

QuickBooks for Small Business Owners in Landscape Architecture: The Basics

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1. Accounting Software – there are so many options today. Here's the features that I recommend to look for:
 - a. User-friendly (and # of users)
 - b. Good reporting capability
 - c. Support/Help Desk
 - d. Bank-level Encryption (128 bit SSL)
 - e. Automatic Backups
 - f. Track activity by user
 - g. Portability
 - h. Can grow with my business
2. QuickBooks Online will be a monthly subscription, there are a lot of levels
 - a. QuickBooks Online: <https://quickbooks.intuit.com/pricing/>
3. QuickBooks Desktop is a one-time only fee (though can be a subscription)
 - a. Note: Mac and Windows versions of QB Desktop do not play together!
 - b. QuickBooks Desktop: <https://quickbooks.intuit.com/desktop/pro/>
4. Accounting Basics 101
 - a. Know your business requirements, tax, sales tax, use tax, etc. for where you practice – It is complicated!
 - b. The Accounting Equation is:
 - i. Always in Balance!
 - ii. Assets = liabilities + equity
 - iii. Like our grading equation, $g = D/L$, you can switch it up any way (equity = assets – liabilities)
 - c. Assets are what you own
 - i. Cash
 - ii. Property
 - d. Liabilities are what you owe
 - i. Loans
 - ii. Bills
 - e. Equity is what's left over

- i. Capital of the Company
 - f. Accounts/Chart of Accounts
 - i. Every transaction that comes through your business must be assigned to an account
 - ii. Think of it like a bucket...
 - iii. Tailored to your business structure/tax entity
 - g. Basis of Accounting (there are more, but these are the most common)
 - i. Cash – a simpler version; transactions are recorded when they clear the bank. Doesn't give indication of what you are owed; what you owe
 - ii. Accrual – gives the clearest picture; transactions are recorded when they occur, such as when an invoice is sent or a bill is received, and things like accounts receivable, accounts payable and prepaid expenses apply
 - iii. Once you select one – you declare it on your taxes and generally stick with it
 - h. Fiscal Year
 - i. January 1 – December 31? This is the tax year, but doesn't have to be your fiscal year. It may be easier to go with it, though
 - ii. July 1 – June 30? I see this as well.
 - iii. Similar to basis of accounting, you select one and generally stick with it
- 5. Financial Reports – the Big 3
 - a. Balance Sheet
 - b. Income Statement (aka the Profit & Loss Report)
 - c. Statement of Cash Flows
 - d. Always make sure your basis of accounting and range of dates match when running reports to be sure you are comparing apples to apples
 - e. When you have all three reports together, they tell you the financial health of your business
- 6. Balance Sheet is one moment in time, and shows the capital in the business
 - a. Assets are at the top, current assets (consumed within one year), then long-term assets (computers, vehicles, buildings)
 - b. Liabilities come next, current liabilities (within one year), long-term liabilities (loan, mortgage, etc.)
 - c. Equity is last, assets – liabilities = what's left over
 - i. Equity includes net profit/loss, which relates to the next report
- 7. Income Statement (Profit & Loss) is a specific time period, like a month, quarter or year
 - a. This report tells you what your profit is for a specific time period
 - b. Revenue (money in) - cost of goods sold = gross revenue
 - c. Expenses (money out) is next – organized by account (category)
 - d. Net Profit/Loss for the time period = revenue – expenses
 - e. A budget can help you to keep your profit margin where you want to be, so you don't end up spending too much on pizza during all-nighters
- 8. Statement of Cash Flows is the last one, again for a specific time period, and tells us where did my cash come from and where did it go?
 - a. This report relates back to the balance sheet, where cash shows up under current assets
 - b. Operating Cash is first (day-to-day)
 - c. Investing Cash comes next (buying equipment)
 - d. Financing Cash is last (taking out a loan to buy equipment)

- e. Then we find out what cash was at the beginning of the period, and
 - f. Cash at the end of the period
9. Bank Feeds/Manual Uploads
- a. It is critical to keep on top of transactions, and there is an easier way to enter them into your accounting software than manual entries!
 - b. Connect to your bank via bank feeds, and QB will automatically pull transactions daily
 - c. Note that some banks do not play well with QB, mostly with smaller banking institutions. When you go to set it up, QB will give you a list of participating institutions
 - d. If your bank doesn't participate, that's okay – you can download a .csv file and upload it to the pertinent bank account in QB
 - e. You can set bank rules so recurring transactions automatically get tagged for a specific account (i.e. AutoDesk subscription goes automatically to "Dues and Subscriptions" account)
10. Bank Reconciliation – do it monthly!
- a. You will go into the bank register in QB and click on the Reconcile button in the top right. Taking your bank statements, you'll compare and make sure that everything the bank says cleared is in QB
 - b. This is important because there could be duplicate entries, missed transactions, human error, bank error, etc.
 - c. Be consistent when categorizing your transactions
11. Monthly Accounting Timeline/Checklist
- a. Download your cash and credit card statements as soon as the bank posts them online
 - b. Bill your work – send out invoices (Accounts Receivable)
 - c. Enter your bills into QB (Accounts Payable)
 - d. Reconcile your checking account
 - e. QuickBooks has a good infographic for a starting point:
 - i. <https://quickbooks.intuit.com/r/bookkeeping/small-business-accounting-checklist-10-things/>
12. Accounts Receivable (Money In)
- a. Project Billing – you will send out invoices
 - b. You can customize your invoices in QB, add a logo, and even send them from within QB via e-mail (with a time/date stamp for when it's read, if that's helpful with those clients that have a hard time paying on time)
 - c. When receiving payments for an invoice, it's critical to go to the invoice and click on the receive payment button, and not enter it as a deposit. If you do this and are operating in accrual basis, you will have a duplicate transaction, and your Accounts Receivable will still show that you're owed for the invoice in question
 - d. QB defaults to sending payments to an account called "Undeposited Funds", where you can group individual payments to one lump deposit
 - e. Watch out – another pitfall is moving money between your bank accounts in QB (which includes checking, savings, credit cards, etc.). This will be a transfer transaction – not an expense to pay your credit card bill from your checking account, for example, or you again have duplicate transactions
 - f. QB does offer merchant services, so you can accept payment through them, for a fee

- g. You can copy from a previous invoice, which will save time if you have a similar invoice between clients
 - h. You can also schedule recurring invoices (for a monthly service charge, for example)
 - i. To help track and reporting, you can choose to track with classes (find this from the gear icon, Company Settings, Categories – track classes). In QuickBooks, you can create classes that you assign to transactions. This lets you track account balances by department, business office or location, separate properties you own, or any other meaningful breakdown of your business.
 - j. Some examples of classes could be by Employee (See how Beatrix Farrand is doing with billings vs Frederick Law Olmsted), by Project Type, Locations, or Sales divisions (landscape architecture vs surveying vs architecture)
 - k. Save time by setting a standard invoice term (net 30, net 15, due on receipt, etc.)
13. Cash flow is vital to your business
- a. Keep track of your cash balances DAILY
 - b. Don't pay bills before they're due (understand the timing of your cash flow)
 - c. If necessary, come up with a cash forecast at least four weeks out
 - d. Cash flow is also contingent upon timely invoicing and collecting from your clients. This may be unpleasant for some, but it is the way the business world works
14. Accounts Payable – bills, bills, bills
- a. You can have QB alert you to duplicate check and bill numbers in your company settings
 - b. You can set up recurring bills (same as the recurring invoices)
 - c. This is a very vulnerable area of a business's finances – internal controls are vital!
15. Other helpful reports:
- a. Accounts Receivable Aging
 - i. How long is it taking certain clients to pay their invoices?
 - ii. Do you decide not to work with them again based on their payment performance?
 - b. Accounts Payable Aging
 - i. How long does it take for you to pay your bills?
 - ii. Are you at risk of losing a supplier/consultant?
 - c. Comparison Reports
 - i. Benchmarking vs. the industry
 - ii. Benchmarking vs. your own previous financial performance
16. Payroll/Independent Contractors
- a. There are a lot of payroll options out there, but with penalties and complex rules, I'd strongly encourage at least assisted payroll
 - i. Full Service (ADP, Paychex) \$\$\$\$
 - ii. Assisted Payroll (QB, Patriot Software, Gusto) \$\$\$
 - iii. Self-run Payroll (proceed with extreme caution) \$\$
 - b. This is not an exhaustive list of requirements; make sure you understand requirements for your area as they can vary greatly
 - c. Employees must fill out I-9, W4 (state and federal), direct deposit if applicable
 - d. Employees must receive a W2 by January 31
 - e. Subcontractors
 - i. Paid by check or cash, \$600 or more in a calendar year
 - ii. Must receive 1099-MISC by January 31

- iii. E-file 1099-MISC with IRS or file 1096 by January 31
 - f. Intuit has a short “calculator” to help determine which:
 - i. <https://quickbooks.intuit.com/r/1099-w2-employee-calculator/>
 - g. Don’t be afraid to contact an Accountant for help!
 - h. You can set vendors up in QB as 1099 Contractors, and QB will track for you; third party apps can help with end-of-year reporting (1099 reports can be run in QB Desktop)
- 17. Helpful Third-Party Apps
 - a. Assisted Payroll – Patriot Software and Gusto (\$10-149 base/mo, additional fee per employee, includes W2 at the end of the year)
 - b. Time tracker – T-Sheets – owned by Intuit, a great time sheet app that integrates with QB (\$20 base/mo, additional fee per user)
 - c. Document organization and more - Hubdoc, great integration with QB (\$10/mo)
 - d. Sales Tax tracker/filing – TaxJar (\$17-89/mo)
 - e. Password Manager – LastPass has a free option, this is a true gem in my opinion
- 18. Safeguard your Assets!
 - a. The business owner needs to be active
 - i. Signs checks
 - ii. Authorizes payments of bills
 - iii. Keeps tabs of all cash in/out
 - b. You can set different levels of user access in QB
 - c. Record keeping is key, employee forms, receipts, contracts etc.
 - i. QB has a multi-tiered receipt manager that allows you to attach receipts or documents to transactions – can attach your insurance documents, etc.
 - ii. Cloud-based backup is reliable and most times encrypted
- 19. Time is Money! As a business owner, you’re responsible for your company’s financials. But – what is the cost/benefit of you doing these tasks monthly vs. outsourcing to a bookkeeper or accountant?

Some good accounting resources:

Intuit/QuickBooks Help Desk: https://help.quickbooks.intuit.com/en_US/contact

Intuit/QuickBooks Resource Center: <https://quickbooks.intuit.com/r/>

<https://www.AccountingCoach.com>

Great ASLA resources:

Business Toolkit: <https://www.asla.org/businesstoolkit.aspx>

Standard Contracts: <https://my.asla.org/My-ASLA/Store/StoreLayouts/Shop-Contracts.aspx>

Custom Salary Profiles: <https://my.asla.org/My-ASLA/Store/StoreLayouts/Shop-Salary-Survey.aspx>

Questions/Answers from the Live Webinar:

Q: Can you do bank feeds in QB Desktop?

A: Yes, though in my experience, there have been additional bank fees associated with this

Q: Does the desktop version offer the dashboard feature, such as charts and etc..

A: Yes, in the Company drop-down menu, there's "Snapshots" which shows similar graphs and data at a glance.

Q: Do you have any specific advice for making the transition from manual accounting to a software?

A: Without making this a huge effort of data transferring, I'd suggest starting fresh in the new software. If you want to be able to run reports to compare against previous years, I've seen the following work:

- Date a manual journal for 12/31 of the previous year (could do this for multiple years)
- Take the year-end totals for each account and enter them on individual lines
- The offset for the manual journal would be to

Q: What level of QuickBooks do you need to run these reports?

A: Check out QB for what each tier of subscription includes; I've mainly used Plus for my clients/the various reports that I've presented: <https://quickbooks.intuit.com/pricing/>

Q: How can you create flat fee invoices in QB that show percentage completed?

A: (Warning: Advanced material here) You would most likely do this via an estimate: set sales settings for Progress Invoicing on, create an estimate - you can break it up into phases if you like, by using products and services (more on that here: <https://quickbooks.intuit.com/learn-support/getting-started-with-quickbooks/adding-products-and-services-customers-and-vendors-to-lists/ta-p/170836>), and then create an invoice from the estimate. You have the option to do an invoice with the total of all estimate lines, a percentage of each line, or custom amounts for each line. In the latter option, you can choose amount or percentage of a line. You'll have to customize your invoice from QB's standard content to include "Show Progress on Line Items".

Q: What's a good resource for undeposited funds and for the funds that aren't yet available when clients pay through the QB merchant processing?

A: Check out QB's support article on undeposited funds: <https://quickbooks.intuit.com/learn-support/en-us/undeposited-funds/deposit-payments-into-the-undeposited-funds-account-in/00/203721>

Q: If we are using Quicken now to track finances and want to shift to QB, would the transfer of data be seamless?

A: QB is going to do everything they can to make this easy for you. Check out the following resource: <https://quickbooks.intuit.com/learn-support/en-us/convert-data-files/convert-a-quicken-file-into-a-quickbooks-online-company-file/00/186087>

Q: If you remove a class that isn't used anymore (to make space), does it effect anything or just leave a blank in the class area on the invoice? QB is telling us that we have too many classes... Can you track income/expenses related to specific projects with classes?

A: QB recently added usage limits to QBO accounts. Plus accounts can only have 40 classes/locations. In order to reduce the number of classes you have, you can make a class inactive, which won't delete it but will reduce your active classes toward the usage limit. If you'd previously used a class that you made inactive, it will show up on your invoice on the screen as "Class name (deleted)"; Classes aren't listed on printed invoices in the standard invoice design.

Alternatively, you can have 250 chart of accounts, so using sub-accounts in lieu of classes may work to track the items you want to track.

Because of the limits, classes aren't the best way to track individual projects, as I think you would exceed the limits. Instead, look into QB Projects (available with a Plus or Advanced subscription).

Q: How to set up a recurring automatic transfer from checking to savings?

A: Recurring transfers: click on the + button (create), click on Transfer, in the new dialog box that opens up, click on Make Recurring (at the bottom). To see a list of all recurring transactions, click on the gear button, under Lists, click on Recurring Transactions.

Q: When no two jobs are the same, how can a software be manipulated to meet our needs?

A: First, be consistent with your accounts, products and services, and classes, if you're using those. The reporting will simplify the differences between projects.

Q: T-Sheets tips?

A: Check out T-Sheets' website for more information about how it works, and how it integrates with QB:
<https://www.tsheets.com/time-overview>

Custom Field Items will help you to track time per phase per project.

Q: Could you do another presentation on QB that goes into using it for project management?

A: Look for ASLA's [QuickBooks for Small Businesses in Landscape Architecture: A Deeper Dive Webinar in 2020!](#)