

# How to Get the Most Out of Your Accounting System

## Helpful Tips for Maximizing Your Manufacturing QuickBooks System

With any accounting system, the initial set up can be the most important process as it sets the foundation for maximizing one's output from the system. QuickBooks, although a smaller accounting software program, can be used to help set the foundation for your company's future growth.

### Setting Up Your Account Structure

You need to consider where you imagine your company in the future when setting up your account structure. Will there be multiple locations or divisions? Account numbers should be broken down and thought of in segments in order to accommodate for various scenarios (XXX-XXXXXX-XXX-XXXX). Depending on the accounting system, these characters should be restricted to numbers.

1. Typically, the first segment is 2 to 3 characters (i.e. 001) for the company's parent and subsidiaries or location and can be numbers or letters depending on what your system allows.
2. The second segment would be 4 to 6 characters (i.e. 1000) and indicates where the account falls on the balance sheet or income statement, i.e. 1000 Cash, 2000 AR, 3000 Equity, 4000 Revenue, 5000 COGS, 6000 Operational Expenses, and 7000 Other Income/Expenses.
3. The third segment is usually 3 to 6 characters in length (i.e. 15678) for your divisions, sales, overhead, manufacturing, etc. Larger accounting systems allow for these longer, more complex account structures, but it can still be accomplished with QuickBooks.

Account numbers in QuickBooks are limited to 7 characters, however, you can still utilize the same concept by pairing down the character size of the-account structure based on your needs. For example, if you are operating a single business with only one location, then you don't need to use the first segment. Think you'll need divisional financial reporting down the road, then you can utilize the third segment by assigning 3 characters to each division of the company.

### Setting Up Your Inventory Part Numbers Structure

Similar to establishing account numbers, inventory product numbers should also be set up utilizing segments although they typically have less segments and fewer characters. You still need to be future oriented; for example, what new products might you manufacture and what materials would this require. Depending on the accounting software program being utilized, the code to identify your inventory can be special characters, numbers and/or letters.

1. Typically, the first segment is 2 to 3 characters in length (i.e. RAW) and is for the different stages of inventory during the manufacturing process, i.e. raw materials, work in process and finished goods. This segment can be both numbers and letters depending on what your system allows.
2. The second segment would be 2 to 3 characters (i.e. AL) and would indicate a common denominator in the majority of your inventory. A good example is the type of materials a fabricator uses or the kind of wood used by woodworking companies.
3. The third segment would be 4 to 6 characters (i.e. 123456) and is generally a series of numbers sequentially applied when new items are added to inventory.

QuickBooks limitation for inventory product numbers is 31 characters, but you can add more segment for the inventory product numbers based on need, i.e. would be sheet metal, bolts, nails, paints, etc.

## Utilizing Classes with QuickBooks

In order to obtain better divisional/segment reporting, the classes feature within QuickBooks can be utilized. Generally, this feature is not automatically available, but must be turned on by the Administrator.

The best way to use the classes feature is by determining what your company's recurring business segments are. For example, if your company's sales are based on geographical areas, then setting up classes by regions would help you quickly identify where your sales are the highest or lowest. If you have the company has different lines of business say for High, Medium and Low Grades, then creating classes for these would allow you to clearly see the profit margins for each line of business.

We Care Community Foundation				
Profit & Loss by Class				
January 1 through December 15, 2017				
Accrual Basis	100 Research	211 Student Ed (200 ED)	Total 200 ED	221 Teacher Ed
Ordinary Income/Expense				
Income				
4 - Contributed support				
4010 - Indiv/business contribution	0.00	0.00	0.00	0.00
4110 - Donated pro services - GAAP	0.00	0.00	0.00	5,000.00
4120 - Donated other serv - non GAAP	0.00	0.00	0.00	0.00
4130 - Donated use of facilities	0.00	0.00	0.00	1,000.00
4140 - Gifts in kind - goods	0.00	0.00	0.00	15,000.00
4210 - Corporate/business grants	0.00	0.00	0.00	25,000.00
4230 - Foundation/trust grants	0.00	0.00	0.00	0.00
4520 - Federal grants	0.00	0.00	0.00	0.00
4540 - Local government grants	0.00	0.00	0.00	150,000.00
Total 4 - Contributed support	0.00	0.00	0.00	196,000.00

## Customizing Monthly Reporting

The more information you enter into your accounting system, the more viable information you will get out. Being consistent in the manner in which information is entered will yield better results down the road with reporting and comparative financial statements. Customizing one's reports can be very helpful when using financial information to make future business decisions. Below are a few ways in which you can tailor a report to best suit your needs.

### Adding Columns:

The screenshot shows the 'Modify Report: Profit & Loss Detail' dialog box with the 'Columns' tab selected. The 'REPORT DATE RANGE' section shows 'Dates' set to 'This Fiscal Year-to-date' and 'From' set to '01/01/2019' and 'To' set to '10/03/2019'. The 'REPORT BASIS' section has 'Accrual' selected. The 'COLUMNS' section has a search box and a list of columns with checkmarks: '(left margin)', 'Trans #', 'Type', and 'Entered/Last Modified'. The 'Sort by' dropdown is set to 'Default', and 'Sort in' has 'Ascending order' selected. There are 'Advanced...', 'Revert', 'OK', 'Cancel', and 'Help' buttons.

### Adding Filters:

The screenshot shows the 'Modify Report: Profit & Loss Detail' dialog box with the 'Filters' tab selected. The 'CHOOSE FILTER' section has a search box and a list of filters: 'Account', 'Account Number', 'Additional member', 'Aging', and 'Amount'. The 'Account' filter is selected, and the 'Account' dropdown is set to 'All income/expense accounts'. The 'include split detail?' section has 'No' selected. The 'ACCOUNT FILTER' section has a text box and a 'Tell me more...' button. The 'CURRENT FILTER CHOICES' section has a table with two columns: 'FILTER' and 'SET TO'. The table contains two rows: 'Account' with 'All income/expense ac...' and 'Date' with 'This Fiscal Year-to-date'. There is a 'Remove Selected Filter' button and 'Revert', 'OK', 'Cancel', and 'Help' buttons.

## Making it Comparative:

**Modify Report: Profit & Loss**

**Display** | Filters | Header/Footer | Fonts & Numbers

**REPORT DATE RANGE**

Dates: **This Month-to-date** From the first day of the current month through today  
From: 10/01/2019 To: 10/03/2019

**REPORT BASIS**

Accrual  Cash This setting determines how this report calculates income and expenses.

**COLUMNS**

Display columns by: Total only across the top. Sort by: Default

Sort in:  Ascending order  Descending order

**Add subcolumns for**

<input type="checkbox"/> Previous Period	<input type="checkbox"/> Previous Year	<input type="checkbox"/> Year-To-Date	<input type="checkbox"/> % of Row	<input type="checkbox"/> % of Column
<input type="checkbox"/> \$ Change	<input type="checkbox"/> \$ Change	<input type="checkbox"/> % of YTD	<input type="checkbox"/> % of Income	<input type="checkbox"/> % of Expense
<input type="checkbox"/> % Change	<input type="checkbox"/> % Change			

Advanced... Revert

OK Cancel Help

Once you have customized the information needed to make sound business decisions, be sure to use the memorization reporting function, as this will allow you to produce reports consistently from month to month. Consistency is crucial to obtaining a good base line of data in order to determine any variances.

## Monthly Reporting

A few reports from QuickBooks that can be valuable to manufactures are as follows:

### Financial Statement Reporting:

#### 1. Budget to Actual

QBI Pro Pte Ltd				
Profit & Loss Budget vs. Actual				
January 2009				
	Jan 09	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Sales	92,800.21	100,000.00	-7,199.79	92.8%
Sales Discount	-134.54			
<b>Total Income</b>	<b>92,665.67</b>	<b>100,000.00</b>	<b>-7,334.33</b>	<b>92.7%</b>
<b>Cost of Goods Sold</b>				
Cost of Goods Sold	29,254.62	50,000.00	-21,745.38	58.5%
Sub-Contracting	0.00	10,000.00	-10,000.00	0.0%
<b>Total COGS</b>	<b>29,254.62</b>	<b>60,000.00</b>	<b>-31,745.38</b>	<b>47.1%</b>
<b>Gross Profit</b>	<b>63,411.05</b>	<b>40,000.00</b>	<b>23,411.05</b>	<b>161%</b>
<b>Expense</b>				
Bad Debts	25,000.00	1,000.00	24,000.00	2,500.0%
Bank Service Charges	42.75	500.00	-457.25	8.5%
Books and Publications	0.00	100.00	-100.00	0.0%
Cash Discounts	0.00	100.00	-100.00	0.0%
Depreciation Expense	0.00	1,000.00	-1,000.00	0.0%
Dues and Subscriptions	0.00	100.00	-100.00	0.0%
Equipment Rental	0.00	200.00	-200.00	0.0%
Exchange Gain/Loss	58.01	200.00	-141.99	29%
Exchange Gain/Loss - Unrealised	-8,826.40			
Expensed Equipment	0.00	200.00	-200.00	0.0%
Gifts and Donations	0.00	100.00	-100.00	0.0%
Insurance				
Sickness and accident Insurance	0.00	500.00	-500.00	0.0%
<b>Total Insurance</b>	<b>0.00</b>	<b>500.00</b>	<b>-500.00</b>	<b>0.0%</b>
<b>Interest Expense</b>				

#### 2. Income Statement by Classes (Divisions)

Rock Castle Construction					
Profit & Loss by Class					
January 1 through December 15, 2017					
	New Construction	Remodel	Overhead	Unclassified	TOTAL
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
40100 - Construction Income	182,742.64	264,794.70	0.00	30,000.00	477,537.34
40500 - Reimbursement Income	589.00	1,530.80	0.00	0.00	2,119.80
<b>Total Income</b>	<b>183,331.64</b>	<b>266,325.50</b>	<b>0.00</b>	<b>30,000.00</b>	<b>479,657.14</b>
<b>Cost of Goods Sold</b>					
50100 - Cost of Goods Sold	8,188.62	6,577.57	0.00	50,000.00	64,766.19
<b>54000 - Job Expenses</b>					
54200 - Equipment Rental	1,550.00	300.00	0.00	0.00	1,850.00
54300 - Job Materials	53,497.75	45,438.15	0.00	0.00	98,935.90
54400 - Permits and Licenses	175.00	525.00	0.00	0.00	700.00
54500 - Subcontractors	41,402.95	21,815.00	0.00	0.00	63,217.95
54520 - Freight & Delivery	132.10	665.00	0.00	0.00	797.10
54599 - Less Discounts Taken	-51.11	-150.70	0.00	-7,000.00	-7,201.81
<b>Total 54000 - Job Expenses</b>	<b>96,706.69</b>	<b>68,592.45</b>	<b>0.00</b>	<b>-7,000.00</b>	<b>158,299.14</b>
<b>Total COGS</b>	<b>104,895.31</b>	<b>75,170.02</b>	<b>0.00</b>	<b>43,000.00</b>	<b>223,065.33</b>
<b>Gross Profit</b>	<b>78,436.33</b>	<b>191,155.48</b>	<b>0.00</b>	<b>-13,000.00</b>	<b>256,591.81</b>
<b>Expense</b>					
	0.00	0.00	156,407.09	30,000.00	186,407.09
<b>Net Ordinary Income</b>	<b>78,436.33</b>	<b>191,155.48</b>	<b>-156,407.09</b>	<b>-43,000.00</b>	<b>70,184.72</b>
<b>Other Income/Expense</b>					
	140.85	5.95	229.16	-3,000.00	3,375.96
<b>Net Income</b>	<b>78,577.18</b>	<b>191,161.43</b>	<b>-156,177.93</b>	<b>-40,000.00</b>	<b>73,560.68</b>

### 3. Comparative Balance Sheet

2:49 PM	<b>Stadium Construction &amp; Hardware Pty Ltd</b>		
15-12-09	<b>Balance Sheet Prev Year Comparison</b>		
Accrual Basis	As of June 30, 2010		
	◊	◊	◊
	<u>Jun 30, 10</u>	<u>Jun 30, 09</u>	<u>◊</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
<b>Chequing/Savings</b>			
cash at bank			
ABC Bank (Cash at Bank)	▶ 259,290.58	◀ 259,290.58	
<b>Total cash at bank</b>	259,290.58	259,290.58	
<b>High Interest Saver</b>	301,521.40	301,521.40	
<b>Petty Cash Account</b>	<u>157.00</u>	<u>157.00</u>	
<b>Total Chequing/Savings</b>	560,968.98	560,968.98	
<b>Accounts Receivable</b>			
<b>Accounts Receivable</b>	<u>110,256.75</u>	<u>110,197.25</u>	
<b>Total Accounts Receivable</b>	110,256.75	110,197.25	
<b>Other Current Assets</b>			
<b>Inventory Asset</b>	35,266.55	35,939.27	
<b>Undeposited Funds</b>	<u>3,750.00</u>	<u>0.00</u>	
<b>Total Other Current Assets</b>	<u>39,016.55</u>	<u>35,939.27</u>	
<b>Total Current Assets</b>	710,242.28	707,105.50	

### 4. Comparative Income Statement

<b>Monty's Premier Repair Shop</b>				
<b>Profit &amp; Loss</b>				
January through July 2018				
	◊	◊	◊	◊
	<u>Jan - Jul 18</u>	<u>Jan - Jul 17</u>	<u>€ Change</u>	<u>% Change</u>
<b>Sales</b>	▶ 221,886.00	◀ 60,786.00	161,100.00	265.0%
<b>Services Income</b>	<u>23,206.35</u>	<u>23,097.40</u>	<u>108.95</u>	<u>0.5%</u>
<b>Total Income</b>	245,092.35	83,883.40	161,208.95	192.2%
<b>Cost of Goods Sold</b>				
<b>Parts and Materials</b>	<u>45,711.60</u>	<u>42,667.32</u>	<u>3,044.28</u>	<u>7.1%</u>
<b>Total COGS</b>	<u>45,711.60</u>	<u>42,667.32</u>	<u>3,044.28</u>	<u>7.1%</u>
<b>Gross Profit</b>	199,380.75	41,216.08	158,164.67	383.8%
<b>Expense</b>				
<b>Bank Service Charges</b>	45.50	45.50	0.00	0.0%
<b>Charitable Donations</b>	875.00	875.00	0.00	0.0%
<b>Dues and Subscriptions</b>	1,520.88	680.88	840.00	123.4%
<b>Insurance Expense</b>				
General Liability Insurance	<u>1,925.00</u>	<u>1,925.00</u>	<u>0.00</u>	<u>0.0%</u>
<b>Total Insurance Expense</b>	1,925.00	1,925.00	0.00	0.0%
<b>Printing and Reproduction</b>	387.24	387.24	0.00	0.0%
<b>Professional Fees</b>	1,050.00	1,050.00	0.00	0.0%
<b>Rent and Rates</b>	11,900.00	11,900.00	0.00	0.0%
<b>Repairs and Maintenance</b>	2,800.00	2,800.00	0.00	0.0%
<b>Telephone</b>	1,890.00	1,890.00	0.00	0.0%
<b>Utilities</b>	<u>2,085.09</u>	<u>2,085.09</u>	<u>0.00</u>	<u>0.0%</u>
<b>Total Expense</b>	<u>24,478.71</u>	<u>23,638.71</u>	<u>840.00</u>	<u>3.6%</u>
<b>Net Ordinary Income</b>	<u>174,902.04</u>	<u>17,577.37</u>	<u>157,324.67</u>	<u>895.0%</u>

## Manufacturing Inventory Reports

### 1. *Inventory Valuation Summary*

- Allows you to know what your inventory is worth at any given point in time. Can you see your quantity on hand, what the cost and sales price is? Helping you understand the inventory asset value on your books, and how much you sell the inventory for. Customizing reports to add more information can provide that over the top information you need to get the job done right!

### 2. *Inventory Stock Status by Items*

- See exactly how much of a particular item you have in stock and what has been ordered. Customize and memorize this report, to add columns to get the information that you need.

### 3. *Assembly Shortage by Item*

- Provides a snapshot of the inventory you are lacking for key assemblies and informs you of when those items will be delivered. Customize and memorize this report, to add columns to get the information that you need.