

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

- 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.

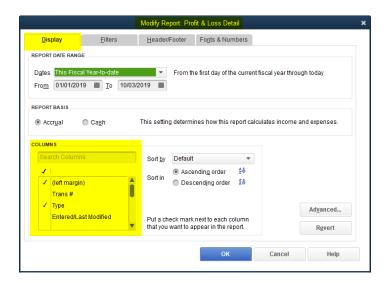
The best way to use the classes feature is by determining what your company's reoccurring business segments are. For example, if your company's sales are based on geographical areas, then setting up classes by regions would help you quickly identify where your sales are the highest or lowest. If you 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.

		1	Ne Care	Community Fo	oundation				
			Prof	fit & Loss by (Class				
Accrual Basis		53		1 through Decemb					
				211 Student Ed					
	۰	100 Research		(200 ED)	•	Total 200 ED		221 Teacher Ed	- 4
Ordinary Income/Expense				11000000000					
Income									
4 · Contributed support									
4010 · Indiv/business contribution			0.00 4		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

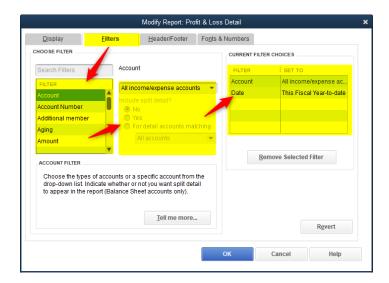
Customizing Monthly Reporting

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.

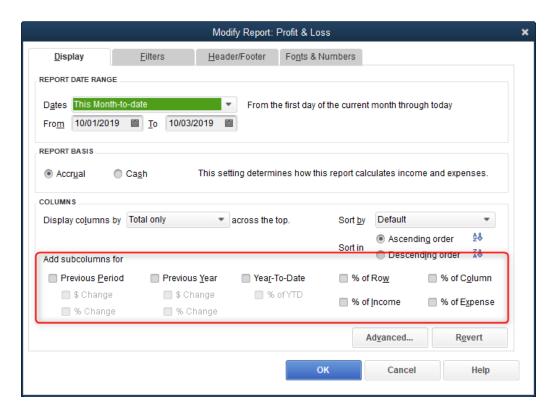
Adding Columns:



Adding Filters:



Making it Comparative:



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

-134 54 12,665 67 101 29,254 62 51 0.00 11 29,254 62 61	0,000 00 -7,1 0,000 00 -7,3 0,000 00 -21,2 0,000 00 -10,0 0,000 00 -31,2	dget o h of Budget 199.78 62.89 334.33 52.79 746.36 96.59 300.00 0.99 445.30 47.13
nuary 2009 109	0,000 00 -7,1 0,000 00 -7,3 0,000 00 -21,2 0,000 00 -10,0 0,000 00 -31,2	199.79 \$2.81 334.83 \$2.71 745.36 \$6.51 300.00 0.01
12,800 21 ◀ 101 -134 54 12,866 67 101 18,254 62 51 18,254 62 61	0,000 00 -7,1 0,000 00 -7,3 0,000 00 -21,7 0,000 00 -10,0 0,000 00 -21,7	199.79 \$2.81 334.83 \$2.71 745.36 \$6.51 300.00 0.01
-134 54 12,665 67 101 29,254 62 51 0.00 11 29,254 62 61	0,000 60 -7,3 0,000 60 -21,7 0,000 60 -10,0 0,000 60 -31,7	334.33 92.79 745.36 96.59 300.00 0.09
-134 54 12,665 67 101 29,254 62 51 0.00 11 29,254 62 61	0,000 60 -7,3 0,000 60 -21,7 0,000 60 -10,0 0,000 60 -31,7	334.33 92.79 745.36 96.59 300.00 0.09
-134 54 12,665 67 101 29,254 62 51 0.00 11 29,254 62 61	0,000 60 -7,3 0,000 60 -21,7 0,000 60 -10,0 0,000 60 -31,7	334.33 92.79 745.36 96.59 300.00 0.09
12,865.67 101 18,254.62 51 0.00 11 18,254.62 01	0,000.00 -21,7 0,000.00 -10,0 0,000.00 -31,7	745.36 56.5Y
29,254.62 SI 0.00 11 29,254.62 GI	0,000.00 -21,7 0,000.00 -10,0 0,000.00 -31,7	745.36 56.5Y
0.00 <u>11</u> 20,254.62 <u>6</u>	0,000.00 -10,0 0,000.00 -31,7	00000 0.01
0.00 <u>11</u> 20,254.62 <u>6</u>	0,000.00 -10,0 0,000.00 -31,7	00000 0.01
20,254.62 61	0,000.00 -51,2	
	10 10 10 10 10	745.36 47.15
16 411 DS 41	0.000.00	
-trans-	21/1	611.05 1619
25,900.00	1,000.00 24,9	2,590.09
42.75	500.00 -4	457.25 8.89
0.00	100.00 -1	100.00 0.09
0.00	100.00 -1	100.00 0.09
0.00	1,000.00 -1,0	0.000
0.00	100.00 -1	100.00 0.09
0.00	200.00 -2	200.00 0.09
58.01	200.00 -1	141.99 299
3,928.40		
0.00	200.00	200.00 0.09
0.00	100.00 -1	100.00 0.09
	-500.00	0.0%
500.0	200.00	500.00 0.01

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
▼ Ordinary Income/Expense		-	-		
▼ Income					
▶ 40100 · Construction Income	182,742.64	264,794.70	0.00	30,000.00	477,537.3
> 40500 - Reimbursement Income	589.00	1,530.80	0.00	0.00	2,119.8
Total Income	183,331.64	266,325.50	0.00	30,000.00	479,657.1
♥ Cost of Goods Sold					
50100 · Cost of Goods Sold	8,188.62	6,577.57	0.00	50,000.00	64,766.1
₹ 54000 - Job Expenses					
54200 · Equipment Rental	1,550.00	300.00	0.00	0.00	1,850.
54300 · Job Materials	53,497.75	45,438.15	0.00	0.00	98,935.5
54400 · Permits and Licenses	175.00	525.00	0.00	0.00	700.
54500 · Subcontractors	41,402.95	21,815.00	0.00	0.00	63,217.
54520 · Freight & Delivery	132.10	665.00	0.00	0.00	797.
54599 · Less Discounts Taken	-51.11	-150.70	0.00	-7,000.00	-7,201.
Total 54000 - Job Expenses	96,706.69	68,592.45	0.00	-7,000.00	158,299.
Total COGS	104,895.31	75,170.02	0.00	43,000.00	223,065.3
Gross Profit	78,436.33	191,155.48	0.00	-13,000.00	256,591.8
▶ Expense	0.00	0.00	156,407.09	30,000.00	186,407.0
Net Ordinary Income	78,436.33	191,155.48	-156,407.09	-43,000.00	70,184.7
Other Income/Expense	140.85	5.95	229.16	3,000.00	3,375.9
Net Income	78,577.18	191,161.43	-156,177.93	-40,000.00	73,560.6

3. Comparative Balance Sheet

2:49 PM	Stadium Construction & Hardware Pty Ltd								
15-12-09	Balance Sheet Prev Year Comparison								
Accrual Basis	As of	As of June 30, 2010							
		♦ Jun 30, 10	♦ Jun 30, 09 ♦						
ASSET	s								
Curi	rent Assets								
c	hequing/Savings								
	cash at bank								
	ABC Bank (Cash at Bank)	▶ 259,290.58	4 259,290.58						
	Total cash at bank	259,290.58	259,290.58						
	High Interest Saver	301,521.40	301,521.40						
	Petty Cash Account	157.00	157.00						
Т	otal Chequing/Savings	560,968.98	560,968.98						
А	ccounts Receivable								
	Accounts Receivable	110,256.75	110,197.25						
Т	otal Accounts Receivable	110,256.75	110,197.25						
o	ther Current Assets								
	Inventory Asset	35,266.55	35,939.27						
	Undeposited Funds	3,750.00	0.00						
T	otal Other Current Assets	39,016.55	35,939.27						

710,242.28

707,105.50

4. Comparative Income Statement

Total Current Assets

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



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.

