The QuickBooks™ Client Newsletter

Helping You Grow a Profitable Business with QuickBooks™ Software

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October 2015

Accounting for Time in QuickBooks

If you sell services to your customers, you'll need to understand how to use QuickBooks' time-tracking features.

Small businesses that sell products have to do a constant balancing act. Keep too much inventory on hand, and you're sitting on potential profits. If you don't order enough and you run out, your customers may go to a competitor. QuickBooks provides tools and reports that can help you manage this ongoing challenge.

Selling time and services is a different story. There's no real inventory tracking involved -- except in terms of knowing how much manpower you have available at any given time. But just like you wouldn't want customers to walk off with merchandise they haven't bought, you don't want any billable minutes or hours to be ignored. Both scenarios eat into your profits.

Gone are the days when you had to count on employees to fill out detailed timecards and hope that they remembered to document everything. QuickBooks can help ensure that you're getting paid for all time and services rendered.

Building Your Records

Before you can ask employees to start tracking the hours they put in, you need to create a record for every time-based activity so that QuickBooks knows how much to charge when billable time is entered. The software creates and stores these in the same way it builds records for physical inventory items.

Start by clicking on the **Items & Services** icon on the home page (or go to **Lists | Item List**). Click the down arrow next to **Item** in the lower left of the screen that appears, and then select **New** from the menu (or right-click in the main part of the screen and select **New**).

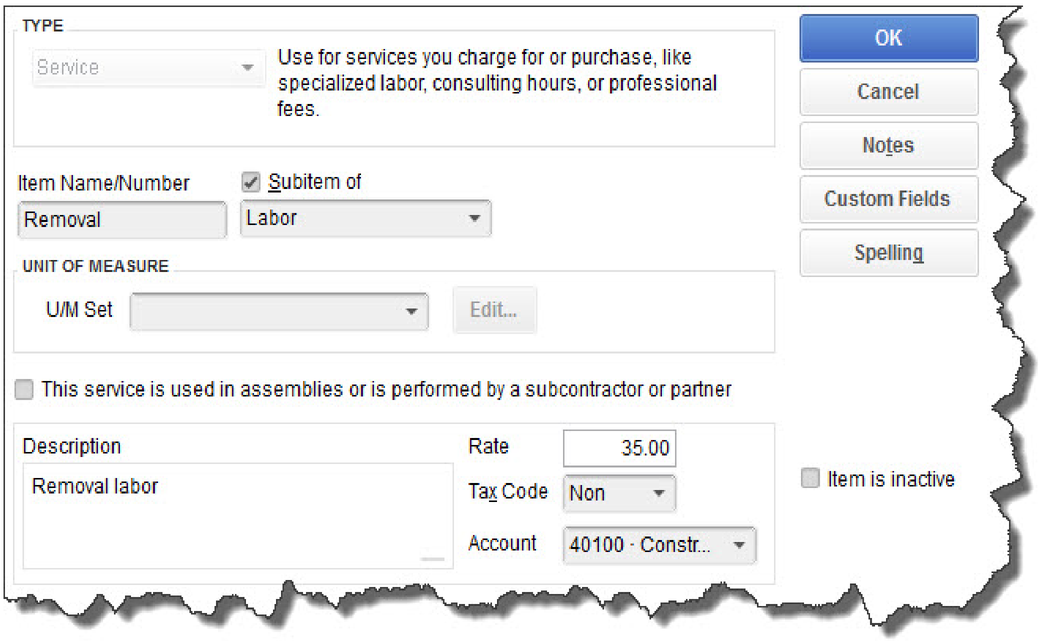

Figure 1: Once you've created a record for a service item, you can use it throughout QuickBooks.

A list of options will drop down under **TYPE**. Select **Service**. Type in the **Item Name/Number** and click in the box to the left of **Sub-item of** if the time item should be grouped under another. In this example, the relationship is **Labor/Removal (labor)**. **U/M Set** is not an option in your version of QuickBooks.

Note: If you will be working with subcontractors, let us help you set up these services. It's a little more complicated.

Enter a description for your service and a rate, then click on the drop-down arrow and select a tax rate if appropriate (click on **<Add New>** to create one on the fly). Select an **Account** from the list. It should be some kind of income; in this case, it's **Construction Income**. Ask us if you have any doubts here. Click **OK** when you're done. Now this service will appear in your **Item List**.

Tracking Time

When you want to create a record for a work session, click the arrow to the right of **Enter Time** on the home page and select **Time | Enter Single Activity** (or open the **Customers** menu and select the same). Make sure the date *for the activity* is correct; you can click on the calendar and select if it's not. Click on the arrow in the field below to select the correct employee.

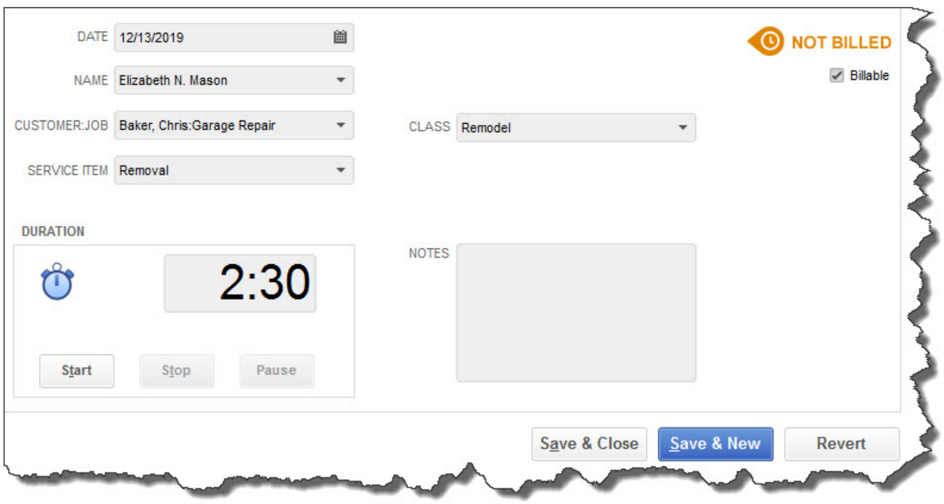

Figure 2: You can either start the timer to record an activity's duration or simply enter it in the box.

Click the arrows next to the **CUSTOMER: JOB** and **SERVICE ITEM** fields to open those drop-down menus and select the desired options. If you want to time the activity, use the **Start**, **Stop**, and **Pause** buttons below the duration box, or simply enter the amount of time it took. The **CLASS** and **NOTES** fields are optional.

If the time spent is billable, be sure that there's a check in the box next to **Billable** in the upper right corner. If it's not, click on the box.

Data you enter here will automatically appear on timesheets. You can enter time directly on timesheets by clicking **Enter Time | Use Weekly Timesheet**.

When you start an invoice for a customer who has accumulated billable time, you'll see this message (see figure 3):

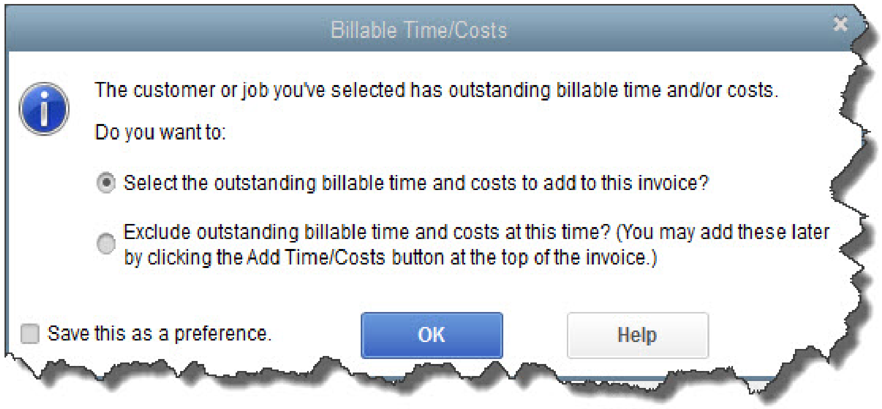

Figure 3: If you've entered billable time for a customer, this message will appear the next time you create an invoice for him or her.

Make sure that your employees understand the importance of documenting every billable minute. Lost time can eat into profits, and that has an impact on everyone in the company.

We hope you find this month's QuickBooks tips helpful. Please visit our company website http://www.accountingconnections.org often as it is updated constantly and offers a wealth of tax and accounting tips, along with links to better serve your business needs. Our QuickBooks Tips newsletters are archived on our website as well.

Accounting and Taxation is **our** business; having us a part of your team allows **you** to concentrate on **your** core business.

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