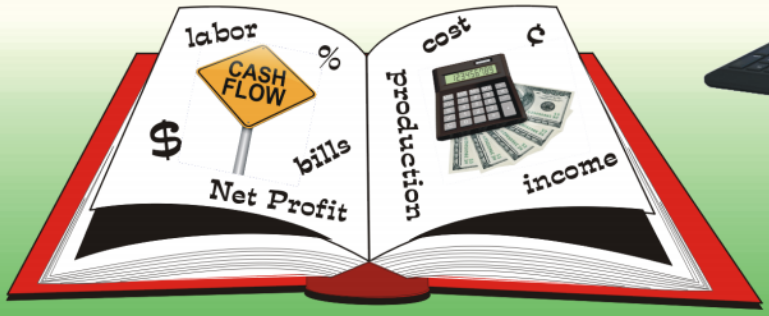
The QuickBooks Cookbook™ Guide to...

Simple / Smart Fixed Asset Handling In QuickBooks®

For Pro, Premier, Accountant, and Enterprise Editions

- Have instant access to all of your fixed asset records entirely within QuickBooks, *without* costly add-on software or monthly service fees.
- Update account balances automatically as you enter fixed asset purchases, sales, trade-ins....*without* Journal Entries, debits, or credits!
- Calculate and import depreciation expense transactions effortlessly with free downloadable software.
- Get the income tax reports you need, "keyed" to the asset numbers assigned by your tax preparer.
- Easy, step-by-step guides for nearly all fixed asset transactions.



Mark Wilsdorf

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Introduction

About this chapter	This chapter provides a basic introduction to this book and the QuickBooks 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."*

From the title, you already know that this book is about handling fixed assets in the QuickBooks desktop editions—Pro, Premier, Accountant, and Enterprise.

The main goal for the book is to provide "everything you need to know" for using the Simple/Smart (S/S) method for working with fixed assets, including how to:

- Use Inventory Part Items for representing fixed assets in QuickBooks.
- Enter fixed asset purchases, sales, and trade-ins, and more, without ever having to use Journal Entries.
- Calculate depreciation with a free spreadsheet template, downloadable from the publisher's Web site.
- Automate depreciation entries by importing them into QuickBooks from the spreadsheet.

- Get quick access to all transactions for any fixed asset, by simply opening a QuickReport for the Item which represents the asset.
- Prepare other reports for informational and tax purposes.

A secondary goal for the book is to provide details for handling nearly every transaction type you may face when accounting for fixed assets. For that reason, you may never need sections of this book which deal with less-common transaction types. But they are here if you should ever need them, and you can skip reading them until you do. This also means the S/S method is *simpler to use than the book's page count implies*.

Like other books in the QuickBooks Cookbook™ series, this one presents nearly every procedure as a series of detailed steps with plenty of screenshots provided along the way, to keep you from "getting lost" while following the instructions. Topics are presented in "recipe" format: each is a self-contained block of the information you need for accomplishing a particular accounting task. You won't have to skip back and forth to other parts of the book to find out what you need to know for the job you are doing. Usually, you will only need to read a few pages.

A minor downside to presenting information this way is that some of it will be repeated in several places. For example, the steps for entering a check on the Checks form are repeated frequently—because the Checks form is used for several kinds of fixed asset transactions. Again, this is done so that you can find all of the information you need in one place, but it makes for boring reading if you expect to read the book from cover to cover as if it were a novel. *(So don't!)*

You will soon learn to recognize the frequently-repeated steps and can skim over or skip the ones you are familiar with.

Written for the desktop editions of QuickBooks

All of the screenshots, examples, and procedures in this book are based on the QuickBooks desktop editions for Windows: Pro, Premier, Accountant, and Enterprise.

Most of the screenshots are from QuickBooks Pro and Premier 2018. If the QuickBooks edition you use is a few years older or newer you may notice minor differences but should have no trouble following any of the step-by-

step procedures. (The layout of QuickBooks' menus, windows, and forms usually only changes in small ways from year to year.)

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 follow many of the procedures in this book but probably not all of them. Accommodating all of the differences between the Windows and Mac editions would have nearly doubled the size of the book, while also making the book's organization complicated and confusing. For that reason, you won't find details specific to QuickBooks for Mac here.

What about QuickBooks Online?

QuickBooks Online is Intuit's cloud based accounting software product (accessible over an Internet connection, not installed on your local/desktop computer), and it differs from the desktop editions in a number of ways. QuickBooks Online's inventory features, for example, are significantly different from those of the desktop editions.

Products & Services are the QuickBooks Online equivalent to Items in the desktop editions. However, QuickBooks Online places significant limits on how Products & Services may be set up, and that *prevents using them for handling fixed assets* using the S/S method described in this book.

You will find *very little* information here which can be applied to fixed asset handling in QuickBooks Online.

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 for-profit or nonprofit business. If that is not the case, the discussion assumes you at least have an interest in small business accounting, maybe as an educator, lender, professional accountant, or someone in a related field. The book is aimed at intermediate-level QuickBooks users. However, even if you consider yourself a beginning QuickBooks user the abundant explanations, screenshots, and examples should let you follow the step-by-step procedures without difficulties.

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Fixed Asset in QuickBooks: What are Your Options?

About this chapter	This chapter explores your options for fixed asset record-keeping in conjunction with using QuickBooks, and explains advantages of the Simple/Smart (S/S) method.

Before we begin discussing fixed assets we probably should define them. Accountants usually divide assets into two major categories based on how long you expect to hold them:

Current assets are those which are normally used up within a year or held for a year or less. Here are a few examples:

- Your checking account balance
- Inventories of raw materials and supplies your business uses in producing/manufacturing things or in day-to-day operations
- Work-in-process inventories, and finished goods inventories

Fixed assets are things the business will likely use up, wear out, or hold over a period of more than one year. Some common fixed assets are:

- Vehicles and machinery
- Buildings
- Land

Because a fixed asset normally provides productive value or capacity to the business over several years' time, its entire purchase cost generally is not written off as an expense in the year of purchase. Instead, a portion of the cost is deducted as expense in each year of the asset's expected useful life. This annual write-off of the asset's purchase cost is known as depreciation expense.

What if a fixed asset's entire purchase cost was deducted as expense in the year of purchase?

That would greatly *overstate* expenses for that year—as if the fixed asset had been entirely used up or worn out during the year. And it would *understate* expenses in later years when the asset would still be providing productive capacity to the business (still helping to generate income). It would also distort the balance sheet's portrayal of the value of assets held by the business: if an asset's entire cost is deducted in the year of purchase, the asset won't have any book value to contribute to the asset value shown on the balance sheet.

This is exactly what happens with many of the accelerated depreciation write-offs allowed for income tax purposes, in which the entire cost of a fixed asset may be expensed in the year of purchase. Fixed asset accounting for income tax purposes is based on *very different goals*, compared to fixed asset accounting for evaluating business profitability and the business' equity position.

If you use QuickBooks, you have a wide range of choices for how to keep fixed asset records. The following sections provide overviews of the common ones.

Fixed Asset Accounts

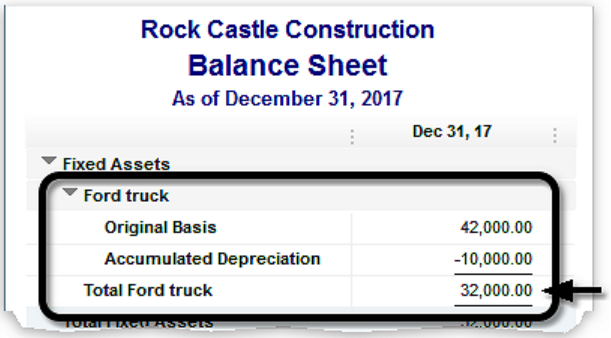
Accounts for Individual Fixed Assets

The traditional accounting-textbook approach is to set up a fixed asset account plus one or two subaccounts for each fixed asset. These accounts work together to represent the asset's book value. A vehicle, for example, might be represented by these accounts:

Ford truck
    Original Basis
    Accumulated Depreciation

The truck's original purchase cost (plus the book value of any trade-in) gets posted to the Original Basis subaccount. When depreciation is entered for the truck it gets posted to the Accumulated Depreciation sub-

account. The difference between the two subaccounts' balances represents the truck's book value, which appears on balance sheet reports this way:



Most businesses have a considerable number of fixed assets, organized into categories such as:

Machinery & Equipment
    Ford truck
        Original Basis
        Accumulated Depreciation
    Terex telehandler
        Original Basis
        Accumulated Depreciation
    Ingersol-Rand air compressor/trailer
        Original Basis
        Accumulated Depreciation
    .
    .
    .
Buildings & Improvements
    Shop building 2011
        Original Basis
        Accumulated Depreciation
    Bulk storage shed
        Original Basis
        Accumulated Depreciation
    .
    .
    .
Land
    Commercial lot, 2 acres
        Original Basis

As you might guess, setting up individual accounts for each fixed asset eventually makes the balance sheet long, cluttered, and messy. In Quick-

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- If transactions or data from the external software application—depreciation expense, for example—need to be entered manually in QuickBooks, that **may require using journal entries,** and therefore an understanding of debits and credits.
- Using external software or a service outside of QuickBooks **lets you avoid keeping fixed asset detail in QuickBooks** while still giving you the option of printing a fixed asset list or other reports when needed, such as for supplemental documentation to accompany a balance sheet.
- The software application or service may offer **additional fixed asset management features such as location tracking,** which may help justify its additional cost.

Microsoft Excel or Other Spreadsheet

Using Microsoft Excel to keep track of fixed asset details is similar to using a stand-alone software application but has the advantage of some QuickBooks support for exporting and importing data to/from Excel. And because many QuickBooks users already have Excel, this option may not require an additional financial outlay.

QuickBooks can only work with a *locally installed* version of Excel for data importing and exporting; i.e., with a version installed in Microsoft Windows. It *does 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 software application to import transactions from a Web-based spreadsheet into QuickBooks.

Some considerations:

- **Exporting fixed asset data.** QuickBooks does not support exporting "everything" to Excel. You may export some fixed asset data to Excel, such as details from a transaction report, and thus reduce the amount of typing needed to get fixed asset information into Excel. However, you will likely have to enter some information in both places (QuickBooks and Excel).
- **Importing depreciation transactions.** QuickBooks supports limited importing from Excel. If you use Excel for calculating depreciation for instance, you might or might not have to enter the depreciation expense manually in QuickBooks, depending on which QuickBooks edition you

have. Also, an understanding of journal entries, debits, and credits may be required. However, another option is to purchase a third-party software tool which can assist with importing data into QuickBooks. (Several are available.)

- **You can use Excel to calculate depreciation expense.** There's no need to create your own spreadsheet template for this purpose, because plenty of free ones are available on the Internet. One of them is discussed in *Calculating Depreciation with a Spreadsheet*, in Chapter 9.
- With **fixed asset list maintained in Excel,** you may print a list of fixed asset details whenever needed, such as for supplemental documentation to accompany a balance sheet report.

What about using spreadsheet programs other than Excel? You can keep a fixed asset list, calculate depreciation, etc., in any spreadsheet program. However, QuickBooks cannot export reports or data directly to any spreadsheet other than Microsoft Excel.

QuickBooks' Fixed Asset Item Type

You can use QuickBooks' Fixed Asset Item type (Lists > Fixed Asset Item List) to identify and work with fixed assets, but it really was designed to be used with Intuit's Fixed Asset Manager (FAM) software—which only comes with the Accountant and Enterprise editions of QuickBooks. If you have QuickBooks Pro or Premier the usefulness of Fixed Asset Items is *very limited*.

Fixed Asset Manager may be purchased separately if you have QuickBooks Pro or Premier. However, purchasing the full Accountant edition may be more economical.

Using Fixed Asset Items *with* Fixed Asset Manager (FAM)

- **FAM makes good use of Fixed Asset Items** because it has access to, and can update, the Items' fields directly—FAM can read and write data from/to QuickBooks, saving a lot of typing and potential errors.

- **FAM calculates depreciation,** eliminating the need for other software to do that job, and writes depreciation expense directly to the appropriate QuickBooks accounts if set up properly.

- Using **FAM requires a good understanding of accounting and depreciation concepts,** and also the tax laws if using it for calculating depreciation for income tax purposes.

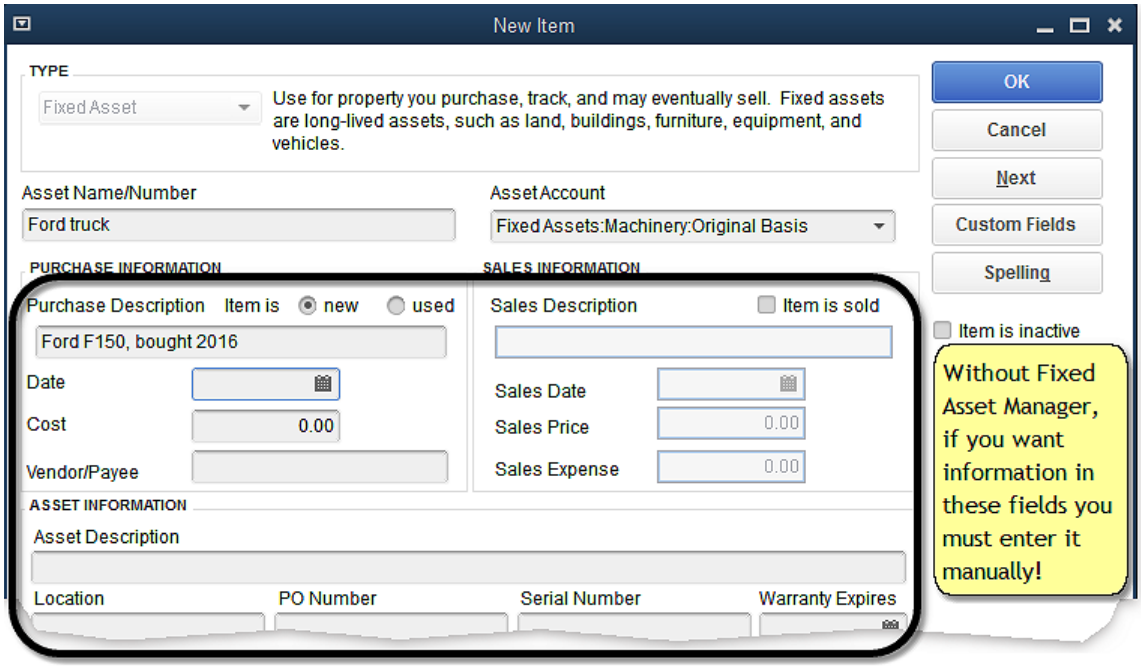
Overall, using Fixed Asset Items along with the Fixed Asset Manager application is an effective and workable system for managing fixed assets in QuickBooks.

Using Fixed Asset Items *without* Fixed Asset Manager (FAM)

What's wrong with using Fixed Asset Items if you do not have Fixed Asset Manager (FAM)? Plenty. Here are some of the pros and cons:

- **Fixed Asset Items have several fields which other Item types do not have**...but surprisingly, most of those fields *are not connected to anything within QuickBooks!*

  For example, if you use a Fixed Asset Item in a purchase transaction you might assume the Item's Date and Cost fields would be automatically updated from date and price entered in the transaction. Not so. Likewise, when a Fixed Asset Item is used in a sale transaction neither its Sales Price nor Sales Date fields are updated with information about the sale. Without the FAM software, the only way to get information into these fields (and most others) is to type it in *manually*.



Fixed Asset Item type

- **Fixed Asset Items do not support quantities, and selling part of a Fixed Asset Item is not possible.** If you purchase a group of 5 machines of the same type and use a Fixed Asset Item to represent the group, you would have to sell all of the machines in a single transaction in order to close out the Fixed Asset Item. The only way to sell individual machines would be to set up a separate Fixed Asset Item for each one!

- **Fixed Asset Items cannot have subitems.** Without subitems, you cannot control how fixed assets are grouped on Item reports. Grouping assets into categories such as machinery, vehicles, buildings, and land is not possible.

- **Your tax preparer may *prefer* that you use Fixed Asset Items.** Do you give your tax preparer direct access to your QuickBooks company file—maybe on a flash drive, or uploaded to the preparer's Web portal, or via a QuickBooks hosting or file sharing service? If so, and if the preparer uses Fixed Asset Manager for depreciation calculations, he or she may strongly prefer that you use the Fixed Asset Item type, because it will allow the preparer to automate depreciation calculations, depreciation expense entries in QuickBooks, and so on.

- **Before setting up Items for fixed assets,** ask your tax preparer which approach he or she prefers. That way, your QuickBooks records will be compatible with how your tax preparer wants to work with them.

The Simple/Smart (S/S) Method

Author's note...

You won't find the Simple/Smart method in any accounting textbook...or any other book about QuickBooks!

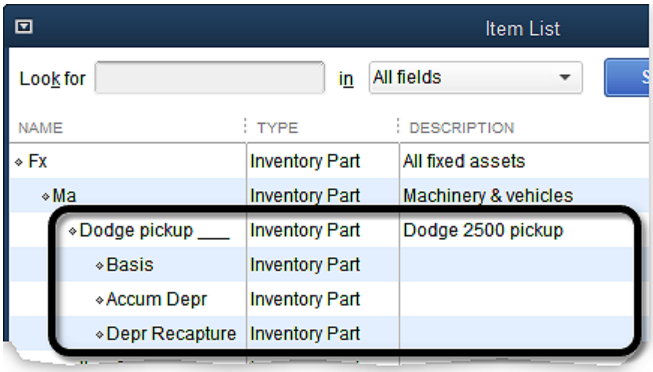
It is not an accounting method per se, but *a set of QuickBooks-specific techniques* I created to simplify working with fixed assets and make it possible to have detailed information about any fixed asset at any time. All fixed asset records kept entirely within QuickBooks, so no additional software is required, nor is any additional effort needed beyond the usual effort required for entering fixed asset transactions (purchases, sales, depreciation expense, etc.).

Why call it "Simple/Smart"?

...because I needed a short name to distinguish these techniques from other fixed asset approaches, and I wanted the name to highlight how they might benefit anyone who uses them.

What is the Simple/Smart Method?

The S/S (Simple/Smart) method—which is the main subject of this book—lets you keep fixed asset records entirely within QuickBooks using Inventory Part Items. Actually, each fixed asset is represented by a *set* of Inventory Part Items—a main Item plus two or three subitems, like the ones shown here for a pickup truck:



Inventory Part Items used for fixed assets *are set up very differently* from the Items you might use for tracking inventories, and this unique Item setup causes QuickBooks to automate the updating of asset book values, accumulated depreciation, and more.

Pros and cons of the Simple/Smart method

Here are some pros and cons of the regular version of the S/S method. (An even simpler method is described later in this section.)

- **Produces conventional accounting results** for fixed asset purchases, depreciation, sales, and disposals.
- **Fixed assets are represented as Inventory Part Items** set up in a unique way.
- **All fixed asset transactions are entered using Items,** on familiar QuickBooks forms (Checks, Bills, Sales Receipts, etc.).
- **No journal entries are ever needed.**
- If an asset is sold, **gain or loss on the sale is calculated automatically** and appears in the Other Income section of profit and loss reports.
- Because the S/S method is based on using Inventory Part Items, **you can record quantities bought and sold** for Items which represent a group of like assets.

  For instance, if you purchase a fleet of five delivery vans of the same brand and model, you can use one Item to represent all five vans and can record the purchase quantity as 5. If you later sell two of the vans for some reason, the sale transaction will show that two vans were

sold, and the Item List will show that you still have three vans remaining.

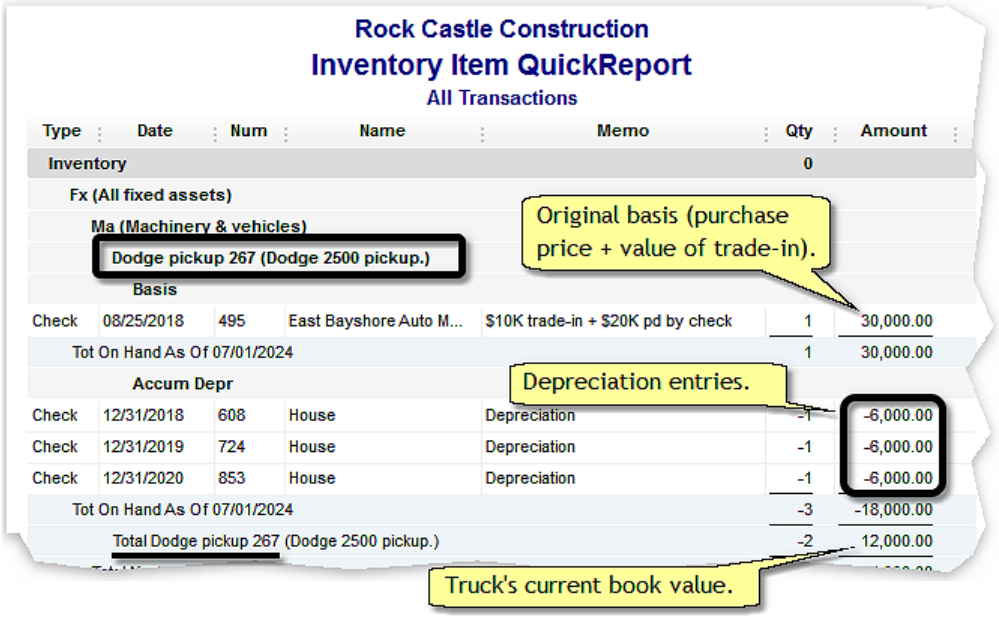
- **You must calculate depreciation outside of QuickBooks** and enter depreciation expense for each fixed asset Item. However, there are lots of ways to automate the process. Chapter 9 - Depreciation Expense shows how to use a free spreadsheet template to calculate depreciation expense and import depreciation transactions into QuickBooks—avoiding the need to enter them manually.

- You can prepare a variety of **fixed asset reports**, including reports for income tax preparation which provide details of fixed asset purchases, sales, and trade-ins for the tax year.

- Drilling down in a report such as an Item QuickReport provides **direct access to all transactions** involving any fixed asset.

  Drilling down means double-clicking a line in a report to open a window containing more detail—usually a specific transaction or list of related transactions.

- **Reports** can show things like: the asset's original basis (purchase cost), purchase date, trade-ins involved in purchasing an asset, accumulated depreciation, selling price, sale date, gain or loss on sale, and more:



Type	Date	Num	Name	Memo	Qty	Amount
Inventory					0	
Fx (All fixed assets)						
Ma (Machinery & vehicles)						
Dodge pickup 267 (Dodge 2500 pickup.)						
Basis						
Check	08/25/2018	495	East Bayshore Auto M...	$10K trade-in + $20K pd by check	1	30,000.00
Tot On Hand As Of 07/01/2024					1	30,000.00
Accum Depr						
Check	12/31/2018	608	House	Depreciation	-1	-6,000.00
Check	12/31/2019	724	House	Depreciation	-1	-6,000.00
Check	12/31/2020	853	House	Depreciation	-1	-6,000.00
Tot On Hand As Of 07/01/2024					-3	-18,000.00
Total Dodge pickup 267 (Dodge 2500 pickup.)					-2	12,000.00

Basics steps for the Simple/Smart method...

- **Set up accounts** to represent fixed asset book values (original basis and accumulated depreciation), plus an Other Income account for recording gains and losses on fixed asset sales.
- **Create Items for each fixed asset** as described in the next chapter.
- **Use the Items for entering fixed asset transactions**—purchases, trade-ins, depreciation expense, and sales and disposals.
- **Use standard QuickBooks reports** to have (1) quick, easy access to all transaction details for any fixed asset, plus (2) detailed reports for income tax preparation.

Who can use the Simple/Smart method?

- You can use the S/S method in any of the QuickBooks desktop editions for Microsoft Windows—Pro, Premier, Accountant, or Enterprise. (*Exception:* S/S will not work with the FIFO inventory method available for the Advanced Inventory option of QuickBooks Enterprise editions.)
- You *cannot* use the S/S method with QuickBooks Online (QBO).

  Why not? Because parts of QBO are designed like an overly-safe beginner's bicycle: it has "training wheels" in various places which only let you "ride it slowly on the sidewalk" for some activities. You can't take it out on the street, raise your feet up off of the pedals, and coast down Dead Man's hill (what all the neighborhood kids call it) at 30 miles an hour.

  OK, enough of that metaphor. Specifically, QBO won't let you associate Fixed Asset accounts with Inventory Products & Services—something which the desktop editions allow. That, and basic differences between the desktop edition and QBO inventory systems, prevent using Inventory type Products & Services for working with fixed assets.

  If you use QuickBooks Online, your best bet is to find a third-party app for working with fixed assets.

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Fixed Asset Purchases and Trade-Ins

About this chapter	This chapter show how to enter fixed asset purchases, including purchases involving trade-ins.

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 cash purchases, with funds withdrawn from a bank account.

In QuickBooks, the Bank account type is sometimes also used for representing accounts which are not traditional bank accounts. Examples would include a PayPal account or a prepaid MasterCard/VISA account—any financial account which normally carries a positive (asset) balance. If you use PayPal to pay for a fixed asset purchase, for example, the purchase would also be entered on the Checks form, but with your PayPal account selected in the Bank Account field.

- A ***cash purchase*** means making payment when you receive (or take delivery) of something. (The "cash" in cash purchase does not mean currency; it means any form of immediate payment, including checks, currency, money orders, etc.)

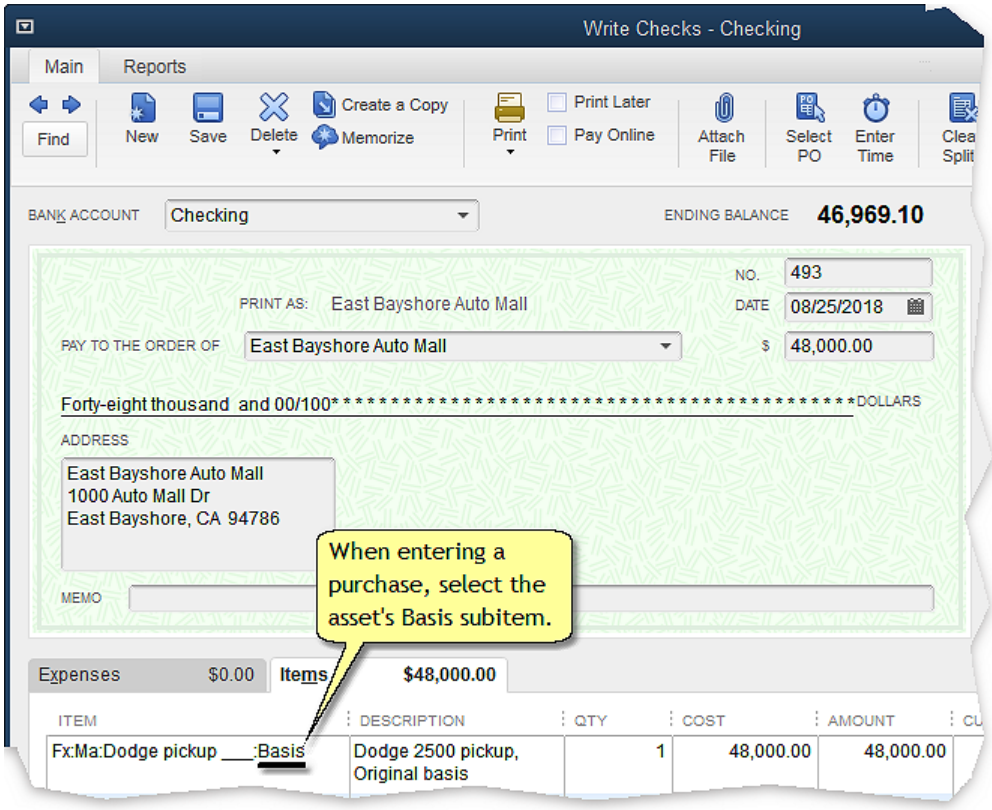
- A ***credit purchase*** means receiving or taking delivery of something but not making payment until later, with credit provided by a dealer, a bank,

or another third party. The QuickBooks form you use for entering a credit purchase will depend on the kind of credit or financing involved. For details, see *Entering a Purchase with Financing*.

How to Enter a Fixed Asset Purchase, Paid by Check

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

   The Items used is example are described in *Setting Up Items* in Chapter 4.


Write Checks - Checking
Main
Reports
Find
New
Save
Delete
Create a Copy
Memorize
Print
Print Later
Pay Online
Attach File
Select PO
Enter Time
BANK ACCOUNT
Checking
ENDING BALANCE
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DATE
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PAY TO THE ORDER OF
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Forty-eight thousand and 00/100* * * *

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Entering a Purchase plus Financing

This section discusses common ways to finance a fixed asset purchase, and how to enter a financed purchase in QuickBooks.

Dealer Financing

We bought a new pickup truck today for $48,000, with no trade-in. We financed $40,000 of that amount through Chrysler Capital and wrote an $8,000 check for the difference. How should I enter this in QuickBooks?

You wrote a check, so record the purchase on the Checks form. Enter the pickup truck at its full cost, $48,000, on the Items tab, and enter the loan on the Expenses tab as a *negative* amount: -$40,000. This will leave the net amount of the check at $8,000—the amount you paid.

Dealer financing means a loan obtained through a dealer in conjunction with an asset purchase. Like a bank loan, dealer financing agreements specify both an interest rate and a repayment schedule. The loan funds, however, are usually provided by a non-bank third party. For example, Chrysler Capital, GM Financial, and Ford Credit provide funds for dealer financing of vehicles purchased through Fiat Chrysler, General Motors, and Ford dealers.

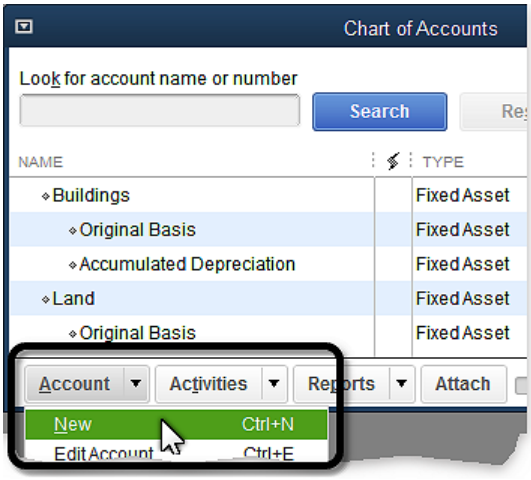
Dealer financing is different from purchasing on an open account. With an open account (dealer credit, trade account, etc.) the dealer (not a third party) provides the credit, and you normally must pay the balance you owe within a shorter period of time—typically 30 to 90 days.

When dealer financing is involved, it is usually an integral part of the fixed asset purchase, and all parts if the transaction—financing, plus any cash payment or trade-in—can be entered together on the Checks form. (Trade-ins will be discussed in the next section of this chapter.)

Setting up a loan account

Before entering the purchase it's a good idea to set up an account in QuickBooks to represent the dealer financing loan. Here are the steps for setting up the account.

1. **Open the Chart of Accounts window** (Lists > Chart of Accounts) and **select** Account > New from the button menu at the bottom.



The Add New Account: Choose Account Type window will open.

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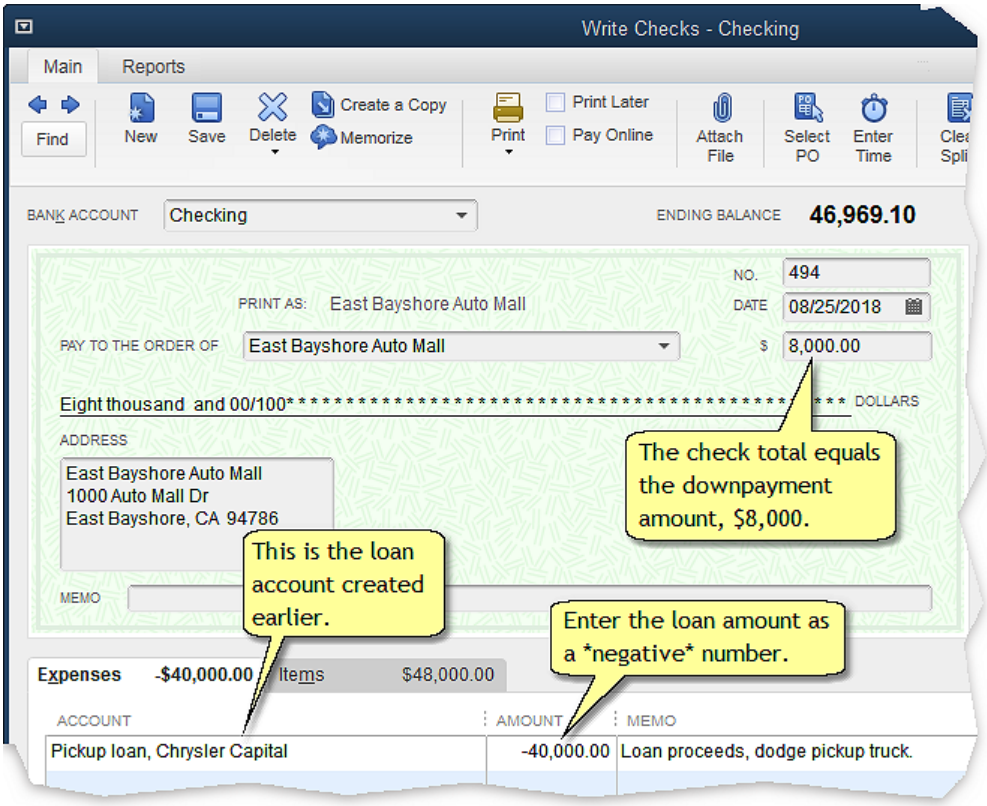
3. **Fill in the Expenses tab of the check** as shown below.



The difference between the truck's purchase price, $48,000, and the loan amount, $40,000, results in a net amount of $8,000 for the check.

Why is the loan amount a negative number? Think of it this way: normally you would enter loan proceeds as a *deposit* to your checking account. But here the loan proceeds are being entered on a check, which is the opposite of a deposit. So the loan is entered as a *negative* amount here—the equivalent of entering it as a *positive* amount on the Deposits form.

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

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ment was for a business purchase and was not a payment to the individual.

- Reimbursements are made in a timely manner. If reimbursements are delayed for several months, the credit card purchases may appear to have actually been a casual "loan" to the LLC or corporation by its partners or shareholders—which increases the risk of piercing the veil of corporate liability protection.

Entering a Purchase with a Trade-In

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

You wrote a check so record the purchase on the Checks form, and record the trade-in as part of the same transaction. Follow the steps in the example below to determine your basis in the new pickup, which consists of the $20,000 cash amount you paid plus the remaining basis (undepreciated book value) of the pickup which was traded in.

If you create the Check entry in the proper order—by following the steps in the example below—*QuickBooks will calculate the trade-in's remaining basis for you,* making the entry much easier.

Including the new asset purchase and the trade-in on the same Check provides several benefits:

- Having the trade-in's details on the Check **allows QuickBooks to calculate the trade-in's remaining basis,** which you will need for determining the original basis (beginning book value) of the new asset.
- It **eliminates the need to enter a separate transaction** to zero out the trade-in's book value (basis and accumulated depreciation).
- It **creates a two-way linkage between the trade-in and the newly acquired asset.** From an Item QuickReport for the new asset, you can drill down to the purchase transaction to find out what was traded in for it. And from an Item QuickReport for the traded-in asset, you can drill down to

the transaction which closed out the Item's book value, to find out what new asset was acquired with the trade-in.

How to Enter a Purchase with a Trade-In

What about entering partial-year depreciation for the trade-in?

To properly account for a trade-in, depreciation expense should be entered for the part of the year you owned the asset before it was traded in (if it has any remaining depreciable value). Enter the partial year of depreciation expense first, so the trade-in's accumulated depreciation balance will be up-to-date when you record its use as a trade-in.

The *Calculate partial-year depreciation* topic in Chapter 9 shows a simple way to figure the partial-year amount.

Do I really have to enter partial-year depreciation?

Whether or not to enter partial-year depreciation is an accounting choice—something to discuss with your accountant. It may be important to do if the business' financial statements are viewed by others outside of the business and are assumed to have been prepared using standard accounting practices, but many small businesses—especially sole proprietorships and partnerships whose financial statements are mostly for internal purposes—forgo entering partial-year depreciation to avoid the extra effort it requires.

Advanced user tip:

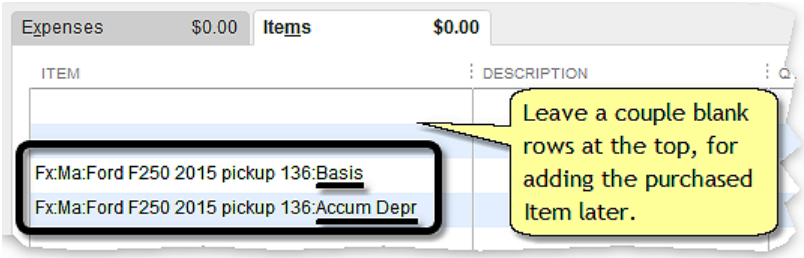
You can enter partial-year depreciation on the same Check where you record the trade-in. To do that, enter the partial year of depreciation expense on the Check *first,* then *save the Check* to update the trade-in's accumulated depreciation balance. After that, you can add the trade-in and the purchased Item to the same Check (see detailed steps below). The Check will have a $0 amount when first saved but will have a positive amount after you have added the trade-in and purchase amounts.

The Items used in this example are described in *Setting Up Items* in Chapter 4.

1. **Open the Checks form** (Banking > Write Checks).

2. **Select the trade-in's Org Basis and Accum Depr subitems,** on the Items tab.

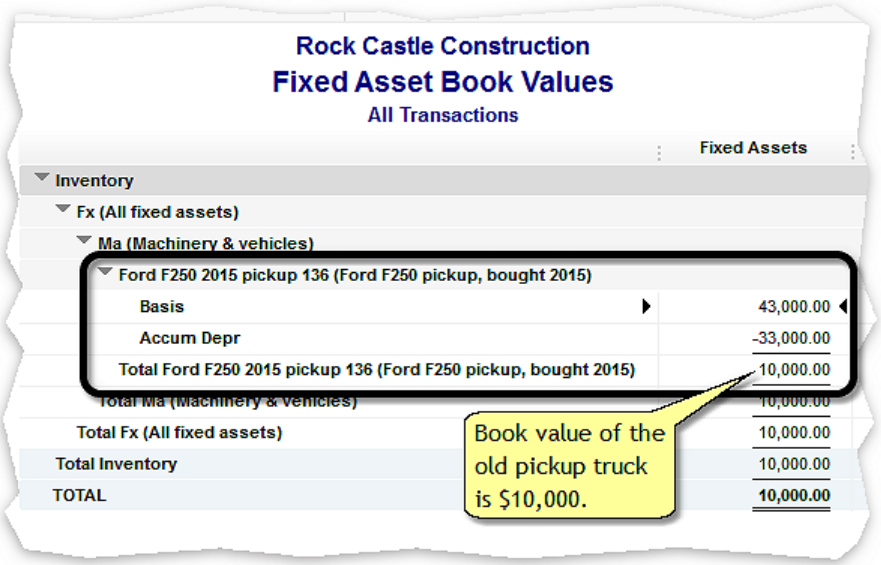
   Recommended: leave a couple blank rows at the top for adding the new Item you are purchasing, which will happen in step 5.



3. **Look up the trade-in's Org Basis and Accum Depr balances.**

   You must *look up* the current balance for both Items. *Do not rely on the Cost which QuickBooks has calculated for them.* The S/S method manipulates Items in a nonstandard way, which can cause QuickBooks' calculated Cost for a fixed asset Item to be *incorrect*.

   One place to look up each Item's balance is in a Fixed Asset Book Values report, like the one shown below. (Another would be in an Item QuickReport customized to include the Amount column.)



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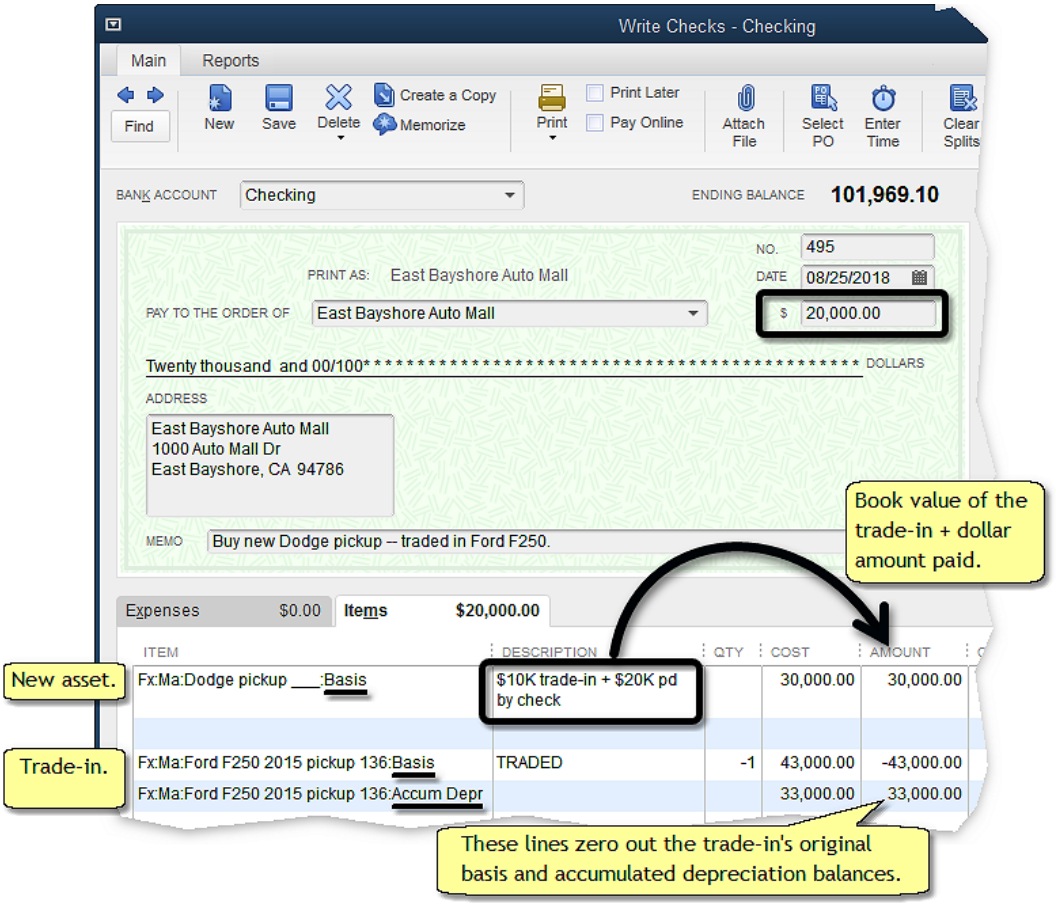
together they make the new pickup's original basis (beginning book value) $30,000. As you can see below, entering an original basis amount of $30,000 leaves $20,000 as the net amount of the check—which is exactly the amount paid by check.



Putting the new asset's Item on the first line is optional, but because it is the asset being purchased, that seems like the most sensible location for it. (Use Edit > Insert Line if you need to insert blank lines at the top of the Items tab.)

6. **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.

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Fixed Asset Sales & Disposals

About this chapter	This chapter shows how to enter transactions when a fixed asset leaves the business—is sold, destroyed, or salvaged.

Entering a Sale

Problem **We sold an old pickup truck today—the buyer wrote us a check for $15,000, and no trade-in was involved. How should I enter the sale in QuickBooks?**

Solution This is a cash sale, so enter it on the Sales Receipts form. Because the truck was sold outright, also make a second entry to record gain or loss on the sale.

Discussion Purely from an accounting standpoint, a *cash sale* means selling or delivering something and being paid immediately, and a *credit sale* means selling or delivering something but not expecting to receive payment until later—even if "later" is only a few days later.

Cash sales are normally entered on the Sales Receipts form (Customers > Create Sales Receipts).

> **Some people also enter sales on the Deposits form** (Banking > Make Deposits). However, it does not support using Items, which are required for the S/S method.

Credit sales are entered in two steps: (1) you enter the sale on an Invoice (Customers > Create Invoices) when you deliver whatever was sold, or when it is picked up by the buyer, then (2) when the buyer pays, you re-

ceive payment on the invoice (Customers > Receive Payments) to "close" it—to cancel out the amount the buyer owes on the invoice.

From a practical standpoint, things sometimes work a bit differently. If the buyer in this example had offered to write you a check next Tuesday, and you agreed to those terms, *technically* the sale of the pickup truck would be a credit sale. But especially in small businesses where avoiding paperwork is often an important goal, you might just wait until payment is received to record the sale—in which case you would enter it as a cash sale, on the Sales Receipts form.

How to Enter a Fixed Asset Sale

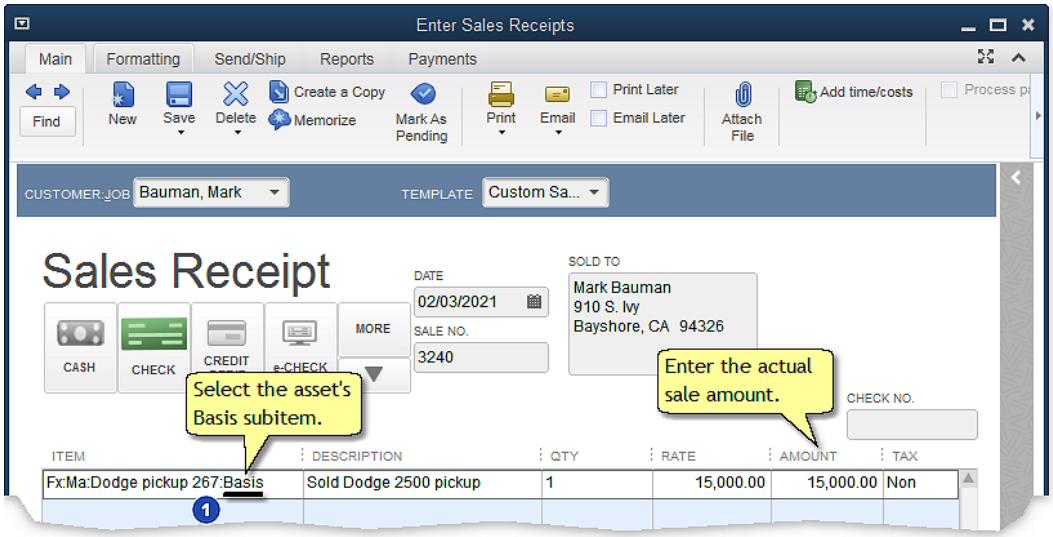
With the S/S method, two steps are involved in recording the sale of a fixed asset: (1) enter the sale, then (2) enter a second transaction to record gain or loss on the sale and zero out the asset's accumulated depreciation balance.

Here are the steps for entering the sale:

1. **Open the Sales Receipts form** (Customers > Enter Sales Receipts).

   (If the pickup truck were being sold on credit, you would enter the sale on an Invoice.)

2. **Fill in the form** as shown below.



1. **Item.** This pickup truck is the same asset as shown in the Fixed Asset Purchases chapter, but here the Item name has a number (267) at the end, while in the Purchases chapter it had underscores (___). Why? The number is an asset number assigned by the business' tax preparer when income taxes were prepared for the year in which the truck was purchased. The Item name has been edited to include this number.

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.

How to Record Gain or Loss on the Sale (and Zero Out Accumulated Depreciation)

When a fixed asset is sold outright, in addition to the sale you need to make a second entry to (1) calculate gain or loss on the sale (the calculation happens automatically), and (2) zero out the asset's accumulated depreciation balance, to remove it from the balance sheet.

Making this entry requires two steps: first you need to look up the sold asset's accumulated depreciation balance, then enter the transaction on the Checks form.

Accounting 101: What does "gain or loss on sale of an asset" mean?

Depreciation involves writing off the purchase cost of a fixed asset as an expense over the years of its expected useful life. Let's suppose you purchase a machine for $50,000, and that you will depreciate it at the rate of $10,000 per year over an expected lifetime of five years. Let's further suppose that after the second year you sell the machine.

The machine's book value is its original purchase cost minus the total amount of depreciation expense which has been written off so far, known as accumulated depreciation. The original purchase cost was $50,000 and the total depreciation amount, or accumulated depreciation, is $20,000 (2 years * $10,000 per year), so the machine's book value is $50,000 - $20,000 = $30,000.

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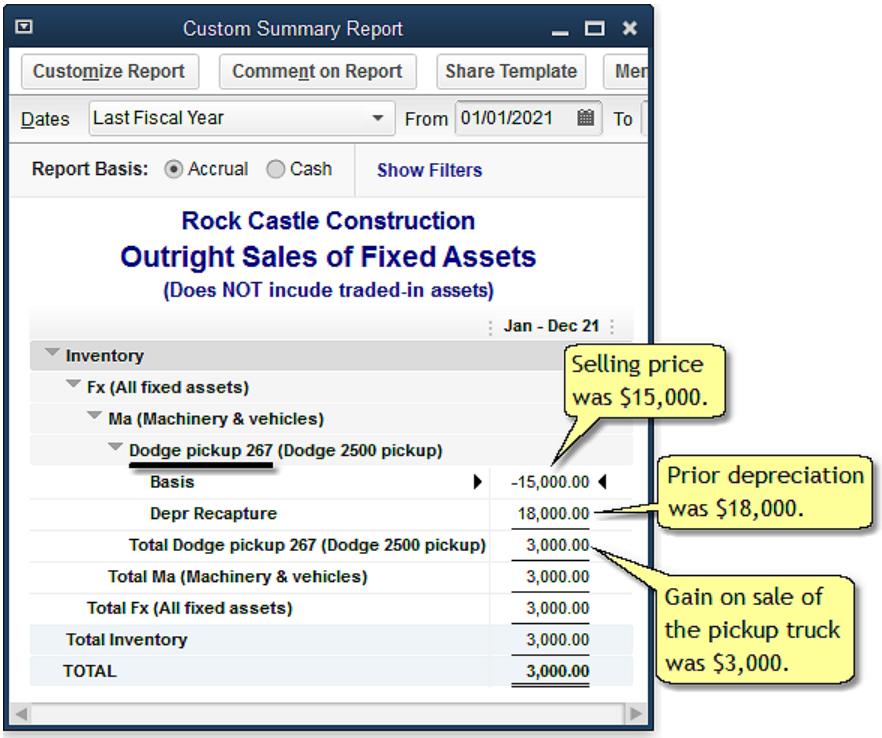
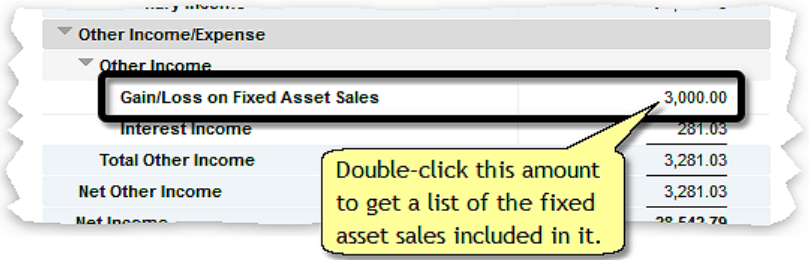
Seeing the amount of gain or loss on the sale

QuickBooks' standard Item reports don't show fixed asset gains and losses in a very intuitive format. A better choice is to prepare a Fixed Asset Sales Report—a custom report which shows fixed asset sales during the accounting period, plus the gain or loss on each sale. Here is the report, filtered to only include the pickup truck's Items, showing that there was a $3,000 gain on the sale:



Gains and losses also show up in the Other Income section of Profit and Loss reports (Reports > Company & Financial > Profit & Loss Summary). Gains and losses for *all* fixed asset sales made during the period covered by the report will be provided as a single amount:



Retiring the Sold Asset's Item

After the year's accounting has been completed and income taxes have been prepared, it's a good idea to retire Items representing fixed assets which were sold or disposed of during the year, so they will no longer appear in fixed asset reports.

Retiring Items for Sold/Disposed of Fixed Assets

After a fixed asset has been sold or disposed of and income taxes for the year have been prepared, you may not want to see that asset in reports any more. You may go to the Item List and mark the asset's main Item as inactive, but that still won't prevent the Item from showing up in reports. A better remedy is to "retire" fixed assets you no longer own, by assigning them to a different parent Item.

Wait until the year's income taxes have been filed before retiring fixed asset Items, to assure that the year's tax reports include all fixed assets sold or disposed of during the year.

The first step is to create an Inventory Part Item to use as a master parent Item for fixed assets you retire. Here is the setup window for an Item named FxRETIRED, created for that purpose. (An error indicator account is selected in each of the account fields because this Item should not itself be used in transactions—it's sole purpose is to serve as a parent Item for retired fixed asset Items.)

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Recording Disposal or Destruction of a Fixed Asset

When a fixed asset is disposed of without receiving any payment for it, the proper way to remove it from the list of fixed assets will depend on whether it had any book value when it was disposed of.

If the asset had *no* remaining book value (was fully depreciated, with no salvage value)...

We had a 30-year-old job site office trailer on our back lot which we had not used for years—the roof leaked and the structure was in poor condition. We gave it to an employee who offered to haul it away for free, to dismantle for some of the trailer parts. How do I remove the old trailer from our books?

Enter a zero-dollar check to zero out the trailer's original basis and accumulated depreciation balances, thereby removing it from the balance sheet.

Zero-dollar checks are a popular QuickBooks technique. They let you make transaction entries on the Checks form which otherwise would have to be made as journal entries, and allow Items to be used in those transactions (journal entries do not).

This approach is appropriate when disposing of fixed assets which have no remaining book value, because no gain or loss is involved. If an asset has any book value when disposed of, use the approach described later.

Assuming the office trailer was fully depreciated:

1. **Look up the trailer's original basis and accumulated depreciation balances** in a Fixed Asset Book Values report or Item QuickReport.

   For this example, assume the trailer's original basis (purchase price) was $22,000 and, because it is fully depreciated, it's accumulated depreciation balance is also $22,000, leaving it with a book value of $0.

2. **Enter a zero-dollar check (Banking > Write Checks) to cancel out the original basis and accumulated depreciation amounts.** The check should be

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3. *Recommended:* **Retire the loader's Items** at the end of the tax year, so it will no longer appear in fixed asset reports.

Recording an Insurance Payout for the Loss of a Fixed Asset

Problem **One of our delivery vans was parked alongside a busy highway when a passing semi-truck driver lost control of his truck and plowed into the back of our van, pushing it into another car. No one was hurt, but the insurance company called our van a total loss and sent us a $17,500 check for it. How do I remove the van from our books, and also record the check from the insurance company?**

Solution Enter the insurance payout as if it were a sale of the van to the insurance company.

Discussion When you receive an insurance payment for a fixed asset which was destroyed, essentially you are "selling" the fixed asset to the insurance company for the amount of the payout. The "sale" is recorded just like any other sale of a fixed asset, using two transaction entries, as shown in the examples below.

What about partial-year depreciation?

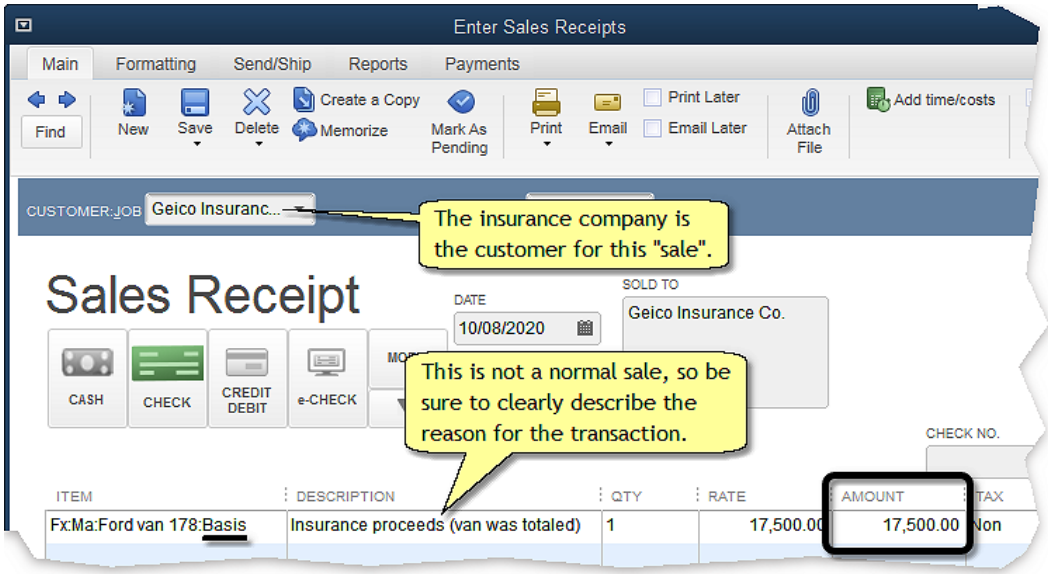
If a fixed asset has depreciable value when it is disposed of, proper fixed asset accounting calls for entering depreciation expense for the part of the year it was owned before disposal. Enter partial-year depreciation *before* recording the disposal, so the asset's accumulated depreciation amount will be correct for the depreciation recapture entry.

The *Calculate partial-year depreciation* topic in Chapter 9 shows a simple way to figure the partial-year amount.

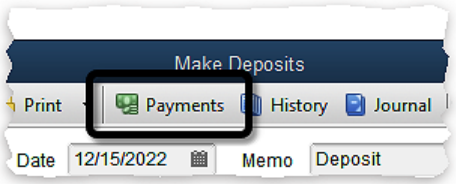
The reason for entering partial-year depreciation is to meet the accounting goal of matching fixed asset costs with the revenue those assets helped to produce. However, entering partial-year depreciation is an accounting choice—something to discuss with your accountant. It may be important to do if the business' financial statements are viewed by others outside of the business and are assumed to have been prepared using standard accounting practices. However, many small businesses—especially sole proprietorships and part-

nerships whose financial statements are mostly viewed internally—forgo entering partial-year depreciation to avoid the extra effort it requires.

1. **Enter a Sales Receipt** (Customers > Enter Sales Receipts) to record the "sale" of the van to the insurance company.



This "sale" will be posted to the Undeposited Funds account, where it will be available to include in a bank deposit (Banking > Make Deposits) via the Payments button:



2. **Enter a $0 Check** (Banking > Write Checks) **to recapture depreciation for the van.** This will zero out its accumulated depreciation balance and calculate any gain or loss on the "sale" of the van.

   Before entering the Check, look up the van's accumulated depreciation balance in either a Fixed Asset Book Values report or an Item QuickReport customized to include the Amount column. If the accumulated depreciation balance is $24,000, the transaction would look like this:

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How to Enter a Swap which Involves a Payment

What if it's not a straight swap? That is, what if a payment is involved in addition to swapping assets with someone?

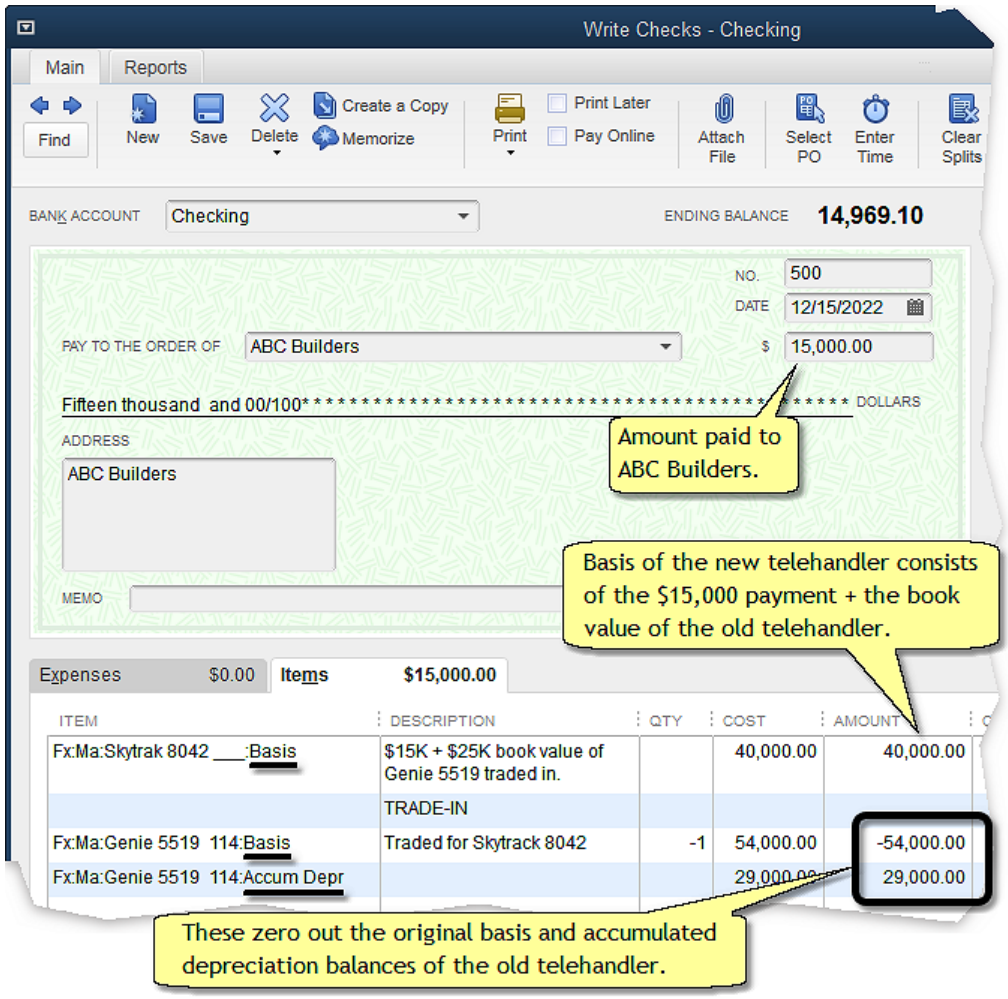
Swap assets, plus *making* a cash payment

Several years ago we bought a small telehandler to use on light construction jobs. More recently we have been needing a larger telehandler for lifting heavier loads. In talking with a job foreman with ABC Builders I learned that their needs were just the opposite: they had large telehandler and needed a smaller, lighter one. So we came to an agreement to swap telehandlers, with us also paying them $15,000 to make up for the higher value of the telehandler we are getting. How do we enter this in QuickBooks?

Enter a check (Banking > Write Checks) to record the purchase of the larger telehandler for the $15,000 amount you paid, listing your old, smaller telehandler as a trade-in.

This kind of swap is essentially the same as any purchase involving a trade-in, as described in *Entering a Purchase with Trade-In*. And unlike the swap with no payment described above, in this case you are entering a *real* check drawn on an actual bank account, not a clearing account.

Here is a Check entry for the cash amount paid, which also records other details of the fixed asset swap:


Write Checks - Checking
Main
Reports
Find
New
Save
Delete
Create a Copy
Memorize
Print
Print Later
Pay Online
Attach File
Select PO
Enter Time
Clear Splits
BANK ACCOUNT
Checking
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14,969.10
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500
DATE
12/15/2022
PAY TO THE ORDER OF
ABC Builders
$
15,000.00
Fifteen thousand and 00/100* * * *

Swap assets, plus *receiving* a cash payment

We sell water well drilling rigs and provide sales support to our dealers. Until recently we had three trucks for servicing the rigs we sold, but our company is being reorganized and servicing will now be handled by a different operating division. That division needed our service trucks, so we swapped them for two SUVs—which our sales people will use—plus a $60,000 payment from the other division. How do I enter all of this in QuickBooks?

This situation is more complicated than most, because entering it in QuickBooks requires *four separate transaction entries*, each connected to a clearing bank account.

The reason four entries are required is that QuickBooks will not allow entering Sales Receipts or Checks for *negative* dollar amounts.

Essentially, this swap involves "trading in" the three service trucks to acquire two SUVs. But instead of paying additional funds to purchase the SUVs, you are *receiving* a $60,000 payment. To record the purchase using a Sales Receipt as you normally would for a trade-in, the Sales Receipt would have to be entered for a *negative* amount (because funds are being received, not paid out). But QuickBooks won't allow that.

The workaround is to use separate transaction entries to "sell" the three service trucks and to "buy" the two SUVs, using a clearing bank account as an intermediate place to temporarily hold funds being transferred between the various transaction entries, as shown below.

This example deals with an asset group—multiple fixed assets of the same kind represented by a single main Item, with transaction quantities specifying the number of assets bought or sold.

1. **Enter a Sales Receipt (Customers > Enter Sales Receipts) to "sell" the service trucks *at their book value*.**

   Assume that a Fixed Asset Book Values report shows the combined book value of the three service trucks as $90,000—$190,000 original basis, less $100,000 accumulated depreciation.

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CHAPTER 8

Working with Fixed Asset Groups

About this chapter	This chapter provides tips for working with fixed asset groups—where a single main Item may represent any number of assets of the same kind.

About asset groups

For purposes of the S/S method, an *asset group* is a group of fixed assets of the same kind, usually acquired in the same transaction, which are represented by a single main Item. Common examples include:

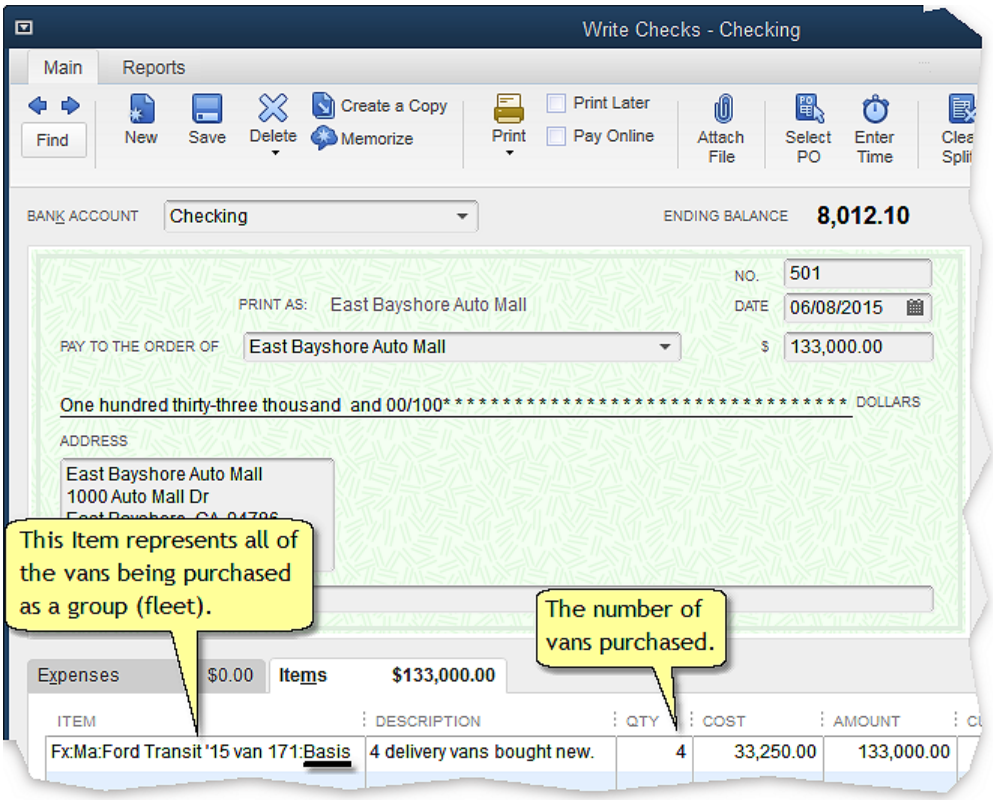
- A group of vehicles acquired in a single purchase such as a fleet of trucks, delivery vans, or automobiles.
- Several machines of the same model acquired at the same time, such as a number of forklifts, or construction machines, or mixing vats, or portable storage units.
- A group of cows or other breeding livestock purchased by a rancher.

Some benefits of asset group Items include:

- **Asset groups save space** in the Item List because one set of Items (a main Item plus Basis, Accum Depr, and Depr Recapture subitems) may represent any number of fixed assets of the same kind.
- **Asset groups make sales and disposals of part of a group more intuitive,** because the sale or disposal transaction can specify the number (quantity) of assets which have been sold or disposed of.
- **Item reports can show the remaining inventory or count of assets in the group**, which is especially useful if part of the group has been sold or disposed of at different times.

Purchasing a Fixed Asset Group

The quantity of assets purchased as a group must be entered in the transaction which records the purchase:


Write Checks - Checking
Main
Reports
Find
New
Save
Delete
Create a Copy
Memorize
Print
Print Later
Pay Online
Attach File
Select PO
Enter Time
BANK ACCOUNT
Checking
ENDING BALANCE
8,012.10
NO.
501
PRINT AS:
East Bayshore Auto Mall
DATE
06/08/2015
PAY TO THE ORDER OF
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One hundred thirty-three thousand and 00/100* * * *

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CHAPTER 9

Depreciation Expense

About this chapter	This chapter provides a brief explanation of depreciation expense and shows how to enter it for fixed asset Items.

Depreciation...Explored and Explained

If you are reading a book about fixed asset accounting (this one) it's likely that you already have a reasonably good understanding of depreciation and depreciation expense. But in case that isn't so—maybe your background in accounting is not very deep—let's take a brief side trip to consider some basics about depreciation and depreciation expense. The main purpose of this side trip will be to explore how your accounting goals relate to how—and whether—you should calculate depreciation expense, and whether or not you should enter depreciation expense 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"—things wear out, become inefficient to operate, require more costly repairs, and become 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, 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 just one year would misrepresent how those assets contribute value to the business. It would

also make profits for that year appear to be small, due to large expense write-offs recorded in that 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 fixed assets —or, their contribution to productivity within the business—and their productive value over their useful lifetimes. *Depreciation expense* then, is an accounting entry which is 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, buildings, and similar fixed assets, the accounting assumption for land (borne out by real-world experience) is that its value is not "consumed" or "used up" over time. Land values may either 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 the asset. 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 is based on a lot of assumptions, such as:

- **How quickly a fixed asset will be worn out or used up.** The asset's purchase cost will be written off as some amount of depreciation expense each year over the asset's *expected useful life*, but how long is that? Estimating the useful life of an asset requires making assumptions about how long the asset will last or will be useful.
- **How it contributes value or productive capabilities to the business.** Many assets contribute more productive value to the business when they are newer, compared to when they are older. A machine may have less

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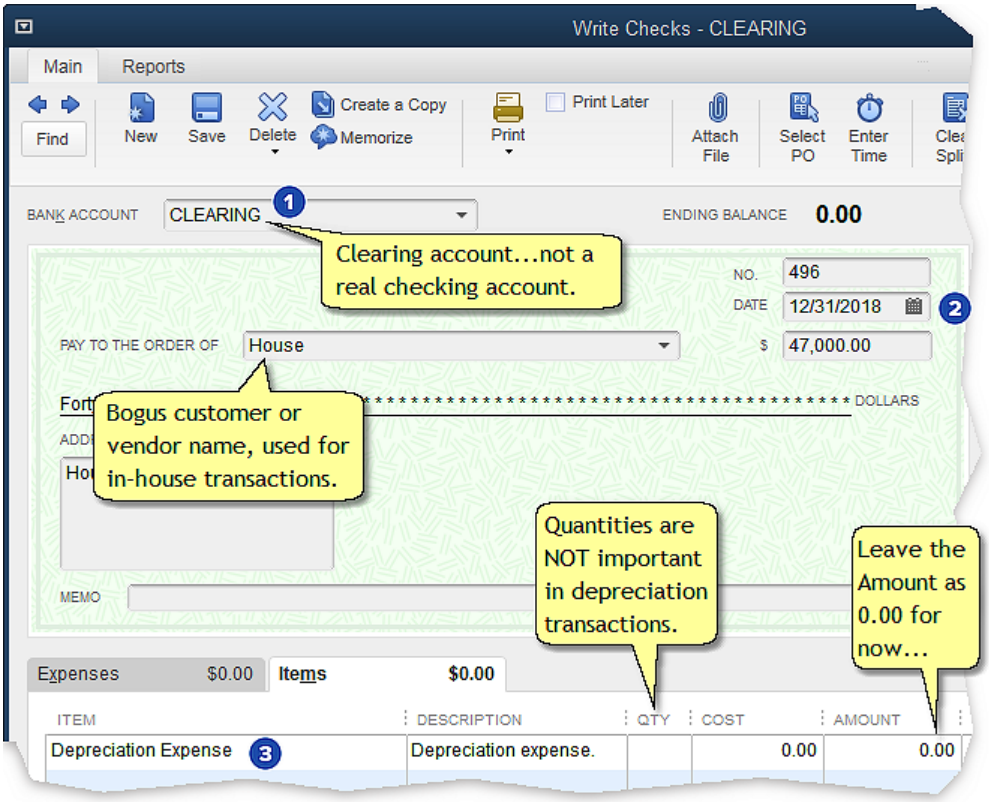
4. **Click the OK button** to save the new Item and close the window.

How to Enter Depreciation Expense

With a single Checks form entry you can record depreciation expense for any number of fixed assets, as demonstrated below. To enter depreciation expense for a larger number of Items, see the Automating Depreciation Expense sections later in this chapter.

1. **Open the Checks form** (Banking > Write Checks).

2. **Fill out the top part of the check** as shown below.



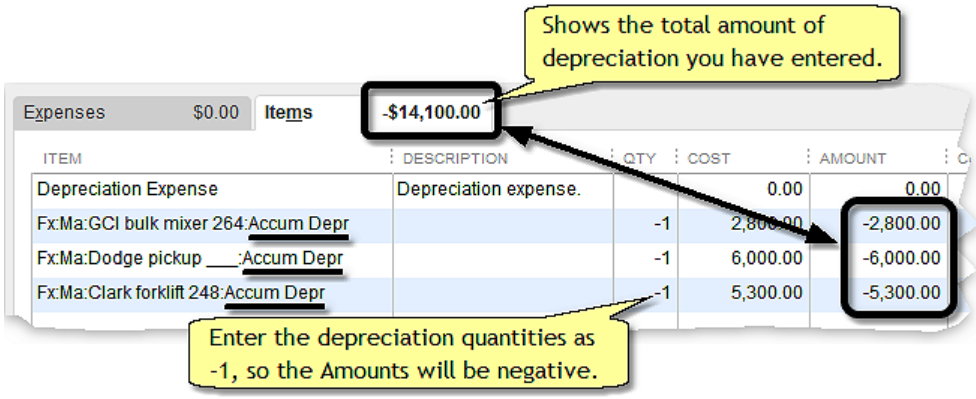
1. **Bank Account** should be a clearing bank account, because this is not an actual bank transaction.

2. **Date** the check with the date on which you want the depreciation expense recorded.

3. **Item.** Select the Depreciation Expense Item on the first line of the Items tab, but leave its Amount as 0.00 for now

   Using an Item to represent depreciation expense is optional. If you don't want to use an Item, you can select the Depreciation Expense account on the Expenses tab instead.

3. To add an asset's depreciation expense to the check, **select its accumulated depreciation subitem**, then **enter the depreciation expense *as a negative number*.** You may include as many assets on the check as you want—there are three in this example:



Where did the depreciation amounts come from?

QuickBooks does not calculate depreciation. You may use a spreadsheet or other third-party software application, or you might have your accountant calculate depreciation for each of your fixed assets and provide you with a list of amounts to enter into QuickBooks. (As mentioned earlier, generally the depreciation expense you enter in QuickBooks should be calculated for accounting book value purposes, not income tax purposes.)

Calculating Depreciation with a Spreadsheet, later in this chapter, describes a free spreadsheet template you can use for calculating depreciation.

Another alternative, if you use straight-line depreciation, is to calculate the annual depreciation amount for an asset and set up a recurring memorized transaction to have QuickBooks enter it automatically.

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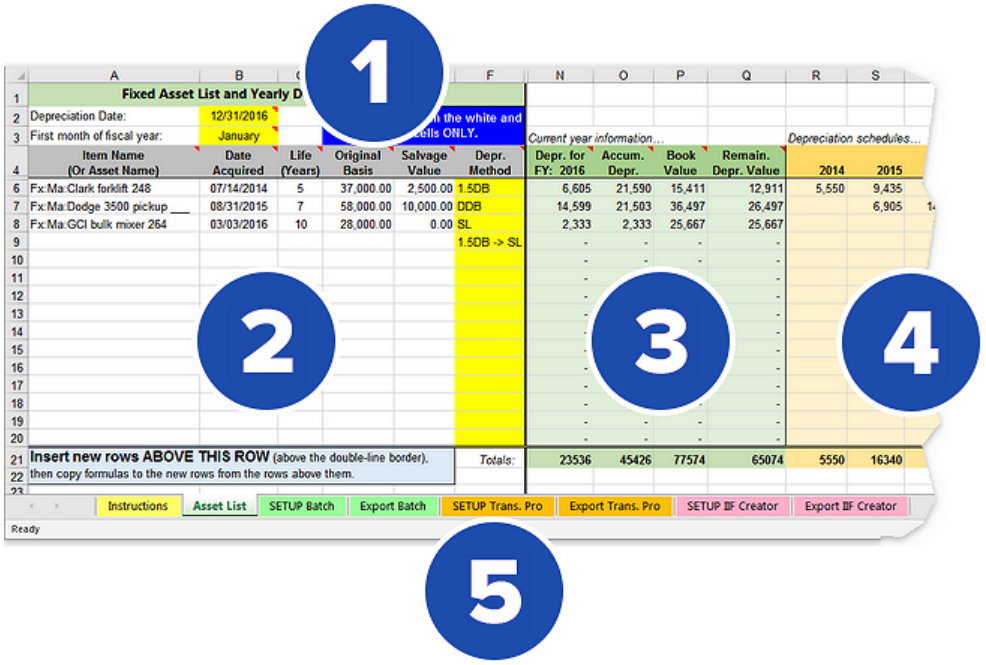


1. **General information.** Fields near the top of the sheet give you a place to enter general information, such as the Depreciation Date.

2. **Fixed asset list.** This is where you will enter information for each fixed asset to allow calculating depreciation for it, and creating a permanent list of your fixed assets which you can reuse for depreciation calculations every year.

3. **Current year depreciation information** columns show calculated information for the current year (based on the Depreciation Date you have entered at the top of the worksheet).

4. **Depreciation schedules** provide annual depreciation amounts for each asset over its useful lifetime.

   The template only calculates yearly (not monthly) depreciation.

5. **Tabs** at the bottom give you access to the template's various worksheets:

   - **Instructions** provides an overview of the template and general instructions for using it.

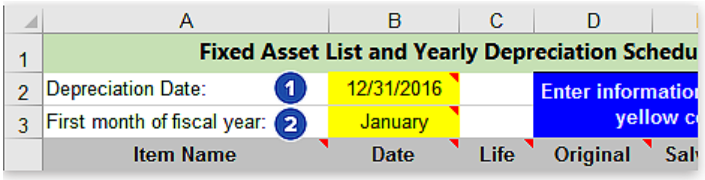
- **Asset List** lets you maintain a list of fixed assets and calculates depreciation for them as described above.
- **Export tabs** build transactions for exporting to QuickBooks. The template supports several ways to export depreciation transactions to QuickBooks, and each tab conforms to requirements of a particular exporting method.
- **SETUP tabs.** Each export tab has an associated setup tab of the same color, where you can enter information needed for building transactions on the associated export tab. *SETUP Batch*, for instance, is the setup tab for the *Export Batch* tab.

Using the *Asset List* Worksheet

Here are basics of using the *Asset List,* which is where most of your time will be spent with the template. (The Export worksheets will be discussed later in the chapter.)

Entering basic depreciation information

Besides the details you will enter for each asset, two pieces of general information are needed for calculating depreciation:



1. **Depreciation Date** is the date for which you want depreciation expense to be calculated. It is used as the transaction date on depreciation transactions you export to QuickBooks. Also, depreciation is always calculated for the *fiscal year* in which the Depreciation Date falls:

   Example 1: If you use the calendar year as your fiscal year, you might normally want depreciation transactions dated December 31st each year—12/31/2019 for the year 2019, for example. But the same depreci-

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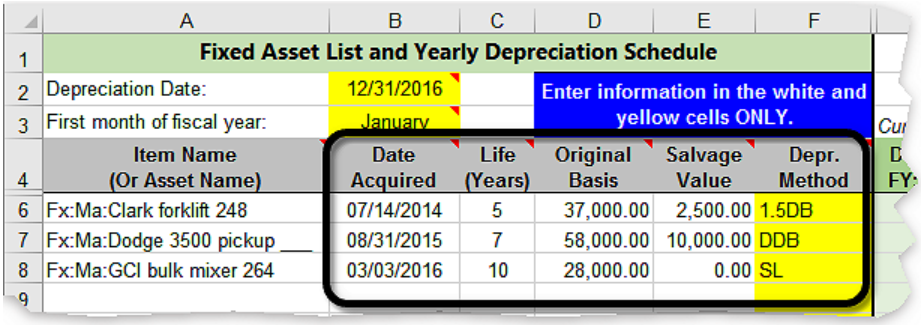
In addition to Item names you need to enter depreciation information for each asset:



	A	B	C	D	E	F
1	Fixed Asset List and Yearly Depreciation Schedule					
2	Depreciation Date:	12/31/2016		Enter information in the white and yellow cells ONLY.		
3	First month of fiscal year:	January				
4	Item Name (Or Asset Name)	Date Acquired	Life (Years)	Original Basis	Salvage Value	Depr. Method
6	Fx:Ma:Clark forklift 248	07/14/2014	5	37,000.00	2,500.00	1.5DB
7	Fx:Ma:Dodge 3500 pickup	08/31/2015	7	58,000.00	10,000.00	DDB
8	Fx:Ma:GCI bulk mixer 264	03/03/2016	10	28,000.00	0.00	SL
9						

- **Date Acquired** is the asset's purchase date or acquisition date—acquired in a swap or barter transaction, for instance. This date is needed for calculating the asset's depreciation schedule (including partial first-year depreciation for assets purchased in any month other than the first month of the fiscal year). To find the date an asset was acquired you can open a QuickReport for the Item, then double-click its purchase transaction to open the transaction to see the date it was acquired.

- **Life** is the asset's estimated useful life: the number of years over which you want to depreciate the asset.

- **Original Basis** is the total of the purchase price paid for the asset plus the book value of any trade-ins.

- **Salvage Value** is the expected salvage value of the asset at the end of its useful life, often 0.

- **Depr. Method.** This column contains a a dropdown list which lets you select a depreciation method for each asset. These methods are supported:

SL	Straight Line
SumYD	Sum of Years Digits
DB	Declining Balance
DB -> SL	Declining Balance with switch to Straight Line
1.5DB	150% Declining Balance
1.5DB -> SL	150% Declining Balance with switch to Straight Line
DDB	Double Declining Balance (200%)

DDB -> SL Line	Double Declining Balance w/ switch to Straight

If you need to add a lot of assets to the list you can use a more mechanized approach. Prepare a QuickBooks report which includes full name paths for Items, and customize the report to include only the columns you need (Item, Purchase Date) and only transactions for the desired year. Then export the report to Microsoft Excel, where you can Copy Item names to the clipboard for Pasting into the *Asset List* sheet.

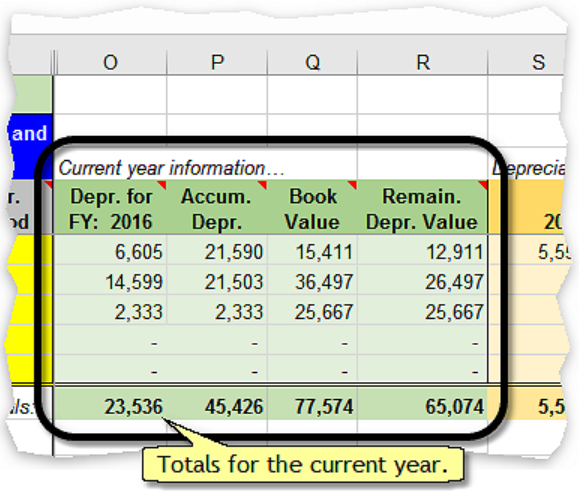
The Purchases by Vendor Detail report (Reports > Purchases > Purchases by Vendor Detail) is a good report to use for this, because it includes the transaction date—the Date Acquired for the Item.

Just a simple asset list/depreciation calculator?

Though the template was designed to support exporting transactions, as needed for the Simple/Smart method, there is no requirement to use it that way. Anyone who is *not* using the Simple/Smart method can use the template simply as an asset list with depreciation calculation abilities. If you choose to use it that way, you don't need to enter Item names: just enter asset names in the Item Name column of the *Asset List* sheet.

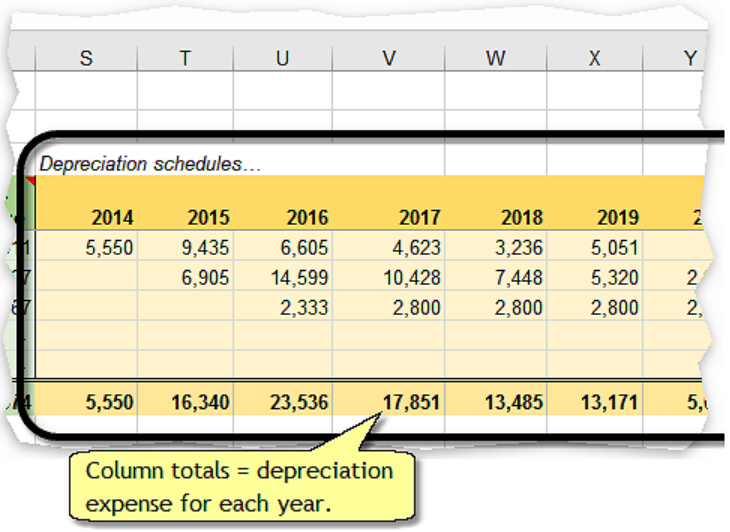
Calculated results

As you add assets and depreciation information to the list, calculated results for the current year (determined by the Depreciation Date entered at the top of the worksheet) will appear to the right:



- **Depr. for FY XXXX** is the amount of depreciation calculated for the current fiscal year, for each asset. (Actually, calculations are for the fiscal year which includes the Depreciation Date entered at the top of the worksheet.)
- **Accum. Depr.** is the accumulated depreciation amount for each asset, including the **Depr. for FY: XXXX** amount.
- **Book Value** is the book value of each asset: its Original Basis minus Accum. Depr. (accumulated depreciation).
- **Remain. Depr. Value** is an asset's remaining depreciable value: Book Value minus Salvage Value.

Farther to the right, are annual depreciation schedules for each asset, covering their entire useful lives:



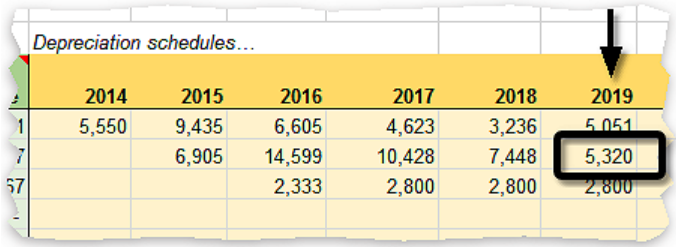
How To...

Calculate partial-year depreciation

If you sell a fixed asset you may choose to enter depreciation expense for the part of the year it was owned before being sold. To calculate that amount:

- **Look up the asset's depreciation amount for the full year** in the Depreciation schedules section of the *Asset List*, then multiply that amount by the fraction of the year that the asset was owned.

  Example: Suppose you sell an asset in March of 2019, and find that its full-year depreciation amount for 2019 would have been $5,320:



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Importing Depreciation Transactions

Here are some things to check before importing transactions from the spreadsheet into QuickBooks:

Spreadsheet checklist

- ❑ Enter the Depreciation Date and select the correct fiscal year first month, at the top of the *Asset List* sheet.
- ❑ Make sure Item names, purchase dates, and depreciation information for fixed assets acquired during the year have been entered in the *Asset List*, and that Item names are spelled exactly as they are in QuickBooks.
- ❑ Make sure all assets sold, salvaged, or traded in during the year have been either deleted from the *Asset List* or disabled.
- ❑ Examine calculated results on the *Asset List* sheet—book values, depreciation schedules, etc.—to see if they appear reasonable. If not, check the depreciation information you have entered, looking for problems.
- ❑ Enter information on the *SETUP Batch* tab, or review the information to see that it is correct.
- ❑ Look for warning messages on the *Export Batch* tab. (Each of the export tabs displays a warning message if it does not have enough rows for building transactions for all of the fixed assets in the *Asset List*.)
- ❑ Examine transactions on the *Export Batch* tab to see if they appear complete and reasonable. If not, look for problems on the *Asset List* sheet.
- ❑ Don't forget to save the spreadsheet file if you make any changes to the template or its data.

QuickBooks checklist

- ❑ Make sure each of the Items representing fixed assets has an Accum Depr subitem (or other name you have chosen to use for accumulated depreciation subitems). All fixed asset Items must use *the same* accu-

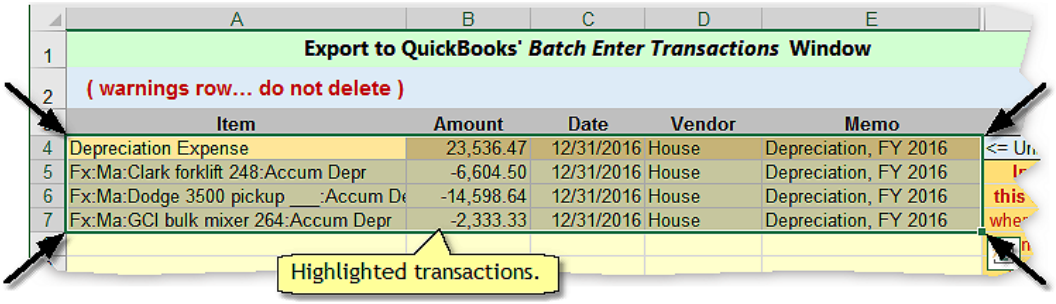
mulated depreciation subitem name, and it must match the name you enter on the template's *SETUP Batch* tab.

- ❑ Open the Batch Enter Transactions window, select the Bills & Bill Credits transaction type, and make sure the columns are configured to match those on the *Export Batch* sheet as described earlier.

Importing transactions

1. In QuickBooks, **open the company file** which is to receive the depreciation transactions.

2. On the *Export Batch* tab of the spreadsheet, **highlight just the cells containing transaction details**. *Do not include the row of column names at the top.*



3. **Copy the highlighted transactions to the Windows clipboard,** by:

   - ❖ Typing *Ctrl-C*, or
   - ❖ Right-clicking in the highlighted area to display a pop-up menu, then selecting Copy from the menu, or
   - ❖ In Excel, selecting Home > Copy.

4. In QuickBooks, **open the Batch Enter Transactions window** by clicking on its icon in QuickBooks' icon bar, if it is not already open.

5. **Click in the Item column** of the Batch Enter Transactions window, **then Paste the transactions** from the clipboard into the window by:

   - ❖ Typing *Ctrl-V*, or
   - ❖ Right-clicking in the Item column to display a pop-up menu, then selecting Paste from the menu, or

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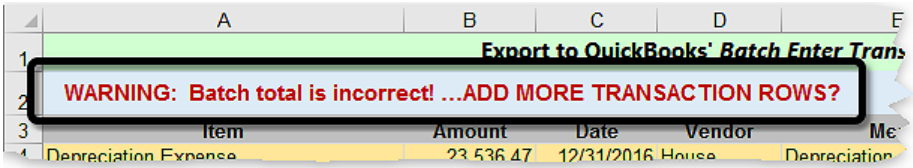
- Did you correctly spell the accumulated depreciation subitem name you entered on the *SETUP Batch* tab?

Why did QuickBooks reject my Vendor name?

Either you misspelled or failed to enter the Vendor name on the *SETUP Batch* tab.

I applied all of the Bill Credits to the Bill, but that didn't completely offset the Bill amount. Why not?

This is only likely to happen if the *Export Batch* worksheet does not have enough rows for creating transactions for all of your fixed assets. If a warning message like the following appears in the *Export Batch* worksheet, you need to insert more rows. After adding a sufficient number of rows (by following instructions on the worksheet), the error message will go away.



Importing Depreciation Expense: Transaction Pro Importer

> ***This discussion is intended for intermediate to advanced QuickBooks users.***
>
> It is less "step-by-step" than much of the rest of this book and skips details which most experienced QuickBooks users already understand.

Transaction Pro Importer (TPI) is a data importing utility which can import transactions and other data (Customers, Items, etc.) from a variety of file types into QuickBooks, available from Baystate Consulting at transactionpro.com. This section shows how to use TPI to import depreciation

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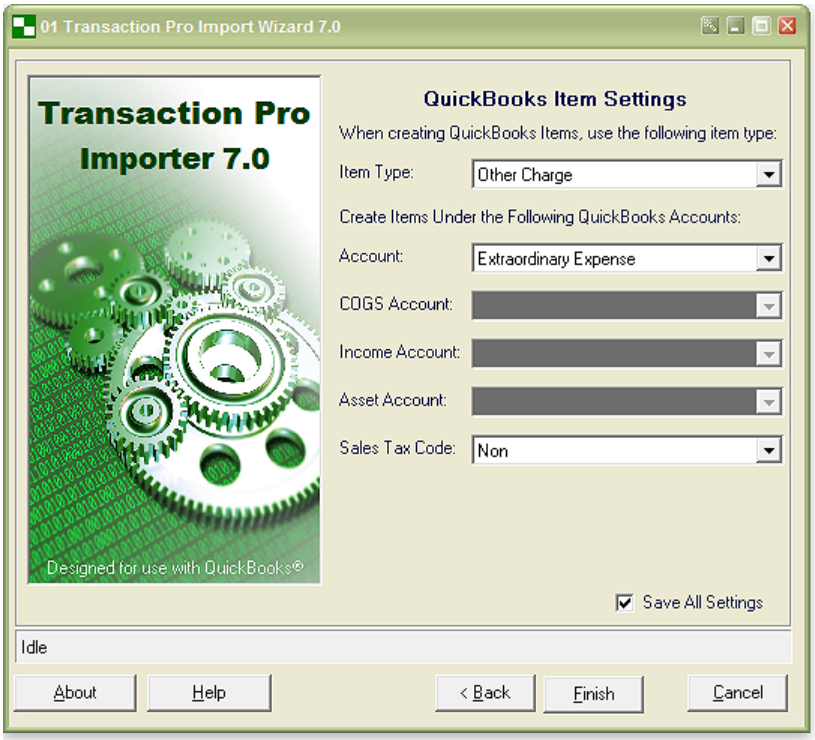
known Item names are detected in the import data. You may select any information you like here; the following is an example.



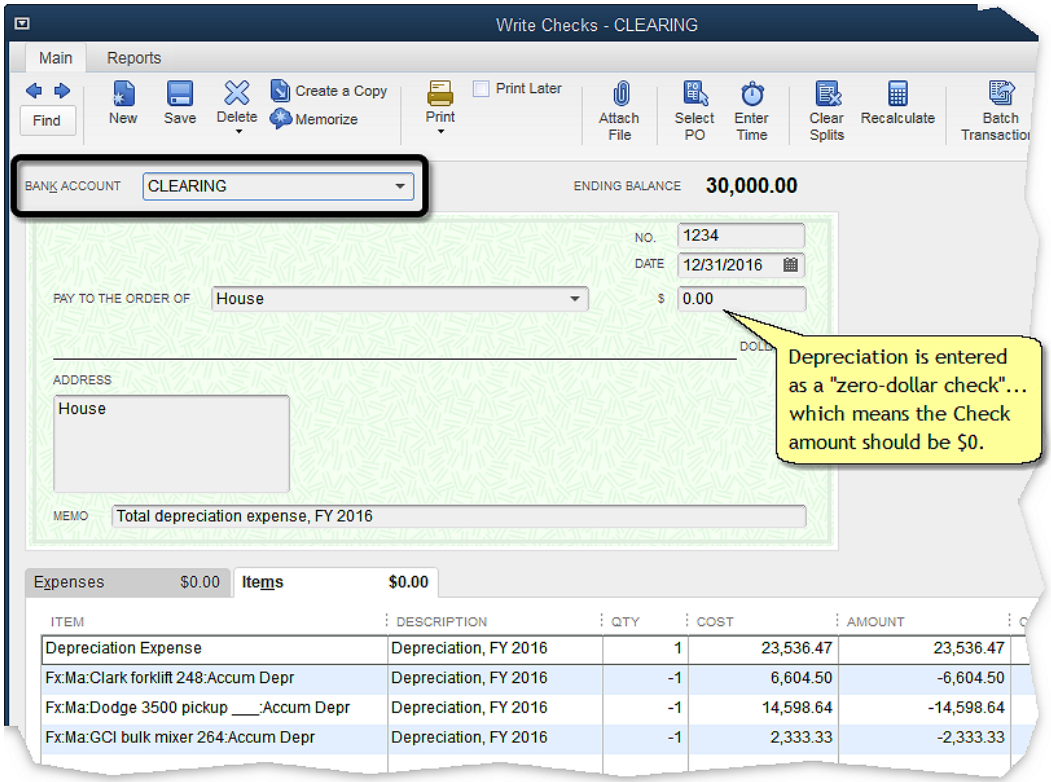
14. **Click the Finish button.**

    TPI will ask if you want to begin the check transfer to QuickBooks.

15. **Click OK** to allow the transfer to take place.

    The import data will then be sent to QuickBooks as a check.

16. **You may view the imported Check in QuickBooks if you want,** by finding it in the Register window for the CLEARING account (or other Bank type account you use for clearing transactions):



Questions & Problems

Why did QuickBooks reject one (or all) of my Item names?

QuickBooks will reject an Item name if any part of it is misspelled, so...

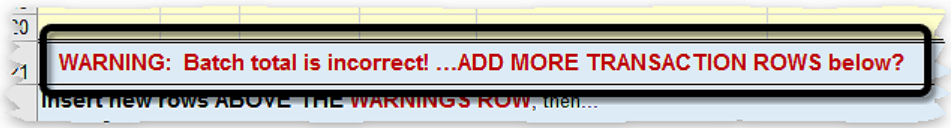
- Did you enter the Item name(s) correctly in the *Asset List* worksheet?
- Did you include the Item's full name path; that is, include its parent Items?
- Did you correctly spell the accumulated depreciation subitem name you entered on the *SETUP Trans. Pro* tab?

Why did QuickBooks reject my Vendor name?

Either you misspelled or failed to enter the Vendor name on the *SETUP Trans. Pro* tab.

The Check amount is not zero in QuickBooks, as it should be. Why not?

This is only likely to happen if the *Export Trans. Pro* worksheet does not have enough rows for creating transactions for all of your fixed assets. If a warning message like the following appears in the *Export Trans. Pro* worksheet, you need to insert more rows. After adding a sufficient number of rows (by following instructions on the worksheet), the error message will go away.



Importing Depreciation Expense: IIF Transaction Creator

> ***This discussion is intended for intermediate to advanced QuickBooks users.***
>
> It is less "step-by-step" than much of the rest of this book and skips details which most experienced QuickBooks users already understand.

IIF Transaction Creator (IIFTC) is a data importing utility which can import transactions and other data (Customers, Items, etc.) into QuickBooks from Microsoft Excel, available from Big Red Consulting at bigredconsulting.com. This section shows how to use IIFTC to import depreciation transactions into QuickBooks from the spreadsheet template described earlier.

IIFTC lets you import a batch of depreciation entries as a single Check transaction, so it avoids the need to manually offset Bill Credits against a Bill as is necessary when using the Batch Enter Transactions window.

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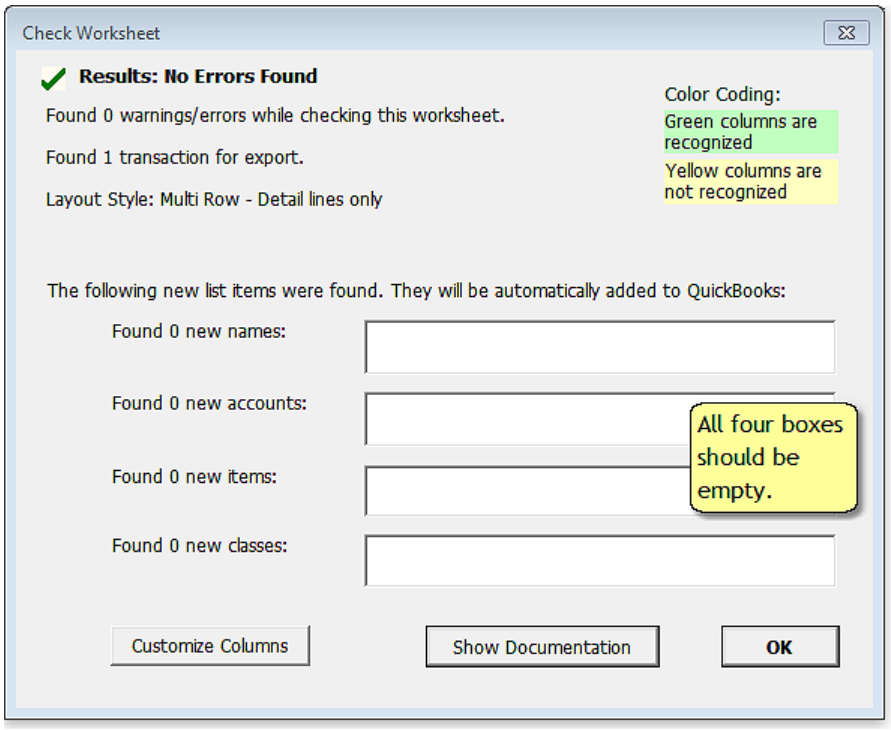
5. **Select** IIF Creator > Step 3. Check Worksheet from Excel's main menu.

IIFTC will check the *Export IIF Creator* worksheet for problems. You may receive informational messages but the worksheet should be OK for exporting. **Press the Continue button** to dismiss the messages.

The Check Worksheet window will be displayed. It should not list any "new" names, items, etc. (list items found in the spreadsheet but not in QuickBooks).



6. **Click the OK button** to close the Check Worksheet window.

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CHAPTER 10

Reports for Fixed Assets

About this chapter	This chapter shows how to prepare fixed asset reports for day-to-day activities as well as for income tax preparation.

Everyday Reports

Two reports are especially useful for working with the S/S-method of handling fixed assets:

- The Item QuickReport will likely be your "workhorse" report for fixed assets, because it provides quick access to all of the transactions involving a single asset, or all fixed assets in a particular category such as machinery or buildings.
- The Fixed Asset List report is useful for seeing the original basis, accumulated depreciation, and current book values of fixed assets.

Item QuickReports

For one fixed asset...

1. **Open the Item List window** (Lists > Item List).
2. **Click on the desired Item,** to highlight it.

   To get the report for a specific fixed asset, click on its main Item. (The asset's subitems will automatically be included in the report.)

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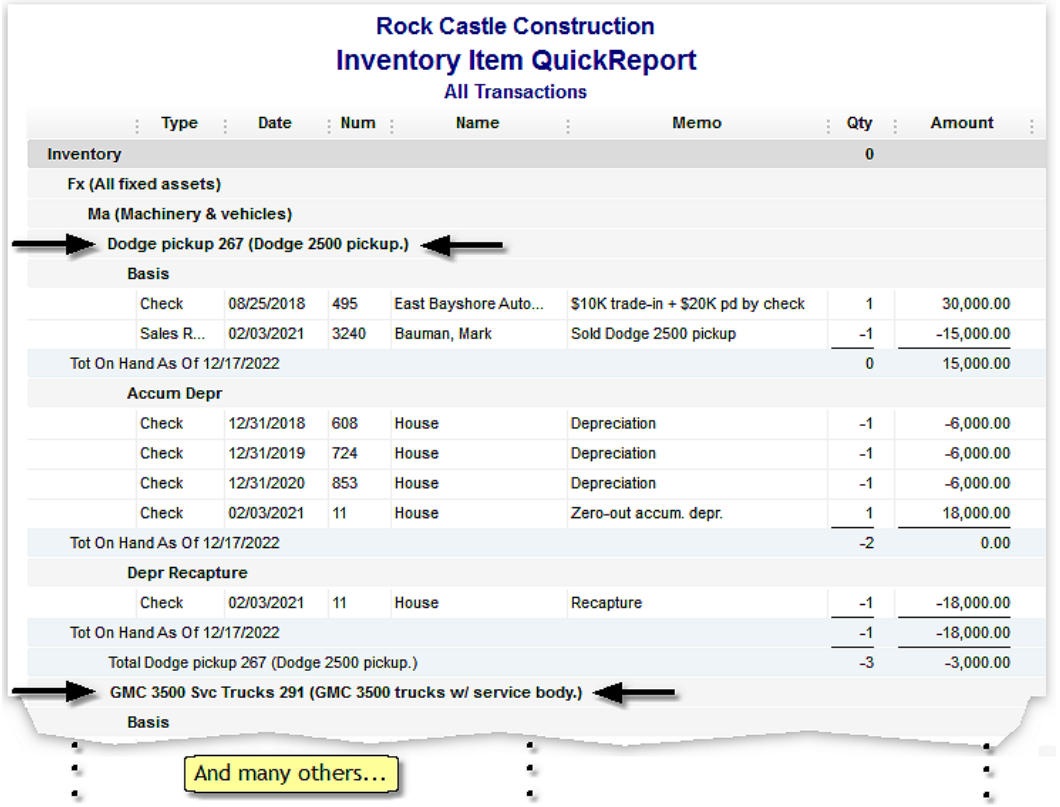


Rock Castle Construction

Inventory Item QuickReport

All Transactions

Type	Date	Num	Name	Memo	Qty	Amount
Inventory					0	
Fx (All fixed assets)						
Ma (Machinery & vehicles)						
Dodge pickup 267 (Dodge 2500 pickup.)						
Basis						
Check	08/25/2018	495	East Bayshore Auto...	$10K trade-in + $20K pd by check	1	30,000.00
Sales R...	02/03/2021	3240	Bauman, Mark	Sold Dodge 2500 pickup	-1	-15,000.00
Tot On Hand As Of 12/17/2022					0	15,000.00
Accum Depr						
Check	12/31/2018	608	House	Depreciation	-1	-6,000.00
Check	12/31/2019	724	House	Depreciation	-1	-6,000.00
Check	12/31/2020	853	House	Depreciation	-1	-6,000.00
Check	02/03/2021	11	House	Zero-out accum. depr.	1	18,000.00
Tot On Hand As Of 12/17/2022					-2	0.00
Depr Recapture						
Check	02/03/2021	11	House	Recapture	-1	-18,000.00
Tot On Hand As Of 12/17/2022					-1	-18,000.00
Total Dodge pickup 267 (Dodge 2500 pickup.)					-3	-3,000.00
GMC 3500 Svc Trucks 291 (GMC 3500 trucks w/ service body.)						
Basis						

Fixed Asset Book Values Report

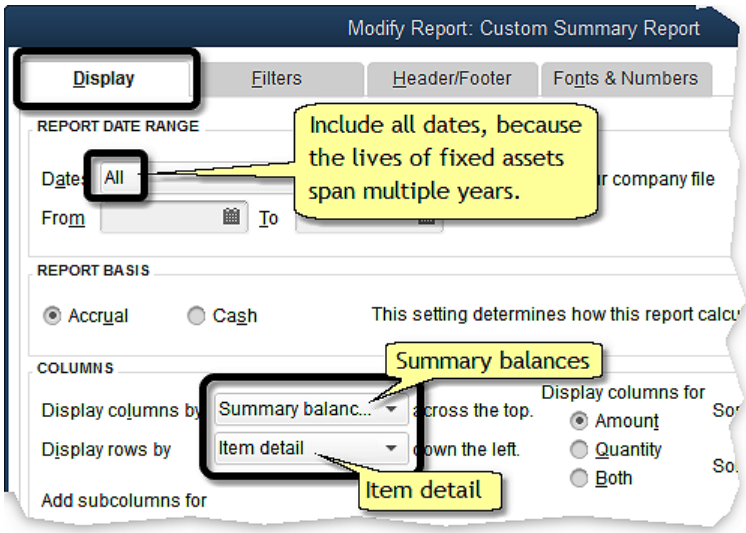
Sometimes you may want a list of fixed assets and their book values; for example, to include as supplemental documentation with a balance sheet report. Here are the steps for preparing a report which shows the book values (original basis minus accumulated depreciation) of all fixed assets. If you prefer, you can limit the report to a single asset or group of assets.

If part of a fixed asset group has been sold, the report lists the original basis and accumulated depreciation *of the remaining group members* (i.e., the part of the group which has not been sold), not the original basis of the entire group.

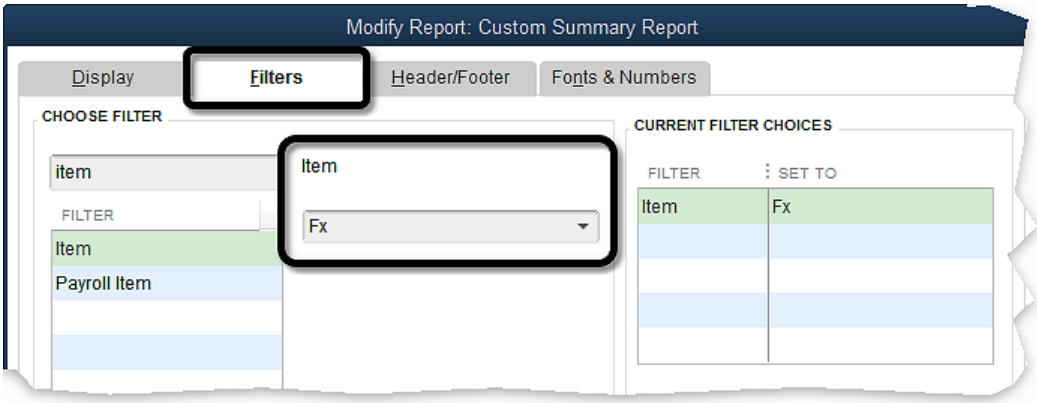
1. **Open a Custom Summary report** (Reports > Custom Reports > Summary).

When the report window opens, the Modify Report window will also open. (If it doesn't open automatically, click the Customize Report button in the upper part of the report window.)

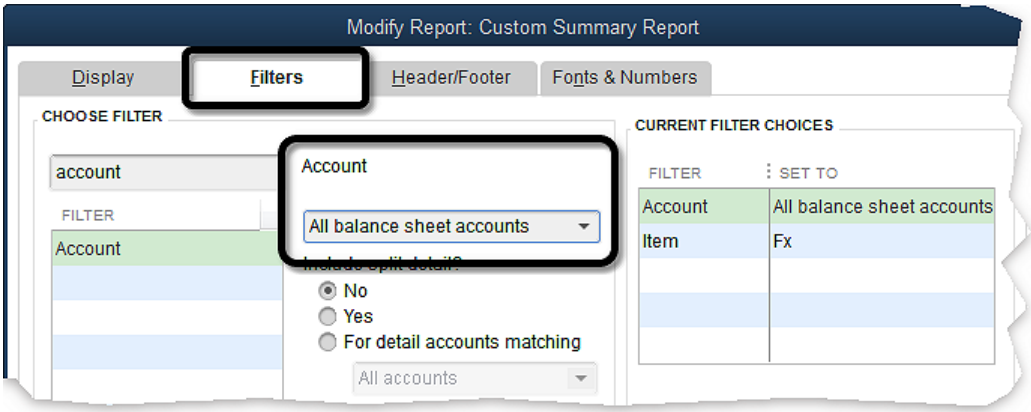
2. In the Modify Report window, **select the Display tab options shown below**.



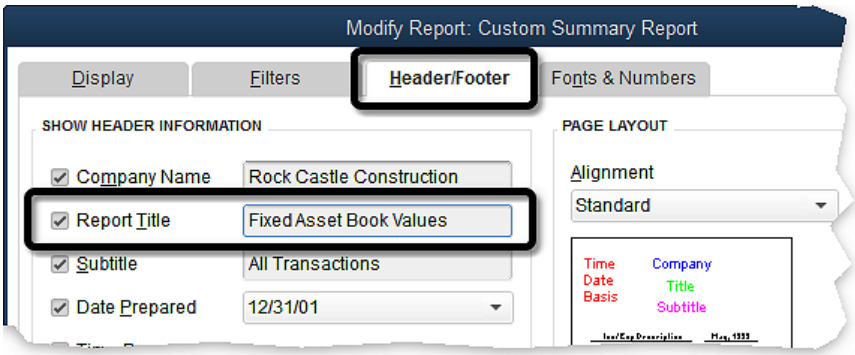
3. On the Filters tab, **set an Item filter by selecting the master parent Item** you are using for fixed assets, such as the *Fx* Item described in *Organizing the Item List* in Chapter 4.



4. **Also set an Account filter, selecting the** *All balance sheet accounts* **option.**.

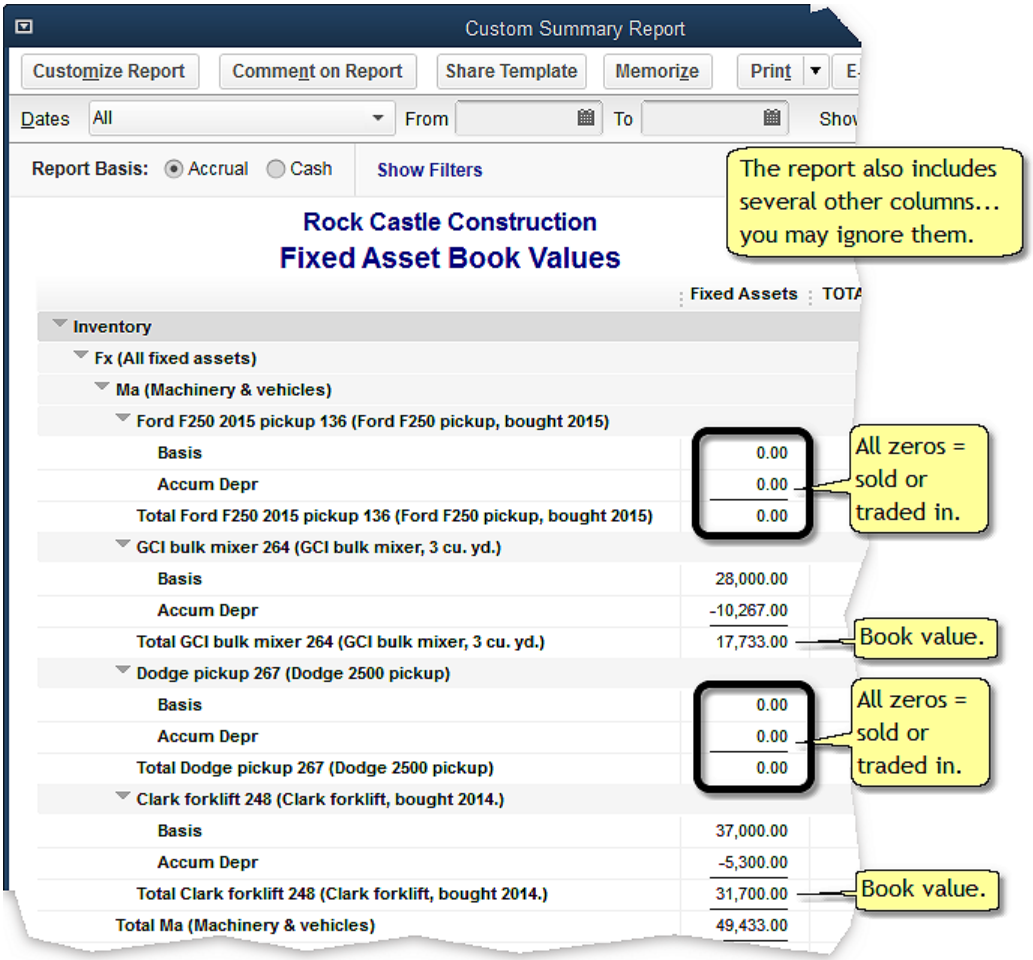


5. On the Header/Footer tab, **change the report title** to something like *Fixed Asset Book Values*.



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

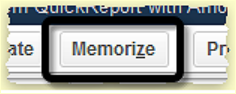
   The report will show the original basis and accumulated depreciation balances for each fixed asset, and will calculate the difference between those balances—which is the book value of each asset. The difference between and the book value of each asset.



7. *Recommended:* **Memorize the report** so it can be recreated in the future with minimal effort.

To memorize a report...

Click the Memorize button in the upper part of the report window, then provide a name for the memorized report and click the OK button to save it.



Whenever you want to recreate the report, select it from the Memorized Reports List (Reports > Memorized Report).

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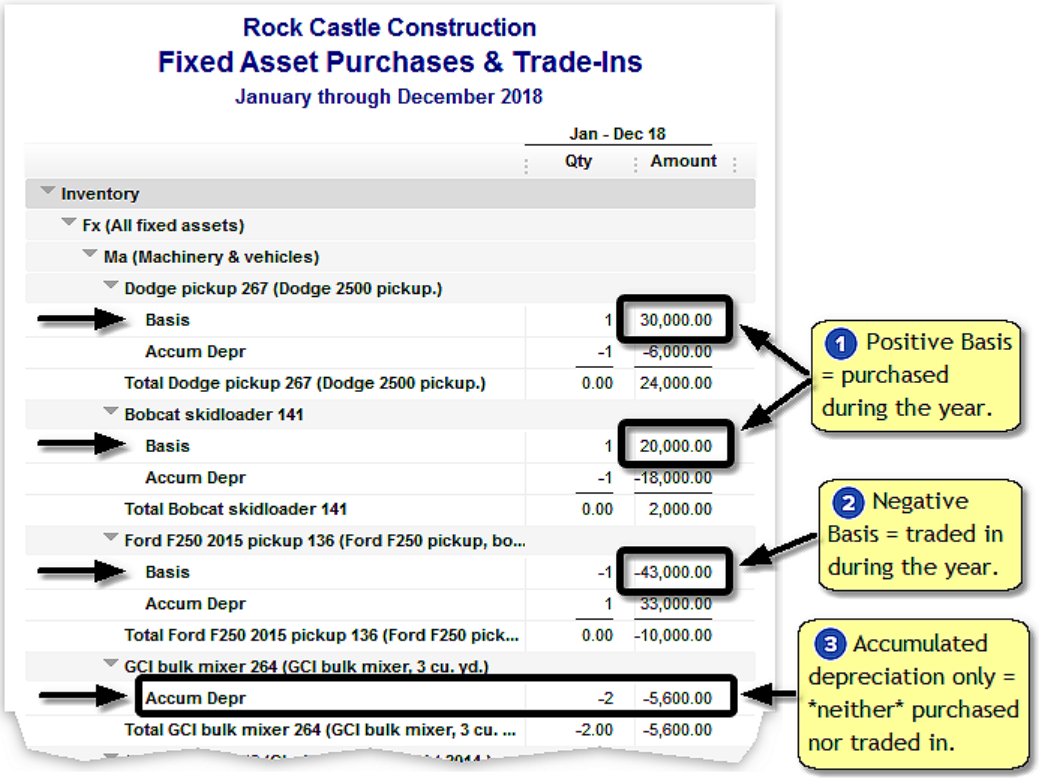


1. **A *positive* Amount on any fixed asset's Basis line** means the asset was purchased during the tax year (or other period covered by the report).

2. **A *negative* Amount on any fixed asset's Basis line** means the asset was traded in during the tax year (or other period covered by the report).

   Is this also true for fixed asset groups? Yes, but sometimes only part of a fixed asset group may have been traded in. So for a fixed asset group, a negative Amount on the Basis line does not necessarily mean the entire group was traded in. To find out, drill down in the report by double-clicking the Basis line to see details of the trade-in transaction(s).

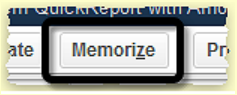
3. **Accum Depr.** Items which *only* have an Accum Depr line were neither purchased nor traded in during the tax year; only depreciation expense was entered for them.

7. *Recommended:* **Memorize the report** so it can be recreated in the future with minimal effort.

   This report is usually prepared the same way every year, with no need for any customization.

To memorize a report...

Click the Memorize button in the upper part of the report window, then provide a name for the memorized report and click the OK button to save it.



Whenever you want to recreate the report, select it from the Memorized Reports List (Reports > Memorized Report).

Using this report for gathering income tax information

The Fixed Asset Purchases & Trade-Ins report does not directly provide the fixed asset information you need for income tax preparation. Instead, it is a *starting place* for gathering that information. Things to know:

- One purpose of the report is to provide a **quick list of fixed assets purchased or traded in during the tax year.** (Why does the report show purchases and trade-ins? Because both are entered on purchase forms—Checks, Bills, and Credit Card Charges.)
- **If a trade-in was involved, the Basis line for the new asset does not show the cash amount paid** in addition to the trade-in. The reason is that an asset's Basis includes the cash amount paid *plus* the remaining book value of the trade-in, if any. To find out the cash amount paid, you must look up the source transaction (Check, etc.) where the purchase was entered.
- A second purpose of the report is to give you **easy access to source transactions** for fixed asset purchases and trade-ins. Drilling down on any Basis line in the report will lead to the transaction(s) related to the Basis balance—the cash amount paid when the asset was purchased, what was traded in for it, and so on.

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CHAPTER 11

An Even Simpler Method

About this chapter	Not everyone who uses QuickBooks needs or wants standards-based fixed asset accounting capabilities. If your needs are more basic, consider the simplified version of the S/S method described in this chapter.

Does this Describe You?

- You use QuickBooks mostly as an income and expense ledger—to keep track of income and expenses for income tax compliance—but also partly because of its convenient features for things like managing payables (Bills) and receivables (Invoices), and keeping track of your checking account balance.
- You don't care much about keeping track of fixed asset book values and have no interest in entering depreciation expense. In fact, the only depreciation expense you care about may be the depreciation your income tax preparer calculates at tax time.
- You'd like to have *some* fixed asset information available in QuickBooks, and an easier way to provide information about purchases, sales, and trade-ins to your tax preparer at year's end.

If you feel you have a lot in common with these statements, then consider using the Even Simpler method described in this chapter.

Basics of the Even Simpler Method

> ***Huh? Where did the name "Even Simpler" come from?***
>
> *Author's comment...* This name was chosen because it suggests an approach which is simpler and easier than the Simple/Smart method. Even Simpler is not a name you will find in any accounting textbook; I simply needed a short name to distinguish this method from the Simple/Smart method.

- **Individual fixed assets are represented as Items,** the same as in the S/S method. Using Items simplifies entering fixed asset transactions—purchases, sales, and trade-ins—and allow easier reporting at tax time.
- **Depreciation expense is not entered.** If you mostly use QuickBooks as an income and expense ledger you probably are not doing full accrual accounting, so there's little reason for entering depreciation expense. If you prepare balance sheet reports outside of QuickBooks—maybe in a spreadsheet—there is even less reason to enter depreciation expense: it won't be needed for updating fixed asset book values for balance sheet purposes. As for tax-based book values (remaining depreciable tax basis), you probably let your tax preparer maintain those along with doing depreciation calculations, and all of that happens outside of QuickBooks.
- **The list of fixed asset Items is structured differently than in the S/S method:** only one Item is needed for each fixed asset, and that Item is used directly in transactions. (No subitems are needed because you won't be tracking book values or accumulated depreciation—at least not in QuickBooks.)
- **Fixed asset Items are associated with different accounts** than in the S/S method.
- **Reports for income tax preparation** are also prepared differently than in the S/S method.

Item Types and Item Setup

Items

When setting up Items for the Even Simpler method, most of the principles discussed in *Organizing the Item List* apply:

- **Use a master parent Item** to make report filtering and transaction entry easier.
- **Group fixed assets into categories** such as machinery, buildings, and land by creating subitems of the master parent Item.
- **Set up a single Item to represent each fixed asset.** However, no subitems are needed because you won't be tracking depreciation expense or book values.

The fixed assets section of your Item List (Lists > Item List) might be structured like this:

Fx	*All fixed assets*
Ma	*Machinery*
Asset1	
Asset2	
Asset3	
Bl	*Buildings*
Asset4	
Asset5	
La	*Land*
Asset6	

Which Item type?

You could use Non-inventory Part Items. They support entering quantities in transactions; however, they do not make it possible to maintain an inventory, or count, of fixed assets, which may be important if you want to let some Items represent groups of like fixed assets purchased at the same time, such as a fleet of vehicles, a herd of beef cows, or several units of the same model of construction machinery.

For this reason, the Inventory Part type may be the best choice—but set up differently than for the S/S method:

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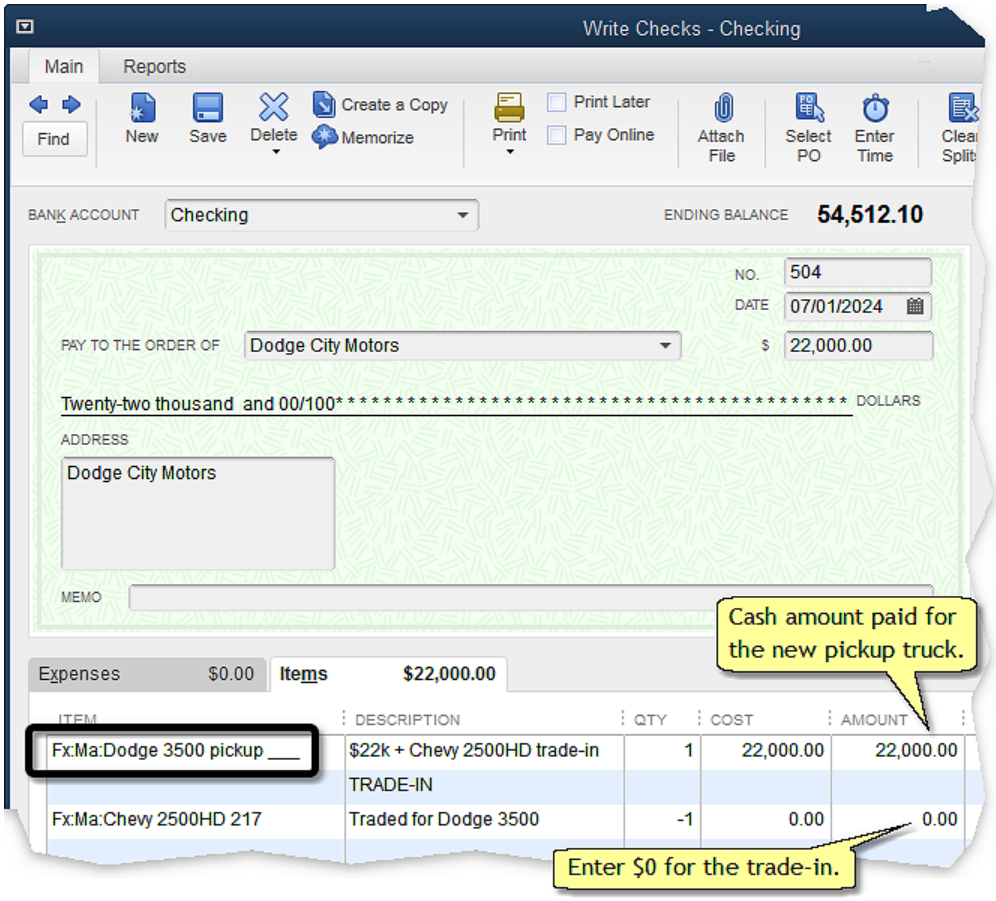
Fixed Asset Purchase with Trade-In

To enter a purchase with a trade-in:

1. **Enter the newly acquired asset,** valued at the cash price paid for it.
2. **Enter the traded-in's price as $0.**

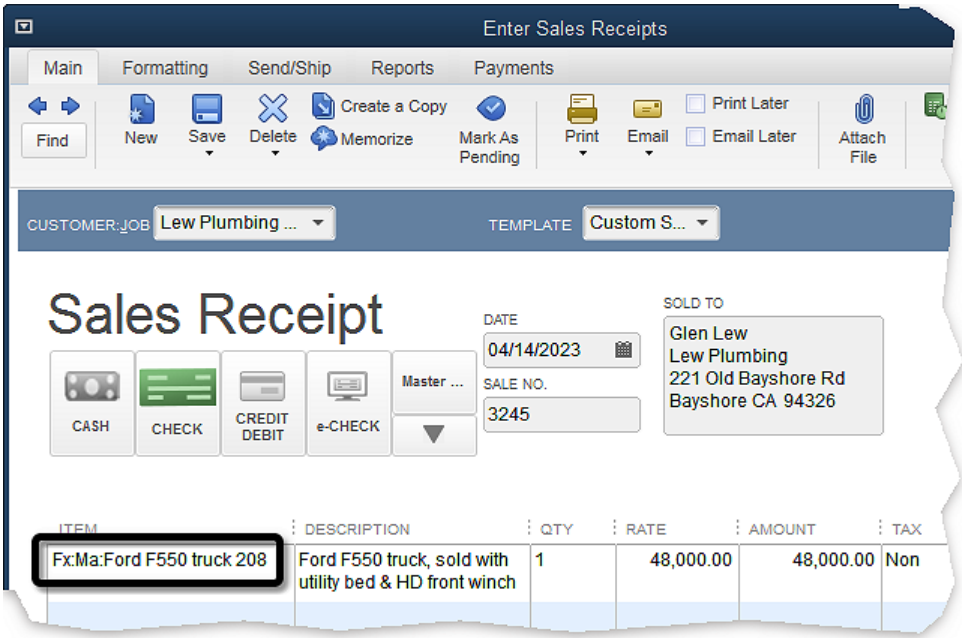
   The main goal is to have adequate records for tax preparation. Your tax preparer needs to know the cash amount paid for the newly acquired fixed asset, and what old fixed asset was traded in. Other required information such as the trade-in's remaining depreciable value, will come from the tax preparer's fixed asset records.

   Here is an example:


Write Checks - Checking
Main
Reports
Find
New
Save
Delete
Create a Copy
Memorize
Print
Print Later
Pay Online
Attach File
Select PO
Enter Time
BANK ACCOUNT
Checking
ENDING BALANCE
54,512.10
NO.
504
DATE
07/01/2024
PAY TO THE ORDER OF
Dodge City Motors
$
22,000.00
Twenty-two thousand and 00/100* * * *

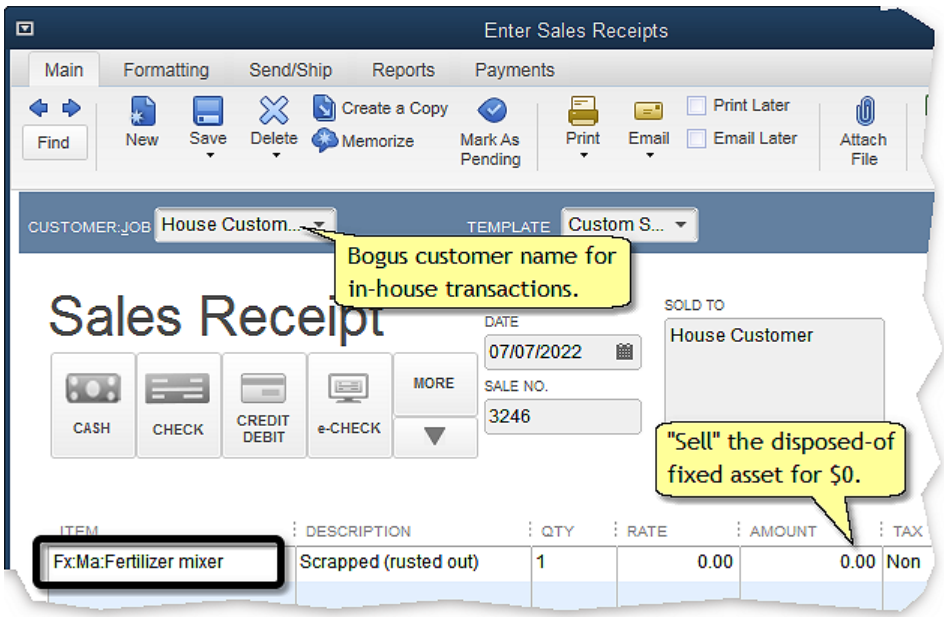
Fixed Asset Sales

Sales are entered in a straightforward way, as a single transaction. (Because you won't be entering depreciation expense in the Even Simpler method, no depreciation recapture entry is needed when an asset is sold.)



Fixed Asset Disposals

As for disposals (when a fixed asset is destroyed or salvaged, not sold) simply enter a "sale" of the asset for a $0 amount. That will cause the asset to appear in fixed asset sales reports, but at a sale price of $0.



Reports and Income Taxes

Fixed Asset Purchases Report

You can get a list of asset purchases for the tax year using the Purchases by Item Detail report.

1. **Open a Purchases by Item Detail report** (Reports > Purchases > Purchases by Item Detail).
2. **Click the Customize Report button** at the top of the report window.

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Whenever you want to recreate the report, select it from the Memorized Reports List (Reports > Memorized Report).

After Preparing Income Taxes

Retiring Old Fixed Asset Items

After preparing income taxes and printing or saving a copy of all desired reports for the year, fixed assets which were sold or disposed of during the year should be retired so they won't appear in future fixed asset reports.

Don't retire fixed asset Items until after the year's taxes have been prepared, to assure that any fixed assets sold or disposed of during the year are included in tax reports.

Adding Asset Numbers to Item Names

After preparing taxes most preparers provide their clients with a fixed asset list which has an asset number assigned (by the preparer) to each fixed asset. For accurate communication about future fixed asset sales and trade-ins, it is a good idea to add the preparer's asset numbers to your fixed asset Item names or descriptions as described in *Basic Things to Know* in Chapter 4

For the new fixed asset Item you create when an asset is purchased, it is a good idea to include some special characters in the Item name or description to serve as a "placeholder" for the asset number you will be adding later (after the number has been assigned by your tax preparer). Underscores "_" works well for this:

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Reader Level:
Contains material for intermediate to advanced users of QuickBooks.

A smart new way to work with fixed assets in QuickBooks®!

This book is all about the Simple/Smart method, a new approach for fixed asset recordkeeping in QuickBooks based on using Inventory Part Items set up in a special way. Simply by entering fixed asset transactions you can have detailed records for each of your fixed assets, kept entirely within QuickBooks...without ever using Journal Entries, debits, or credits.

But QuickBooks has a Fixed Asset Item type...why wouldn't I just use it? The Fixed Asset type was designed to work with Fixed Asset Manager—software which is only included in the Accountant and Enterprise editions of QuickBooks. Without Fixed Asset Manager, most of the information you can track with Fixed Asset Items *must be typed in manually* even if you have already entered it in a transaction! To QuickBooks Pro and Premier users, this makes the Fixed Asset Item type seem like a lame, unfinished feature.

The Simple/Smart method avoids these problems. With an Inventory Part Item representing each of your fixed assets, you can have quick access to all transactions and details for any asset—purchase and sale dates and amounts, trade-ins used, accumulated depreciation, asset book values, loans, and more. The Simple/Smart method even calculates the gain or loss on fixed asset sales for you. And standard QuickBooks reports give you the reports you need for asset information and income tax preparation. All you have to do is follow this book's step-by-step transaction examples.

This book is part of the QuickBooks Cookbook™ series, which gets its name from the way information is presented: as step-by-step guides for entering transactions or solving specific QuickBooks problems, much like the recipes in a cookbook. Written in plain, simple language, and loaded with screenshots, the series is designed "from the ground up" as a quick source for answers to your QuickBooks accounting questions.

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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