

Introduction

Lesson Objectives

In this lesson, you will be introduced to QuickBooks and its purpose and function in the workplace. You will also review some basic accounting concepts and how they relate to bookkeeping with QuickBooks.

Upon successfully completing this introduction, you should be able to:

- Understand how QuickBooks is used in the workplace.
- Describe the purpose of the Accounting Cycle.
- Understand that there are various QuickBooks products, editions, and versions available.
- Identify Transaction Cycle used in QuickBooks.

Why Use QuickBooks?

Accounting software programs provide an easy way to perform **bookkeeping**. Because all accounting software applications perform the tasks required for **double-entry bookkeeping**, they are suitable for use by professional accountants, interns, and amateur accountants alike. QuickBooks is one of many accounting systems available on the market today.

However, not all accounting systems are designed in the same manner or even for the same uses. Although QuickBooks can manage the needs of many businesses, certain businesses do require more complex software that can handle accounting requirements across many locations, sharing a centralized computing system.

QuickBooks offers certain advantages that some more powerful systems cannot provide. One is that QuickBooks allows you to compare several years of data in one report. Many accounting systems provide reporting for only a single year. Other systems are also often less flexible than QuickBooks is about allowing you to correct mistakes or customize the interface.

Additionally, QuickBooks has the capacity to connect to other applications and can be used as the accounting platform for custom applications; however, it cannot be modified except by its manufacturer, Intuit.

Companies with a large accounting staff and adequate technical support might be able to manage the more complex uses of software, but for smaller businesses, the benefits offered by QuickBooks are clear.

QuickBooks offers flexibility and relatively few restrictions so that a small accounting staff with little technical support can economically accomplish a great deal of accounting work in a stable software environment.

QuickBooks Products

QuickBooks provides online and desktop products. Desktop products include QuickBooks Pro, QuickBooks Premier, QuickBooks Accountant Edition, and QuickBooks Enterprise Solutions. There are several editions of each product available, as well as distinct versions within the editions. You can read about and compare products, editions, and versions at Intuit's web site: <https://quickbooks.intuit.com/ca/small-business/>.

It is wise to evaluate which accounting functions you require for your business before you decide which edition of QuickBooks to purchase. You will learn more about the available products in Level 2 of this courseware. Keep in mind, however, that while some products provide advanced capabilities, the software functions the same way across all versions for essential accounting tasks, so once you learn one, learning another is easy.

QuickBooks in this Course

Objective L-0.1 Recognize the edition of QuickBooks used in this course

The accounting software package used in this course is QuickBooks Premier Accountant Edition 2018. This package allows you to open and work with files created in QuickBooks Pro and QuickBooks Premier and includes all the functionality found in these two editions.

Additionally, the Accountant edition includes a powerful file process known as the Accountant Copy which allows an accountant to review and correct a client's files without interrupting the client's day-to-day business. Clients can export an Accountant Copy file to review and continue to update their daily accounting records. The accountant reviews and corrects the exported file and sends the corrections back to the client in a specialized import file. The client can then import the file to apply the accountant's corrections.

QuickBooks in the Workplace

As you perform accounting tasks, you will have responsibilities with other people. They may be interns, supervisors who may be licensed accounting professionals, known as **Chartered Professional Accountants** (CPAs), business owners, or their employees.

Remember that you are responsible to others as you participate in a team effort to complete the accounting tasks together. When these tasks are performed correctly, accurate reports about the financial condition of the business are available to guide business development.

Accounting Basics and QuickBooks

Objective L-1.1 Describe the purpose of the Accounting Cycle

In this section, you will review the purpose and phases of the Accounting Cycle and examine a visual overview of the QuickBooks Transaction Cycles.

The Accounting Cycle

The purpose of any accounting system is to represent all monetary activities of the business in the accounting records. The activities encompass the movement of money or orders for goods or services and the promise to deliver them. The accounting tasks, when complete, constitute the **Accounting Cycle**. The success or failure of a business depends on timely and accurate reports about the financial condition of the business entity based on the bookkeeping.

Bookkeeping takes place continually throughout the major phases in the Accounting Cycle. These phases take place during a **fiscal year** of a business. A fiscal year lasts for twelve months; it may follow a calendar year and start on January 1st or it may start at the beginning of another month and end on the corresponding twelfth month. Bookkeeping steps are performed in sequence and should follow **International Financial Reporting Standards (IFRS)**. IFRS are a common set of accounting principles and procedures. Following IFRS ensures that everyone can understand what is being entered and reported. At the level of accounting taught in this course, IFRS is identical to USA Generally Accepted Accounting Principles (GAAP).

When one Accounting Cycle is finished, all monetary transactions are entered and provide a total picture of the business during that year. The cycle begins with identifying the transactions that need to be entered. Then, you make or record the entries in the accounting system and proceed through the phases of the cycle until it is completed.

The following list summarizes the phases of the Accounting Cycle:

- Enter transactions.
- Examine results in reports.
- Determine and enter adjustments.
- Complete reports for review.
- Enter final transactions.
- Close the year.

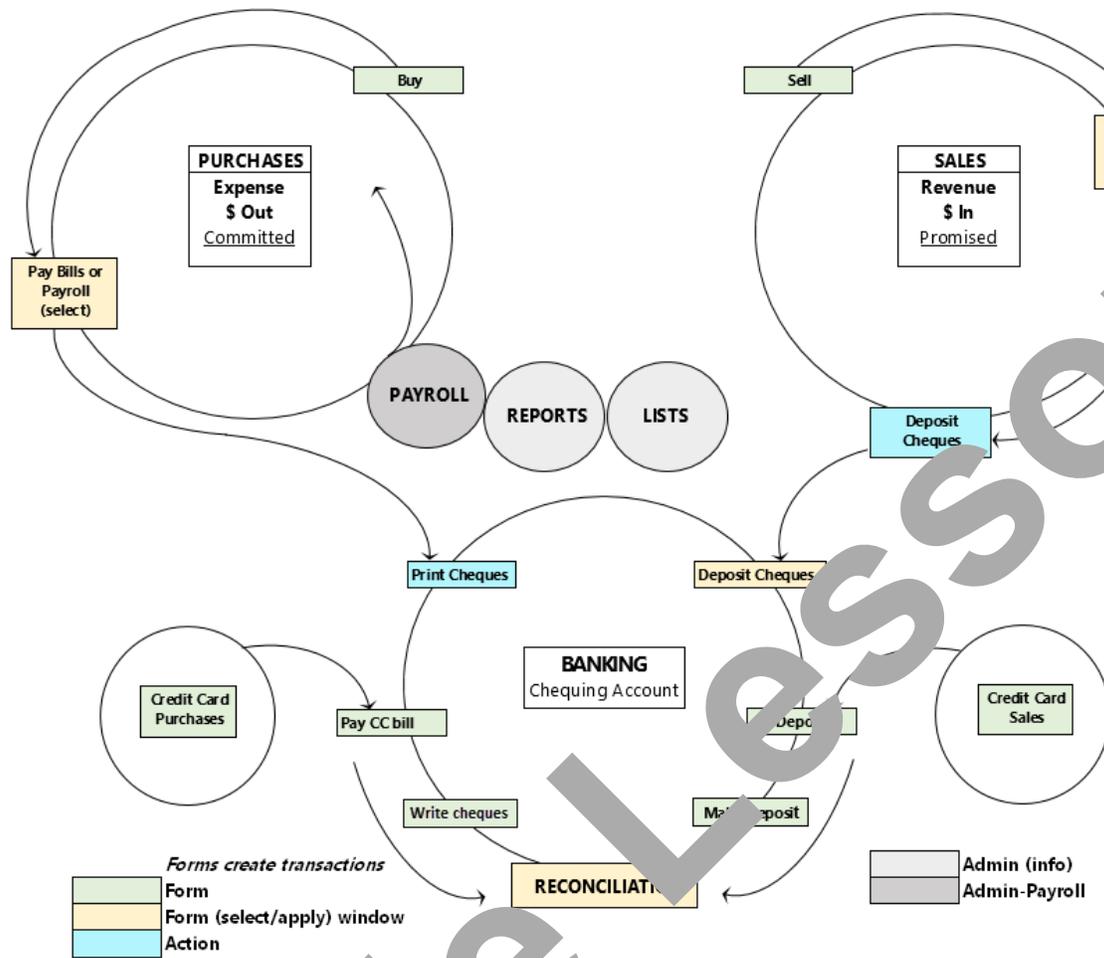
Whether you are responsible for all these phases or just paying attention to them allows you to participate responsibly in the team effort to complete the Accounting Cycle.

Visualizing Transaction Cycles in QuickBooks

Objective L-0.3 Identify Transaction Cycles Used in QuickBooks

Transaction Cycles are the series of entries and activities that comprise the bookkeeping data entry portions of the Accounting Cycle. Verification steps may also be included in some of them.

A visual overview of the Transaction Cycles is presented in the QuickBooks Transaction Cycles Overview Diagram, shown in Figure L-1.



QuickBooks Cycles

Figure I-1: QuickBooks Transaction Cycles Overview Diagram

Note: You will see isolated sections of this diagram and learn how cycles intersect as you progress through the lessons. Referring back to this diagram at any time can assist you in finding what you need or in identifying what stage you have completed.

Table I-1 lists the three main Transaction Cycles and three Administrative Cycles, all of which appear in the QuickBooks Transaction Cycles Overview Diagram.

Table I-1: Transaction Cycles and Administrative Cycles

Cycle Name	Cycle Type
Purchases	Transaction
Sales	Transaction
Banking	Transaction
Reports	Administrative
Lists	Administrative
Payroll	Administrative

Follow the arrows around the Sales Cycle and the Purchases Cycle and notice that within each you perform comparable activities that are the reverse of each other: The Purchases Cycle covers money flowing out, while the Sales Cycle covers money flowing in.

The steps continue around the cycle through the stages unique to each, following the arrows until outgoing or incoming payments reach the Banking Cycle. Smaller cycles involving purchases and sales with credit also connect to the Banking Cycle.

The small, gray-colored Administrative Reports and Lists Cycles are placed in the center to indicate their support for and integration with other cycles. The third Administrative Cycle, Payroll, eventually becomes a part of the purchase transaction and intersects with the Purchases Cycle.

You will learn more about the Transaction and Administrative Cycles throughout the course.

Lesson Summary

Now that you have completed this lesson, you should be able to:

- Understand how QuickBooks is used in the workplace.
- Understand that there are various QuickBooks products, editions, and versions available.
- Describe the purpose of the Accounting Cycle.
- Identify Transaction Cycles used in QuickBooks.

Key Terms

Term	Definition
Accounting Cycle	Period of time to complete the entire fiscal period of accounting.
Bookkeeping	The process of entering business transactions into the records of an accounting system.
Chartered Professional Accountant (CPA)	Licensed accounting professional.
Double-entry Bookkeeping	A system of bookkeeping that requires each business transaction be entered in two different accounts in the accounting records and that both entries are equal and have an "opposing" effect. Double-entry bookkeeping ensures that the accounting records stay in balance.
Fiscal Year	Refers to financial matters or items associated with taxation. In accounting, a fiscal year is the period of time in which the Accounting Cycle is completed and is the basis for filing taxes. A fiscal year may or may not follow a calendar year.
International Financial Reporting Standards (IFRS)	A common set of accounting principles, standards, and procedures. These principles ensure that everyone knows the accounting transactions accurately represent business activities and maintain integrity in reporting. Adherence to these principles ensures that financial reporting is transparent and consistent across organizations.

Quiz Questions

For each question, select the best answer.

1. Which statement about QuickBooks is true?
 - a. QuickBooks is available only in online versions.
 - b. The programming used within the QuickBooks application is easily modified by the user.
 - c. QuickBooks can connect to other applications.
 - d. QuickBooks is available only in desktop versions.
2. Donald sent his QuickBooks file to his accountant for corrections. The corrections are ready. How can Donald apply his accountant's corrections to his QuickBooks file?
 - a. Donald should import the file he receives from his accountant to apply the corrections.
 - b. Donald does not need to do anything; his QuickBooks file was automatically corrected while the accountant worked on it.
 - c. Donald should print a list of the corrections and apply them manually.
 - d. Donald should convert the file he receives from his accountant into an Excel spreadsheet, then import the spreadsheet.
3. Which statement about the Accounting Cycle is FALSE?
 - a. The Accounting Cycle takes place in one fiscal year.
 - b. Multiple Accounting Cycles take place each year.
 - c. Adjustments are part of the Accounting Cycle.
 - d. Reports are part of the accounting cycle.
4. Which cycle is NOT a Transaction Cycle in QuickBooks?
 - a. Banking
 - b. Purchases
 - c. Lists
 - d. Sales