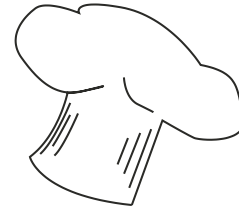


## Farm Expenses & Payables



This chapter introduces QuickBooks forms and techniques for paying farm business expenses, including checks, bills, and credit card charges. You also write checks and pay bills for things other than farm expenses of course, such as loan payments or to purchase farm assets, but those are dealt with in later chapters.

### Where to Enter Farm Expenses ...as Checks? ...Bills? ...Credit Card Charges?

#### **Problem**

*I could enter farm expenses on several different QuickBooks forms: Checks, Bills, Credit Card Charges, or Purchase Orders. When should I use each of these forms, and why?*

#### **Solution**

The form you should use depends on the payment method, when payment will be made (now vs. later), and several other factors described in this section.

#### **Discussion**

Most farm business expenses are entered on either the Checks form or Bills form. A growing number of farm expenses are paid by credit card and those are entered on the Credit Card Charges form. Because most farm purchases do not involve QuickBooks inventory items, the Purchase Orders form is rarely used.

### When to Use the Checks Form

Use the Checks form when you pay an expense directly by check, regardless of whether you have hand-written the check or you will print the check from QuickBooks. QuickBooks' Checks form is laid out just like a real-world check, so entering checks is familiar and easy.

**Warning:** do not *directly* enter checks to pay bills that have been entered on the Bills form. For those you must generate checks by using the Pay Bills activity (Activities|Pay Bills), so QuickBooks can associate the payment with the bill and mark the bill as paid.

## When to Use the Bills Form

Use the Bills form to enter purchases for which payment will be made at a later date.

Most farm expense items are bought on credit terms. That is, you pay for the items some time after receiving them, usually after receiving a statement of account from the vendor (dealer, supplier). Entering bills in QuickBooks gives you an easy, organized way to keep track of how much is owed to which vendors, and when payment needs to be made.

## When to Use the Credit Card Charges Form

Use the Credit Card Charges form to enter farm business purchases made by credit card.

You can enter charges and credits during the month, or wait until the credit card statement comes, or both. After entering all of the months charges and credits, let QuickBooks help you reconcile the credit card account—it works just like the process of reconciling a checking account, which is described on page 97.

## When to Use the Purchase Orders Form

Most farm businesses use the Purchase Orders form rarely or not at all—you won't miss any big benefits if you avoid it altogether.

Purchase orders are mostly meant to work with QuickBooks' inventory system, to allow keeping track of items on order, and are not a necessary part of accounting with QuickBooks. However, they do give you a way to keep track of the various things you may have ordered or booked for purchase, such as seed. (See page 123 for an example.) They're also useful if part of your business involves purchasing items to sell at retail.

## Working with Bank Accounts

### **Problem**

*How should I manage my checking account and other bank accounts in QuickBooks?*

### **Solution**

Learn to use the QuickBooks features which help keep your transaction entries up to date and “in synch” with your bank account.

### **Discussion**

Checking accounts are the main focus of discussion in this section, but “bank account” means more than just checking accounts: it includes savings and money market accounts, or any other account you might have at a financial institution. Every QuickBooks feature which works with checking accounts—transfers of funds, register windows, account reconciling, etc.—also works with these other types of bank accounts.

Entering checks, deposits, and account transfers, and reconciling a bank account with the bank statement, all work in QuickBooks much like doing the same jobs manually, so you won’t need to change many habits to use them. Here’s a typical monthly cycle of working with a bank account in QuickBooks:

**Enter checks** you’ve handwritten, checks to be printed, **and deposits** (daily or as needed)



**Print checks** to be printed (if any), and mail to vendors



**Receive statement** from the bank



**Reconcile** transaction entries with the bank statement

## Setting up Bank Accounts in QuickBooks

Set up a separate QuickBooks account for each bank account belonging to the farm business. Don’t include any non-farm accounts, such as a personal checking account.

Most bank accounts are created when you set up a new QuickBooks company, in response to your answers during the interview. But from time to time you may need to add a new account, as when opening a savings account or a new checking account at a different bank.

## To set up a bank account:

1. Open the Chart of Accounts window.

Choosing Lists|Chart of Accounts is one way to do this.

2. Open the New Account dialog.

Either type Ctrl-N, or click on the Account button in the lower part of the Chart of Accounts window and then select New from the pop-up menu.

The screenshot shows the 'New Account' dialog box with the following fields and values:

- Type: Bank
- Name: Checking 1st National
- Subaccount of: (unchecked)
- Description: Farm checking, 1st Nat'l Bank
- Bank No.: 123334456778
- Tax Line: <Unassigned>
- Opening Balance: (empty)
- as of: 12/31/1998
- Buttons: OK, Cancel, Next
- Account is inactive: (unchecked)

3. Fill in the fields as desired.

Here are comments on some of the important fields:

### Type

Choose Bank. (Note: the Bank account type is a *current asset* account type.)

### Name

Use an account name that uniquely identifies the account, such as “Checking/ First National” or “Farm Checking”, especially if you have more than one bank account.

### Subaccount

Usually a bank account should not be a subaccount of another account. An ex-