In Chapter 3 of *Accounting Fundamentals with QuickBooks Online Essentials Edition*, you will learn how to set **defaults**. Defaults are information or commands that the software or operating system automatically uses. QuickBooks Online Essentials refers to the setting of defaults as setting preferences.

**OBJECTIVES:**

2. Set preferences for customer charges.
3. Set up customers.
4. Set up products and services list.
5. Set up vendors.
6. Display the October 1, 20XX balance sheet and copy to Excel.
7. Complete activities for Chapter 3, Setting Accounting Preferences.

**GETTING STARTED**

Follow these steps to start QuickBooks Online Essentials Edition. You must complete Chapters 1 and 2, pages 3 – 54 before starting Chapter 3, Setting Accounting Defaults. *The exercises at the end of each Chapter must be completed, too.*

1. Start your Internet browser and login to QuickBooks Online Essentials Edition in the usual way.

**Comment:**
QuickBooks Online Essentials regularly updates their software. For this reason, you may see some differences between screen illustrations in the book and your screen display. Once you sign in to QuickBooks Online Essentials, you will be using the latest software version. *Remember, websites are time and date sensitive and inevitably there will be some minor adjustments to the software.*
2. Your “home page” screen displays. (Hint: Your business name will differ from the one shown below.

CUSTOMER OVERVIEW

Before you can enter sales transactions, you need to set up information about customers. **Accounts receivable** are what customers owe a business. Credit transactions from customers are called **accounts receivable transactions**. In this section, you will learn how to set up customer preferences and add credit customers for your business. Follow these steps to set up customer preferences for your business.

From the “Home” screen, move your mouse over Customers on the QuickBooks Online Essentials Edition menu bar. When the drop-down menu appears, click on Customer Center.

The “Customer Center” screen appears. In the next few steps you will be completing the tasks to set up customers.
Set Preferences for Customer Charges

1. Click on the Charges link, the “Mini Interview-Web Page Dialog” screen appears.

2. The “Charges Setup” dialog box asks about standard products and services. Read the information on this screen.

3. If necessary, click on the radio button next to “Yes,” then click on Next >. This selection will carry over to how QB Online creates invoices. So make sure “Yes” is selected.

4. The “Tracking quantity and rate” dialog box appears.

5. Make sure the radio button next to “Yes” is selected, then click on Finish.

6. You are returned to the “Customer Center” screen.
Set up Customers:

To enter a customer record, complete the following steps.

1. From the “Customer Center” screen click on the link New Customer. After a few moments a blank “Customer Information” screen appears.

2. Complete the customer information for “Two Sisters B&B,” a bed and breakfast business that provides their guests with wireless Internet services using the following screen as a guide. Use your tab key to move between data fields. The information that will record for Two Sisters B & B is shown on the next page.
3. Now click on Payment & Billing tab, and complete as follows:

![Customer Information form]

4. Check that you have entered the information correctly. Then click on to save the customer information for Two Sisters B&B.

5. From the “Customer Center” screen click on the link New Customer. After a few moments another blank “Customer Information” screen appears. Complete the customer information for “Cyberconnect Cafe,” an Internet cafe business using the screen shown on the next page as a guide. Use your tab key to move between data fields. Check that you have entered the information correctly, then click on to save the customer information for Cyberconnect Cafe.
6. From the “Customer Center” screen click on the link New Customer. After a few moments another blank “Customer Information” screen appears. Complete the customer information for “NFP Access” a facility that provides Internet services for nonprofit organizations using the following screen as a guide. Use your tab key to move between data fields. Check that you have entered the information correctly, then click on [Save] to save the customer information for NFP Access. The customer information is shown on the next page.
7. On the left side of the “Customer Center” screen, view the list of three customers.

8. Compare your customer list against the list of information about your three customer accounts shown here.

<table>
<thead>
<tr>
<th>Name</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyberconnect Cafe</td>
<td>280.00</td>
</tr>
<tr>
<td>NFP Access</td>
<td>295.00</td>
</tr>
<tr>
<td>Two Sisters B&amp;B</td>
<td>300.00</td>
</tr>
</tbody>
</table>

Comment
10/01/20XX
Current Year, i.e., 2011
Observe that the balance for each customer is shown. When you prepare the balance sheet later in the chapter, you will see that the accounts receivable account has a balance of $875. If necessary, you can edit the customer accounts by double clicking on the account.

SET UP PRODUCTS & SERVICES

To set up your products and services proceed with the following steps.

1. From the “Customers” tab scroll to “More” and from the drop-down menu select Products & Services List.

2. After a few moments the “Products or Services List” screen appears. Compare your screen with the one shown below.

3. Click on New and complete the product or service information for “Maintenance service” using the following screen as a guide.

Text and screen variations may occur since web-based software products backup and upgrade automatically.
Use your tab key to move between the “Name,” “Description on sales forms,” “Price/Rate,” and “Income account” fields. Check that you have entered the information correctly for maintenance service and then click to save the information on “Maintenance service.”

4. Another blank “Product or Service Information” screen will appear. For each of the items listed below, complete a product or service information screen. Check to verify the information is correct and then click . Each time a product or service is saved, a blank “Product or Service Information” screen will appear so that you can enter the next item.

<table>
<thead>
<tr>
<th>Name and Description</th>
<th>Price/Rate per Hour</th>
<th>Income Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>New service</td>
<td>$100</td>
<td>Services</td>
</tr>
<tr>
<td>Repair service</td>
<td>$50</td>
<td>Services</td>
</tr>
<tr>
<td>Emergency service</td>
<td>$200</td>
<td>Services</td>
</tr>
</tbody>
</table>

5. After completing and saving the “Product or Service Information” “Emergency service,” another blank “Product or Information” screen will appear. Move your mouse over “Customers” on the QuickBooks Online Essentials Edition menu bar, and then “More” to click on “Products & Services List.”

6. Compare your “Products & Service Price List” to the one shown on the next page. Correct any differences by double clicking on the item needing correction to link to that item’s Product or Service Information screen.
7. Click on 🏡 to return to the “Home” screen.

**VENDOR OVERVIEW**

Service businesses purchase the supplies they use from suppliers known as **vendors**. Vendors are the businesses that offer your business credit to buy service and/or assets, or credit for expenses incurred. When your business makes purchases on account from these vendors, the transactions are known as **accounts payable transactions**. **Accounts Payable** is the amount of money the business owes to suppliers or vendors.

From your 🏡 screen, move your mouse over “Vendors” on the QuickBooks Online Essentials Edition menu bar, when the drop-down menu appears click on “Vendor List.”

**Set up Vendors**

Follow these steps to add vendors used by your business to purchase supplies.

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Text and screen variations may occur since web-based software products backup and upgrade automatically.
1. From the “Vendor List” screen, click on New. After a few moments, a blank “Vendor Information” screen appears.

2. Complete the vendor information for “Big Bytes Supplies,” a supplier that sells your business computer supplies using the following screen as a guide. Remember, to select the company name (Big Bytes Supplies) in the “Display Name As” field. Check that you have entered the information correctly, then click on Save to save the vendor information for Big Bytes Supplies.

3. Complete the vendor information for “Sales Products Supply,” a supplier that sells your business office supplies using the next screen as a guide. Use your tab key to move between data fields. Check that you have entered the information correctly, then click on Save to save the vendor information for Sales Products Supply.

5. After a few moments, the “Vendor List” appears. Compare your “Vendor List” screen to the following screen. Correct any differences by clicking on the vendor line needing correction to highlight it and then click [Edit] at the bottom of the screen.

Observe that the balance for each vendor is shown on this screen. When you prepare the balance sheet later in the chapter, you will see that the accounts payable account has a balance of $620.

**DISPLAYING THE BALANCE SHEET**

To display your balance sheet as of October 1, 20XX (your current year), follow the following steps.

1. Click on “Reports” on the QuickBooks Online Essentials Edition menu bar, when the drop-down menu appears click on Balance Sheet.

2. When the “Balance Sheet” screen appears, use the drop-down menus to customize. Make the following selections: Transaction Date: Custom; “From” and “To” dates to 10/01/20XX. 

Text and screen variations may occur since web-based software products backup and upgrade automatically.
3. Click on Run Report. Your October 1, 20XX (your current year) balance sheet appears. Compare it to the one shown here.

![Balance Sheet](image)

**Comment:** Your Balance Sheet will display your name and year, i.e., 2011 or 2012
Note:
The Net income $255.00 which appears on the balance sheet is due to previous sales activity and resulted in the accounts receivable and accounts payable opening balances.

4. Verify that Accounts Receivable shows a balance of $875 and that Accounts Payable shows a balance of $620.

5. Sign out or continue.
CHECK YOUR PROGRESS

Flashcard Review

Prepare flashcards for the following tasks:

1. Set up customers.
2. Set up products and services.
3. Set up vendors.

Resourceful QuickBooks

To learn more about the QuickBooks and the answers to some frequently asked questions about managing customers and vendors in QuickBooks Online Essentials Edition, follow these steps:

1. Click “Customers” on the QuickBooks Online Essentials Edition menu bar. When the drop-down menu appears, click on “Customer Center.” From the “Customer Overview” screen click on the link [How Do I?]. Read two How Do I... questions and in your own words, explain what you read.

2. From your “Home” screen, click “Vendors” on the QuickBooks Online Essentials Edition menu bar. When the drop-down menu appears, click on Vendor List. From the “Vendor List” screen click on the link [How Do I?]. Read two How Do I... questions and in your own words, explain what you read.
Multiple-Choice. Write the letter that best answers each question.

_____1. To enter customer records, you select:
   
a. Click on “New” on the “Customers List” screen.
b. Link to Set up customers on the “Customer Overview” screen.
c. Link to New customer on the “Customer Overview” screen.
d. All of the above.
e. None of the above.

_____2. QuickBooks Online Essentials Edition preference information is saved via your Internet browser, when you click on:
   
a. Finish.
b. Help.
c. Setup.
d. Submit.
e. None of the above.

_____3. The Products & Services List contains all of the following except:
   
a. Maintenance service.
b. Repair service.
c. Emergency service.
d. All of the above are included.
e. None of the above.

_____4. All of the following are customers except:
   
a. NFP Access.
b. Big Bytes Supplies.
c. Cyberconnect Cafe.
d. Two Sisters B & B.
e. All of the above.
5. All of the following are vendors except:
   a. Big Bytes Supplies.
   b. Sales Products Supply.
   c. Cyberconnect Cafe.
   d. All of the above.
   e. None of the above.

6. Service businesses purchase supplies from suppliers known as:
   a. Customers.
   b. Vendors.
   c. Salespeople.
   d. Clients.
   e. None of the above.

7. The amount of money a business owes to its vendors is called:
   a. Accounts payable.
   b. Accounts receivable.
   c. Inventory accounts.
   d. Service accounts.
   e. None of the above.

8. An “Accounts Payable” is classified as a/an:
   a. Expense account.
   b. Liability account.
   c. Equity account.
   d. Cost of goods sold account.
   e. None of the above.
9. The amount of money credit customers owe to a business is called:
   a. Accounts payable.
   b. Accounts receivable.
   c. Inventory account.
   d. Service account.
   e. None of the above.

10. The October 1, 20XX balance sheet shows an accounts receivable balance of:
   a. $200.00.
   b. $875.00
   c. $975.00.
   d. $2,000.00
   e. None of the above.
True/False. Write T for True and F for false in the space provided.

___11. Before you can enter credit sales transactions, you need to set up information about customers.

___12. Accounts receivable is what vendors owe to the business.

___13. Each time you click on the “Print” button, you are also saving.


___15. The opening balance for Cyberconnect Cafe is $280.00.

___16. When a service business makes purchases on account from vendors, the transactions are called accounts payable transactions.

___17. The types of service that service businesses sell to their customers are referred to as products and services.

___18. The opening balance for Two Sisters B & B is $300.00

___19. The opening balance for Big Bytes Supplies is $520.00.

___20. The opening balance for the Sales Products Supply is $400.00.
Exercise 3-1: Follow these steps to print the customer list.

1. If necessary, sign in to your QuickBooks Online Essentials Edition account.

2. From the “Home” screen, move your mouse over “Reports” tab on the QuickBooks Online Essentials Edition menu bar. When the drop-down menu appears, pick “Report List” and then “Customers.” Select the “Customer Balance Detail.”

3. Click on [Print...] to print the “Customer Balance Detail” report. All Dates.

**Exercise 3-2:** Follow these steps to print the “Product/Service Price List.”

1. From the “Reports” tab when the drop-down menu appears, pick “Report List” and then “Customers” or “Sales.”

2. Link to Product/Service List.

   1. Click on Print... to print the Product/Service List report.
   2. Continue with Exercise 3-3.
Exercise 3-3: Follow these steps to print the vendor list.

1. From the “Reports” tab when the drop-down menu appears, pick “Report List” and then “Vendors.”

2. Select “Vendor Balance Detail.” All Dates.

3. Click on Print... to print the Vendor Balance Detail report.

Exercise 3-4: Follow these steps to print the balance sheet as of October 1, 20XX.

1. From the “Home” screen, move your mouse over “Reports” on the QuickBooks Online Essentials Edition menu bar, when the drop-down menu appears click on “Balance Sheet.”

2. When the “Report” screen appears, customize and enter 10/01/20XX (Your current year) in the “From” field, and 10/01/20XX (Your current year) in the “To” field. Then click Run Report.

3. Make the selections to print your report.

4. Continue with Exercise 3-5.
Exercise 3-5: Follow these steps to print the balance sheet as of October 1, 20XX as an Excel spreadsheet.

1. Back up your balance sheet using Excel. *(Hint: See the steps on pages 44, Copying Report Data to Excel.) Use Your Name and Exercise 3-5 as the file name.*

2. Print your spreadsheet balance sheet using Excel.