February 1, 2018

Tracking Time in QuickBooks, Part 1

If your company sells services, you can track the time spent providing them in QuickBooks.

When you sell a product to a customer, you know it. It goes away, and your inventory count in QuickBooks is reduced by one. This tracking helps you know what's selling and what's not, and it signals when a reorder is due.

If your business provides services to customers, though, you're selling your employees' time and skills. There's no inventory count; you can sell as many hours as you have workers to fill them. Tracking time accurately and comprehensively, though, is as important as knowing how many hard drives or tote bags you've sold.

QuickBooks contains tools to help you record the hours employees spend doing work for customers, so you can bill them for services rendered. You can also use these same features to enter employee time for payroll purposes. The software offers two options here: single-activity records and timesheets.

Building the Foundation

We've discussed QuickBooks' **Preferences** many times before. The software was designed to support small businesses with a wide variety of structures and needs, so it needs to be flexible. For that reason, we always recommend that you check in with your "Preference" options before you explore new features.

To get there, open the **Edit** menu and select **Preferences**. In the left vertical pane, click on **Time & Expenses**, then on the **Company Preferences** tab at the top. Here is a look at the top part of the window that opens:
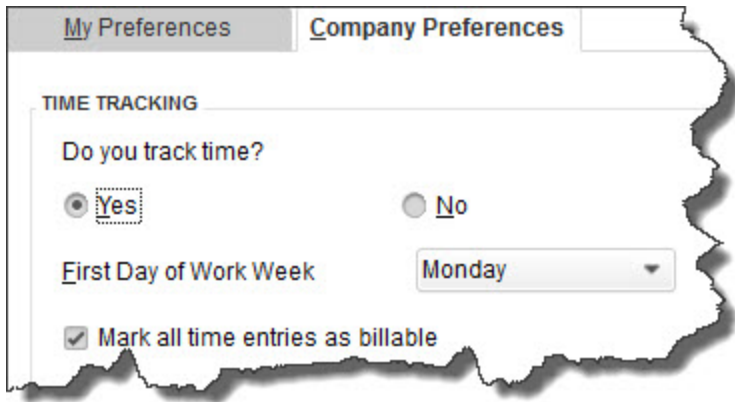
The Company Preferences window for Time & Expenses displays multiple options.

To make sure that QuickBooks' time-tracking features are turned on before you start, click the button next to **Yes** under **Do you track time?** Specify the **First Day of Work Week** by opening that drop-down list. If you know that all your time entries will be billable, click in the box in front of that statement.

There are other options in that window; we'll talk about them next month.

Creating Service Items

Before you can start tracking billable time, you have to create a record for each service offered – just like you would for a physical product. Click the **Items & Services** icon on the home page or open the **Lists** menu and select **Item List**. The window that opens will eventually display a table containing all the items and services you've created.

To define a service item, click **Item** in the lower left corner, then **New**, to open a window like this:
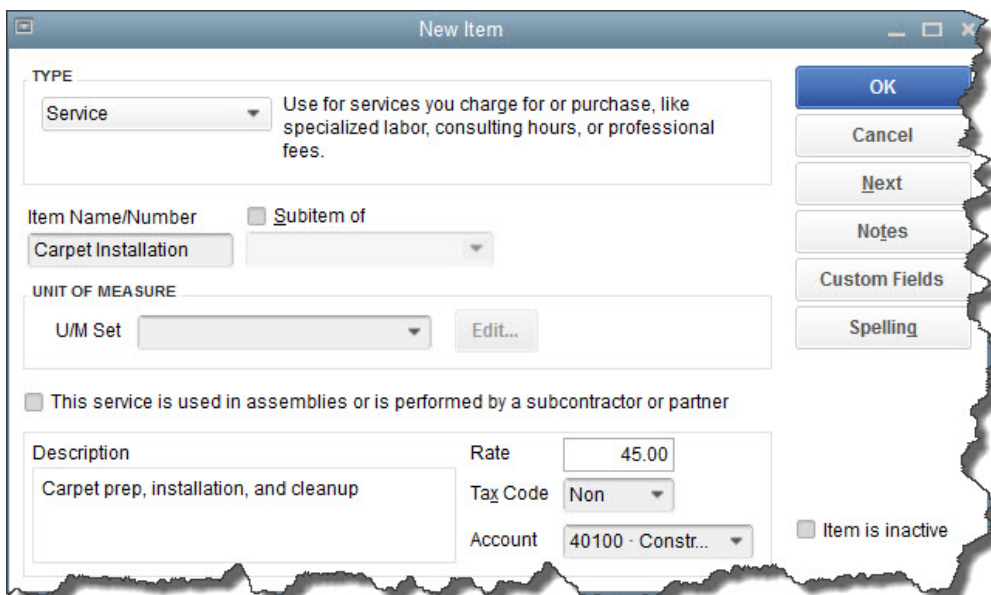
You can create numerous types of items in QuickBooks; Service is one of them.

Click the down arrow in the field under **Type** to see your options here. There are many, ranging from **Service** to **Inventory Part** to **Sales Tax Group**. Select **Service**. In the field under **Item Name/Number**, enter a word or phrase and/or number that describes the service, and that won't get confused with another.

If you had already created an item like "New Construction Services" and you wanted "Carpet Installation" to appear as a subitem of it, you'd click in the box in front of **Subitem of** to create a checkmark, then open the drop-down list below it and select "New Construction Services."

Ignore the **Unit of Measure** section. If this designation is important to your business, talk to us about upgrading your version of QuickBooks. Connect with us, too, if the service you're defining **is used in assemblies or is performed by a subcontractor or partner**, as these are more advanced situations.

Enter a brief **Description** in that box and your hourly charge—*to the customer*—in the field to the right of **Rate**. Click the down arrow in the field next to **Tax Code** to select the item's taxable status.

It's very important that you get the next field right. QuickBooks wants to know which account in your company's Chart of Accounts should be assigned to this item. In this case, it would be "Construction Income." If you're not yet familiar with the concept of assigning accounts, let's set up a session to deal with this and other basic knowledge you should have.

When you're done, click **OK**.

Next month, we'll talk about entering time items in records and timesheets.

Social media posts

QuickBooks offers tools to help you track time spent working for customers that needs to be billed.

Before you can track time spent providing services in QuickBooks, you need to set up items describing each.

You can track employee time in QuickBooks as single activities or in timesheets. Do you have questions about this? Contact us.

Do you understand how to assign accounts from the Chart of Accounts to service items in QuickBooks? Let us help.

We hope you find this QuickBooks tip 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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Enrolled Agents are allowed to represent clients before all administrative levels of IRS without their clients' presence (the same as a CPA).