickBooks alone. Also, since QB 2012 there is the feature to update an existing worksheet. This way report customizations you make in the Excel are maintained and just the underlying QuickBooks data is updated.

In new versions of QuickBooks, you can also create a more detailed version of this. Click: **Reports > Customer & Receivables > Average Days to Pay**. This is a useful report to observe who is consistently late. You can also filter it on one tenant and print it out for the eviction process.

The screenshot shows a QuickBooks report titled "Average Days to Pay" for "YourCompany LLC". The report is for "All Transactions" and is sorted by "Default". It displays a list of invoices with columns for Type, Due Date, Num, Memo, Account, Class, Amount, Date, Paid Date, and Avg Days to Pay. The report is divided into sections for different vendors: "123MainSt" (Robbins, Brad) and "1610NAndrews" (Gold, Audrey). The total amount for 123MainSt is 5,910.00 with an average of 2.60 days to pay. The total amount for 1610NAndrews is 600.00 with an average of 1.00 days to pay.

Type	Due Date	Num	Memo	Account	Class	Amount	Date	Paid Date	Avg Days to Pay
123MainSt									
Robbins,Brad									
Invoice	02/15/2005	1006		1200 - Accounts R...	123MainSt	360.00	02/15/2005	02/15/2005	
Invoice	03/01/2005	1011		1200 - Accounts R...	123MainSt	775.00	03/01/2005	03/02/2005	1.00
Invoice	03/26/2005	1014		1200 - Accounts R...	123MainSt	100.00	03/26/2005	04/09/2005	14.00
Invoice	04/01/2005	1018		1200 - Accounts R...	123MainSt	775.00	04/01/2005	04/02/2005	1.00
Invoice	05/01/2005	1028		1200 - Accounts R...	123MainSt	775.00	05/01/2005	05/01/2005	
Invoice	06/01/2005	1034		1200 - Accounts R...	123MainSt	775.00	06/01/2005	06/01/2005	
Invoice	07/01/2005	1042		1200 - Accounts R...	123MainSt	775.00	07/01/2005	07/01/2005	
Invoice	08/01/2005	1051		1200 - Accounts R...	123MainSt	775.00	08/01/2005	08/08/2005	7.00
Invoice	08/05/2005	FC 2	Finance Cha...	1200 - Accounts R...	123MainSt	25.00	08/05/2005	08/05/2005	3.00
Invoice	09/01/2005	1061		1200 - Accounts R...	123MainSt	775.00	09/01/2005	09/01/2005	
Total Robbins,Brad						5,910.00			2.60
Total 123MainSt						5,910.00			2.60
1610NAndrews									
Gold,Audrey									
Invoice	03/01/2005	1012		1200 - Accounts R...	1610NA...	600.00	03/01/2005	03/02/2005	1.00

7.13 1099 Reports for Vendors

Talk to your accountant for the criteria necessary for setting up 1099 vendors. You can create several reports and file with the IRS after you have configured the 1099 vendors.

You need to turn the 1099 feature on to take advantage of it. Click **Edit > Preferences...**, and select the **Tax: 1099** section. In the Company Preferences tab, select "Yes" next to "Do you file 1099-MISC forms." You can E-File or print your 1099's all within QuickBooks. Click **Vendors > Print/E-file 1099s...**

Caution



Always consult your accountant for assistance in configuring your 1099 vendors, the threshold amounts, and for preparing the 1099-MISC forms. It is likely he or she may prepare these reports for you as part of your tax preparation services.

For a report of the amount that needs to be reported on each vendor's 1099-MISC form, click in the Menu Bar: **Reports > Vendors & Payables > 1099 Summary**.

For a listing of the payments to vendors that are subject to reporting on the 1099-MISC form, click in the Menu Bar: **Reports > Vendors & Payables > 1099 Detail**.

See Also



For information on how to properly set up 1099 vendors in QuickBooks, see section [3.21 The “Vendor Center” is for Companies You Pay](#).

To adjust the 1099 vendor threshold amounts, refer to [3.29 Changing QuickBooks “Preferences”](#).

To learn how to set up 1099 accounts and threshold amounts search for **1099 account** in QuickBooks help.

7.14 Report on Asset Value Changes per Property

A memorized report is included in **Reports > Memorized Reports > LandlordAccounting.com > Fixed Asset Changes**. This specifies how over the time period specified, fixed assets' values have changed.

Type	Date	Num	Name	Memo	Debit	Credit	Balance
1300 - Real Estate Assets							
1301 - 123 Main St							
Check	02/15/2005	1018	Bank		50,000		50,000
Deposit	09/15/2005	1568	Ben Buyemuch	simplified closing ...		50,000	0
Total 1301 - 123 Main St					50,000	50,000	0
1302 - 1610 N Andrews							
Check	01/18/2005	1010	Bank		2,500		2,500
General Journal	01/18/2005	4			29,500		32,000
General Journal	02/09/2005	5			10,000		42,000
Deposit	11/18/2005	1885	Ben Buyemuch	paid for 29,900 (a...		42,000	0
Total 1302 - 1610 N Andrews					42,000	42,000	0
1303 - 3304 Covenant							
Check	01/01/2005	1002	Crisby & Weiss ...	purchase of 3304...	75,000		75,000
General Journal	01/18/2005	3			15,000		90,000
Total 1303 - 3304 Covenant					90,000	0	90,000
1304 - 320 Baker #721							
General Journal	01/01/2005	2			69,000		69,000
Total 1304 - 320 Baker #721					69,000	0	69,000
Total 1300 - Real Estate Assets					251,000	62,000	159,000
1999 - Accumulated Depreciation RE							
General Journal	01/01/2005	2				5,000	-5,000
Total 1999 - Accumulated Depreciation RE					0	5,000	-5,000

Also refer to the following report, which is similar.

7.15 Report on Capital Improvements per Property

The values of assets in each asset account are the purchase price plus capital improvements. There are three ways to see the real money you have invested in properties. Create a Balance Sheet report and look at the value for each property. Open the Chart of Accounts and see the open balance. Or, make a QuickReport for an individual property.

Create a **QuickReport** in a property's sub-account under the real estate fixed asset account. Highlight a sub-account in the Chart of Accounts and press **Ctrl+Q**. Customize it for a specific time period.

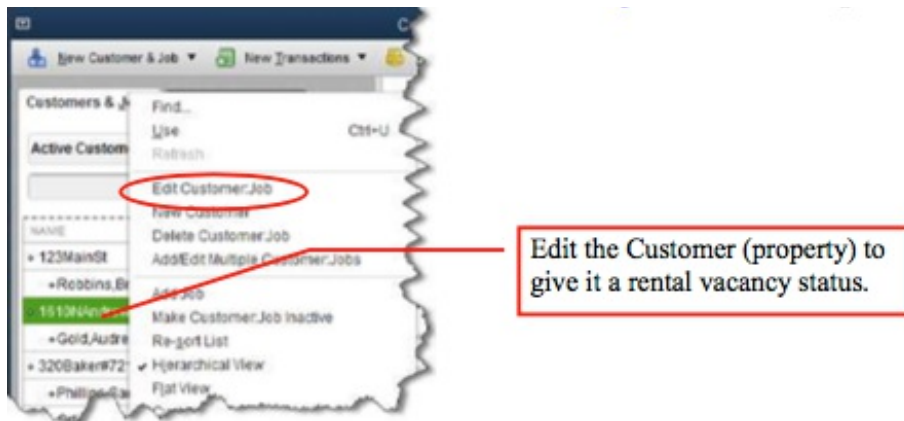
Type	Date	Num	Name	Memo	Split	Amount	Balance
1300 - Real Estate Assets							
1301 - 123 Main St							
Check	02/15/2005	1018	Bank		1010 - Busine...	50,000.00	50,000.00
Deposit	09/15/2005	1568...	Ben Buyermuch	simplified clo...	1010 - Busine...	-50,000.00	0.00
Total 1301 - 123 Main St						0.00	0.00
Total 1300 - Real Estate Assets						0.00	0.00
TOTAL						0.00	0.00

7.16 Building Insurance Expiration and Status Report

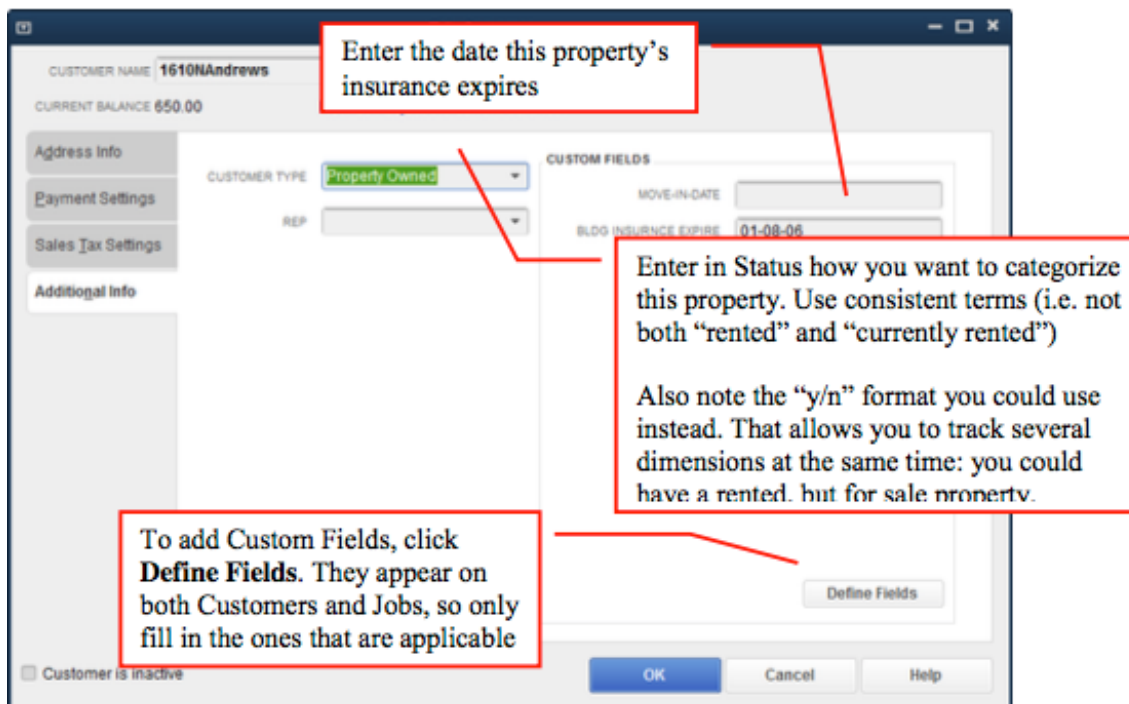
Some readers will find it helpful to create a quick report with custom information about each property. Two custom fields (insurance expiration and property status) will be illustrated in this section, although you can create any other fields to track information meaningful to your business. Status values could be “in rehab,” “rented,” “for sale,” “vacant,” etc.

This assumes you have already made each property a Customer and attached tenants on as Jobs. As tenants move out, you made them inactive and added another tenant (Job) to the property (Customer). Classes also have already been created for every property.

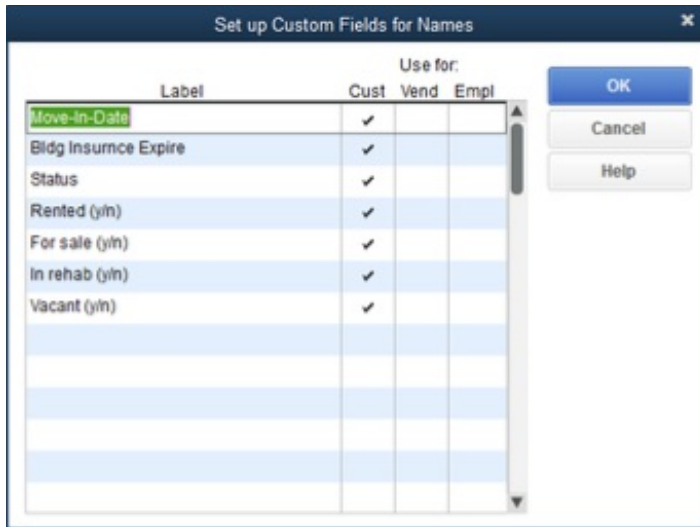
You can track vacancies in this report. Given a property (Customer) named “123MainSt” that is currently rented, go to **Customers > Customer Center** (**Ctrl+J**) and edit the Customer (right-click and select **edit**, or left-click on one and press **Ctrl+E**).



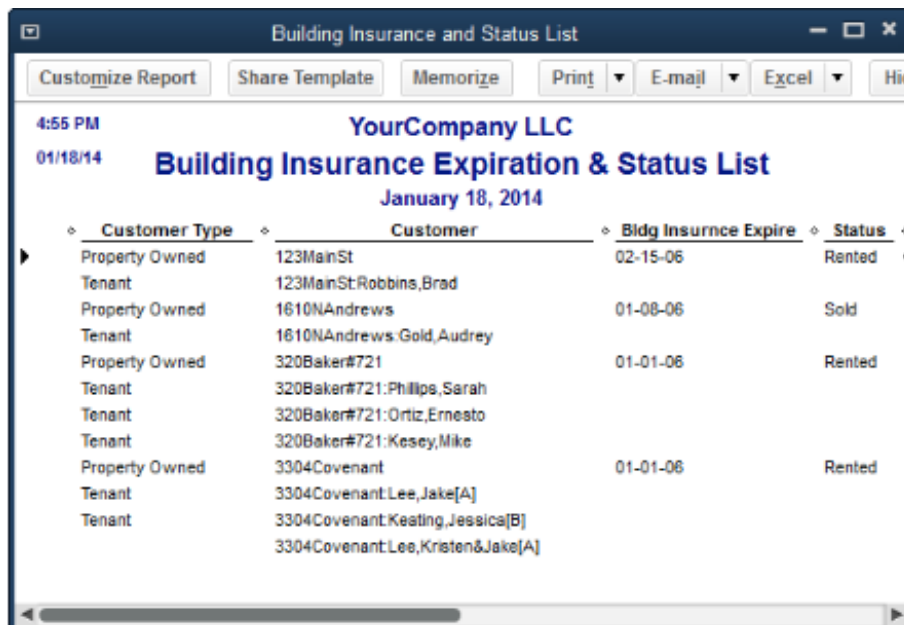
Click the Additional Info tab. In the “Status” Custom Field, enter “Rented” to indicate this property is rented. Later, if this status changes (i.e. Rented and For Sale), you will edit this field. If status is not listed in your defined fields, you will need to add it.



Clicking the **Define Fields** button brings up the following dialog box. QuickBooks includes both Customer (property) and Job (tenant) defined fields in this list. Therefore Move-In-Date is meaningless here, so it will not be used for properties. Likewise, status and insurance expiration will not be used for tenants.



Create the report by clicking in the Menu Bar, **Reports > Memorized Reports > LandlordAccounting.com > Building Insurance and Status List**. If you filled in the relevant information when editing each customer (property) this report will display the insurance expirations for all buildings.

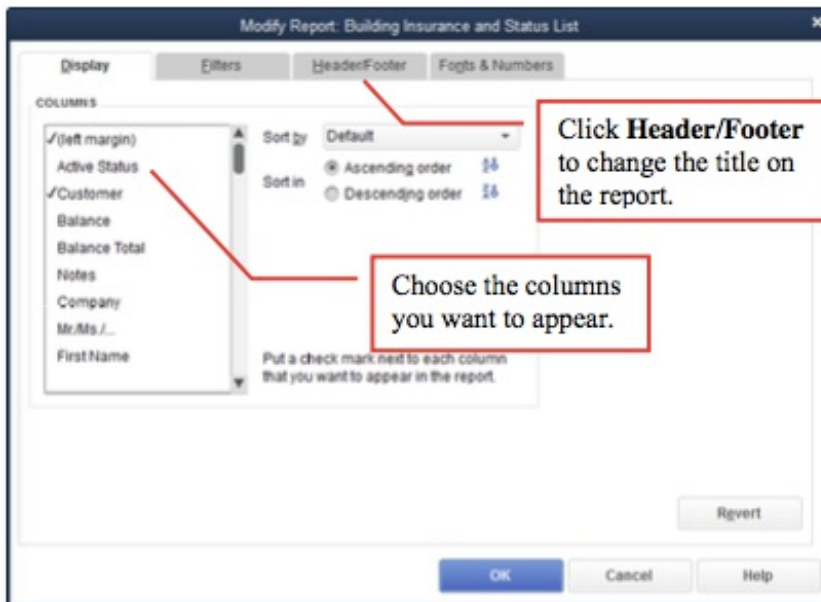


Quick Tip

Come up with descriptive and consistent terms you will use to describe your properties (i.e. for “status”). This way, when you run a report listing the properties, you can group all properties of the same status together (by sorting on the Status column). Some terms you may want to consider are: Rented, Rented and For Sale, For Sale, Vacant, Vacant and For Sale, Sold, or Rehabbing, to name a few.

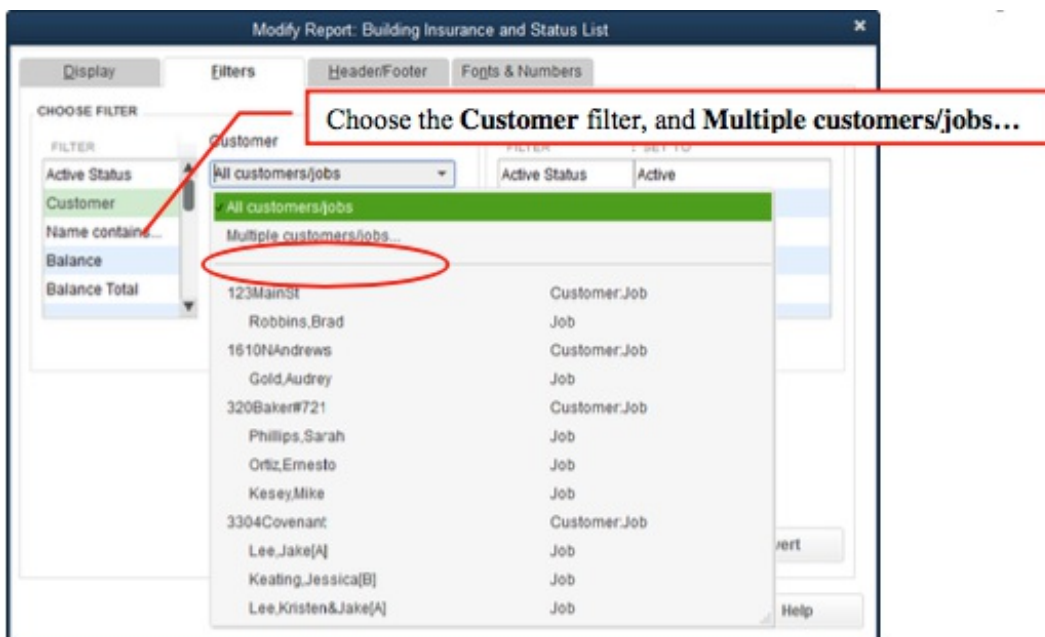
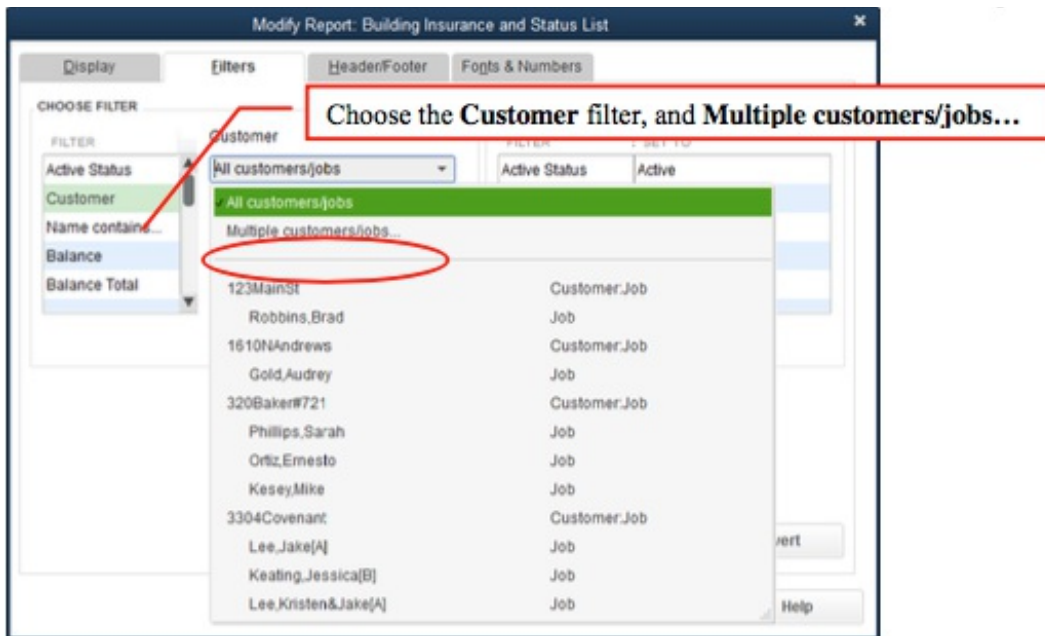
Alternatively, you can use several yes/no fields to track several different attributes. Both examples are shown in the screenshots above.

If you created additional defined fields for properties, and wish to include them as columns in this report, click the **Modify Report...** button. In the window that opens, on the **Display** tab, choose the columns you want visible. Optionally, change the Report Title in the **Header/Footer** tab.



You may notice that both properties and tenants are listed in this report. You may prefer to only see properties. You can manually select the customers to include (show below) or use Customer Types to filter out tenants (refer to the See Also box below).

If you don't want to see the tenant's (jobs) in this list as well, click **Modify Report...** and in the **Filters** tab, select **Customers** and in the dropdown, **Multiple customers/jobs**. Then check each customer you want to display, skipping all jobs.



Click **Ok** back to the report.

Building Insurance and Status List

Customize Report Share Template Memorize Print E-mail Excel Hide Headers

5:03 PM
01/18/14

YourCompany LLC
Building Insurance Expiration & Status List
January 18, 2014

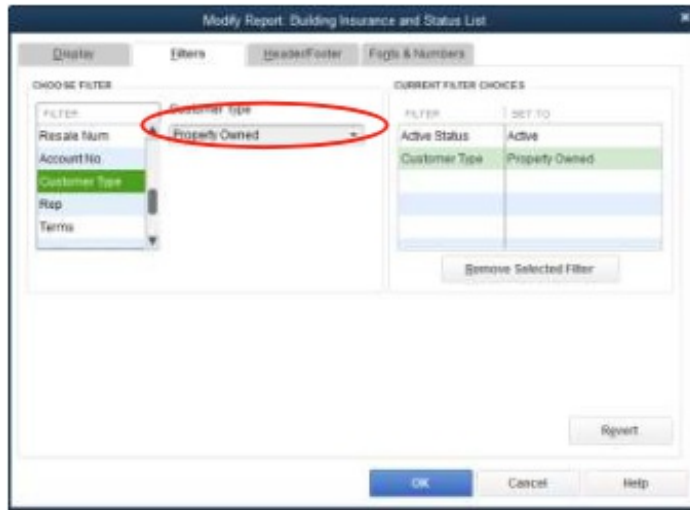
Customer Type	Customer	Bldg Insurance Expire	Status
Property Owned	123MainSt	02-15-08	Rented
Property Owned	1610NAndrews	01-08-06	Sold
Property Owned	320Baker#721	01-01-06	Rented

If you are satisfied with this presentation, click **Memorize**. If you memorize it do not forget to add any new properties you buy to the filtered customers above, as well as keep updating the statuses and insurance expiration dates.

See Also



You can use “Customer Type” to display only Properties in this report. This can be easier than the previous manual selection of every class method above. Refer to section [7.18 Using Customer Type for Enhanced Reporting](#). You will need to enter the Customer Type on every property you create in the Customer Center.



Hopefully you can see the flexibility you have to track various types of property and tenant attributes in Customers and Jobs. You do not need to use all of these tricks, but as your company grows, it will probably be useful to use more and more of them.

7.17 Tenant Move-In-Date and Contact Information Report

In the Menu Bar click **Reports > Memorized Reports > LandlordAccounting.com > Tenant Contact and Move-In-Date List**. It will display tenants, categorized by property, with their phone, email, and any custom fields you have created (such as Lease Expiration).

To change the columns of information displayed, click the **Customize Report...** button and choose the columns that are visible.

You need to “Define Fields” for the customers’ in order to enter the Lease Expirations and other dates. Refer to the previous section for details in defining fields.

Customer Type	Customer	Move-In-Date	Main Phone	Main Email
Property Owned	123MainSt			
Tenant	123MainSt:Robbins,Brad	02-15-05	(123) 555-1999	brad@example.com
Property Owned	1610NAndrews			
Tenant	1610NAndrews:Gold,Audrey	03-01-2005	(211) 555-1234	audrey_gold@example.com
Property Owned	320Baker#721			
Tenant	320Baker#721:Philps,Sarah	09-10-05	(903) 123-5555	sarahp@example.com
Tenant	320Baker#721:Ortiz,Ernesto	02-01-05	(933) 555-3030	ernesto.ortiz.1@example.com
Tenant	320Baker#721:Keseey,Mike	02-01-05	(433) 676-0030	mkesey@example.com
Property Owned	3304Covenant			
Tenant	3304Covenant:Lee,Jake[A]	07-01-06	(555) 555-2000	jlee@example.com
Tenant	3304Covenant:Keating,Jessica[B]	04-01-05	(437) 555-1285	jessicali@example.com
	3304Covenant:Lee,Kristen&Jake[A]	01-01-05	(437) 555-1234	kjlee@example.com

You may notice that both properties and tenants are listed in this report. You may prefer to only see tenants. Refer to the section in the See Also box below for instructions.



You can use “Customer Type” to automatically display only tenants in this report. Refer to section [7.18 Using Customer Type for Enhanced Reporting](#).

7.18 Using Customer Type for Enhanced Reporting

The previous two reports on property and tenant information were cluttered with both Customers and Jobs. You may recall how on the Tenant Information sheet properties (Customers) were listed as well as tenants (Jobs). It would be clearer if only Jobs were shown.

Property Owned	123MainSt		
Tenant	123MainSt:Robbins,Brad	02-15-05	
Property Owned	1610NAndrews		
Tenant	1610NAndrews:Gold,Audrey	03-01-2005	

Properties and tenants listed together is confusing

There are two steps to using Customer Types for enhancing your reports. First apply customer types to Customers (properties) as well as Jobs (tenants). Second, filter reports by customer type to exclude all properties from a Tenant Information list, or exclude tenants from the Property Insurance Expiration and Status Report.

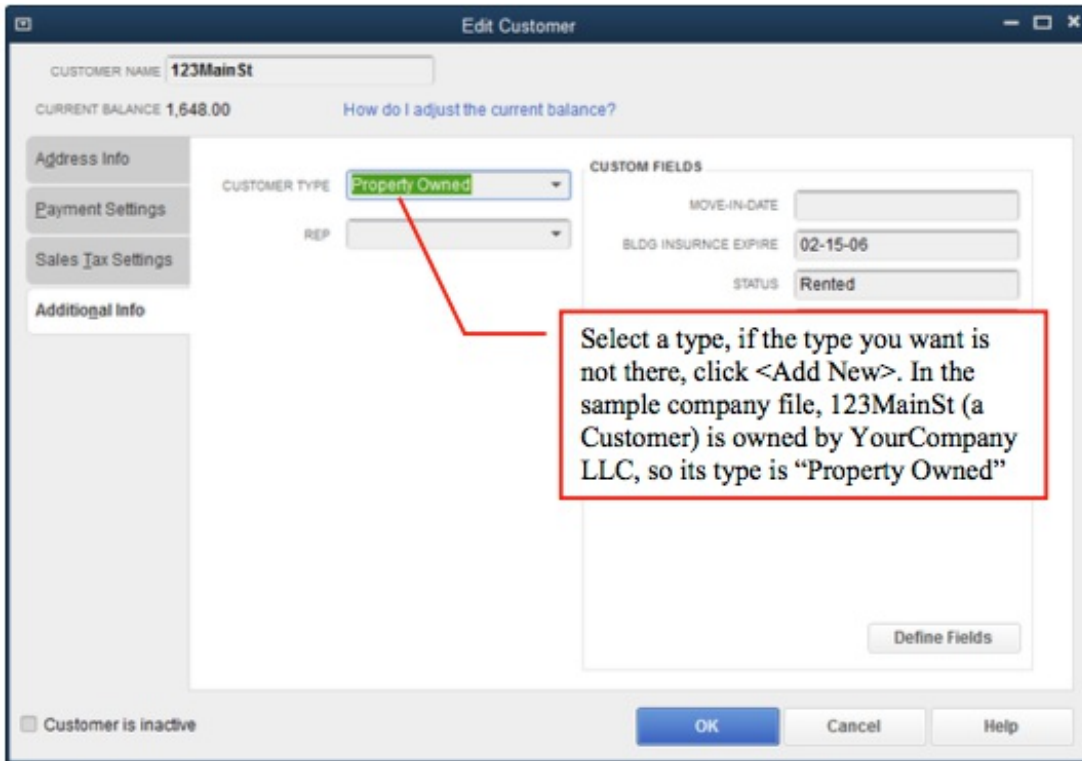
Definition



Customer Type: let you categorize your customers in ways that are meaningful to your business. Recall that for Landlords, Customers are properties and Jobs are tenants.

Customer types can be assigned to customers as well as jobs. For example, you could set up your customer types so that they indicate if a property is company owned, managed for a client, or specify a Job is a tenant or property management client. When generating reports, you can use this additional information to filter the results.

Open the Customer Center by clicking the Customers button in the menu bar. Then right click on a property and click **Edit**. Click the **Additional Info** tab and select a **Type**.

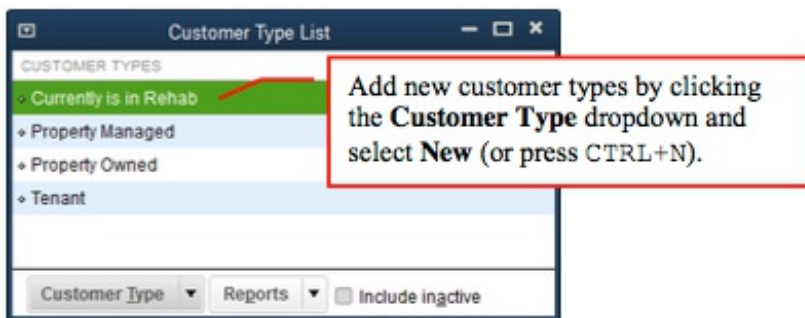


See below for a sample of Customer Types you may want to use. These become more important as you have more properties that you are managing with QuickBooks

Customer Type	Purpose	Used in Sample Co. for...
Property Owned	A Customer which is a property your company owns	320Baker#721 (Customer)

Customer Type	Purpose	Used in Sample Co. for...
Tenant	A Job under property owned by your company	Gold,Audrey (Job)
Currently is in Rehab	Tracks properties that are undergoing serious renovation	Not in sample company file
Property Owned, Outside mgmt	A Customer which is a property you own, but outsource property management to an external vendor	Not in sample company file

To view and edit possible Customer Types, click: **Lists > Customer & Vendor Profile Lists > Customer Type List.**



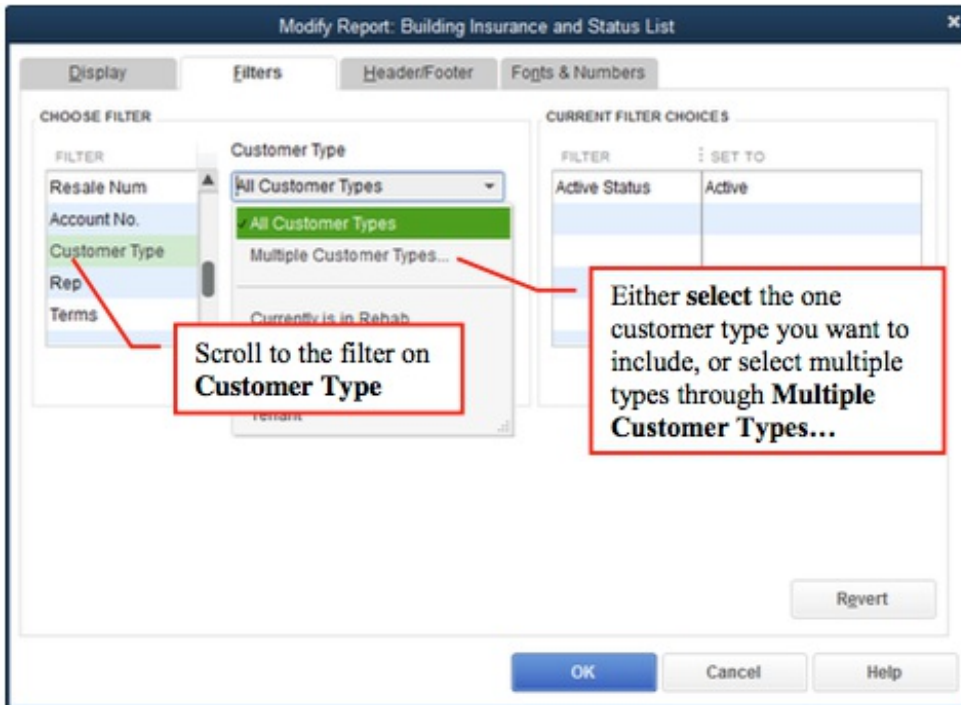
You can also click and drag the diamond symbols to create sub-types.

Caution



To get most the benefit, you must apply Customer Types to all Customers as well as Jobs. Do not forget to add the type when setting up new properties or tenants. If it is neglected, you may inadvertently exclude some properties or tenants from reports.

When you are ready to filter a report for Customer Type, open the report (for example: **Reports > Memorized Reports > LandlordAccounting.com > Tenant Contact and Move-In-Date List**). Then click the **Customize Report...** button and click the **Filters** tab.



Optionally, click the **Header/Footer** tab to modify the Report Title. Click **OK** in the Modify Report window.

The following report appears.



You can repeat the same technique for the Building Insurance Expiration and Status Report: (1) add

Customer Types to all Customers and Jobs, and (2) Filter the report by customer type.



Q: What if I add a new tenant, but forget to give it a Customer Type?

If you do not assign a tenant a customer type then when you filter a report on a certain customer type, it will not be included. This could cause confusion therefore it is suggested you build checklists and follow a standard operating procedure when adding tenants or properties.

Audit yourself by running a report (with no filter) on all customers and jobs – listing their Customer Types column. Look for blank values and this can help you catch errors quickly.

7.19 Congratulations you made it!

I hope you have learned a lot and want to team up with your accountant to start using QuickBooks in your real estate investing business. Please check the website LandlordAccounting.com/forum for a free users' forum, customer support, and new products.

If this book has helped you, please send an email to info@LandlordAccounting.com, or share a testimonial at LandlordAccounting.com/your-story how this helped you. Your feedback means a lot to us! Other landlords will be encouraged by your success, and we respond to every email people send us. Please follow us on Twitter at: [@landlording](https://twitter.com/landlording).



Also, share your story or give us feedback how to improve at LandlordAccounting.com/your-story.

Appendix A: Business Entities

Caution



This information is only provided as a starting point for further education. Check with your legal and tax professionals for advice tailored to your situation. Nolo Press (www.nolo.com) also has several high quality books on business entities.

A.01 Sole Proprietorship

Operating any business as a sole proprietorship is generally not advised as you are exposing yourself to personal liability if something happens in the business. Consult an attorney and find out what entity is best for you.

A.02 LLC

This is very common among real estate investors and management companies. This is the structure assumed in this book. Laws differ from state to state, and LandlordAccounting.com does not provide any legal advice. Consult your attorney.

See Also



If you wish to transfer properties you own into an entity, see [4.08 Transfer a Property you own into Your Company](#). However, use that example as a starting point for further research. Asset transfers are complicated and need professional guidance.

If you wish to purchase properties outright by an entity, see [4.01 The Basics of Properties in QuickBooks](#) and [4.04 Record a Purchase with a Conventional Mortgage](#) regarding purchasing properties by an entity. Once again, consider that a starting point for learning more about QuickBooks rather than a lesson on purchasing assets. Consult your own professionals!

A.03 Multiple Entity Structure

QuickBooks is designed to handle bookkeeping for one company. If you are using a multiple entity structure, you could use classes for each entity and sub-classes for each property or owner. Some companies chose to create an account for each entity, and duplicate sub-accounts (like Rent Income and Maintenance Expense) under every entity's account. Different files could also be used for each entity. Delving into the issues of a multiple entity structure is out of the scope of this book. However, here are a few considerations. Fundamentally, you have a choice to:

1. Create separate company files for each entity.
2. Create one company file for all entities.

3. Create one company file for a “management company” and one for the “asset holding companies.”

Intuit would want you to create separate files for each entity, because their tax line mappings are designed for one file to map to one company. And, when creating Balance Sheet or P&L reports they default to include all accounts. If you go this route, it will take some effort to and open and close and enter transactions in each company file. But, reporting will be straightforward.

If you combine all entities into one company file, you ultimately need to be able to create reports that show the financials of each company independently. There is a lot to think about, but it can be done. You will need equity, income, expense, asset, etc. accounts for each entity. And, you will want to memorize reports for each entity’s P&L, Balance Sheet, and other reports. These will need to have filters set to only include that entity’s P&L/etc accounts. It will be helpful to use a naming convention before every account name so you know what entity it represents.

If you have a management company and an asset holding company, the bulk of your day to day transactions will go in the former. Then, simpler income and expense transactions will trickle down into the entities that own the assets. In the “asset holding companies” file, you will need to also memorize various reports to report for each entity’s performance independently.

It is best to work closely with your accountant to decide how to configure a multiple entity setup, and reach a balance between efficiency and reporting needs.

A.04 Other Structures

If you have a C or S-Corporation, some things will be the same as for LLC’s. This manual is modeled after an LLC. Please check with your attorney and accountant for what is unique for your company.