

How to use Quickbooks for the Sole Proprietor with No Employees.

1. **Checkbook/register** - First & foremost Quickbooks is a checkbook that you balance semi-monthly or quarterly by recording **every dollar in & every dollar out** of your of your bank account in order to agree to your bank statements. This is the very best way to **capture all of your tax deductions**. A register is also used for each of your credit cards. Go to pull down menu Banking/Use register.
2. **Chart of accounts** - Second, Quickbooks uses a chart of accounts to group & total each type of transaction from your checkbook. For **sole proprietors with no employees**, I use a very basic chart of accounts shown below. The first time through, each of the 50 accounts must be entered manually from the pull down menu Lists/Chart of Accounts/Edit new account or use the quick key Control+N.
3. **Reports** - Third, Quickbooks provides summary reports and detail reports of the activity in the checkbook. The reports use the groupings from the chart of accounts to provide the totals of all the transactions in a given account for the time period requested. The most helpful report for sole proprietors is the Profit and loss standard report that is found under the drop down menu Reports/Company & financial/Profit & loss standard & select your dates.

When you open Quickbooks and create a new company you will be asked what type of company & what sort of tax return. Select other or none. These are the 50 accounts for the chart of accounts that you need to enter the first time you open Quickbooks.

- A. Checking Account - Name w/acct. no. ("**bank**" type of account w/checkbook)
- B. Savings Account - ID by account no. (bank type of account w/ register/checkbook)
- C. Credit card account ID by account number ("**credit card**" type of account with a register/checkbook. Payments to the credit card are entered as **one** transaction directly to the credit card account from the appropriate checking or savings account register where the payment was initiated from.)
- D-1. Revenue - Product sales (Business money in – "**income**" type of account) **Do NOT use Sub-accounts.** These will be grouped by the name Revenue.
- D-2. Revenue - Service type one (Business money in - income type of account)
- D-3. Revenue - Service type two (Business money in - income type of account)
- E. Deposits - other (W2 wages, gifts from family, friends, bank interest, other non-business deposits - "**other income**" type of account)
- E1. Items purchased for resale - (Other account type "**cost of goods sold**" Account)
- F. Auto (ZIP car, Gas, oil, insurance maintenance - "**expense**" type of account)
- G. Advertising and marketing (expense)
- H. Bank charges (expense)
- I. Business gifts (under \$25 each - expense)

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A PROFESSIONAL ACCOUNTANCY CORPORATION

- J. Communications (for cell phone, fax, internet - expense)
- K. Computer costs (small items - hard drives, RAM, jump drives etc - expense)
- L. Continuing education & conferences (training in your line of business - expense)
- M. Contract services (outside service providers ie filing, cleaning, mailings etc - expense)
- N. Dues, Fees, licenses & memberships (business licenses, organization dues - expense)
- O. Equipment (printer, monitors, computer, scanner, backhoe, tools etc - expense)
- P. Insurance (E & O, office insurance - expense)
- Q. Meals and entertainment (business related - who was in attendance?- expense)
- R. Office costs (catch all: storage, HVAC etc - expense)
- S. Parking and tolls (expense)
- T. Postage and delivery (expense)
- U. Printing and copying (expense)
- V. Professional fees (legal, accounting, engineering, design -expense)
- W. Promotional (misc. business development - expense)
- X. Publications and subscriptions (expense)
- Y. Rent (straight office rent - expense)
- Z. Repairs and maintenance (computer and/or equipment repair - expense)
- AA. Software (expense)
- AB. Supplies (expense)
- AC. Transportation (expense) rental cars, subway, taxis
- AD. Travel (business - expense)
- AE. Home rent or mortgage (mixed use items are an "**other expense**" type of account)
- AF. Home property taxes (other expense)
- AG. Home insurance (other expense)
- AH. Utilities (other expense)
- AI. Home maintenance (cleaning, supplies, repairs -other expense)
- AJ. Health insurance (other expense)
- AK. Household - (Non-business meals & ent, laundry, groceries, etc. - other expense)
- AL. Retail - (clothing, books, toaster, etc - other expense)
- AM. Medical - (treatment injury or illness - Doctor, dentist, chiropractic, PT, RX, lab)
- AN. Vacations - (non-business travel- other expense)
- AO. Charitable donations (other expense)
- AP. Taxes - US Treasury prior tax year (other expense) - *this covers the 4th quarter payment made in January for the prior year and other prior year taxes*
- AQ. Taxes - State prior tax year (other expense) - *this covers the 4th quarter payment made in January for the prior and other prior year taxes*
- AR. Taxes - US Treasury current tax year (other expense)
- AS. Taxes - State current tax year (other expense)
- AT. Retirement contribution (other expense)

The expense items are for 100% business expenses that are 100% tax deductible.

This chart of accounts does not address inventory or payroll. Inventory and payroll accounting generally require a CPA or very experienced bookkeeper.

If you have any questions, please let me know by January 15 in order to prepare 1099s that are **due January 31st**.

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