

# *The QuickBooks Farm Accounting Cookbook™, Volume IV:*



## **Fixed & Depreciable Assets: Machinery, Breeding Livestock, Buildings, and Land**

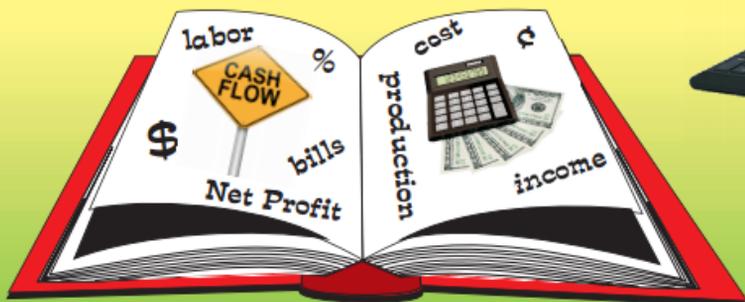
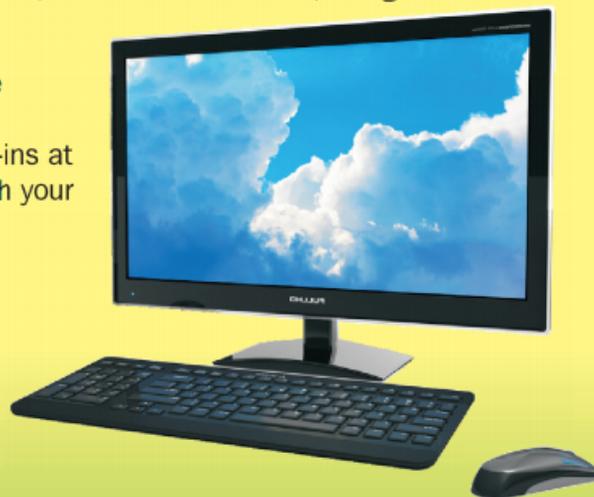


Keep your asset list entirely in QuickBooks with Inventory Part Items.

Items give you quick access to all transactions for any fixed asset, let you to manage groups of breeding livestock with a single Item, and make it easy to update asset values for market value balance sheets.

There's no need to calculate or keep track of depreciation in QuickBooks...but if you want to, this book shows how, using a free depreciation spreadsheet.

Easy income tax reports give you a list of all fixed asset purchases, sales, and trade-ins at year's end, synchronized with your tax preparer's asset list.



**Mark Wilsdorf**

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# Introduction



**About  
this chapter**

This chapter provides a basic introduction to this book and The QuickBooks Farm Accounting Cookbook™ series.

## About this Book

*"This is not the kind of book you read cover to cover...  
it is the kind you read in bits and pieces,  
just to find out what you want to know."*

★ **Keeping fixed asset records with QuickBooks is simpler than this book's page count may imply**, because the book's examples cover many more transaction types than you are likely to face.

### The main goal for this book...

...is to provide "everything you need to know" about keeping fixed asset records for a farm or ranch business in QuickBooks Pro, Premier, Accountant, or Enterprise, using cash accounting. Some important parts of that goal are to show how to:

- ❖ **Use Inventory Part Items** to represent individual fixed assets.
- ❖ Enter fixed asset **purchases, sales, trade-ins, and more**, without ever having to use journal entries.

- ❖ **Track quantity information for groups of like-kind fixed assets**, such as a group of cows, sows, or other breeding livestock, so that as you sell off parts of the group at different times (cull cows, for instance) you will always have a count of the number of items (animals) remaining in the group.
- ❖ Have the **information you need for tax preparation** contained entirely within QuickBooks.
- ❖ Get **easy-to-produce reports for income tax preparation** which clearly communicate the details of fixed asset purchases, sales, and trade-ins to your tax preparer.
- ❖ **Adjust market values** of your fixed assets, for the purpose of preparing market value balance sheet reports.
- ❖ **Enter non-purchased fixed assets** (received by bartering, or as gifts, etc.) in QuickBooks, and assign market values to them for balance sheet purposes.
- ❖ Print a fixed asset list to include as a **supporting document for balance sheet reports**.
- ❖ **Look up the details for any fixed asset** quickly and easily—find out the asset's purchase price, sale date, what trade-ins were used to acquire it, etc.
- ❖ **Understand depreciation expense** as it relates to cash basis farm accounting. (You will find out why most cash basis recordkeepers *do not* need to enter depreciation expense in QuickBooks.)
- ❖ *Optional.* **Calculate depreciation** with a free spreadsheet template and enter depreciation expense in QuickBooks.

## It assumes cash basis accounting, not accrual

This book is focused exclusively on cash basis accounting, because that is the most widely used accounting method on farms and ranches in the U.S. Throughout the book you will find notes and comments about accrual accounting as well, but they are provided mostly to explain accounting concepts or differences between the cash and accrual approaches.

## It assumes you are using a desktop edition of QuickBooks

The screenshots, examples, and procedures in this book are based on desktop editions of QuickBooks Pro, Premier, Accountant, and Enterprise. Everything shown in the book should be possible to do in any of those editions, except for a few instances which are clearly noted.

## What about QuickBooks for Mac?

The Macintosh editions of QuickBooks essentially contain a subset of the Windows editions' features. If you use QuickBooks for Mac you should be able to use many of the procedures in this book but probably not all of them. Accommodating all of the differences between the Windows and Mac editions in the same book both complicated and confusing. For that reason, you won't find any details about QuickBooks for Mac here.

## What about QuickBooks Online?

QuickBooks Online is Intuit's cloud based accounting software (accessible over an Internet connection, not installed on your local/desktop computer). Its menus, commands, and inventory features are significantly different from those of the desktop editions.

Unfortunately, limitations in QuickBooks Online's inventory system *prevent handling fixed assets in the ways described in this book*. For that reason, you will find *very little* information here which can be applied to fixed asset handling in QuickBooks Online.

★ **You can find a free article** comparing the features and suitability of QuickBooks Online and the QuickBooks desktop editions for farm accounting at [www.QBAGCenter.com](http://www.QBAGCenter.com): look for the article titled "*Which QuickBooks Should You Choose?*".

## Who this book is written "to"

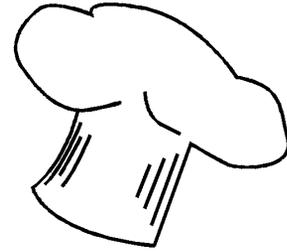
This book is written to "you", with the assumption that you are directly responsible for keeping the accounting records of a farm or ranch business. If that is not the case, then the assumption is that you at least have an interest in farm accounting with QuickBooks, maybe as a professional ac-

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Print editions are in black and white (grayscale).

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# Fixed Assets in QuickBooks: Goals and Options



**About this chapter**

This chapter explores typical goals for fixed asset record-keeping in farm businesses, and the available options for keeping fixed asset records in QuickBooks.

***If you don't care to read this overview of fixed asset record-keeping with QuickBooks and just want to learn about the approach described in this book, skip ahead to the next chapter, [Visual Index to Examples](#).***

Before we talk about fixed assets we probably should define them. Accountants often divide assets into two main categories based on how long you expect to hold them:

*Current assets* are those which are normally used up or held for a period of *one year or less*. Here are a few examples:

- ❖ Your checking account balance
- ❖ Inventories of farm inputs and supplies such as feed, seed, fertilizer, fuel, and lubricants—things your business uses to produce crops, livestock, etc., or in day-to-day operations
- ❖ Growing crops or growing market livestock; which accountants refer to as work-in-process (WIP) inventories
- ❖ Stored grain or produce; which accountants refer to as finished goods (FG) inventories

*Fixed assets* are things the business will likely use up, wear out, or hold for a period of time that is *more than one year*. Common fixed assets are:

- 
- ❖ Vehicles and machinery
  - ❖ Breeding livestock
  - ❖ Buildings
  - ❖ Land

Because a fixed asset normally provides productive value or capacity to the business over several years' time, standard accounting practice calls for gradually writing off an asset's purchase cost as an expense over the span of its expected useful life rather than in a single year. The annual write-off of a portion of an asset's purchase cost is known as [\*depreciation expense\*](#).



***What if an asset's entire purchase cost is written off as expense in a single year?***

Doing so can greatly *overstate* expenses for that year—as if the fixed asset had been entirely used up or worn out during the year—but *understate* expenses (and thus *overstate* income) in later years. How? Because the asset will still be helping to generate income (still providing productive capacity to the business), but none of its purchase cost will be deducted as an expense in later years.

For businesses which prepare book value balance sheets, writing off a fixed asset's purchase cost in a single year also distorts the balance sheet's portrayal of asset value held by the business. If the entire cost of a \$100,000 tractor is written off as an expense in the year of purchase it won't contribute to the asset value shown on the balance sheet, even though the tractor still holds a lot of market value and productive value for the business.

This is exactly what happens with the accelerated depreciation write-offs allowed for filing income taxes, such as Section 179 deductions, and is why income tax-based depreciation should only be used for filing taxes, *not* as depreciation expense in the farm's accounting system.

## What are Your Goals?

Your goals for the kinds of information and benefits you want to get from keeping fixed asset records should be central to choosing a fixed asset recordkeeping method. Here are several possible goals you might have if you use cash accounting and you prepare market value balance sheet re-

ports (both are basic assumptions throughout the entire QuickBooks Farm Accounting Cookbook™ series).

- ❖ **Simple fixed asset recordkeeping**

Most farm recordkeepers want a simple way to track fixed asset purchases, sales, and trade-ins that does not require a lot of accounting expertise nor a lot of extra effort beyond what is required for entering other farm business transactions.

- ❖ **Easy reporting for income tax preparation**

Most people want an easy way to prepare reports to send to their tax preparer, containing the necessary details about the year's fixed asset transactions (purchase and sale dates and amounts, trade-ins, etc.).

- ❖ **Clearly identify which fixed assets have been sold or traded in, on tax reports**

A frequent problem with fixed asset reports is failing to clearly identify which assets have been sold, salvaged/died, or were traded for other assets.

If you enter a transaction in February for a sale of "12 cull cows", at year's end will you know which depreciable asset group(s) they belonged to? If the cows were from two or more different groups—acquired in different purchases and/or raised on the ranch—will the report you provide to your tax preparer show which groups they came from? Will your tax preparer be able to match the fixed assets you've sold during the year with the correct items from the fixed asset list which he or she maintains for your farm business?

Having reports linked to asset numbers in your tax preparer's fixed asset list can prevent errors and confusion at tax time.

- ❖ **Maintain inventory counts for fixed asset groups**

For [group assets](#) like breeding livestock or a fleet of vehicles or machines acquired in the same purchase, you might like to have a running count of the number of assets in the group, automatically adjusted for sales/disposals/deaths of parts of the group.

- ❖ **An easy way to adjust fixed asset market values for balance sheet preparation**

One of the steps in preparing a market value balance sheet is [updating estimated market values](#) of fixed assets and inventories (stored crops, growing crops/produce/market livestock, and so on). Having a simple way to adjust asset values—one which does not require journal entries—makes the job a lot easier.

❖ **Support giving your tax preparer direct access to your fixed asset records in QuickBooks**

You may or may not need to be concerned with this, depending on how your tax preparer gathers tax data from your records:

- Many preparers will accept income tax data in any form, and will "make do" with whatever reports or summaries you provide, so long as they contain the necessary information.
- Some preparers prefer to directly access their clients' QuickBooks company files to gather tax data (reports of income, expenses, fixed asset transactions, etc.), because that lets them automate some of data gathering process.



**How can you share your QuickBooks file with your tax preparer?**

Your company file may be submitted by uploading it to the preparer's secure Web portal, or via a QuickBooks file sharing service like QBox ([www.qboxplus.com](http://www.qboxplus.com)), or by giving the preparer access to it on a QuickBooks hosting service such as Right Networks ([www.RightNetworks.com](http://www.RightNetworks.com)), or even on a flash drive.

The following sections describe how various approaches for handling fixed assets relate to these goals.

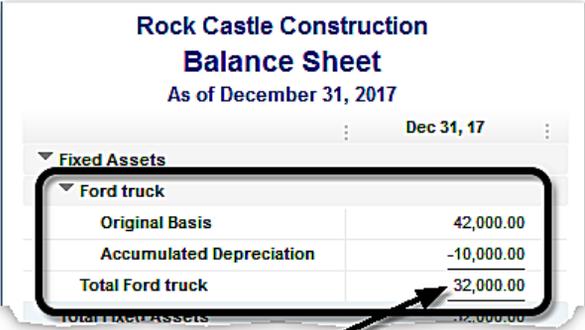
## Fixed Asset Accounts

### Accounts for Individual Fixed Assets

The traditional "accounting textbook" approach for fixed asset record-keeping is to set up one Fixed Asset type account as the parent or "controlling" account for each asset, plus subaccounts for the asset's original basis (purchase cost) and accumulated depreciation balances. A pickup truck, for example, might be represented by these accounts:

### Ford truck Original Basis Accumulated Depreciation

Original Basis stores the amount paid for the truck (including the book value of any trade-ins). Accumulated Depreciation stores the total amount of depreciation expense which has been recorded for the truck over the time it has been owned, as a negative number. The balance at the parent account level then, is the difference between the two subaccounts' balances, and represents the truck's book value:



Fixed Assets	
Ford truck	
Original Basis	42,000.00
Accumulated Depreciation	-10,000.00
<b>Total Ford truck</b>	<b>32,000.00</b>

The truck's book value.

However our interest is not in asset book values, but in having estimated *market values* for fixed assets (for balance sheet purposes) along with records of asset purchases, sales, and trade-ins (for income tax purposes). To meet those needs, only one Fixed Asset type account is needed for each fixed asset. A single account can represent the assets' estimated market value on balance sheet reports and allow recording purchases, sales, and trade-ins specific to the asset.

Examples of individual fixed asset accounts:

- Ford truck
- Shop building 2011
- Sullins farm 160 acres
- JD 6130M tractor
- Commodity shed
- Wyatt 69 acres
- Case IH 1245 Planter

Grouping Fixed Asset accounts into categories makes it easier to find a specific asset, and causes QuickBooks to automatically provide a subtotal

for each category on reports. Creating categories is easy; just set up accounts for the categories you want, plus subaccounts to represent individual fixed assets:

```

Machinery & Equipment
  Ford truck
  JD 6130M tractor
  Case IH 1245 Planter
  .
  .
  .
Buildings & Improvements
  Shop building 2011
  Commodity shed
  .
  .
  .
Land
  Sullins farm 160 acres
  Wyatt 69 acres
  .
  .
  .

```

## Individual fixed asset accounts vs. recordkeeping goals

Using a separate account for each fixed asset will let you meet most of the [fixed asset recordkeeping goals](#) described earlier.

### Goals met

- ❖ Transaction entries and reporting are fairly simple and easy to do.
- ❖ For tax preparation purposes, you can identify which assets have been sold or traded by including the preparer's asset numbers in account names (as described later for Items in [Basic Things to Know](#)).
- ❖ Asset market values can be adjusted with journal entries or zero-dollar checks.



**Zero-dollar checks** are a popular QuickBooks technique which lets you use the Checks form to enter transactions which otherwise would require making journal entries.

### Maybe met

- ❖ If you give your tax preparer direct access to your QuickBooks company file, he or she will be able to use standard QuickBooks reports to gather information about purchases, sales, and trades. However, if your preparer uses Intuit's Fixed Asset Manager (FAM) software for calculating depreciation, having fixed assets represented as accounts (instead of Items) won't provide information in the format your preparer needs for automating depreciation calculations. (More on this later in the [Fixed Asset Item Type](#) discussion.)

### Not met

- ❖ Using accounts to represent fixed assets does not support having inventory counts for fixed asset groups, such as breeding livestock. When you use an account in a transaction, there is no place to enter quantities in a way that can be totaled on reports or maintained as an inventory count. QuickBooks' quantity handling features are built around using [Items](#), not accounts.

Another consideration is that setting up an individual account for each asset eventually makes the balance sheet long and a bit cluttered due to having a large number of fixed asset accounts. Before printing a balance sheet report you can collapse some of the asset detail if you want; but still, the Chart of Accounts may be longer and more cumbersome to use than you might like.

### The bottom line

Using individual accounts to keep track of fixed assets is reasonably easy and allows producing the reports you need for income tax preparation. However, it falls far short of the flexibility and usefulness of Items—especially [Inventory Part Items](#)—for keeping fixed asset records.

## Accounts for Fixed Asset Categories Only

A alternative to using a separate account for each fixed asset is to have just a few accounts, each representing a broad category of assets:

Machinery & Equipment  
Buildings & Improvements  
Land

This simplifies balance sheet reports but requires keeping fixed asset details outside of QuickBooks, typically in a [spreadsheet](#) or [other software application](#), and using journal entries or zero-dollar checks for maintaining the balances in these category accounts.



**Zero-dollar checks** are a popular QuickBooks technique which lets you use the Checks form to enter transactions which otherwise would require making journal entries.

## Stand-alone Fixed Asset Software or Internet Service

You can keep fixed asset records outside of QuickBooks in a separate software application or Internet-based service. Some of the considerations are:

- ❖ Most of these systems are designed for maintaining fixed assets at **book value and/or for tracking additional asset details** such as information related to property taxes, or asset locations (important for businesses with a lot of fixed assets at multiple locations). The added asset management features may justify the system's **additional cost**, for businesses which need those features.
- ❖ You will have to **spend additional time learning to use the software or service**, because it is not part of QuickBooks and works differently.
- ❖ **If the system integrates with QuickBooks** (exports/imports fixed asset transaction data to/from QuickBooks) **it may automate some of the necessary accounting entries**. If not, you may have to manually re-enter some QuickBooks transaction data in the other software, and vice versa.
- ❖ Many of these systems can **calculate depreciation expense**.

### Stand-alone systems vs. recordkeeping goals

Does keeping track of fixed assets in a software application outside of QuickBooks meet many of the [fixed asset recordkeeping goals](#) described earlier?

### Goals met

- ❖ Most systems allow identifying assets using asset numbers, so you should generally be able to match up reports produced by these systems with your tax preparer's asset numbers.

### Maybe met

- ❖ Transaction entries and reporting typically are fairly simple and easy to do. However, some data may have to be entered both in QuickBooks and in the other system, requiring additional time and effort.
- ❖ The system may or may not allow maintaining asset market values. (Most of these systems will not.)
- ❖ While it may be possible to give your tax preparer access to the fixed asset management system, he or she may not be familiar with its operation and thus may not be interested in using it directly; instead preferring that you provide any fixed asset reports necessary for tax preparation.
- ❖ Some systems may support maintaining an inventory count for fixed asset groups such as breeding livestock or a fleet of vehicles or machines.

### The bottom line

Keeping track of fixed assets in a software application external to QuickBooks is mostly useful if the software or service offers a high degree of integration with QuickBooks so that little manual data entry is needed. However, the additional cost and advanced features of these systems (asset location tracking and the like) make them less suitable than the other fixed asset recordkeeping options for most farm businesses.

## Microsoft Excel or Other Spreadsheet

Using Microsoft Excel—or any spreadsheet—to maintain a list of fixed assets is similar to using a [stand-alone software application](#). Excel, however, has these advantages: (1) QuickBooks can export and import some kinds of data to/from Excel, (2) many QuickBooks users already have Excel, so it

may not require an additional purchase, and (3) if you have Excel you may already be familiar with using it, so the learning curve to use it for fixed asset records may not be too steep.



**For data importing and exporting, QuickBooks only works with a *locally installed* version of Excel;** i.e., with a version installed in Microsoft Windows or the Apple Mac OS. QuickBooks desktop editions *do not* communicate with Web-based editions of Excel or other Web-based spreadsheets such as Google Sheets. However, you may be able use a third-party add-on to import transactions from a Web-based spreadsheet into QuickBooks.



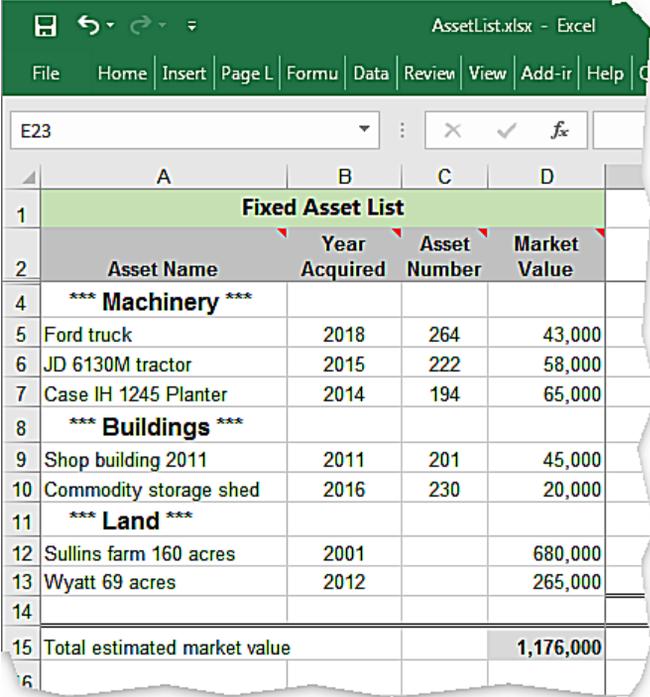
**What about other spreadsheet programs?** You can maintain a fixed asset list in any spreadsheet program, including the popular free spreadsheets in the Open Office ( [www.openoffice.org](http://www.openoffice.org)) and Libre Office ( [www.libreoffice.org](http://www.libreoffice.org)) software suites. However, QuickBooks cannot export reports or data directly to any spreadsheet other than Microsoft Excel.

Some considerations:

- ❖ **You can set up a spreadsheet template for anything** from a simple fixed asset list with market values, to a detailed asset list which calculates depreciation for each asset.
  - ❖ **You may have to spend time learning to use a spreadsheet** if you are not familiar with them.
  - ❖ **QuickBooks does not support exporting "everything" to Excel.** You can export *some* kinds of data—details from a transaction report, for example—and possibly reduce the amount of typing needed to get fixed asset information into Excel. However, you will likely have to enter some information manually in both places (QuickBooks and Excel).
  - ❖ **You can use Excel to calculate depreciation** if that is something you want to do. And there is no need to create your own spreadsheet template for it, because plenty of free templates are available on the Internet. One of them is discussed in [Calculating Depreciation with a Spreadsheet](#), in Chapter 9.
-  **Depreciation expense is not considered when preparing market value balance sheets,** because it has no direct relationship to the market values of assets.

## Chapter 2 - Fixed Assets in QuickBooks: Goals and Options

- ❖ With a **fixed asset list maintained in a spreadsheet program**, you may print a list of fixed assets and/or their market values whenever needed, such as for supplemental documentation to accompany a balance sheet report.
- ❖ **Easy adjustment of market values.** If your main reason for having an asset list is to make it easy to estimate the market value of your fixed assets, a spreadsheet set up like the one below is a good choice. However, you will still have to make one or more accounting entries (a journal entry or other) to update asset account balances in QuickBooks, so asset values from the spreadsheet will be reflected in your balance sheet reports.



Fixed Asset List			
Asset Name	Year Acquired	Asset Number	Market Value
<b>*** Machinery ***</b>			
Ford truck	2018	264	43,000
JD 6130M tractor	2015	222	58,000
Case IH 1245 Planter	2014	194	65,000
<b>*** Buildings ***</b>			
Shop building 2011	2011	201	45,000
Commodity storage shed	2016	230	20,000
<b>*** Land ***</b>			
Sullins farm 160 acres	2001		680,000
Wyatt 69 acres	2012		265,000
Total estimated market value			1,176,000

### Spreadsheet vs. recordkeeping goals

Does using a spreadsheet meet many of the [fixed asset recordkeeping goals](#) described earlier?

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### Not met

- ❖ Because the Fixed Asset Item type does not support quantities in transactions, it does not provide a way to maintain inventory counts for [fixed asset groups](#) such as breeding livestock.

### The bottom line...

If your tax preparer uses FAM and you allow him or her direct access your QuickBooks company file, using the Fixed Asset Items may be a necessity.

If you have the Fixed Asset Manager (FAM) software which comes with the Accountant and Enterprise editions, using Fixed Asset Items is optional but may be a reasonable choice, depending on how you prefer to use QuickBooks.

If you *do not* have FAM and want to maintain fixed asset market values (for preparing market value balance sheets in QuickBooks), then either [individual fixed asset accounts](#) or [Inventory Part Items](#) offer significant advantages for working with fixed assets.

## Inventory Part Item Type

Inventory Part Items are designed for working with retail inventories—keeping track of quantities, purchase costs, and sales income for things you buy to resell. But they can also be used for representing fixed assets, if maintaining asset book values is not an accounting goal, and they offer a number of advantages over the [Fixed Asset Item type](#).

One advantage is the ability to have subitems. You can set up an Inventory Part Item for each fixed asset but also have a few higher-level parent Items for grouping assets into categories like Machinery, Breeding Livestock, and Land:

The "master parent Item" of all fixed asset Items.

Parent Items identify asset categories.

NAME	DESCRIPTION	TYPE
↳ Fx	Fixed assets	Inventory Part
↳ M	Machinery & vehicles	Inventory Part
↳ ___ Trailerman 27' flatbed	Trailerman 27' goo...	Inventory Part
↳ 132 NH H7330 MoCo	NH H7330 MoCo	Inventory Part
↳ 123 Parker seed tender ...	Parker seed tender...	Inventory Part
↳ 119 Dodge D3500 PU	2002 Dodge D350...	Inventory Part
↳ 113 Stegall Cattle alley	Stegall cattle alley	Inventory Part
↳ 97 GP Grain Drill	Great Plains 20' no...	Inventory Part
↳ 92 Inline Bale Tir	Inline Bale Tir	Inventory Part
↳ 88 Titan LvstK Tir, 2004 1/2	Titan livestock tir 2...	Inventory Part
↳ 85 1/2 Anderson Wrapper	Anderson hay wrap...	Inventory Part
↳ 80 JD 2940 tractor	JD 2940 tractor	Inventory Part
↳ ** Parker grav wagn, dbl ...	Parker gravty wagn...	Inventory Part
↳ K	Breeding Livestoc'K	Inventory Part
↳ ___ Red Angus Bull	Red angus bull, fro...	Inventory Part
↳ 137 3 Red X cows	Three Red Angus/...	Inventory Part
↳ 127 Appanoose Red Cows	Appanoose Red C...	Inventory Part
↳ L	Land	Inventory Part
↳ Home farm 323 A	Home farm, 320 ac...	Inventory Part
↳ Heitmann 168 A		Inventory Part

Inventory Part Items post to various accounts depending on the kind of transaction in which they are used. This gives them the flexibility to update the balance sheet (fixed asset accounts) when an asset is bought, but also to record income when an asset is sold.

Here is an example of how to set up an Inventory Part Item for a fixed asset:

**TYPE**  
 Inventory Part Use for goods you purchase, track as inventory, and resell.

**Item Name/Number**  
 Dodge 2500

**Subitem of**  
 Fxm

**Manufacturer's Part Number**

**UNIT OF MEASURE**  
 Enable...

**PURCHASE INFORMATION**  
 Description on Purchase Transactions  
 Dodge 2500 pickup.

**SALES INFORMATION**  
 Description on Sales Transactions

**Cost** 0.00 **Sales Price** 0.00

**COGS Account** Net Fixed Asset Sales:... **Net Fixed Asset Sales: Sale Proceeds**

**Preferred Vendor** **Income Account** Net Fixed Asset Sales:...

**INVENTORY INFORMATION**  
**Asset Account**  
 Fixed Assets:Mac

Reorder Point (Min) Max On Hand Total Value As of  
 0.00 0.00 02/06/2019

Fixed Assets:Machinery is where the truck's value will appear on balance sheets

([Item setup](#) will be described in detail in Chapter 4 - Fixed Asset Nuts & Bolts.)

## Inventory Part Items vs. recordkeeping goals

Can using a separate Inventory Part Item for each fixed asset meet the [fixed asset recordkeeping goals](#) described earlier?

### Goals met

- ❖ Transaction entries and reporting are simple and easy to do.

- ❖ QuickBooks has [Item-specific reports](#) which can be [filtered](#) to include only fixed asset transactions. Those reports can clearly communicate the details of fixed asset purchases, sales, and trade-ins for income tax preparation.
- ❖ They allow easy matching of fixed asset transactions with your tax preparer's asset list, if you include the preparer's asset numbers in Item names (described in [Basic Things to Know](#) in Chapter 4).
- ❖ Because Inventory Part Items are designed to keep track of quantities, you can maintain inventory counts for [fixed asset groups](#) such as breeding livestock, with minimal effort.
- ❖ [Asset market values](#) are easy to adjust for balance sheet preparation, using QuickBooks' inventory adjustment window.

### Maybe not

- ❖ If you give your tax preparer direct access to your QuickBooks company file, and your preparer uses Intuit's [Fixed Asset Manager \(FAM\) software](#), having fixed assets represented by Inventory Part Items will not allow your preparer to automate depreciation calculations as he or she might prefer. (See the [Fixed Asset Item Type](#) discussion for more information.)

Another consideration is that using Items instead of [accounts](#) for fixed assets keeps your Chart of Accounts and balance sheet reports simple and uncluttered, because individual asset details are housed in the Item List.

### The bottom line

Inventory Part Items offer a number of advantages over the other approaches discussed in this chapter, especially in areas important to farm/ranch recordkeepers such as ease of use, income tax reporting, and having permanent and easily accessible transaction records for each individual fixed asset. They are appropriate if you prepare market value balance sheets with QuickBooks but not for maintaining asset book values.

## Which Approach is Right for You?

The fixed asset recordkeeping approach which is "best" for you of course depends on your accounting goals. Here is an brief, overall comparison of the approaches we have described, in light of the [fixed asset goals](#) presented at the beginning of this chapter. Remember, those goals assume you use cash basis accounting and prepare market value balance sheets with QuickBooks. (The comparison would be very different for accrual accounting and book value balance sheets.)

### Individual fixed asset accounts (one for each fixed asset)

Many people use this approach because it is what they were taught in an accounting class, and it is adequate for the job. But for QuickBooks users, it is less flexible and less convenient than using [Inventory Part Items](#), which have several advantages.

### Stand-alone fixed asset software or Internet-based service

Most of these systems are designed to support accrual accounting with assets maintained at book value and are primarily marketed to businesses with a large number of fixed assets or specialized asset management needs—such as tracking asset locations. Also, their advanced features tend to make them somewhat expensive and generally less appropriate for most farm businesses.

### Spreadsheets

Spreadsheets work fine for maintaining a fixed asset list outside of QuickBooks, especially if you don't mind entering some information twice—once in QuickBooks and once in the spreadsheet—which adds to the record-keeping burden and increases the chances for making errors.

Keeping a fixed asset list in a spreadsheet works fine if you don't have a lot of assets. However, the [Inventory Part approach](#) offers several advantages over using a spreadsheet, even for a small number of assets, and avoids the need to enter the same information in two places.

### Fixed Asset Item type

Fixed Asset Items are designed for use with Intuit's Fixed Asset Manager (FAM) software. Without FAM, some of their potentially useful features are not accessible. They don't support quantities in transactions, so they prevent having inventory counts for [fixed asset groups](#). They don't provide an easy way to update market values of assets. And because Fixed Asset Items cannot have subitems, they don't let you control the structure of fixed asset reports, making those reports less useful than they could be—a problem which at least partly goes away if you have FAM, because it offers additional reporting options.

Most farm businesses should avoid using Fixed Asset Items unless their tax preparer wants them to be used.

### Inventory Part Item type

Inventory Part Items offer simple, familiar transaction entry, good fixed asset reporting for income tax preparation, easy updating of asset market values, and the ability to control how fixed asset reports are structured by grouping fixed asset Items into categories in the Item List. Overall, Inventory Part Items are the best choice for meeting the [fixed asset accounting goals](#) of the majority of cash basis farm businesses.

The remainder of this book focuses on how to set up and use them for fixed asset recordkeeping in QuickBooks.

# Visual Index to Examples



## About this chapter

This chapter provides a quick, visual reference to common kinds of fixed asset transaction entries in QuickBooks.

Keeping fixed asset records with QuickBooks is really pretty simple...

1. **Set up some accounts** to handle fixed asset purchases and sales, and to show asset value on the farm balance sheet.
2. **Set up fixed asset Items, as you need them.** (When you acquire a fixed asset, set up a new Item to represent it.)
3. **Enter fixed asset transactions using those Items**—purchases, sales, trade-ins, etc.
4. **Update asset values** when you want to prepare a market value balance sheet.
5. At year's end, **get reports to take to your tax preparer** showing fixed asset purchases, sales, trade-ins, disposals, etc., made during the year.

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## Fixed Asset Purchase

See: [Entering a Purchase](#)

In QuickBooks, fixed asset purchases are entered on the Checks, Bills, or Credit Card Charges forms. Here is a check for the purchase of a new pickup truck:

The screenshot shows the 'Write Checks - Checking' form in QuickBooks. The bank account is 'Checking' with an ending balance of 60,843.64. The check number is 2803, dated 02/10/2019, for \$48,000.00. The payee is 'Hodges Ford, Chrysler, Jeep'. The address is also 'Hodges Ford, Chrysler, Jeep'. The memo field is empty. Below the check form, there is an expense table with the following data:

ITEM	DESCRIPTION	QTY	COST	AMOUNT	CL
Fx.M.: Dodge 2500	Dodge 2500 pickup.	1	48,000.00	48,000.00	

# Fixed Asset Purchase with Trade-in

See: [Entering a Purchase with a Trade-In](#)

When a fixed asset purchase involves a trade-in, the trade-in's Item is selected on a different line of the same form, but with a *negative* Quantity and a \$0 Amount:

The screenshot shows a software interface for writing checks. At the top, it says "Write Checks - Checking". Below that is a toolbar with various icons like "Find", "New", "Save", "Delete", "Create a Copy", "Memorize", "Print", "Print Later", "Pay Online", "Attach File", "Select PO", "Enter Time", and "Clear".

The main area shows a check form with the following details:

- BANK ACCOUNT: Checking
- ENDING BALANCE: 52,843.64
- NO.: 2803
- DATE: 02/10/2019
- PAY TO THE ORDER OF: Hodges Ford, Chrysler, Jeep
- Amount: \$ 20,000.00
- Text: Twenty thousand and 00/100\*\*\*\*\* DOLLARS
- ADDRESS: Hodges Ford, Chrysler, Jeep
- MEMO: (empty)

Below the check form is an "Expenses" section with a table:

ITEM	DESCRIPTION	QTY	COST	AMOUNT	CUSTOMER
Fx:M: Dodge 2500	Dodge 2500 pickup		20,000.00	20,000.00	
Fx:M:168 Ford F250	TRADED Ford F250 pickup truck, 2015	-1	0.00	0.00	

Three callout boxes provide additional information:

- A box pointing to the \$20,000.00 amount: "Check is for the actual cash amount paid."
- A box pointing to the quantity -1: "Trade-in's quantity is entered as -1 to reduce its inventory count."
- A box pointing to the amount 0.00: "Trade-in's value is entered as \$0."

## Entering a Fixed Asset Sale

See: [Entering a Sale](#)

A fixed asset sale is entered like any other sale involving an Item, on either the Sales Receipts form or the Invoices form.

**Enter Sales Receipts**

Main Formatting Send/Ship Reports Payments

Find New Save Delete Memorize Create a Copy Mark As Pending Print Email Email Later Print Later Attach File

CUSTOMER\_JOB: Bob Hayman TEMPLATE: Custom Sa...

### Sales Receipt

DATE: 02/11/2019 SOLD TO: [Empty]

SALE NO.: 119

CASH CHECK CREDIT DEBIT e-CHECK MORE

ITEM	DESCRIPTION	QTY	RATE	AMOUNT
Fx:M:58 JD 4020	SOLD JD 4020 tractor	1	9,000.00	9,000.00
TOTAL				9,000.00

CUSTOMER MESSAGE: [Empty]

MEMO: [Empty]

Save & Close Save & New Clear

Enter the actual sale amount.

# Inventory Item QuickReport

See: [Item QuickReports](#)

You can use a QuickReport to see the status of any fixed asset, including all of its transactions. This example below shows purchase, value adjustment, and sale transactions for a tractor.

The screenshot shows a software window titled "Inventory Item QuickReport" for "John Doe Farms". The window includes a menu bar with options like "Customize Report", "Comment on Report", "Share Template", "Memorize", "Print", "E-mail", "Excel", and "Hide". Below the menu bar, there are date selection fields and a "Show Filters" button. The main content area displays a table of transactions for the item "58 JD 4020".

Inventory	Fixed Assets	Date	Num	Name	Memo	Qty	Amount
Fx	Machinery					0	
M	Tractor						
		03/11/2013	2804	Green Power Eqpt...	JD 4020 tractor	1	6,500.00
		08/08/2016	2		58 JD 4020 Inventory Adjust...	0	2,000.00
		02/11/2019	119	Bob Hayman	SOLD JD 4020 tractor	-1	-9,000.00

Callouts in the image provide additional context:

- "Fixed Assets" points to the "Fixed Assets" column header.
- "Machinery" points to the "Machinery" category in the "Inventory" column.
- "Tractor" points to the "Tractor" category in the "Inventory" column.
- "Check number." points to the "Num" field (2804) in the first transaction row.
- "Asset value was increased by \$2,000." points to the "Amount" field (2,000.00) in the second transaction row.
- "Bought for \$6,500." points to the "Amount" field (6,500.00) in the first transaction row.
- "Sold for \$9,000." points to the "Amount" field (-9,000.00) in the third transaction row.

## Fixed Asset Market Values Reports

See: [Fixed Asset Market Value Reports](#)

This report lists all fixed assets and their estimated market values—which are values assigned to them for the purpose of preparing a market value balance sheet.

**John Doe Farms**  
**Fixed Assets, Market Value Basis**  
 As of April 24, 2019

Inventory	On Hand	Avg Cost	Asset Value
<b>Fixed Assets</b>			
<b>Machinery</b>			
M			
___ Great Plains 2010 d...	1	52,000.00	52,000.00
___ Dodge 2500	1	20,000.00	20,000.00
194 Krone hay tedder	1	2,800.00	2,800.00
184 JD 7210	1	50,000.00	50,000.00
121 JD 9650 STS combine	1	85,000.00	85,000.00
64 LN8000 tandem	1	28,000.00	28,000.00
<b>Total M</b>	<b>6</b>		<b>237,800.00</b>
<b>Breeding livestock</b>			
K			
** Raised Cows	20	1,000.00	20,000.00

# Fixed Asset Purchases & Trade-Ins Report

See: [Fixed Asset Purchases & Trade-Ins Report](#)

This is a report you may print for income tax preparation. It lists fixed assets purchased and/or traded in during the tax year.

Report Basis:  Accrual  Cash [Show Filters](#)

**John Doe Farms**  
**Fixed Asset Purchases & Trade-Ins**  
January through December 2019

Type	Date	Num	Memo	Source Name	Qty	Cost Price	Balance
<b>Inventory</b>							
<b>Fx</b>							
<b>M</b>							
<b>___ Great Plains 2010 drill</b>							
Check	02/21/2019	282	Great Plains 2010 no-till d...	Martin & James Implement...	1	52,000.00	52,000.00
<b>Total ___ Great Plains 2010 drill</b>					1		52,000.00
<b>___ Dodge 2500</b>							
Check	02/10/2019	2803	Dodge 2500 pickup.	Hodges Ford, Chrysler, Je...	1	20,000.00	20,000.00
<b>Total ___ Dodge 2500</b>					1		20,000.00
<b>184 JD 7210</b>							
Check	02/05/2019	2801a	Tractor, BOT 2019.12.06 ...	Green Power Eqpt. Co.			50,000.00
<b>Total 184 JD 7210</b>							50,000.00
<b>168 Ford F250</b>							
Check	02/10/2019	2803	TRADED Ford F250 picku...	Hodges Ford, Chrysler, Je...	-1	0.00	0.00
<b>Total 168 Ford F250</b>					-1		0.00
<b>64 LN8000 tandem</b>							
Check	02/05/2019	2801a	Ford LN8000 tandem truck.	Uptown Dodge Chrysler J...	1	28,000.00	28,000.00
<b>Total 64 LN8000 tandem</b>					1		28,000.00
<b>Total M</b>					3		150,000.00
<b>K</b>							
<b>221 CharX Cows 2019</b>							
Check	12/15/2019	261	Charolais cross cows bo...	Big Bend Livestock Auction	28	1,400.00	39,200.00
Check	12/22/2019	271	Charolais cross cows bo...	Joe Schmidt	24	1,525.00	75,800.00
<b>Total 221 CharX Cows 2019</b>					52		75,800.00

Check numbers.

Positive amounts indicate purchases.

Zero amounts indicate trade-ins.

Quantities and average prices paid for additions to a fixed asset group.

28 1,400.00  
24 1,525.00

## Fixed Asset Sales & Disposals Report

See: [Fixed Asset Sales & Disposals Report](#)

This is a report you may print for income tax preparation. It lists fixed assets sold or disposed of during the tax year.

Report Basis:  Accrual  Cash [Show Filters](#)

**John Doe Farms**  
**Fixed Asset Sales & Disposals**  
January through December 2019

Cash Basis

Type	Date	Num	Memo	Name	Qty	Sales Price	Paid Amount
<b>Inventory</b>							
<b>Fx</b>							
<b>M</b>							
<b>194 Krone hay tedder</b>							
Sales Receipt	11/28/2019	13	SOLD Krone 4-basket hay tedder	Martin, Jerry	1	2,500.00	2,500.00
Total 194 Krone hay tedder					1		2,500.00
<b>58 JD 4020</b>							
Sales Receipt	02/11/2019	119	SOLD JD 4020 tractor	Bob Hayman	1	9,000.00	9,000.00
Total 58 JD 4020					1		9,000.00
Total M					2		11,500.00
<b>K</b>							
<b>211 Cows 2017</b>							
Sales Receipt	07/08/2019	47	Insurance payment, cows killed by lightning	Merkel Ins....	3	1,200.00	3,600.00
Sales Receipt	08/15/2019	53	Cow death...anaplasmosis?	House	1	0.00	0.00
Total 211 Cows 2017							3,600.00
Total K							3,600.00

**Positive amounts indicate sales.**

**An insurance settlement for death or destruction of an asset appears like a sale.**

**Zero amounts indicate an asset death or disposal with no payment received.**

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the posting automatically when you enter the sale.) The account you select will depend on how you have set up [accounts for fixed asset sales](#). Here, an [Other Income account](#) is used.

- 4 **Income Account.** Select the account where you want sale proceeds be posted if/when you sell the asset. (QuickBooks will do the posting automatically when you enter the sale.) The account you select will depend on how you have set up [accounts for fixed asset sales](#). Here, an [Other Income account](#) is used.
- 5 **Asset Account.** Select the account where you want the asset's value to be included on balance sheet reports and in the Chart of Accounts. Normally this should be a Fixed Asset type account such as the [Fixed Assets:Machinery](#) account selected here.
- 6 **On Hand / Total Value.** Generally you *should not* enter amounts in these fields unless you understand the implications of doing so.



**Most people should use inventory adjustments or other types of transactions** to establish on-hand quantities and value for existing assets (ones you already own). See [Getting Existing Fixed Assets into QuickBooks](#) for details.

## Automating Item Creation

***Significant* convenience and time savings are available from creating fixed asset Items as batches of "blank" unused Items, rather than setting them up one at a time!**

Setting up new fixed asset Items one at a time as you need them is time consuming and, for most of us, usually involves looking at a similar Item which already exists to remind us which accounts should be selected for the new Item. If you need to create several new Items, you also end up selecting those same accounts over and over again as you create each Item.

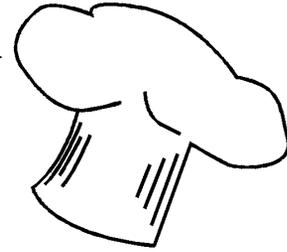
But you can eliminate most of this duplicated effort and make the job faster and easier if you use a spreadsheet to create a batch of "blank" unused Items—ten or more at a time—and import them into QuickBooks.

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# Fixed Asset Purchases and Trade-Ins



## About this chapter

This chapter shows how to enter fixed asset purchases, including purchases where financing or a trade-in is involved.

## Entering a Purchase

### **Problem**

**We bought a new pickup truck today for \$48,000, with no trade-in, and wrote a check for the purchase. How should I enter it in QuickBooks?**

### **Solution**

Because you wrote a check, enter the purchase on the Checks form.

### **Discussion**

The Checks form is for recording purchases made with funds drawn from a bank account. In addition to traditional bank accounts, QuickBooks' Bank account type can also represent nontraditional bank accounts such as PayPal or a prepaid MasterCard/VISA account—any financial account which normally carries a positive (asset) balance.

If you use PayPal to purchase something for example, the purchase should be entered on the Checks form, with your PayPal account selected in the Bank Account field (assuming you already have PayPal set up as a Bank type account in the Chart of Accounts.)

## How to Enter a Fixed Asset Purchase Paid by Check

- ▲ **When using Inventory Part Items to represent fixed assets you *cannot* enter fixed asset transactions as journal entries**, because QuickBooks does not allow Items to be used in the Journal Entries window.

1. Open the Checks form ([Banking > Write Checks](#)).
2. Fill in the form as shown below.

This is pretty much a "plain vanilla" check entry: you simply need to [set up an Item](#) for the new asset and use it on the Check.

**Write Checks - Checking**

Main Reports

Find New Save Delete Memorize Create a Copy Print Print Later Pay Online Attach File Select PO Enter Time Clear Splits

BANK ACCOUNT: **Checking** ENDING BALANCE: **60,843.64**

NO. 2803  
DATE 02/10/2019  
\$ 48,000.00

PAY TO THE ORDER OF: **Hodges Ford, Chrysler, Jeep**

Forty-eight thousand and 00/100\*\*\*\*\*DOLLARS

ADDRESS: **Hodges Ford, Chrysler, Jeep**

MEMO:

Expenses \$0.00 Items \$48,000.00

ITEM	DESCRIPTION	QTY	COST	AMOUNT	CL
Fx:M: Dodge 2500	Dodge 2500 pickup.		48,000.00	48,000.00	

**This Item was created to represent the new pickup truck.**

**If you don't enter a quantity, QuickBooks assumes the quantity is 1.**

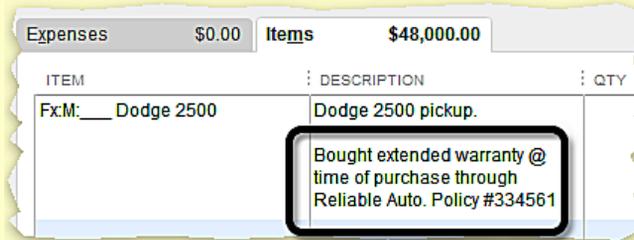
3. Click the **Save & Close** button to save the check and close the form, or **Save & New** to save the check but keep the form open for entering another check.



### Where to keep detailed notes for fixed assets

You can keep notes about a fixed asset—things like a serial number, machine hours at the time of purchase, model number, location for property taxation, etc.—in a couple different places.

The best place is typically in the Description field of the asset's purchase transaction. For example:

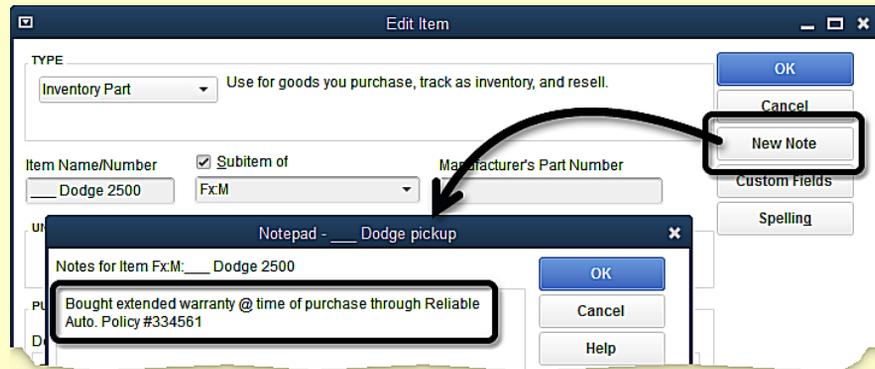


Expenses	\$0.00	Items	\$48,000.00
ITEM		DESCRIPTION	QTY
Fx:M:___ Dodge 2500		Dodge 2500 pickup. Bought extended warranty @ time of purchase through Reliable Auto. Policy #334561	

To see notes you've entered this way, open a [QuickReport](#) for the asset's Item, find the purchase transaction in the report, then drill down on that line of the report to see any notes the transaction may contain.

 **To drill down in a report** double-click on the line you are interested in, to open the source transaction for that line in a separate window.

If you have QuickBooks Premier or higher, an alternative is to attach notes directly to the Item by clicking the *New Note* button while editing the Item:



Oddly though, notes added this way cannot be viewed when you open the Item again later for editing. The only place you can see them is on the Notes tab in the Inventory Center ([Vendors > Inventory Activities > Inventory Center](#))—which likewise, is a feature only of QuickBooks Premier and higher.

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## Entering a Purchase with a Trade-In

**Problem** We bought a new pickup truck today, trading in an old pickup and writing the dealer a check for \$20,000. How should I enter the purchase in QuickBooks?

**Solution** You wrote a check, so enter the purchase on the Checks form. Record the trade-in on the same form, at a price of \$0 and for a quantity of -1 (*negative 1*).

**Discussion** Two benefits of recording an asset purchase and trade-in together on the same Check entry, are that (1) all related details of the transaction are entered in one place, and (2) it creates a two-way linkage between the new asset's Item and the trade-in's Item. This second benefit means that in an [Item QuickReport](#) or other Item report you will then be able to:

- ❖ Drill down on an asset purchase transaction to find out what other asset, if any, was traded in for it.
- ❖ Drill down on a traded-in asset's last transaction to find out what new asset was acquired with the trade-in.

### How to Enter a Purchase with a Trade-In

1. Open the Checks form ([Banking > Write Checks](#)).
2. On the Items tab, **select the Item for the purchased asset and enter the cash amount you paid for it.** You will need to [set up a new Item](#) if you don't yet have one for the purchased asset. To have correct records for income tax purposes, be sure to enter *the actual cash amount paid*—not the asset's list price, nor its price before discounts, etc.

ITEM	DESCRIPTION	QTY	COST	AMOUNT	CL
FxM: Dodge 2500	Dodge 2500 pickup	-1	20,000.00	20,000.00	

3. Select the trade-in's Item on the next line, then enter a *negative* quantity (very important!) and a price of \$0.

Expenses		Items		QTY	COST	AMOUNT	CUSTO
FxM: Dodge 2500	Dodge 2500 pickup				20,000.00	20,000.00	
FxM:168 Ford F250	TRADED Ford F250 pickup truck, 2015	-1			0.00	0.00	

Inserting "TRADED" here will make this line's purpose clear on reports.

Enter the trade-in's quantity as a \*negative\* number, and its price as \$0.

- ▲ The trade-in Quantity must be a negative number to reduce the inventory associated with its Item to 0, indicating that you no longer own the asset. The quantity should always be -1 for individual assets but may be a larger negative number when multiple members of a [fixed asset group](#) were traded in.

Here is the completed Check entry:

Write Checks - Checking

Main Reports

Find New Save Delete Create a Copy Memorize Print Print Later Pay Online Attach File Select PO Enter Time Cle Spl

BANK ACCOUNT: Checking ENDING BALANCE: 52,843.64

NO: 2803 DATE: 02/10/2019

PAY TO THE ORDER OF: Hodges Ford, Chrysler, Jeep \$ 20,000.00

Twenty thousand and 00/100\* \*\*\*\*\* DOLLARS

ADDRESS: Hodges Ford, Chrysler, Jeep

MEMO:

Expenses \$0.00 Items \$20,000.00

ITEM	DESCRIPTION	QTY	COST	AMOUNT	CUSTOMER
Fx:M:___ Dodge 2500	Dodge 2500 pickup		20,000.00	20,000.00	
Fx:M:168 Ford F250	TRADED Ford F250 pickup truck, 2015	-1	0.00	0.00	

4. Click the **Save & Close** button to save the check and close the form, or **Save & New** to save the check and keep the form open for entering another check.

### What does this transaction accomplish?

When an asset purchase and trade-in are entered together as shown above, it affects income tax reports and the farm balance sheet in these ways:

- ❖ The asset purchase line of the Check records the cash amount paid—what some people call the amount paid "to boot". This information will appear in [Fixed Asset Purchases & Trade-ins](#) reports, making it available for income tax preparation.

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2:33 PM  
02/11/19

**John Doe Farms**  
**Inventory Valuation Detail**  
All Transactions

Type	Date	Name	Qty	Cost	On Hand	Asset Value
<b>Inventory</b>						
Fx (All fixed assets)						
M (Machinery & vehicles)						
<b>Old</b> → 168 Ford F250 (Ford F250 pickup truck, 2015)						
Check	12/21/2014	Hodges Ford, Chrysler...	1	40,000.00	1	40,000.00
Check	02/10/2019	Hodges Ford, Chrysler...	-1	0.00	0	0.00
Total 168 Ford F250 (Ford F250 pickup truck, 2015)					0	0.00
<b>New</b> → ___ Dodge 2500 (Dodge 2500 pickup.)						
Check	02/10/2019	Hodges Ford, Chrysler...	1	20,000.00	1	20,000.00
Total ___ Dodge pickup (Dodge 2500 pickup.)					1	20,000.00
Total M (Machinery & vehicles)					1	20,000.00
Total Fx (All fixed assets)					1	20,000.00
Total Inventory					1	20,000.00
<b>TOTAL</b>					<b>1</b>	<b>20,000.00</b>

Old pickup was purchased in 2014 for \$40,000, and was traded for the new pickup in 2019.

## Entering a Purchase with Multiple Payments

### Problem

One of our bulls went lame during breeding season, so we went on a quick road trip to find a replacement. We picked out a bull we liked from a breeder we had not done business with before, at a price of \$4,000, and I gave the lady a check for \$400 as a down payment. How should I enter the \$400 check, and also the \$3,600 check I will write this afternoon when she delivers the bull?

### Solution

Enter a Bill for the bull purchase, and enter each of the checks as a payment on the Bill.

### Discussion

When more than one payment is involved in making a purchase (we are *not* talking about loan payments here—that's a different subject), you cannot simply enter each payment as if it were a purchase of the same asset, because that would cause the asset's inventory count to be overstated.

When using Inventory Part Items, two kinds of transaction information are especially important: (1) the *quantity* being purchased or sold, and (2) the *total dollar amount* of the purchase or sale. In this case, the purchase quantity is 1 because only one bull is being purchased. You cannot enter a

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2. Fill in the form as shown below.

The screenshot shows the 'Enter Sales Receipts' window. The menu bar includes 'Main', 'Formatting', 'Send/Ship', 'Reports', and 'Payments'. The toolbar contains icons for 'Find', 'New', 'Save', 'Delete', 'Memorize', 'Mark As Pending', 'Print', 'Email', 'Print Later', 'Email Later', and 'Attach File'. The form fields show 'CUSTOMER:JOB' as 'Bob Hayman' and 'TEMPLATE' as 'Custom Sa...'. The main heading is 'Sales Receipt'. Below it are payment method buttons: 'CASH', 'CHECK', 'CREDIT DEBIT', 'e-CHECK', and 'MORE'. The 'DATE' is '02/11/2019' and 'SALE NO.' is '119'. A table lists items with columns for 'ITEM', 'DESCRIPTION', 'QTY', 'RATE', and 'AMOUNT'. One item is listed: 'Fxm:58 JD 4020' with description 'SOLD JD 4020 tractor', 'QTY' '1', 'RATE' '9,000.00', and 'AMOUNT' '9,000.00'. A yellow callout bubble points to the item name with the text '1 The tractor is asset number 58.' Another yellow callout bubble points to the AMOUNT column with the text 'Enter the actual sale amount.' The 'TOTAL' is '9,000.00'. At the bottom are buttons for 'Save & Close', 'Save & New', and 'Clear'.

- 1 **Item.** In the [Fixed Asset Purchases and Trade-Ins chapter](#) Item names began with underscores (\_\_\_). Here, the Item's name begins with a number, 58. Why the difference?

When the tractor's Item was created, underscores were used to mark it as not yet having an asset number. Later, when income taxes were prepared, the farm's tax preparer assigned 58 as its [asset number](#). So, the Item's name was then edited and the underscores were replaced with 58.

- 3. **Click the Save & Close button** to save the transaction and close the form, or **Save & New** to save the transaction and keep the Sales Receipts form open for entering another sale.



### What happened to the \$9,000 received for the tractor?

By default, the Sales Receipts form posts sale proceeds to Undeposited Funds, a sort of "holding tank" account for payments you have received but not yet deposited. When you open the Make Deposits window ([Banking > Make Deposits](#)), amounts posted to Undeposited Funds are displayed in a list and made available to include in the deposit. (See [Depositing Payments You Have Received](#).)

### What does this transaction accomplish?

- ❖ Using an Inventory Part Item to enter a fixed asset sale **causes income to be posted to the Income Account [associated with the Item](#)**. Likewise, the Item's **estimated market value gets posted to the COGS Account** associated with the Item. These things happen automatically; all you have to do is use the Item to enter the sale.
- ❖ **The Item's inventory quantity gets reduced by the quantity sold**. The sale quantity is always 1 for most fixed assets but may be more than 1 if multiple members of a [fixed asset group](#) were sold.

When its inventory quantity has reaches zero, the market value assigned to the Item is removed from the farm's balance sheet.

## Seeing Results of the Sale

### A look at the sold asset's transaction history

The Inventory Valuation Detail report ([Reports > Inventory > Inventory Valuation Detail](#)) shows the transaction history and current asset value of Inventory Part Items. Here is that report, [filtered](#) to limit it to transactions for the *Fx:M:58 JD 4020* tractor (its [sale was shown earlier](#)) but including all dates, to show the tractor's entire transaction history:

11:09 AM  
02/12/19

### John Doe Farms Inventory Valuation Detail

All Transactions

Type	Date	Name	Num	Qty	Cost	On Hand	Avg Cost	Asset Va...
<b>Inventory</b>								
Fx								
M								
<b>58 JD 4020</b>								
Check	03/11/2013	Green Power E...	2804	1	6,500.00	1	6,500.00	6,500.00 <b>1</b>
Inventory Adjust	08/08/2016		2	0		1	8,500.00	8,500.00 <b>2</b>
Sales Receipt	02/11/2019	Bob Hayman	119	-1		0	8,500.00	0.00 <b>3</b>
<b>Total 58 JD 4020</b>						<b>0</b>		<b>0.00</b>

- 1** The tractor was purchased in 2013 from Green Power Equipment for \$6,500.
- 2** The tractor's estimated market value was increased to \$8,500 in 2016 by making an [inventory adjustment](#), after completing needed repairs and a new paint job.
- 3** The tractor was sold in 2019 to Bob Hayman. The Item's asset value is now \$0 so it will no longer contribute to the fixed asset value shown on balance sheet reports.



**Note that this report line *does not* show the tractor's selling price!**

The purpose of an Inventory Valuation report is to show the *value* of Inventory Part Items, not the income from selling them. The \$8,500 amount on line **2** appears there because that is the tractor's assigned asset value at the time it was sold.

We could find out the sale price by *drilling down* (double-clicking) on line **3** to open the sale transaction...which would show that the tractor was sold for \$9,000:

ITEM	DESCRIPTION	QTY	RATE	AMOUNT
Fx:M:58 JD 4020	SOLD JD 4020 tractor	1	9,000.00	9,000.00
<b>TOTAL</b>				<b>9,000.00</b>

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With an insurance settlement...

**Problem** Our combine caught fire during harvest. A neighbor was driving by and helped me get the fire put out, but not before a lot of damage was done. Repair costs are estimated at around \$30,000 and will be covered by insurance except for a small deductible. When the insurance settlement arrives, how should I enter it in QuickBooks? Also, the combine's resale value is now a lot less than before the fire, so should I enter something to reflect its reduced value?

**Solution** When the insurance settlement arrives and you deposit it in the bank, make a deposit entry which posts the settlement to an Other Income account. If the fire has reduced the combine's likely market value, make an [inventory adjustment](#) to lower the value associated with it.

**Discussion** The main reason to enter any casualty loss in QuickBooks is to have it appear in reports, as a reminder to discuss the loss with your tax preparer. Posting the insurance settlement to an Other Income account—maybe one set up specifically for insurance settlements—will cause it to appear near the bottom of profit and loss reports, where it will be easy to notice as an exception to normal farm business income.

Here is a deposit entry ([Banking > Make Deposits](#)) for the insurance settlement:

RECEIVED FROM	FROM ACCOUNT	MEMO	CHK NO.	AMOUNT
GreatAmerican Ins. Co. (C)	Insurance Settlements	Combine fire damage repair claim		32,784.00

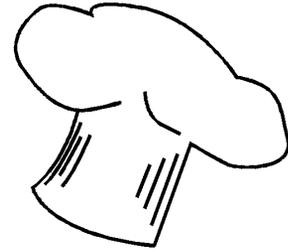
★ **Why a Deposit and not a Sales Receipt?** In the case of a partial casualty loss, using a Sales Receipt would be the wrong thing to do, because it would reduce the combine Item's inventory count from 1 to 0—as if the combine had been sold or completely destroyed.

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# Working with Fixed Asset Groups



## About this chapter

This chapter provides tips for working with fixed asset groups—where a single Item represents multiple assets of the same kind.

### About fixed asset groups

For our purposes, a *fixed asset group* is a group of fixed assets of the same kind, usually (but not always) acquired in one purchase, and represented by a single Item in QuickBooks. Common examples include:

- ❖ A group of cows, sows, ewes, or other breeding livestock.
- ❖ A group of vehicles acquired in a single purchase such as a fleet of trucks, delivery vans, or automobiles.
- ❖ Several machines or structures of the same type, such as a group of bulk seed bins or pasture farrowing huts, or two tillage tools of the same model, acquired in a single purchase.

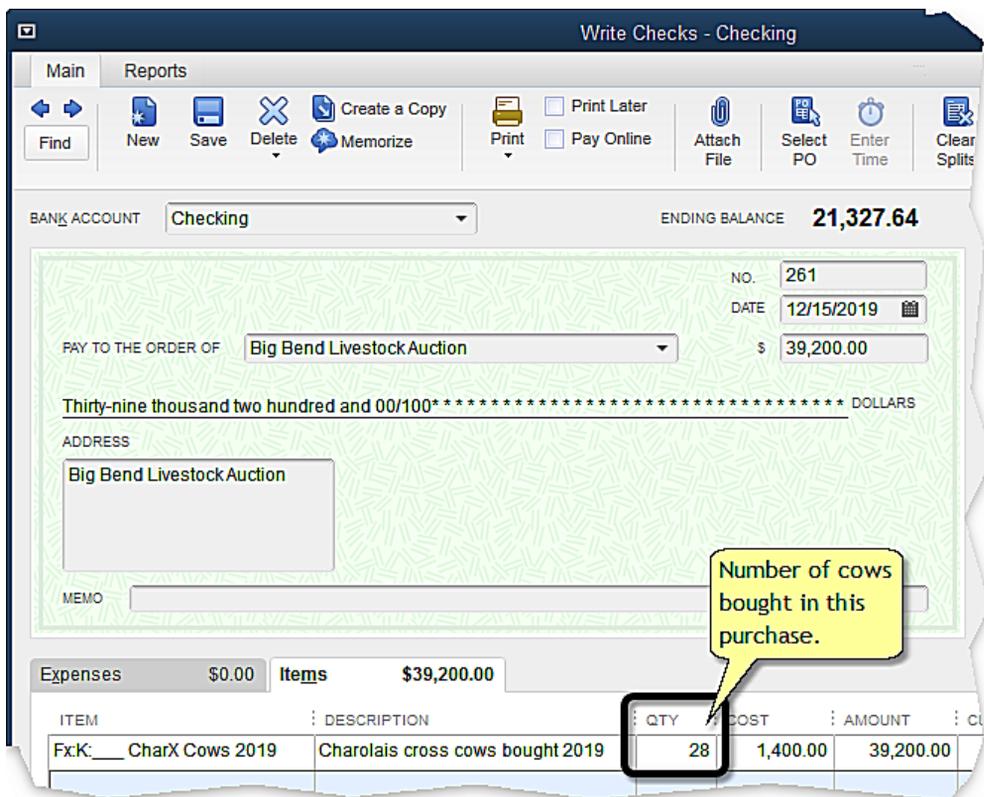
Some benefits of fixed asset groups include:

- ❖ **They save space in the Item List** because one Item represents multiple assets of the same type.
- ❖ **They make sales and disposals of any part of a group easy**, because the sale or disposal transaction can specify the number (quantity) of assets sold or disposed of.
- ❖ **They simplify updating asset values** for preparing market value balance sheet reports. Having an inventory count for the group Item makes it easy to [estimate a market value](#) for the entire group.

- ❖ **Item reports show the current inventory count of fixed asset groups,** which is useful information if parts of the group have been sold or disposed of at different times.

## Purchasing a Fixed Asset Group

The number (quantity) of assets purchased in a group must be entered in the transaction which records their [purchase](#):



The screenshot shows a software interface for writing checks. The window title is "Write Checks - Checking". The "BANK ACCOUNT" is set to "Checking" with an "ENDING BALANCE" of "21,327.64". The check number is "261" and the date is "12/15/2019". The payee is "Big Bend Livestock Auction" for the amount of "\$ 39,200.00". The check amount is written out as "Thirty-nine thousand two hundred and 00/100\*\*\*\*\* DOLLARS". The address is "Big Bend Livestock Auction". The memo field is empty. Below the check form, there is a summary table:

Expenses	\$0.00	Items	\$39,200.00			
ITEM		DESCRIPTION	QTY	COST	AMOUNT	CO
FxK:___ CharX Cows 2019		Charolais cross cows bought 2019	28	1,400.00	39,200.00	

A yellow callout box with a black border points to the "QTY" cell containing the number "28". The text in the callout box reads: "Number of cows bought in this purchase."

## Using multiple purchases to assemble a fixed asset group

Sometimes you may put together a fixed asset group by making several purchases over a period of time. You can accumulate all of the purchases in a single group by using the same Item for recording each purchase. This is *usually* acceptable for income tax purposes, depending mostly on the pur-

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# Other Fixed Asset Transactions



## About this chapter

This chapter provides example entries of some less common fixed asset transactions.

## Moving Raised Livestock Inventories to Fixed Assets

*This topic is similar to one in [The QuickBooks Farm Accounting Cookbook™, Volume II: Raised Farm Production Inventories, Sales, and More...](#), but includes changes to accommodate the [Organizing the Item List](#) suggestions found in Chapter 4.*

**Problem** Today we sorted 20 heifers out of a group of yearlings we raised, to keep in the herd as cows. We use an Inventory Part Item named Raised Calves to keep track of calf numbers in QuickBooks and to get their value into our balance sheet. What kind of QuickBooks entry do I need to make, now that the heifers have been kept for breeding?

**Solution** Create an Item to represent the heifers as breeding livestock—as cows, a fixed asset. Then make an inventory adjustment to transfer the heifers from your Raised Calves Item to the new Item.

★ Techniques described in this section are for raised breeding livestock but also apply to raised animals held for draft or sporting purposes. For details, see Section 1231 Gains and Losses in [IRS Publication 225, The Farmer's Tax Guide \(www.irs.gov/publications/p225\)](#).

## Discussion

Most farmers and ranchers deduct livestock production costs (feed, veterinary care, etc.) as expenses while the animals are being raised. That is why raised livestock generally have a tax basis (depreciable value) of \$0 when transferred to the breeding herd.

By definition, raised livestock are born on the farm or ranch, not purchased. Because of their \$0 tax basis and the lack of a purchase transaction, raised livestock kept for breeding probably may never be added to your tax preparer's asset list. But they need to be added to *your* fixed asset list in QuickBooks, for these reasons:

1. **Sales of raised breeding livestock need to be distinguished from sales of purchased breeding livestock**, because they are handled differently for income tax purposes.
2. **Income from raised breeding livestock sales may be taxable at a capital gains rate**—typically lower than the tax rate on regular income—if certain qualifications are met. One of those qualifications is that the livestock were "held for breeding, draft, or sporting purposes" for a minimum number of months before being sold. The Items you set up for raised breeding livestock can help with this by identifying when the animals were born (in the Item name or description).
3. **The asset value of raised breeding livestock should be included in the *fixed assets* section of your balance sheet, not the current assets section.** Market livestock are generally considered current assets, because they will be held for a year or less before being sold. Breeding livestock are normally held for more than one year, and so, are considered fixed assets.

The ratio of total current assets to total fixed assets may be important for analyzing the asset position and credit needs of your farm business, and may be considered in short- vs. long-term loan decisions made by your lender.

## Setting up a raised breeding livestock Item

Items for raised breeding livestock are set up the same way as other [fixed asset Items](#). Here is the setup window for an Item to represent the 20 heifers being transferred to the cow herd:

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If you enter the Amount (see [4](#) in the [inventory adjustment](#)), QuickBooks will calculate the cost.

- 2 Ending Balance.** The Ending Balance shown at the top of the form is the current balance in the CLEARING account...*prior to* saving this Check entry. Because the account's balance is equal to the check amount, saving the Check will zero out the CLEARING account's balance, as it should. We know that this Check will assign the correct tax basis to the cows, because it is for the same dollar amount as the *Resale:Stocker Cattle* Item has lost.

- 3. Click the Save & Close button** to save the Check and close the window.

## Fixed Asset Barter Transactions (Swaps)

Technically, a *barter transaction* or *swap* is one in which both parties trade goods or services without exchanging any money. However, many barter transactions involve trading goods or services *along with* a financial payment from one of the parties to compensate for value differences in the goods or services being traded.

"The sky is the limit" when it comes to describing the range of ways barter transactions are conducted. They can involve a swap of labor, materials, debts, professional services, financial assets, fixed assets, or almost anything else of value. Providing examples for all of those variations is not possible here, but the examples in this section should give you general ideas about how to handle barter transactions involving fixed assets.

-  **The tax consequences of barter transactions** should always be dealt with by a competent tax professional.

## Things to Consider...

### Who owns the "stuff" you are bartering?

As you consider a barter transaction, be mindful of who *owns or is responsible for* the goods or services to be bartered. For example, suppose you want to trade a farm asset to someone as payment for a personal debt you owe, or in exchange for something for your personal (non-farm) use:

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# Depreciation Expense



## About this chapter

This chapter provides a brief explanation of depreciation expense, and shows how to calculate it and enter it for fixed assets.

## Depreciation...Explored and Explained

In case you need a refresher on depreciation, let's take a brief side trip to discuss depreciation basics. The main purpose of this side trip will be to explore whether you should calculate depreciation expense at all, depending on your [accounting goals](#), and if so, how to calculate and enter it in QuickBooks.

### What is Depreciation?

*Depreciation* is the decline in value of an asset over time due to things like wear and tear and obsolescence. Some like to say that depreciation is the decline in the *productive value* of an asset over time; the fact that an asset's usability or worth for producing things eventually gets "used up"—machinery wears out, becomes inefficient to operate, requires more costly repairs, and becomes obsolete.

As a general definition, *fixed assets* are assets of the business which have a productive life of more than one year—things like machinery, breeding livestock, buildings, and land. Because those assets are useful over a span of several years or more, writing off their purchase cost as an expense in a single year would misrepresent how those assets contribute value to the farm business. It would also make profits for that year appear to be low, due to the large expense write-off for the year.

For these reasons, depreciation was developed into a formal accounting concept to allow a business' financial statements (profit and loss statement, and balance sheet) to more accurately reflect the cost of owning and using fixed assets, and their declining productive value over the time you own them.

*Depreciation expense* then, is an accounting entry used to write off part of an asset's purchase cost as a business expense, in each year of the asset's expected useful life.



**Depreciation expense is not charged for land.** Unlike machinery, breeding livestock, or buildings, the accounting assumption for land is that its value is not "consumed" or "used up" over time. Land values may rise or fall depending more on market conditions than on changes in the land's productive capability.

*Salvage value* is a concept related to depreciation. If you buy a machine for \$10,000 and expect it to be worth \$1,000 at the end of its useful life (its resale value for parts, scrap, or some other/lesser use), then the machine's salvage value is \$1,000. The salvage value of a fixed asset *is not* depreciated because it is an amount you expect to be able to reclaim when the asset's useful life is over and you sell or scrap it. In this example, only \$9,000 of the machine's purchase price would be depreciated, not the entire \$10,000.

## Your Assumptions Affect Depreciation Expense

An important thing to understand about depreciation expense is that *how* you choose to calculate it depends on a lot of assumptions, such as:

- ❖ **How quickly a fixed asset may be worn out or used up.** A portion of the asset's purchase cost will be written off as depreciation expense each year over the asset's *expected useful life*, but how long is that? Estimating an asset's useful life requires making assumptions about how long the it will last or be useful.
- ❖ **How it contributes value or productive capabilities to the business.** Most assets contribute more productive value when they are newer, compared to when they are older. A machine may have less downtime, lower repair costs, and may be more efficient (lower fuel costs, lower oil consumption, etc.) when it is new, than after it is several years old.

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## Accounting Goals and Depreciation Expense

Here are some of the common accounting goals you will find among QuickBooks users in agriculture, which affect decisions about how to handle fixed assets and depreciation.

 **Most farm businesses have a range of accounting goals in addition to these**, such as gathering more or better management information, analyzing the profitability of individual enterprises within the farm business, and so on. But those topics are outside the scope of this book.

### Goal: Tax records...and not much else!

Some people use QuickBooks mostly to have income and expense records acceptable for income tax preparation. In essence, this is like using QuickBooks simply as a more-convenient version of a paper accounting ledger book. Part of the convenience comes from QuickBooks' additional ease-of-use features for managing accounts payable (Bills) and accounts receivable (Invoiced sales, sending out customer statements), reconciling bank statements, and so on.

Most people who use QuickBooks this way don't care about maintaining accounting standards-compliant balances for asset and equity accounts, and don't use QuickBooks for preparing balance sheets. (When needed, balance sheets are more often prepared outside of QuickBooks, often in a spreadsheet.)

With income tax compliance as the main goal, usually the farm's only depreciation records are the ones kept by a tax preparer. In this situation, entering depreciation expense in QuickBooks has limited value. Why? Because accurate values are not being maintained for farm inventories, so entering depreciation expense will not by itself allow QuickBooks to generate financial reports which are useful for evaluating farm profitability.

 **If the farm's only depreciation expenses are those calculated for income tax purposes**, there is *very little value* in entering them in QuickBooks. Tax-based depreciation is only loosely related to the real-world costs of owning and using fixed assets.

This is especially true for smaller operations, because the cap on directly expensing fixed asset purchases is relatively large. (The 2018 Tax Cuts and Jobs Act allows up to \$1,000,000 in fixed asset purchases to be directly expensed as Section 179 deductions.) Deducting the entire year's fixed asset purchases as an expense drastically skews the picture of farm profitability provided by a cash basis profit and loss report.

### Goal: Tax records, plus market value balance sheets

Having fixed assets represented at their estimated market values is necessary for preparing market value balance sheets. If you are only interested in maintaining market values and not book values, then there's little need to calculate or enter depreciation expense. Because depreciation expense is calculated it is unrelated to market values and therefore not needed at all. To prepare a market value balance sheet you simply [estimate and assign a market value](#) (or *net realizable value*) to each fixed asset—and most of the time, values only need to be updated for some assets, not all.



**Net realizable value** is an estimate of the value that could be realized by selling an asset. It is the asset's market value, less transportation and any other costs or fees likely to be associated with selling the asset.



#### Accounting 101: Market Value Balance Sheets in Agriculture

##### Why are they more common in farming and ranching than in most other businesses?

Trained accountants are often surprised to learn that financial reporting based on valuing fixed assets and inventories at estimated market values is a common practice in agriculture. A major reason for this is that the IRS permits farmers (and also fishermen) to keep cash basis tax records and to file taxes on a cash basis, and most farmers do both.

So how does cash basis accounting promote valuing fixed assets at their market values? Actually, by itself it doesn't. But cash accounting *does* promote market valuation of *inventories*—farm production inventories (stored grain, market livestock, growing crops or produce) as well as farm input inventories (feed, seed, fertilizer, fuel, supplies, etc.)—by allowing production inputs to be expensed at the time of purchase. This makes it difficult (nearly

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2. Click on the memorized transaction you want to delete, to select it.

TRANSACTION NAME	TYPE	SOURCE ACCOUNT	AMOUNT	FREQUENCY	AUTO	NEXT DATE
DEPR 168 Ford F250 pickup	Check	CLEARING	0.00	Annually	✓	12/31/2020
DEPR 64LN8000 tandem	Check	CLEARING	0.00	Annually	✓	12/31/2020
DEPR, 121 9650 STS combine	Check	CLEARING	0.00	Annually	✓	12/31/2020

Memorized Transaction    Enter Transaction

3. To delete the transaction, type *Ctrl-D* or select *Delete Memorized Transaction* from the Memorized Transaction button menu at the bottom of the window.

## Calculating Depreciation with a Spreadsheet

This section tells how to calculate depreciation using a Microsoft Excel template which is a free download from the publisher's Web site.

 **Author's note:** You can find spreadsheet templates for calculating depreciation all over the Internet. As this is written, a Google search for "free depreciation schedule template" returns about 8,000 search hits! As you might guess, the usefulness of free templates varies a lot. Some are quite good but the majority produce a single "textbook example" depreciation schedule for one asset at a time. Those are useful for learning about depreciation methods but not for calculating depreciation expense for dozens of assets at a time.

*I wanted to provide you with something more robust and more useful—a depreciation template which is free but would:*

- ❖ **Accommodate real-world circumstances** like the need for partial first-year depreciation, and non-calendar fiscal years.
- ❖ **Maintain a list of all of your fixed assets**, and calculate depreciation expense for all of them for any given year.
- ❖ **Produce a depreciation expense total** for any year.

*The following discussion is about the template I designed to meet these goals, which works in Microsoft Excel and many other spreadsheet programs. **Microsoft Excel is not required.***

## About the Depreciation Template

### How to get the template (it's free)

Get the free template by visiting the following page in your Web browser (Google Chrome, Vivaldi, Firefox, Microsoft Edge, etc.), scrolling down to find the template file, then clicking a link to download it.

 [www.goflagship.com/free-stuff.html](http://www.goflagship.com/free-stuff.html)

The template is available as either of two file types:

- \*.xlsx This file type is compatible Microsoft Excel 2007 and later, for both Microsoft Windows and Apple Macintosh computers.
- \*.xls The .xls file type should be useable with most Excel-compatible spreadsheet programs, including older versions of Microsoft Excel and free spreadsheets such as OpenOffice Calc and LibreOffice Calc.

 **If you use a spreadsheet other than Microsoft Excel, or you use the Web-based version of Excel**, some of the instructions and menu selections described in this section may need to be adjusted for your particular spreadsheet, but adapting them should be easy.

### How to open the template

With appropriate spreadsheet software installed (Microsoft Excel or a compatible spreadsheet), you can open the template by (1) starting your spreadsheet program, (2) selecting **File > Open** from its menu, (3) navigating to the location where the downloaded file was saved (on Microsoft Windows, typically in a folder named *Downloads*), and (4) selecting the downloaded template file.

**If you use a Web-based spreadsheet** like the Google Sheets or the Microsoft Office 365 version of Excel, you should be able to upload or import the file into that spreadsheet as well.

## How the template is organized

The template has several worksheets accessible by clicking on the tabs at the bottom of the window, but the *Asset List* worksheet is the one you will use more than any other, so let's see how it is organized:

Fixed Asset List and Yearly Depreciation						Current year information...						Depreciation schedules...	
Item Name (Or Asset Name)	Date Acquired	Life (Years)	Original Basis	Salvage Value	Depr. Method	Depr. for FY: 2016	Accum. Depr.	Book Value	Remain. Depr. Value	2014	2015		
Fx:Ma Clark forklift 248	07/14/2014	5	37,000.00	2,500.00	1:5DB	6,605	21,590	15,411	12,911	5,550	9,435		
Fx:Ma Dodge 3500 pickup	08/31/2015	7	58,000.00	10,000.00	DDDB	14,599	21,503	36,497	26,497		6,905		
Fx:Ma GCI bulk mixer 264	03/03/2016	10	28,000.00	0.00	SL	2,333	2,333	25,667	25,667				
Totals:						23536	45426	77574	65074	5550	16340		

- 1 General information.** Fields near the top of the sheet provide a place to enter general information such as the Depreciation Date.
- 2 Fixed asset list.** This is where you will enter information about each fixed asset to provide data for depreciation calculations and to create a list of assets to reuse each year for calculating depreciation.
- 3 Current year depreciation information.** These columns show calculated results for the year. (The year is determined by the Depreciation Date you enter at the top of the worksheet.)
- 4 Depreciation schedules** provide annual depreciation amounts for each asset over its useful lifetime.

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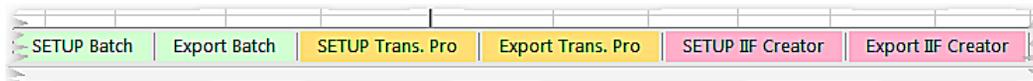
❖ **Remain. Depr. Value** is an asset's remaining depreciable value: Book Value minus Salvage Value.

Farther to the right are depreciation schedules for each asset, for each year of their useful lives:

A		S	T	U	V	W	X	Y	Z	
1	<b>Fixed Asset</b>									
2	Depreciation Date:									
3	First month of fiscal year:									
4	<b>Item Name (Or Asset Name)</b>	<i>Depreciation schedules...</i>								
6	Great Plains 2010 drill							10,214	8,954	
7	Dodge 2500							17,600	12,160	
8	194 Krone hay tedder	50	589	463	364	286	225	176	647	
9	184 JD 7210				938	11,116	9,509	7,902	6,295	
10	168 Ford F250		1,333	15,467	9,280	5,568	3,267	1,085		
11	121 JD 9650 STS combine		14,167	20,238	14,456	10,326	7,375	5,268	3,763	
12	64 LN8000 tandem		3,571	3,571	3,571	3,571	3,571	3,571	3,571	
13	58 JD 4020	655	786	786	786	786	786	786	131	
14		368	50	1,923	15,930	10,581	16,970	13,000	36,978	28,056

Column totals = total depreciation expense for each year.

## What about the Export and SETUP Tabs?

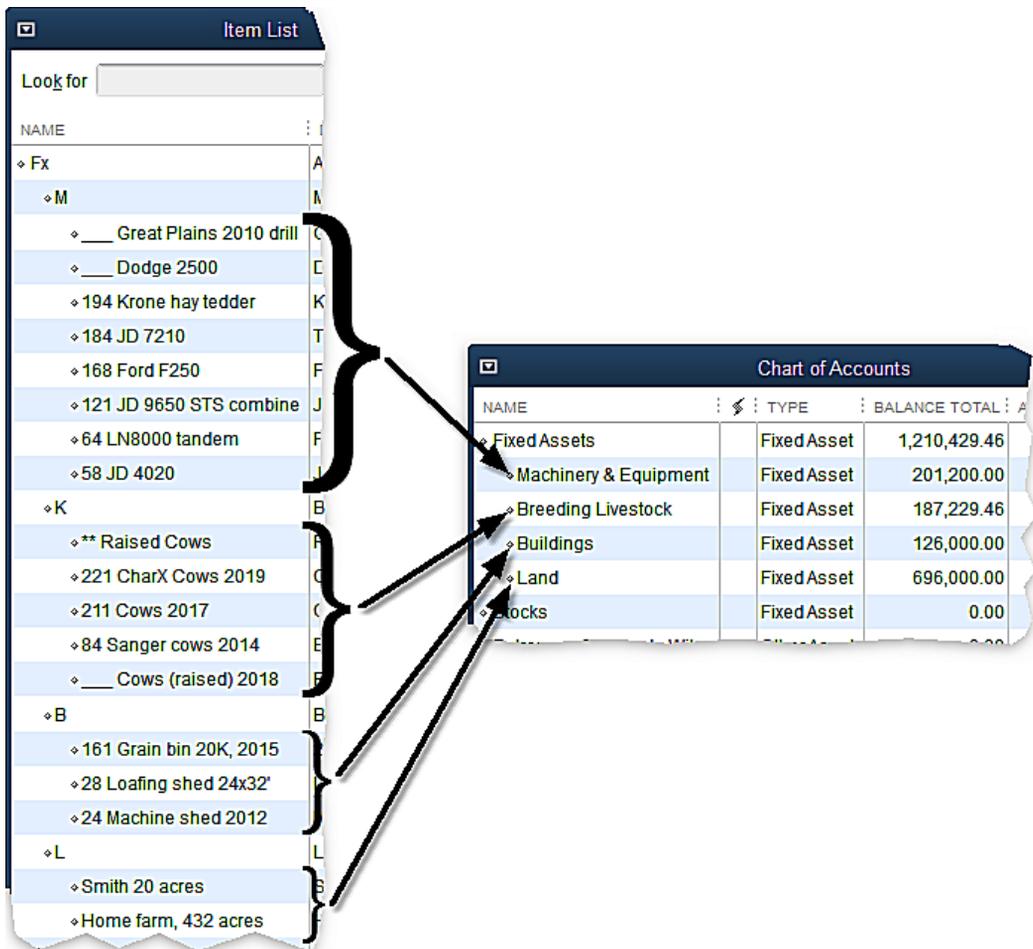


The Export tabs provide access to worksheets which build depreciation transactions for exporting to QuickBooks. However, the template's export features were designed for maintaining asset book values (original basis and accumulated depreciation)—which is a different approach from the one taken in this book. For information on using the Export worksheets, see [Simple/Smart Fixed Asset Handling in QuickBooks™](#), a non-agricultural book in the QuickBooks Cookbook™ series.

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So far we've only mentioned purchase costs, but the market value of a fixed asset will usually vary a lot from its purchase cost, over the asset's lifetime. The value of most assets declines due to wear and tear, obsolescence, and other factors. However some assets—especially land—may increase or decrease in value with changing market conditions. The focus of this chapter is on how to update fixed asset values in QuickBooks so your balance sheet reports will include the estimated current market values of your assets.

## Adjusting Values for Fixed Asset Items

### **Problem**

**We need to prepare a balance sheet to take to our lender. In QuickBooks, how do I update asset values so our balance sheet will reflect the approximate market value of our fixed assets?**

### **Solution**

Use the Adjust Quantity/Value on Hand window to update the value associated with fixed asset items. Select an Equity account as the Adjustment Account for the value adjustments.

### **Discussion**

Typically you only need to update asset values prior to preparing a balance sheet—only once or twice a year in many farming operations. Usually you won't need to change the value assigned to *every* item, just those whose value has changed since the last time you updated them. So the job is simpler than many people assume it will be.

An important question to ask is "How should I estimate an asset's value?" Most people base their estimates on a general knowledge of what an asset may be worth: prices they have heard or have seen advertised, knowledge of auction prices for similar assets, knowledge of general value trends for certain kinds of assets (e.g., "Bred cows are selling about \$100 higher than they were last year"), and so on.

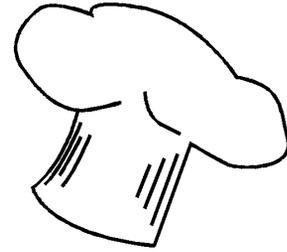
You may of course use any estimating approach you want, but realize that others who view your farm's financial statements, such as your lender, expect them to be based on realistic, conservative estimates of asset value. Your main goal should be to answer this question: "If I sold this asset now, how many *net* dollars would I receive?" Accountants refer to this as the *net realizable value* of an asset, which is its estimated market value less transportation and any other selling costs. The market value of a used tractor might be about \$65,000, but its net realizable value would usually be less: selling the tractor may involve advertising costs and the value of your time spent showing it to prospective buyers if selling by private treaty, or hauling and auction commissions if sold at auction.

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# Reports for Fixed Assets



## About this chapter

This chapter shows how to prepare fixed asset reports for day-to-day information needs, as well as for income tax preparation.

## Everyday Reports

The title of this section may be a bit misleading. It is *not* meant to imply that there are reports you should prepare every day; but rather, that there are reports you can use any time you want general information about your fixed assets.

## Item QuickReports

An Item QuickReport can show fixed asset purchases, sales, and market value adjustments, as well as giving you direct access to all of the transactions for a specific asset.

Getting a QuickReport is literally quick and easy to do: you can generate the report for any Item or any branch of the Item tree, directly from the Item List window ([Lists > Item List](#))—or from the Inventory Center ([Vendors > Inventory Activities > Inventory Center](#)) if you have QuickBooks Premier, Accountant, or Enterprise.

## Getting a QuickReport for one Item

1. Open the Item List window ([Lists > Item List](#)).

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4. *Optional. Most of the time you should change the report's Dates setting to All so that transactions from other years are included. This example has been customized to include all dates, and the Amount column as described earlier:*

**John Doe Farms**  
**Inventory Item QuickReport**  
 All Transactions

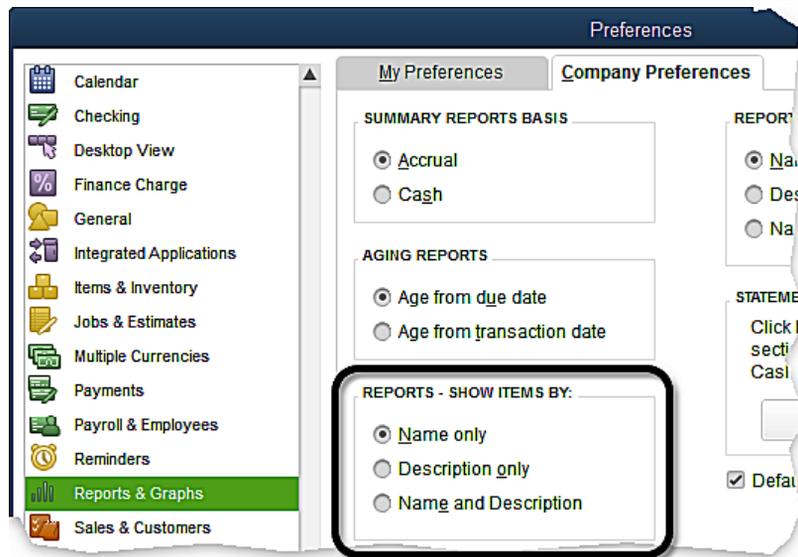
Type	Date	Num	Name	Memo	Qty	Amount
<b>Inventory</b>						0
Fx						
M						
___ Vermeer 604M baler						
Check 1	03/15/2016	286	Mid County Equipm...	Vermeer 604M bal...	1	14,250.00
Sales Receipt 2	03/15/2018	14	Bob Hayman	SOLD Vermeer 60...	-1	-14,500.00
Tot On Hand As Of 09/04/2020						0 -250.00 4
___ Great Plains 2010 drill						
Check	02/21/2019	282	Martin & James Im...	Great Plains 2010 ...	1	52,000.00
Inventory Adjust 3	12/28/2019	12		___ Great Plains 2...	0	-5,000.00
Tot On Hand As Of 09/04/2020						1 47,000.00 5
___ Dodge 2500						
Check	02/10/2019	28...	Hodges Ford, Chr...	Dodge 2500 pickup.	1	20,000.00
Inventory Adjust	12/28/2019	12		___ Dodge 2500 In...	0	19,000.00
Tot On Hand As Of 09/04/2020						1 39,000.00
194 Krone hay tedder						
Check	12/28/2013	273	Green Power Eqp...	Krone 4-basket ha...	1	2,800.00

- 1 **Purchases** are identified as either Checks, Bills, or Credit Card transactions.
- 2 **Sales** are identified as either Sales Receipts or Invoices.
- 3 **Value adjustments** are identified as Inventory Adjust (inventory adjustments).
- 4 **Gain or loss on sale of a fixed asset.** In reports which include all dates, if an asset has a purchase transaction and a sale transaction,

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## Reports for Income Tax Preparation

This section shows how to prepare reports containing the information your tax preparer needs about fixed asset purchases, sales, trade-ins, and disposals/salvage during the tax year. Even if your preparer prefers to gather tax data by directly accessing your QuickBooks company file, he or she should can use the reports described below to get the necessary information.

### Fixed Asset Purchases & Trade-Ins Report

QuickBooks' Purchases by Item Detail report ([Reports > Purchases > Purchases by Item Detail](#)) works fine, as is, to provide information about fixed asset purchases and trade-ins, though a few customizations can make the report more useful. The report:

- ❖ Lists fixed assets acquired ([purchased](#), received in a [by bartering](#), or [received as a gift](#)) during the tax year, showing the date acquired, original cost, and other transaction details.
- ❖ Lists fixed assets [traded-in](#) during the tax year, showing the trade-in date and providing a link to the trade-in transaction. (You can drill

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## Chapter 11 - Reports for Fixed Assets

- On the Header/Footer tab, **change the Report title** to something like *Fixed Asset Purchases & Trade-Ins*.

Modify Report: Purchases by Item Detail

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

SHOW HEADER INFORMATION

Company Name John Doe Farms

Report Title **Fixed Asset Purchases & Trad...**

Subtitle January through December 2...

Date Prepared 12/31/01

PAGE LAYOUT

Alignment

Standard

Time Date Basis Company Title Subtitle

- Click the **OK** button to close the Modify Report window and update the report.

Report Basis:  Accrual  Cash Show Filters

**John Doe Farms**  
**Fixed Asset Purchases & Trade-Ins**  
January through December 2019

Type	Date	Num	Memo	Source Name	Qty	Cost Price	Balance
<b>Inventory</b>							
<b>Fx</b>							
<b>M</b>							
___ Great Plains 2010 drill							
Check	02/21/2019	282	Great Plains 2010 no-till d...	Martin & James Implement...	1	52,000.00	52,000.00
Total ___ Great Plains 2010 drill					1		52,000.00
___ Dodge 2500							
Check	02/10/2019	2803	Dodge 2500 pickup.	Hodges Ford, Chrysler, Je...	1	20,000.00	20,000.00
Total ___ Dodge 2500					1		20,000.00
<b>184 JD 7210</b>							
Check	02/05/2019	2801a	Tractor, BOT 2019.12.0		1	50,000.00	50,000.00
Total 184 JD 7210					1		50,000.00
<b>168 Ford F250</b>							
Check	02/10/2019	2803	TRADED Ford F250 picku...	Hodges Ford, Chrysler, Je...	-1	0.00	0.00
Total 168 Ford F250					-1		0.00
<b>64 LN8000 tandem</b>							
Check	02/05/2019	2801a	Ford LN8000 tandem truck.	Uptown Dodge Chrysler J...	1	28,000.00	28,000.00
Total 64 LN8000 tandem					1		28,000.00
Total M					3		150,000.00
<b>K</b>							
<b>221 CharX Cows 2019</b>							
Check	12/15/2019	261	Charolais cross cows bo...	Big Bend Livestock Auction	28	1,400.00	39,200.00
Check	12/22/2019	271	Charolais cross cows bo...	Joe Schmidt	24	1,525.00	75,800.00
Total 221 CharX Cows 2019					52		75,800.00

Purchases have a positive \$ amount.

Trade-ins have a negative quantity ...and a \$0 amount.

A fixed asset group may have multiple purchases.

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- On the Header/Footer tab, **change the Report title** to something like *Fixed Asset Sales & Disposals*.



- Click the **OK button** to close the Modify Report window and update the report.

Report Basis:  Accrual  Cash [Show Filters](#)

**John Doe Farms**  
**Fixed Asset Sales & Disposals**  
January through December 2019

Cash Basis

Type	Date	Num	Memo	Name	Qty	Sales Price	Paid Amount
<b>Inventory</b>							
<b>Fx</b>							
<b>M</b>							
<b>194 Krone hay tedder</b>							
Sales Receipt	11/28/2019	13	SOLD Krone 4-basket hay tedder	Martin, Jerry	1	2,500.00	2,500.00
Total 194 Krone hay tedder						1	2,500.00
<b>58 JD 4020</b>							
Sales Receipt	02/11/2019	119	SOLD JD 4020 tractor	Bob Hayman	1	9,000.00	9,000.00
Total 58 JD 4020							9,000.00
Total M							11,500.00
<b>K</b>							
<b>211 Cows 2017</b>							
Sales Receipt	07/08/2019	47	Insurance payment, cows killed by lightning	Merkel Ins...	3	1,200.00	3,600.00
Sales Receipt	08/15/2019	53	Cow death...anaplasmosis?	House	1	0.00	0.00
Total 211 Cows 2017						4	3,600.00
Total K							3,600.00

**1** Insurance settlements received for assets which have died or been destroyed appear as positive numbers—the same as if those assets had been "sold" to the insurance company.

**2** Disposals (deaths, thefts, destruction without payment) have a \$0 amount.

Sales have positive \$ amounts.

- Insurance settlements received** for assets which have died or been destroyed appear as positive numbers—the same as if those assets had been "sold" to the insurance company.

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**Reader Level:**

Contains material for intermediate to advanced users of QuickBooks.

## ***Fast answers to your QuickBooks® farm accounting questions!***



**The QuickBooks Farm Accounting Cookbook™ series** provides the information you need to get the most from QuickBooks as a farm/ranch accounting tool. Written in plain, simple language, the series is designed "from the ground up" as a quick source of answers to your QuickBooks farm accounting questions, with something for everyone who uses QuickBooks in agriculture.

**Volume I** is the place to begin if you are just getting started with QuickBooks. It shows how to set up QuickBooks for a farm or ranch, and provides "cookbook" procedures for a wide range of farm income and expense transactions.

**Volume II** shows how to work with raised farm production—crops, produce, and livestock born on the farm—using the same "cookbook" approach for sales, inventories, measuring crop production, tracking cash forward contracts, and more.

**Volume III** shows how to work with resale items such as feeder livestock and resale produce, including how to enter purchases, sales, freight charges, and close-outs, and how to make

QuickBooks *automatically* track Cost of items held for resale expense for all resale items sold during the year!

**Volume IV** (this book) shows how to keep fixed asset records in QuickBooks and automate the accounting for them, giving you quick access to all of the transactions for any asset and easy reporting of the year's fixed asset purchases, sales, and trade-ins at tax time.



### **About the Author**

**Mark Wilsdorf** has worked with software and accounting since the 1980s, as editor of AgriComp Magazine, as an accounting newsletter columnist, and as a developer of software, user guides, and training programs for the University of Missouri, Deere & Company, and others. He currently is president of Flagship Technologies, Inc. where his primary focus is on QuickBooks-related software and end-user training.

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