

Lesson 2: Inventory and Services

Lesson Objectives

In this lesson, you will learn how to set up the Inventory and Services module of QuickBooks Online. Upon successful completion of this lesson, you will be able to do the following:

- work with the Products and Services list
- manage inventory categories
- create inventory accounts
- create inventory and service items
- manage inventory and service item data
- manage attachments
- run inventory reports

Inventory

Working with the Products and Services Page

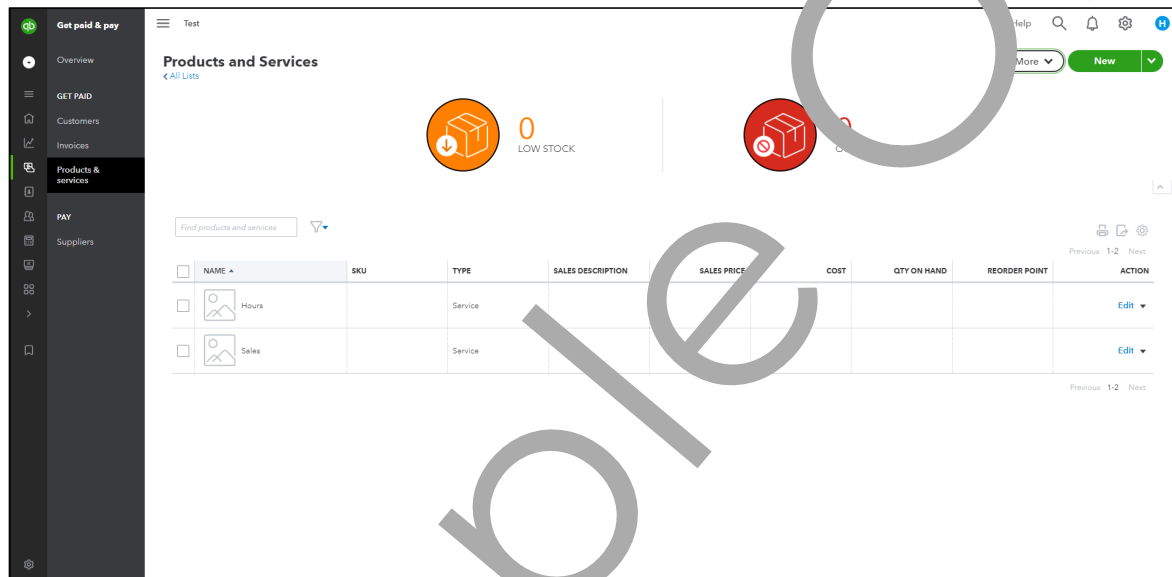
QuickBooks makes it convenient to manage your inventory with the Products and Services page.

To open the Products and Services list:

- Choose **Get paid & pay** and then **Products and services** from the quick menu
- Select the **gear** button and then **Products and services**

If you don't find this option, you need to turn on inventory tracking – select the **gear** button, then **Account and Settings**, then **Sales**, and then **Product and services**, and turn on **Track inventory quantity on hand**.

When you open the Products and Services list, the following screen appears:



The Products and Services page is divided into two panes:

- Display of inventory that is in stock and out of stock. This also functions as a filter for the inventory in the list below
- List of inventory that you add to your business

The Products and Services page can be used for activities such as:

- Working with inventory items
- Performing batch actions on more than one item
- Searching for an item
- Adding new items
- Editing items
- Making an item inactive

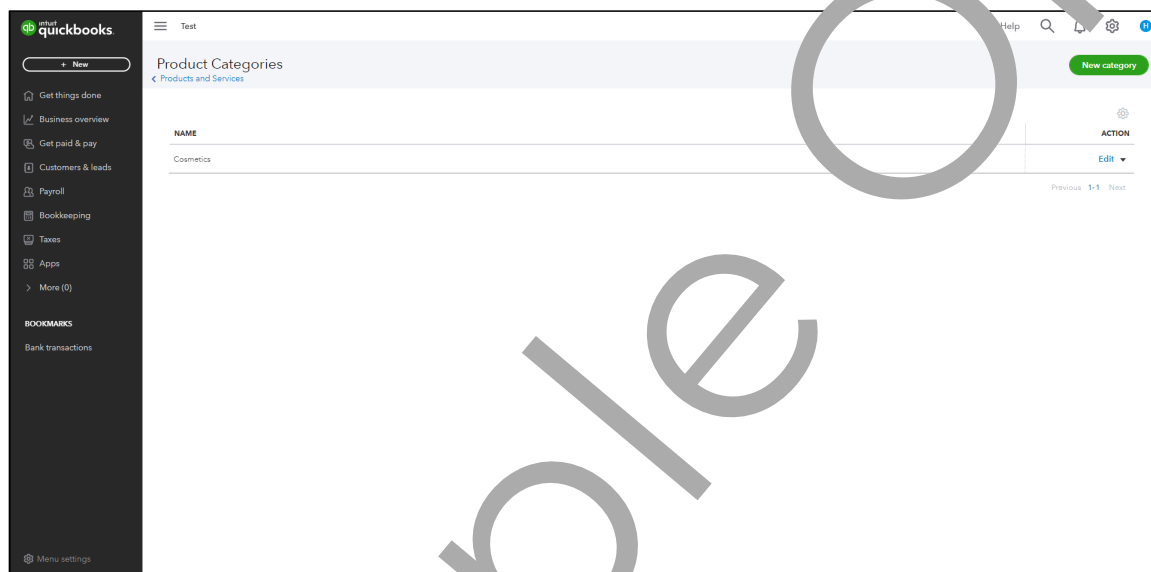
- Adding a picture to an item
- Adding transactions
- Running inventory reports

In this lesson, we assume that you're in the business of self and skincare dealing in different types of cosmetics and hair products.

Managing Categories

Before going into further details about the Products and services list, you should know that products and services are added with a link to categories to keep your bookings more organized. You can add new categories whether main or sub-categories. You can also edit or delete categories.

To open the categories list, from the top of the page, select the **More** drop-down list and then select **Manage categories**. The page opened displays the Product Categories as in the image below.



Learn the Skill

In this exercise, you will learn how to add and manage categories.

1. In the **Product and services** page, from the top right side of the page, select the **More** drop-down list and select **Manage categories**.
2. From the top right, select **New category**.

Status	Select active, inactive, or all items.
Type	Select all, inventory, non-inventory, service, or bundle items.
Category	Select a category.
Stock Status	Select all, out of stock, or low stock items.

Creating Inventory Accounts

In QuickBooks Online, every inventory and service item type is uniquely recorded and tracked in your inventory. This capability allows you to:

- Manage your inventory to an optimum level so that stock outs are prevented while preventing you from having too much of your capital tied up in inventory
- Manage the price you charge for each item by monitoring the gross profit earned on these items. You will then have more information when deciding on prices to be charged
- Run financial reports at any time to monitor your overall business profitability
- Calculate any inventory shrinkage whenever a physical inventory count is done
- Be warned when the current level of stock of an inventory item falls below a specified minimum and re-ordering is required

QuickBooks Online uses only the First In First Out (FIFO) in valuing inventory. Other inventory valuation methods (such as Moving Average Cost, Last In First Out (LIFO), and standard cost) are not supported. The First In First Out Method means that the items in the inventory that are received first by your business are the ones to be sold first.

For example, if your business receives a Batch of inventory in January which consists of 80 boxes with the cost of \$3. Then in March, you buy 150 more boxes, but this time for the cost of \$4 each.

If you sell 100 boxes, this is how you calculate the total cost of goods sold:

Cost = (the number of boxes from January x their value) + (the number of boxes from March x their value)

Cost = (80x3) + (150x3) = \$510

Each item is calculated by the cost at the time it was received. This means that the remaining 130 boxes in the inventory have the following cost:

Cost = Remaining boxes x their value

Cost = 130x4 = \$520

Creating Inventory and Service Items saves time. When buying or selling merchandise, and selling services, QuickBooks Online enters the items from a list, in addition to typing each item in.

When you add an inventory item, QuickBooks Online automatically creates the following accounts:

Account Name	Account Type	Detail Type	Description
Inventory Asset	Current assets	Inventory	This account type tracks the value of all the inventory you have on hand
Cost of Goods Sold	Cost of Goods Sold	Supplies and materials -COS	This account tracks the cost of the products whenever you make a sale

10. From the **Inventory asset account** drop-down list, select **Inventory Asset**. This is the account that represents the value of your current inventory.
11. In the **Description** text box, enter: *Lotion that moisturizes your skin and maintains moisture for the whole day. The main natural ingredient is Aloe Vera.* This is the description your customers find when they purchase the product.
12. In the **Sales price/rate** text box, enter: *12*. This is the amount you charge your customer for this product.
13. From the **Income account** drop-down list, select **Merchandise Sales**. This is the account that represents the income from this product's sales.
14. Skip the Tax section for now.
15. In the **Purchasing information** text box, enter: *Substance 8839AV*. This is the information used when you order this item from your supplier.
16. In the **Cost** text box, enter: *7.5*. This is the amount it costs to produce this product.
17. From the **Expense account** list, select **Cost of Goods Sold**.
18. Skip the supplier section and select **Save and close**.

The Item List window now includes this new item.

NAME	SKU	TYPE	SALES DESCRIPTION	SALES PRICE	COST	QTY ON HAND	REORDER POINT	ACTION
Face masks								
Cosmetics								
Clear Mask	JUM85K0	Inventory	Clearing mask made of	10	7	70	7	Edit
Moisturizers								
Aloe moisturizer	KSB50ME	Inventory	Lotion that moisturizes your skin	12	7.50	200	30	Edit
Hours		Service						Edit
R100 Plans		Inventory				1		Edit
Skis								Edit

Sales taxes will be discussed in future lessons.

Creating Service Items

Service items are like inventory part items as they are sold to customers. The difference is that they cannot be stored on a shelf like physical inventory. Examples of services are the labour required for mechanical repairs, consulting services, or moving furniture. Other types of services include towing cars, hotel room rentals, and dry cleaning. The common factor is that there are a fixed number of resources available (e.g., staff, mechanics, tow trucks, hotel rooms) that will earn nothing if not purchased by a customer but will incur costs (e.g., staff salaries, gas for tow trucks) in any case. In addition, you cannot sell more than you have available unless overtime is utilized.

Learn the Skill

In this exercise, you will learn how to display various inventory and services reports.

1. You can create a report by selecting **Run report** from the **More** list in the **Products and services** page. Another way is to select from the quick menu **Business overview**, then **Reports**, and then find the **Product/Service list** in the **Sales and customers** section.

You can mark this report as a favorite to find it at the top of the page in the Favorite section.

PRODUCT/SERVICE	TYPE	DESCRIPTION	PRICE	COST	QTY ON HAND	SKU CODE	PURCHASES TAX CODE
Cosmetics/Moisturizers/Aloe moist...	Inventory	Lotion that moisturizes your skin ...	12.00	7.50	20		
Hours	Service						
Sales	Service						
Treatments/Facials/Hydrofacial	Service	A gentle, noninvasive facial for se...	45.00				

Tuesday, October 18, 2022 03:56 AM GMT+02:00

2. To customize the report to show only the desired columns, select **Customize**, and in the Customize report window, make your preferred adjustments and select **Run report**.

This report can then be used as a price list for your sales staff to use.

Note that the default date for the above report is the real time date. In QuickBooks some reports will show the current real time date as the default date.

3. Select the **Cosmetics Moisturizer** product from the report. The Edit Item window is now displayed for this item.
4. Close the **Product/Service information** windows.

Practice the Skill

The following additional exercise covers many of the items discussed in this Lesson. The Practice the Skill exercises are included as extra practice and may be completed by the learners in class or on their own. Your instructor has access to the Answer Key for these exercises.

Create and/or modify these items as of **March 7, 2022**.

1. Create the following inventory item:

Type	Inventory
Item Name	Coal mask
SKU	JUH859KI
Category	Face masks
Quantity on hand	30
As of date	20/10/2022

Lesson Summary

In this lesson, you learned how to set up the Inventory and Service Items in QuickBooks Online. In particular, you learned how to do the following:

- ☑ work with the Products and service list
- ☑ manage inventory categories
- ☑ create inventory accounts
- ☑ create inventory and service items
- ☑ manage inventory and service item data
- ☑ manage attachments
- ☑ run inventory reports

Sample Only

Practice Questions

1. How do you open the Products and services List?
 - a. Select Get paid & pay from the quick menu and the Products and services.
 - b. Select gear button and then Products and services under LISTS.
 - c. All of the above.
2. What four options are available when adding new products or services?
3. What is the difference between an inventory and a service item?
4. A Non-Inventory item is used for merchandise you buy but do not sell to customers.
 - a. True
 - b. False
5. Which report will show the quantity on hand and cost of each item in inventory?
6. Attachments list only displays images from products.
 - a. True
 - b. False
7. A product's quantity on hand can be adjusted manually from the Product/Service information menu in edit mode.
 - a. True
 - b. False