QuickBooks Online for Canada: Comprehensive

Academic Year 2022-2023

Chapter 3: Working with General Ledger Accounts

Learning Objectives

- Explain the difference between balance sheet and profit and loss ledger accounts
- Explain the difference between operating expenses and cost of goods sold
- Post other income or other expense transactions
- Prepare journal entries
- Set up property, plant and equipment asset purchases
- Set up long-term liabilities
- Transfer funds between accounts
- Write off uncollectible receivables (bad debts)

Balance Sheet Accounts

- Balance sheet
  - Collects data relating to a business' financial position
- Accounting equation

ASSETS = LIABILITIES + EQUITY

  - Assets – What a business owns (cash, machinery, inventory, outstanding invoices in A/R)
  - Liabilities – What the business owes
  - Equity = Capital + Revenue - Expenses

Balance Sheet Accounts (cont.)

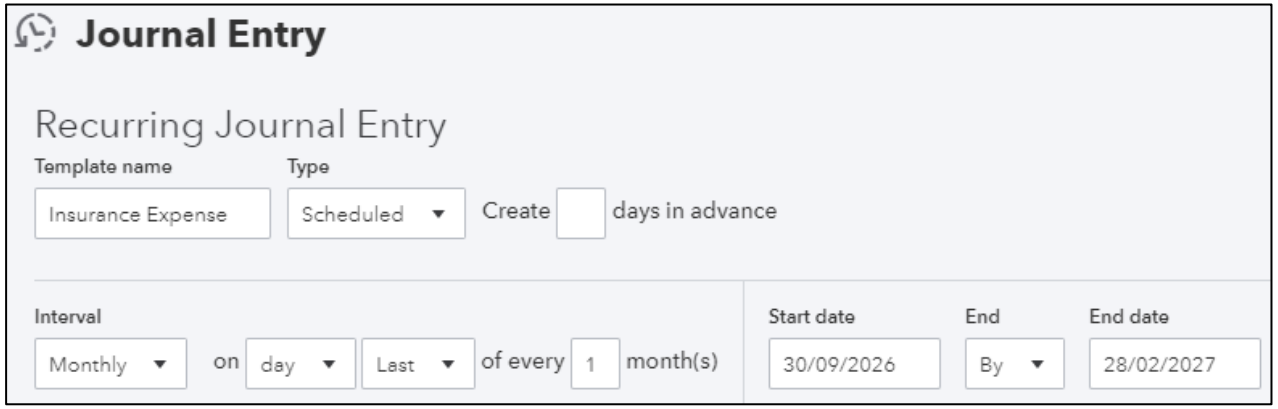
- Shareholder accounts
  - Primarily liability and equity accounts (for corporations)
- Funds transfers
  - Between accounts (e.g., from checking to savings)
  - To pay off credit card balances

Profit and Loss (Income Statement) Accounts

- Profit and loss statement
  - Collects and reports the revenue, direct costs and operating expenses incurred during a period
  - Basis for gross profit, profit margin and net income calculations
- Cost of Goods Sold (COGS)
  - Expense accounts
  - Tracks expenses directly related to revenue

Journal Entries and Recurring Transactions

- QBO uses journal entries for adjustments.
- Recurring journal entries can save you time.
  - Scheduled – record entries on a fixed schedule (e.g., loan payment)
  - Reminder – record entries on a schedule you set (e.g., utility bill)
  - Unscheduled – irregular or complicated transactions



Sales Tax Accounts (GST, HST, PST, QST)

- Participating provinces/territories
  - Charge only the Harmonized Sales Tax (HST) rate on taxable goods and services
- Non-participating provinces/territories
  - Charge GST, sometimes PST (QST in Quebec)

Handling Uncollectible Receivables/ Bad Debts

- Uncollectible A/R amounts are sales for which you do not expect to receive payment.
- Never void or delete them.
  - A record of the sales should be kept.
  - These are usually written off as bad debt.