



## Entering Balances in a New QB File

When you create a new QuickBooks file, Intuit assumes that you are starting a brand new business. The reality is that most people have been running a business for a while before they decide to use QuickBooks. I am supposed to say that you should call a ProAdvisor to help you with this step, but again, the reality is that we usually don't get called until there is a giant mess. To top it off, Intuit's procedures are goofy. This procedure will show you the three trickiest steps when you begin a QuickBooks file after the business has been running for a while.

### In this Quickie you will learn

1. The additional steps after you enter the Trial Balance
2. How to enter the bank balance when there are outstanding checks and deposits
3. How to enter Account Receivables
4. How to enter Accounts Payable
5. How to correctly use the Opening Balance Equity account

### Notes before we begin

You need to determine your beginning date. This will be the day before the first day of the year, which would be December 31 for calendar year folks (which is most of you).

### Setup

1. Create your chart of accounts
2. Create the account "Opening Balance Equity" (if it's not already there)
3. Create an "Other Charge" type of item pointing to "Opening Balance Equity"
4. Reports to have on hand
  - 4.1. The Trial Balance or a Balance Sheet as of Dec 31<sup>st</sup> handy
  - 4.2. The list of the unpaid invoices as of Dec 31<sup>st</sup>. This must match the Accounts Receivable number on the Balance Sheet/Trial Balance
  - 4.3. The list of all of the unpaid bills as of Dec 31<sup>st</sup>. This must match the Accounts Payable number on the balance sheet.
  - 4.4. The bank statement as of Dec 31<sup>st</sup> or the closest to that date.
  - 4.5. The bank reconciliation report or the list of uncleared checks and deposits that matches the bank statement
5. Some good music. You need to be methodical.



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### The Procedure

1. Create a journal entry to enter the account information from the Trial Balance/Balance Sheet. This is the one and only time you are allowed to post to the Retained Earnings account.
  - 1.1. Enter the Accounts Receivable and Accounts Payable amounts pointing to the Opening Balance Equity account. \*\*\*This is a critical step

ACCOUNT	DEBIT	CREDIT	MEMO
Journal Entry			Create beginning balances
Checking Account	1,000.00		Create beginning balances
Opening Balance Equity	485.00		Placeholder for Accounts Receivable
Bulk Wine	200,000.00		Create beginning balances
Case Goods	175,000.00		Create beginning balances
Winery F/A.Barrels	750.00		Create beginning balances
Prepaid Expense	350.00		Create beginning balances
Opening Balance Equity		222.00	Placeholder for Accounts Payable
Bank Loan		3,500.00	Create beginning balances
Retained Earnings		373,863.00	Create beginning balances

2. Create a "check" for all uncleared checks
  - 2.1. Use the Opening Balance Equity account. Do not enter the original account.
  - 2.2. OK to use the original date and check number
  - 2.3. Enter all checks, EFTS, and bill payments using this "check" form

BANK ACCOUNT	Checking Account	ENDING BALANCE	1,000.00
PAY TO THE ORDER OF <input type="text" value="Betty Vendor"/>		NO.	1234
ADDRESS <input type="text" value="Betty Vendor"/>		DATE	12/04/2018
MEMO <input type="text"/>		\$	300.00
Three hundred and 00/100* ..... DOLLARS			
Expenses	\$300.00	Items	\$0.00
ACCOUNT	AMOUNT	MEMO	
Opening Balance Equity	300.00		



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3. Enter a deposit dated 12/31 with the total amount of the uncleared checks.

The screenshot shows the QuickBooks interface for entering a deposit. At the top, there are fields for "Deposit To" (set to "Checking Account"), "Date" (set to "12/31/2018"), and "Memo" (set to "Deposit"). Below these fields is a instruction: "Click Payments to select customer payments that you have received. List any other amounts to deposit below." A table is displayed with the following columns: RECEIVED FROM, FROM ACCOUNT, MEMO, CHK NO., PMT METH., and AMOUNT. The table contains one row with the following data: RECEIVED FROM is blank, FROM ACCOUNT is "Opening Balance Equity", MEMO is "Total of all the uncleared checks", CHK NO. is blank, PMT METH. is blank, and AMOUNT is "550.00".

RECEIVED FROM	FROM ACCOUNT	MEMO	CHK NO.	PMT METH.	AMOUNT
	Opening Balance Equity	Total of all the uncleared checks			550.00

4. Create a "deposit" for all uncleared deposits
  - 4.1. Use the Opening Balance Equity account. If there were multiple checks on that deposit, do not enter those details.
  - 4.2. OK to use the original date
5. Enter a check dated 12/31 with the total amount of the uncleared deposits.
6. Reconcile the checking account at 12/31
  - 6.1. Enter the balance per the bank statement
  - 6.2. Check off the balance that came from the Journal Entry
  - 6.3. Check off the deposit from step 3
  - 6.4. Check off the check from step 5
  - 6.5. The ending balance should be zero, and the uncleared checks and deposits should show up in the window as usual.
  - 6.6. Finish the reconciliation and print the Bank Reconciliation report.
  - 6.7. Compare the Reconciliation report with your original. They should match.
7. Create an invoice for all unpaid invoices
  - 7.1. You could enter one grand total for each customer, but I find entering each invoice easier in the long run because you will be able to create detail statements
  - 7.2. DO NOT use the "Opening Balance" field in the customer window
  - 7.3. On each invoice, use the Opening Balance item (that's it, do not complicate this step)
8. Create a bill for all unpaid bills
  - 8.1. You could enter one grand total for each vendor, but I find entering each bill easier in the long run because you will be able to review the balance you owe easier
  - 8.2. DO NOT use the "Opening Balance" field in the vendor window
  - 8.3. On each bill use the Opening Balance account (that's it, do not complicate this step)
9. Review the balance in the Opening Balance Equity account. I should now be zero. Congratulations!!

### Final Notes

1. Also, make sure you understand the difference between the bank balance in QuickBooks versus the bank balance at the bank. These are two different amounts.
2. If you are having trouble with the bank reconciliation, you can always Undo the previous reconciliation.