



The QuickBooks™ Client Newsletter
Helping You Grow a Profitable Business with QuickBooks™ Software

From the office of:

Accounting Connections, LLC

2624 Gladstone Terrace

Woodstock, Georgia 30189

Office (770) 516-5987 **Cell** (770) 846-7799

Website: www.AccountingConnections.ORG

Email: DianeOffutt@AccountingConnections.ORG

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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**).

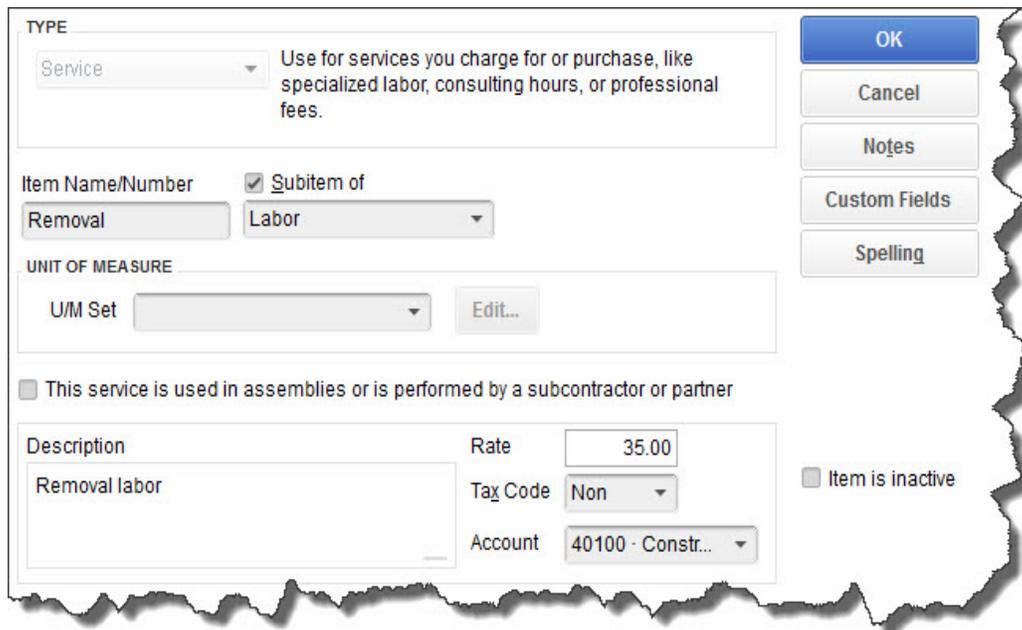
The image shows a screenshot of the 'New Item' dialog box in QuickBooks, specifically for creating a service item. The dialog is titled 'TYPE' and contains several sections. At the top, there is a dropdown menu for 'TYPE' set to 'Service', with a descriptive text: 'Use for services you charge for or purchase, like specialized labor, consulting hours, or professional fees.' Below this is the 'Item Name/Number' section, with a text box containing 'Removal' and a checked 'Subitem of' checkbox next to a dropdown menu set to 'Labor'. The 'UNIT OF MEASURE' section has a dropdown set to 'U/M Set' and an 'Edit...' button. A checkbox labeled 'This service is used in assemblies or is performed by a subcontractor or partner' is unchecked. The bottom section is for item details, including a 'Description' text box with 'Removal labor', a 'Rate' text box with '35.00', a 'Tax Code' dropdown set to 'Non', and an 'Account' dropdown set to '40100 · Constr...'. There is also an 'Item is inactive' checkbox which is unchecked. On the right side of the dialog, there are buttons for 'OK', 'Cancel', 'Notes', 'Custom Fields', and 'Spelling'.

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

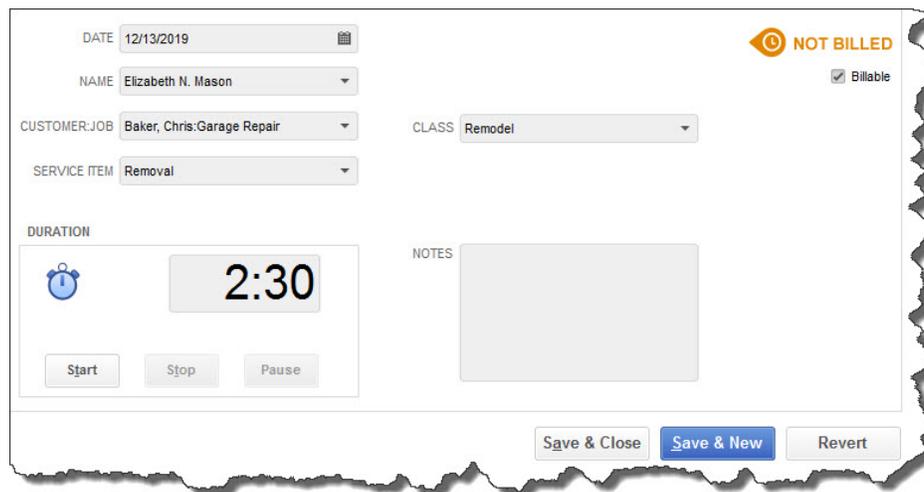
A list of options will drop down under **TYPE**. Select **Service**. Type in the **Item Name/Number** and click in the box to the left of **Sub-item of** if the time item should be grouped under another. In this example, the relationship is **Labor/Removal (labor)**. **U/M Set** is not an option in your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



The screenshot shows a web form for tracking time. At the top left, there is a 'DATE' field with the value '12/13/2019' and a calendar icon. Below it is a 'NAME' dropdown menu with 'Elizabeth N. Mason' selected. To the right of these fields is a 'NOT BILLED' indicator with a clock icon and a 'Billable' checkbox that is checked. Below the name field are two dropdown menus: 'CUSTOMER:JOB' with 'Baker, Chris:Garage Repair' and 'CLASS' with 'Remodel'. Below these is a 'SERVICE ITEM' dropdown menu with 'Removal' selected. In the center, there is a 'DURATION' section with a timer icon, a large display showing '2:30', and three buttons: 'Start', 'Stop', and 'Pause'. To the right of the duration is a 'NOTES' text area. At the bottom of the form are three buttons: 'Save & Close', 'Save & New', and 'Revert'.

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):

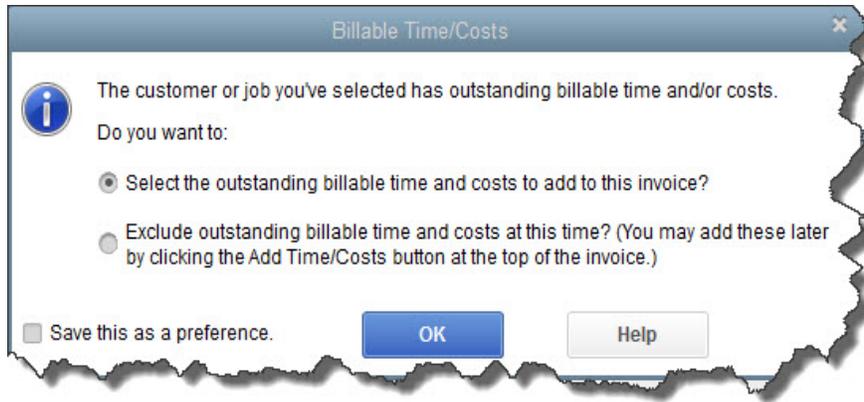


Figure 3: If you've entered billable time for a customer, this message will appear the next time you create an invoice for him or her.

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.



Diane Offutt, *Managing Partner at Accounting Connections, LLC*
Enrolled Agent (EA), Master of Accounting (MAcc), NTPI Fellow (National Tax Practice Institute), Certified QuickBooks™ ProAdvisor



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Enrolled Agents are allowed to represent clients before all administrative levels of IRS without their clients' presence (the same as a Certified Public Accountant).