QuickBooks Online for Canada: Comprehensive

Academic Year 2021-2022

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

Learning Objectives (continued)

- Set up long-term liabilities
- Transfer funds between accounts
- Write off uncollectible receivables (bad debts)

Balance Sheet Accounts

- The balance sheet collects data relating to a business' financial position.
- Accounting equation:

ASSETS = LIABILITIES + EQUITY

  - Assets: What the business owns (e.g., cash, machinery, inventory and outstanding invoices in A/R)
  - Liabilities: What the business owes
  - Equity: Capital + Revenue - Expenses

Balance Sheet Accounts (continued)

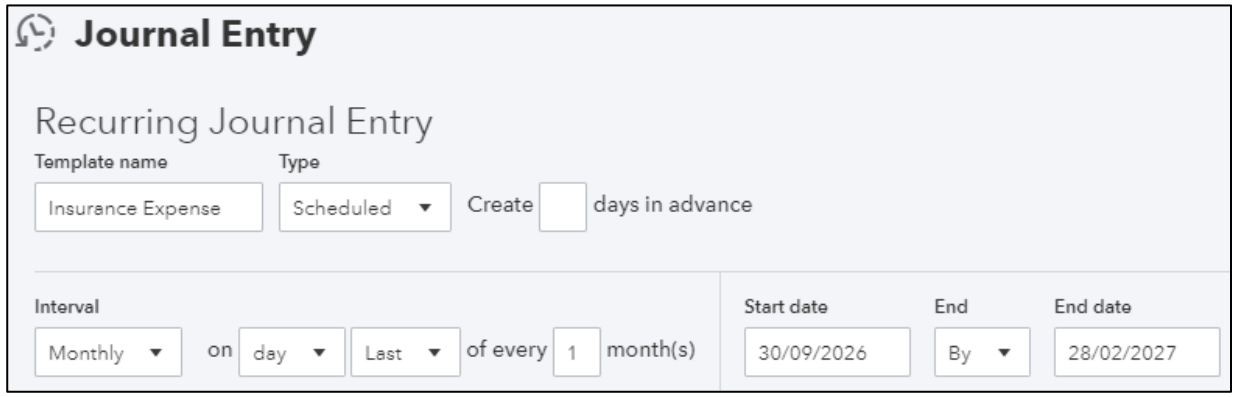
- Shareholder accounts are primarily liability and equity accounts (for corporations).
- Businesses often transfer funds between accounts, such as from checking to savings.
- You can also transfer funds to pay off credit card balances.

Profit and Loss (Income Statement) Accounts

- The profit and loss statement collects and reports the revenue, direct costs and operating expenses incurred during a period.
- It is the basis for gross profit, profit margin and net income calculations.
- Cost of Goods Sold expense accounts track expenses directly related to the revenue (variable expenses such as the labour or purchased components to produce a product that is then sold).

Journal Entries and Recurring Transactions

- QuickBooks Online uses journal entries for adjustments.
- Recurring journal entries can save you time:
  - Scheduled: record entries on a fixed schedule
  - Reminder: record entries on a schedule you set
  - 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 and sometimes PST (or QST in Quebec).

Handling Uncollectible Receivables/ Bad Debts

- Uncollectible A/R amounts refer to sales for which you do not expect to receive payment, such as sales to a customer who has recently gone bankrupt.
- These should never be voided or deleted; a record of the sale should be kept.
- These are usually written off as bad debt.