



The QuickBooks™ Client Newsletter

Helping You Grow a Profitable Business with QuickBooks™ Software

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Using Assemblies and Sales Orders in QuickBooks

Inventory Assembly:

An assembly is basically a set of items. For example, let us say you are a company that sells *cookies of different shapes*. However you also sell *cookie baskets, made up of various cookie shapes*. You may sell a “Christmas Basket” with “tree shaped cookies”, or a “Birthday Basket” with “balloon shaped cookies”.

Assemblies will allow you to create a “Basket”, aka as an “assembly”. You will name the assembly “Christmas Basket” or “Birthday Basket” etc. You then “build” the assembly by entering the *specific cookie inventory items* in your *basket (assembly)*.

Inventory Procedures:

- First and foremost create the separate individual inventory items. They will have their own quantities on-hand based on your ordering and receiving inventory.
- Next you create an Inventory Assembly item and give it a specific name (**see figure 1**).
- At the bottom of the *create assembly screen* you will have an area that is known as the *Bill of Materials*.
- You will enter each individual inventory item and the quantity that makes up this particular assembly (gift basket).
- Now, when you have an order for a specific basket, you will “build” that basket. To build an assembly, go to *VENDORS, INVENTORY, BUILD ASSEMBLIES*.
- Choose which assembly you want to build and state the quantity you want built, click *Build and Close*.

The screenshot shows the 'Edit Item' window in QuickBooks. The 'Type' is set to 'Inventory Assembly'. The 'Item Name/Number' is 'Basic Bicycle'. The 'Unit of Measure' is 'U/M Set'. The 'Cost' is '15.00' and the 'COGS Account' is 'Cost of Goods Sold'. The 'Description' is 'Basic bicycle with no option'. The 'Sales Price' is '118.00', the 'Tax Code' is 'Tax', and the 'Income Account' is 'Sales'. The 'Bill of Materials' table is as follows:

| Item | Des... | Type | Cost | Qty | U. | Total |
|-------------------------------|---------|----------|-------|-----|----|-------|
| Front wheel | Fron... | Inv Part | 1.00 | 1 | | 1.00 |
| Back Wheel | Back... | Inv Part | 2.00 | 1 | | 2.00 |
| Frame | Fram... | Inv Part | 10.00 | 1 | | 10.00 |
| Handlebars | Han... | Inv Part | 2.00 | 1 | | 2.00 |
| Total Bill of Materials Cost: | | | | | | 15.00 |

The 'Inventory Information' section shows the 'Asset Account' is 'Inventory Asset', 'Build Point' is empty, 'On Hand' is 0, 'Avg. Cost' is 15.00, 'On P.O.' is 0, and 'On Sales Order' is 0.

Figure 1 Building an assembly

When you “build” an assembly you are **decreasing** inventory by taking the *individual components* out of inventory. You are then **increasing** inventory with your *assembly*.

In our example of cookies and gift baskets to sell, you would be **decreasing** cookies available to sell, but **increasing** a gift basket (assembly) available to sell.

Inventory amount stays the same. What changes is the inventory available to sell, in this case cookies AND a gift basket.

Sales Order - Receiving a Customer Request for an Assembly or Assemblies:

- Create a sales order (customer center) when your customer calls in an order for an assembly, showing the name of the assembly and the quantity requested.
- Next “build” the assembly. You will need to have enough quantities on-hand in order to build an assembly. If you do not have the necessary individual components to build an assembly, order the individual components and do NOT build at this time.
- When you receive the individual inventory components, enter them into QuickBooks via the receipt of items or Bill.

QuickBooks is a *date-driven* software program and you must be aware of this issue when entering packing slips, Bills, and building assemblies.

For example, if you receive the inventory items via a packing slip dated Jan 1, 2015 and you build an assembly dated Jan 1, 2015, be sure to enter the BILL as dated Jan 1, 2015, regardless of what date is on the BILL when you eventually receive it.

With QuickBooks being date driven, you do NOT want to enter the BILL with a different date as the *packing slip date* or *build assembly date*, for it will affect your inventory and cost of sales.

Once you have built your assembly it is time to invoice and ship to your customer.

Invoicing the Assembly:

- Create an invoice for that particular customer. Go to Customer Center, Create Invoice, then choose customer.
- QuickBooks will pop up with a message stating this customer has a sales order on file and do you want to invoice *all* or *partial of the sales order*?

If you can invoice *all* then 100% of the sales order will go on the invoice, increasing revenue and cost of goods sold and decreasing inventory.

If you choose *partial*, then the invoice will still affect revenue, cost of sales and inventory, however, the invoice will also show the quantity the customer requested, the amount invoiced and the back-ordered quantities still to invoice once inventory and assemblies are available.

When you have enough individual inventory components to build additional assemblies you can then continually invoice this customer until their sales order is complete.

Customer Returns an Assembly – Issue a Credit Memo:

In the event a customer returns an assembly that you can return to inventory for a later sale you will need to create a credit memo.

- When you create a credit memo for the returned assembly, go to Customer Center, Create Credit Memo, choose the customer.
- Next, you will enter the name of the assembly that is returned to stock.

This credit memo will decrease your revenue, decrease your cost of sales and increase your inventory by that assembly. You then either refund your customer or keep the credit on their account to be applied for a future sale.

If you have a restocking fee, create a separate invoice and choose an item you previously created (OTHER CHARGE) named “Restocking Fees” which should be mapped to an income account.

The credit balance from the returned assembly will go against the restocking fee, leaving a smaller credit balance available to be applied on a future sale.

IF you want to remove the assembly and put the individual components back into inventory:

Unfortunately QuickBooks does not make this an easy task. If you want to undo the assembly you will need to adjust inventory.

- Go to vendor center, inventory activities, adjust inventory and add the components back to inventory and subtract the amount of assemblies' on-hand by this particular assembly.

This will decrease the assemblies available for sale and put the individual components back into available inventory for future sales or future builds.

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