QuickBooks For Dummies

Upgrading to QuickBooks 2010/11

- Personalising your home page with colours
- Getting smart with multicurrency transactions
- Keeping your tax codes and items in tip-top shape
- Reporting for RESC (reportable super contributions)
- Organising employees and staying up to date with wage rates
- Displaying a state of the nation report (your nation, that is) with a single click
- Upgrading to Windows 7 and cleaning up your company file

One tricky thing about accounting software how-to guides is that the features change about as often as the average person has hot dinners. Although I can't always release a new edition of *QuickBooks QB^{i} For Dummies* every time the features in QuickBooks change, what I can do is offer handy update documents that explain the stuff you need to know about these new features.

QuickBooks QB^{i} For Dummies covers all four core members of the QuickBooks family: QuickBooks Accounting, QuickBooks Pro, QuickBooks Plus and QuickBooks Premier. In this update document, I cover the new features in the 2009/10 and 2010/11 editions.

If you have any questions about new features that I don't answer in this document, the best place to go for more info is my website at `www.veechicurtis.com.au`. My website has lots of info and news about QuickBooks, as well as a members' forum page where you can ask questions and receive answers for fellow users and QuickBooks experts — all for free.

Customising Your Home Page

Whenever you click the Home button (top left on your navigation bar), QuickBooks takes you to what's called your home page, similar to what's shown in Figure 1. Your home page probably looks a little different to mine, because every home page depends on your choice of preferences, and how you select your preferences.

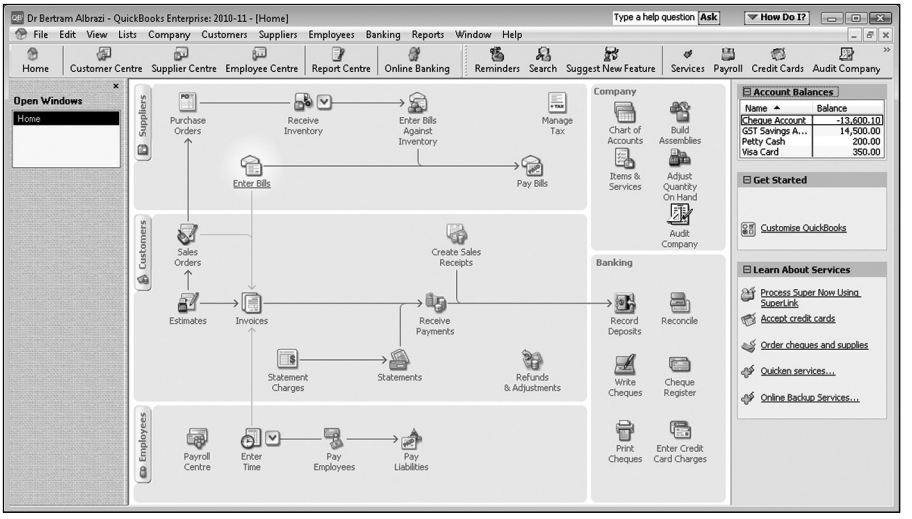

Figure 1: Customising your home page

QuickBooks 2010/11 offers a couple of neat little enhancements to how you control what comes up on your home page.

Displaying account balances

Can you see that in the right-hand corner I list the balances of my accounts? That's fine, except that if I'm working in a busy office with lots of people coming and going, I may not want to display this info quite so publicly.

To hide account balances from view, go to the Edit menu on your top menu bar and select Preferences. From here, select the Desktop View option, and click the Company Preferences tab (this tab only appears if you're in single-user mode, so boot everyone else off if more than one user is logged into QuickBooks at the moment). See the option in the bottom right corner to show account balances? Simply unclick this option to keep your personal finances out of view.

Setting a colour scheme to fit your mood

Another feature new to QuickBooks 2010/11 is the ability to change the colour of your home page. Yeah right. You're probably thinking that colour schemes are the product of a software developer that doesn't have enough to do. Think again...

TIP

If you work with multiple company files, or several users access a single company file, then choosing different colour schemes for different companies and different users makes a lot of sense. A visual trigger may be all you need to prompt you if you've accidentally started working in the wrong company file; in addition to this, a specific colour scheme for users with administration rights provides an additional level of security.

Upgrading files – is it worth the hassle?

If you haven't made the leap yet to QuickBooks QB[i] (in other words, the new generation of QuickBooks that was released in 2008), then I recommend that you do. The upgrade to QuickBooks 2008/09 offered significant improvements over previous versions. Remember that when you upgrade, you don't need to go out and buy a whole new package. Instead, you can pay a smaller fee to purchase an upgrade. (If you haven't already received information from Reckon Software about how to upgrade, visit www.quicken.com.au or phone Customer Service on 1300 784 253.)

I sometimes come across folks who postpone upgrading because they think that upgrading involves starting with QuickBooks again from scratch. On the contrary, you don't lose a single scrap of work when you upgrade. You simply install the new software, ask to open your company file and, when QuickBooks prompts you to update this file, you click Yes. QuickBooks makes a backup, pops up with a few warnings and then whizzes and buzzes for a few minutes until the job is done.

Working with Multiple Currencies

One of the new features in the latest version of QuickBooks release is multi-currency. Multi-currency allows you to enter transactions in currencies other than Australian dollars, making it easy to record foreign currency transactions and calculate currency gains and losses.

Preparing for multicurrency transactions

There are a few steps involved in preparing QuickBooks for multi-currency, depending on whether you're importing or exporting.

1. **Turn it on. (Yep, that's QuickBooks I'm talking about.)**

   Go to your Preferences, click the Accounting menu and then click the Company Preferences tab. Tick the option to Use Multicurrency and select Australian dollars as your Home Currency.

2. **Set up new customers and suppliers for anyone you buy from or sell to in a foreign currency.**

   When you switch multicurrency on, QuickBooks gets real smart and when you go to create a new customer or supplier, a drop box appears

on the right-hand side that lets you select the Currency. So, if I'm selling to a customer in France, I create a new customer with Euros as the Currency.

By the way, if you've already set up a customer or supplier in Aussie dollars, before you upgraded to a QuickBooks version that includes multiple currencies, then you can't change this currency. The solution is to create a new customer or supplier from scratch.

3. **If prompted, set up a receivables or payables account for this currency.**

   The first time you select a new currency in QuickBooks, you receive a prompt asking you to set up a corresponding Accounts Receivable or Payable account. Simply click OK to do the deed, and name this account something blindingly intelligent, such as 'Accounts Receivables Euros'.

4. **Go to the Lists menu, select Currency Lists, and update the exchange rate to the correct rate.**

   By the way, you can go to this list to create new currencies if you're trading in a currency that QuickBooks doesn't already include in this list.

Receiving bills for GST and nothing else

If you *aren't* part of the deferred GST liability scheme, then one of the most confusing accounting transactions that you can get is when your shipping company sends you an invoice for the GST amount on your imports. In other words, you get a bill for, say, $1,500, which is for $1,400 in GST plus $100 in incidental customs charges.

Here's how to record this invoice properly so that the GST reports correctly on your Business Activity Statement:

1. **Go to Enter Bills and enter the supplier's name, along with the date of the invoice and the invoice number.**

   You know the drill. By the time you're game enough to be working with multiple currencies, you've probably entered a few supplier bills into QuickBooks already. But if this is news to you, read Chapter 6 of *Quickbooks QB^{i} For Dummies*, Australian edition.

2. **Unclick the Amounts Include Tax checkbox at the bottom of this purchase.**

3. **Multiply the value of the GST on the supplier's bill by 10 and enter this as the Amount, selecting either GST or NCG as your tax code.**

   In Figure 2, I'm recording a bill that includes $1,400 in GST. So I multiply this amount by 10 to get $14,000. Use either GST or NCG as your tax code, depending on what tax code you normally use to record supplier bills.

4. **Allocate this amount to Cost of Goods Sold, and select GST as the tax code.**

   You can see how the first line on Figure 2 shows $1,400 as the Tax Amount. How wonderful.

5. **On the second line of the purchase, select your Cost of Goods Sold account once again, but this time enter the value of GST multiplied by 10 as a minus amount, and select FRE or NCF as your tax code.**

   The tax code you select depends on what tax code you chose on the original purchase from the overseas supplier.

6. **Add any other items that you've been billed for.**

   You may get a bill for a few extras at the same time as getting a bill for GST. In Figure 2, you can see how I'm charged $100 (plus $10 GST) in freight.

7. **Verify that the Total Tax at the bottom of the purchase equals the value of the GST and that the Net Amount is also correct.**

   Everything matches up? Aren't you clever

8. **Click Record and you're done.**

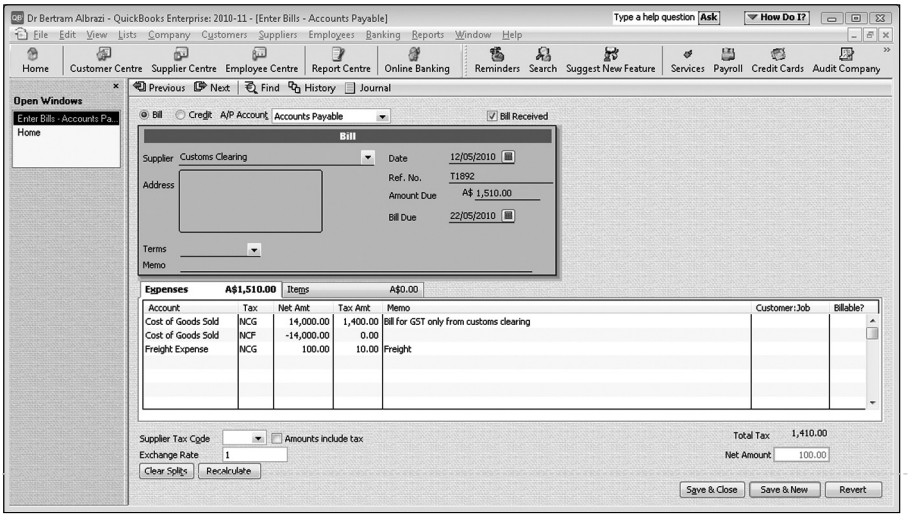

Figure 2: Recording bills for GST only

Working with Tax Codes

When I wrote *QuickBooks QB^{i} For Dummies* a couple of years ago, I knew that the whole set-up of tax codes was changing dramatically with the latest version of QuickBooks, but I wasn't sure how QuickBooks users would cope with the new approach. Happily, all of my QuickBooks clients have found the transition to the new tax codes and tax items list has gone pretty smoothly, and GST reporting now works better than ever.

I give you the whole low down on how tax codes and tax items work in Chapter 10 of *QuickBooks QB^{i} For Dummies*, but in this update document I refer to a couple of little things that have changed since the book was written.

Upgrading tax codes and tax items

If you used QuickBooks before the 2008/09 release, and you purchased *QuickBooks QB^{i} For Dummies*, you may have been frustrated at the instructions I gave for upgrading tax codes and tax items. I'm sorry! The software changed in the first few weeks following the release, and the suggestion that I gave for upgrading tax codes (which involved making your old tax codes inactive and creating a whole swag of new tax codes) no longer works. QuickBooks doesn't let you change any of the settings of a tax code that has transactions associated with it, and doesn't even let you make an old tax code inactive.

If your Tax Codes List is in a real mess and you want to follow my suggestion about setting up these codes from scratch, you could consider doing a massive spring clean at the end of your next financial year. This involves purging QuickBooks of all the transactions sitting in the file, but keeping your lists (accounts, customers, suppliers, and so on). Sounds good? Here's what to do:

1. **Back up, back up, back up.**

   Yeah, I know I'm stating the obvious here, but you are about to purge all your financial data.

2. **Go to your File menu, select Utilities, then Clean Up Company Data.**

3. **Select the option to Remove ALL Transactions, and then follow the prompts to continue.**

   After many warning messages and much clicking, the deed is done. Now you can start again from scratch, and make sure your tax codes and tax items are exactly where you want 'em.

Reporting for non-taxable transactions

Non-taxable transactions are transactions that don't attract GST, but that you also don't report on your Business Activity Statement. These transactions include:

- Internal transactions within a business, such as cash transfers, depreciation, transfers between accounts, movements in stock and loan repayments.
- Payments of tax itself (there is no GST on GST . . . yet!)
- Personal spending, drawings or owners contributions
- Wages and superannuation.

Although some people don't bother using any code for non-reportable transactions in QuickBooks, I prefer to create a new tax code called NR for non-reportable transactions. Why? Because unless you enter a tax code for every transaction, it gets tricky to distinguish between transactions where you have forgotten to enter a tax code, and transactions that you know are non-reportable or exempt.

In *QuickBooks QB^{i} For Dummies*, I suggest you report on non-taxable transactions by setting up a new tax code called NR and selecting Non-Taxable as the tax code setting. Lovely in theory, but many of my readers sent me emails saying that look as hard as they might, there was no Non-Taxable button in sight. Sorry — the software changed after I wrote the book, and this little button was removed.

However, the solution is still straightforward. Simply create two new tax items (say NR and NRS), and make the rate on each of those 0%. Then create a new Tax Code called NR and link it to those two tax items. This will enable you to use NR as a Tax Code and, when you configure your Business Activity Statement, you can make sure you don't select NR or NRS anywhere on the form. (Why? Because the whole idea of having a tax code called NR is that you use it to flag transactions that aren't reportable on your BAS.)

Reporting Super Contributions (RESC)

In July 2009, the Australian Taxation Office announced changes to the way employers report employee superannuation, defining a new category of super called *Reportable Super Contributions (RESC)*. Any super that an employer is obliged to report on an employee's payment summary is defined as RESC.

So what does RESC include? Put very simply (have sympathy for me here, I'm trying to condense 48 pages of government-tax-speak into two simple bullet points), RESC includes:

- Super that you deduct from an employee's pay under a salary sacrifice arrangement.
- Any super over the 9 per cent minimum that you pay to the employee as part of their employment offer. (If a business or organisation offers all employees more than 9 per cent, and the employee isn't able to influence this decision, then the amount over 9 per cent doesn't count as part of RESC.)

TIP

The good news? If, like 98 per cent of employers, you simply pay your employees 9 per cent super (in other words, the legal minimum), then you don't have to do anything. You don't need to change any QuickBooks settings, and you don't need to report employee super on your next batch of payment summaries. Yippee.

Alternatively, if any employees have a salary sacrifice arrangement, or you pay any employees at a rate that's higher than 9 per cent, then you *may* have to report the additional amount of this payment separately. Read on for more details . . .

Setting up salary sacrifice super

The idea of superannuation salary sacrifice is that the employee 'sacrifices' some of their wages in exchange for additional superannuation and less PAYG tax. For example, you may offer an employee a $70,000 salary package, which includes $65,000 gross wages and $5,000 superannuation (this super is in addition to the minimum 9 per cent that the employer pays). The employee only gets taxed on $65,000 and not $70,000.

If you negotiate a salary sacrifice deal with an employee, you need to make sure that their settings are correct in QuickBooks. Here's the deal:

1. **Go to your Employees menu, select Manage Payroll Items, then select View/Edit Payroll Item List.**
2. **Double-click on the Payroll Item called Salary Sacrifice.**

   This item is standard to QuickBooks and should appear in your list. If it doesn't, click New now to create a new payroll item with this name, and with Super Contribution as the Item Type.
3. **Click Next to proceed to the Super Contribution window. Check that the contribution type is Salary Sacrifice (SS).**

   You can see how this looks in Figure 3. If your settings look like mine, then your work is done. When you deduct super from employees' pay using this payroll item, QuickBooks automatically knows to include this amount in the employee's payment summary.
4. **Click Next and then Next again to progress to the Taxes window. Double-check that PAYG Tax is clicked.**

   The idea with salary sacrifice super is that by sacrificing wages for super, the employee reduces their tax. Your part of the deal is to click the PAYG Tax payroll item when you get to the Taxes window. This way, QuickBooks knows to get smart and adjust the tax.
5. **Go to the Payroll and Compensation Info menu of the employee's record, and click the Super Details button. Decide whether to click the option to reduce employer contributions, or not.**

   I can't tell you the correct answer to this option. Some employers choose to pay the 9 per cent super guarantee on the grossed up value of an employee's pay (which in my example would be $70,000), others choose to pay the super guarantee on the net value (which would be $65,000). Check with your accountant if you're not sure which rule applies.

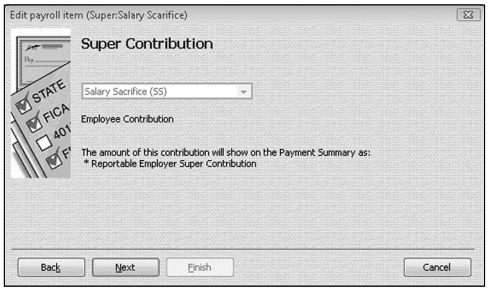

Figure 3: Checking that Salary Sacrifice super is configured correctly

Figuring out what to do with additional employee super

Whether or not you have to report additional super separately depends on whether the additional super is a deal that you've cut with an employee individually, or whether your business or organisation has a collective agreement that involves all employees getting more than the minimum 9 per cent. I'm not even going to try and delve into the technicalities of collective agreement stuff here, but if you want to check whether you need to include additional employee super as a RESC amount, then either ask your accountant for advice, or contact the Australian Taxation Office.

If you do need to report additional super as RESC, then your first job is to check QuickBooks is set up correctly:

1. **Go to your Employees menu, select Manage Payroll Items, then select View/Edit Payroll Item List.**
2. **Unless an item for additional super already exists, click New to create a new Payroll Item and when prompted, enter a name for this item.**

   I recommend you call this item something catchy like 'Additional Employee Superannuation'.
3. **Click Next to proceed to the Super Contribution window. Select Employer Additional (EA) as the type.**

   With Employer Additional (EA) superannuation, QuickBooks knows to print this total on the employee's payment summary. Perfect.
4. **Click Next then Next again to progress to the Taxes window. Double-check that PAYG Tax isn't checked.**

   You don't tax an employee extra just because you pay them super, so don't click this box.
5. **Click Next until you arrive at the Default Rate and Limit window. As the Rate, enter the percentage of extra super that you pay.**

   For example, if you pay an employee 12 per cent super, then enter 3 per cent as the Rate here (that's because 12 per cent less the minimum rate of 9 per cent equals 3 per cent).
6. **Click Next and then Finish to save your changes.**

And that's it! If you're as neurotic as I am, I suggest you process one pay for any employee that gets more than 9 per cent super, and then go preview a payment summary for this person (go to the Employees menu and click Process Payment Summaries, then follow the prompts). Check that the amount you think should appear in the RESC box on the payment summary is what's actually printing. It is? Then all is well.

Keeping Your Payroll Legal

If you're an employer, you'll already be aware that staying on the right side of the law in regards to your employees is trickier than it looks. However, the recent release of QuickBooks makes many aspects of payroll management a tad easier with the QuickBooks Employee Organiser.

Organising employee details

To explore the new Employee Organiser feature, select Employee Organiser from the Employees menu, and then browse through the sub-menus: Hiring, Raises and Promotions, Leave of Absence and Terminate Employee (is it just me, or does the word 'terminate' always make you think of Arnold Schwarzenegger too?).

I reckon that you'll be fine navigating your way through these screens as and when you need 'em, but here are a couple of tips to help along the way:

- The Hiring wizard makes an employee's Tax File Number a compulsory field, and you can't proceed any further than Step 1 of the wizard without this info. Trouble is, sometimes you want to get an employee's details entered into payroll while you're still waiting for the employee to provide their Tax File Number. The solution? Enter '333333333' as the number for the time being. Just don't forget to return to the employee's record and fix up this info as soon as you get it.
- You may be concerned that your changes in the Raises and Promotions wizard won't flow through to the employee's Payroll and Compensation Info. Don't worry — every change you make here flows through to the employee automatically.

- The Terminate Employee wizard prompts you to complete important info about the circumstances of an employee's termination. However, remember that tax on termination pays almost always has different calculation rules, and that you often don't have to pay superannuation on unused leave payouts. Always check this info with your accountant before finalising a termination pay.

Staying wise to employment laws

In Australia, industrial relations have been a political hot potato for several years now. Until recently, a mix of state and federal legislation applied to Australian workplaces, with state legislation applying to sole traders and partnerships, and federal legislation to companies. However, with the exception of Western Australia, all states have now either moved or are moving to federal legislation.

With this continuous change in mind, I start with a clear caveat: At the time of writing, my information is up to date. So the onus is on you to double-check that what you read here still applies.

1. **Check that Fair Work Australia is the correct source of information.**

   At the time of writing, if you're a company structure or you operate from any state other than Western Australia, contact Fair Work Australia (phone 13 13 94 or visit `www.fairwork.gov.au`) for information about pay scales and employment conditions. However, you may want to check with your industry association or local chamber of commerce that this reference is still correct.

   If you're a sole trader or partnership based in Western Australia, visit the Department of Commerce's website at `www.commerce.wa.gov.au` or phone 1300 655 266 for information about pay scales and employment conditions.

2. **Review the pay, leave and conditions that apply to your industry.**

   Go to the Pay, Leave and Conditions page at `www.fairwork.gov.au` and search for the award relevant to your industry. Be careful to read the coverage provisions to ensure you're referring to the correct document, and seek further advice if you're not sure.

   The award (or awards) set for your industry is the payroll clerk's 'bible'. Print this document out and read it from front to back. Whenever you have a query about an employee's pay, remember that this award is your primary reference.

3. **Check that your workplace complies with National Employment Standards.**

   The National Employment Standards (NES) provide a safety net that outlines 10 minimum entitlements for all Australian employees, including maximum weekly hours of work, parental leave, annual leave and so on. (You'll find that some of these conditions are already covered in the your award.)

The beady-eyed among you may spot that this document refers to minimum entitlements. Beware: Certain industry awards require you to provide more generous pay rates and conditions than those described in the NES.

Don't be hoodwinked into thinking that an employer is okay to pay above the minimum for some things and below the minimum for others, justifying this juggling act by saying the two cancel each other out. The only time that trading pay or benefits is okay is if an employer negotiates some kind of registered workplace agreement, and registers this agreement with the relevant industrial relations body.

Checking Business Health with One Click

Are business worries keeping you awake at night? Then I recommend you get acquainted with your personal Company Snapshot, a feature new to recent versions of QuickBooks. Similar to what I show in Figure 4, this snapshot displays an instant summary of your income and expense results, reminders, account balances, receivables and payables.

To view this feature, simply select Company Snapshot from the Company menu. You may find that first time around gives you exactly the info that you need, but if not, you can customise this window as follows:

- To change the reporting period on your Income and Expense Graph, just change the month or year in the drop box to the right of the chart.
- To view different account balances, click Select Accounts in the left-hand corner and click against the accounts you want to view.
- To change the Reminders display, click Set Preferences and for each kind of reminder, click whether you want to see summary info, all the gory details or nothing at all.

By the way, when you change your Company Snapshot settings, the only change that QuickBooks remembers is the change to your Reminders preferences. You may have to tweak the date settings for your graph and the choice of which account balances to display each time you open up the snapshot.

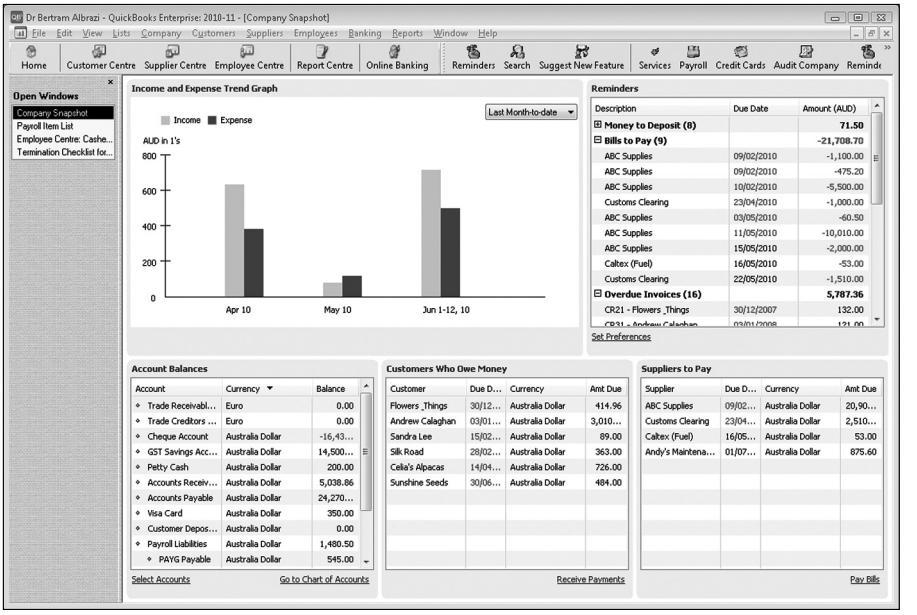

Figure 4: Check your vital signs with the Company Snapshot.

Keeping Your File in Tip-Top Shape

So you're feeling as if everything is going along swimmingly and you've finally got to grips with your current operating system? Aha! That means, dear reader, that it's almost certainly time to upgrade.

Don't despair, QuickBooks 2010/11 not only copes just fine with Windows 7, but now offers a clean-up utility to make sure that your company file remains as lean and slender as a mountain gum.

Upgrading to Windows 7

I'm going to confess something. I haven't yet upgraded to Windows 7 (the newest version of Windows) because I just can't bear the pain. Windows Vista (which is the operating system on my computer) is working just fine for me right now, and hey, if it ain't broke, why fix it?

However, I realise that you may be much nerdier than me, or maybe you're lucky enough to have just purchased a new computer that has Windows 7 as the operating system. The good news is that QuickBooks 2010/11 is

designed to be compatible with all recent versions of Windows, including Windows 7. The bad news? Although you can still install and run earlier versions of QuickBooks on Windows 7, you may well encounter problems. (Some known issues include printing errors, the crashing of Google Desktop and problems opening the QuickBooks program.)

In other words, if you intend upgrading to Windows 7, upgrade your version of QuickBooks first. Oh, and one more tip. I haven't experienced this problem myself, but I've read on QuickBooks blogs that some users have problems with QuickBooks when they upgrade from Vista to Windows 7, rather than simply installing the latest version of QuickBooks onto a computer that already has Windows 7. You may find you need to uninstall QuickBooks and then re-install it after you upgrade your operating system.

By the way, if you currently send email messages with Microsoft Outlook Express (as opposed to the full version of Microsoft Outlook), then check carefully before upgrading to Quickbooks 2010/11. At the time of writing, QuickBooks can't send email messages with Windows Live Mail, which is the replacement for Microsoft Outlook Express in Windows 7.

Cleaning up your company file

One of the new features in QuickBooks 2010/11 is the ability to 'clean up' your company file. This procedure gets the vacuum cleaner out and summarises transactions from prior years, leaving your company file lean, mean and (hopefully) a fair bit faster.

While QuickBooks is cleaning up your data, you can't use other applications (well you can, but everything runs as slow as a wet week, and you may as well not bother). Because of this restriction, and also because cleaning up QuickBooks data can take several hours, you may want to run this process at the end of the afternoon, so QuickBooks can do its stuff while the foxes prowl and the owls toot.

1. **From the File menu, select Utilities and then click Clean Up Company Data.**

   By the way, you must be in single-user mode to use the clean up command, so kick your colleagues out of QuickBooks if need be.

2. **Click the option to Remove Transactions as of a Specific Date and enter the date you want to go up to.**

   I usually run this procedure at the end of a financial year, and unless a company file is really huge, I like to keep at least two years' worth of data on tap. Therefore, if I'm doing a cleanup in July 2010, I select

30/6/2008 as the date. This date means that QuickBooks is going to clean up and then summarise all transactions up to 30 June 2008.

By the way, don't even think about doing a cleanup for a period that you or your accountant is still working on. Why? After you do a clean up, you can't update or add any transactions that fall within the period you selected to clean up.

3. **Click Next and then Next again, clicking when prompted against any transaction types or items that you don't want to be removed.**

   If in doubt about what any of these options mean, stay on the safe side and leave that option unchecked.

4. **Ready to do the deed? Then click Begin Cleanup.**

   Remember that the cleanup process can take anything from a few minutes to several hours, depending on the size of your company file and the speed of your computer. So don't start this process unless the time is right.

5. **When prompted to make a backup, select a suitable location and click Save.**

   This backup keeps a vital record of any transactions that QuickBooks deletes from your company file. Immediately following the backup, QuickBooks also creates an archive copy of your data, and then verifies the integrity of your data.

6. **Be patient.**

   Because backing up, archiving, cleaning and verifying takes a fair while, you may start wondering if anything is still happening. Be patient — if your hard disk shows activity, then the process is still happening.

7. **When you get a message saying that QuickBooks has successfully removed your old data, click OK.**

   Well done! You can now keep working as normal, but with a company file that's free of cobwebs and as sprightly as a spring lamb.

Are you struck down with regrets for the deed you have just done? To restore your company file to the state it was in before you cleaned up your data, use your backup copy, and not the archive copy (the archive is a read-only file, and not useable for data entry).