



Breakthrough Solutions, LLC

Providing solutions to help your business succeed!

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Items

QuickBooks® uses items to represent everything that can be a line item on a sale or purchase form. They are a means of data entry and have the role of handling the behind-the-scenes accounting.

When you create an item, you link it to an account; when the item is used, it posts an entry to that account and another entry to the appropriate accounts receivable, accounts payable, checking, fixed asset, or other account. Additionally, special items do calculations (discounts, sales tax, subtotals) on sales forms.

Items are easy to set up but you should spend some time deciding how they can best work for your business before you set them up. Consider how much detail you want on your invoices or statements and set up your items with that level of detail in mind.

There are 12 different types of items, 10 that are described in the table below.

Item Type	Use For	Usual effect on accounts
Service	Services you charge for or services you purchase	On sale: Increases income
Inventory Part	Products you purchase, track as inventory, and then resell	On sale: Increases income, increases cost of goods sold, and decreases inventory assets
Non-inventory Part	Products you sell but do not track as inventory	On sale: Increases income On Purchases: Increases expenses
Other Charge	Other charges on a sale or a purchase	On sale: Increases income On purchases: Increases expenses
Subtotal	Calculating and printing a subtotal on sales forms	Subtotal items have no effect on accounts
Group	Fast entry of a group of individual items already on the list	Each item in the group affects the same account it affects when used by itself
Discount	Calculating an amount to be subtracted from a total or subtotal	Either decreases income or increases expenses



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Sales Tax Item	Calculating a single tax Available only if the sales tax feature is turned on	Increases the balance in the Sales Tax Liability account
Sales Tax Group	Calculating two or more sales taxes grouped together and applied to the same sale. Available only if the sales tax feature is turned on	Increases the balance in the Sales Tax Liability account

Items are also used to get cost of goods type costs associated with customers' records. See the procedure called: "Procedure for entering and billing customer expenses that are coded to a Cost of Goods Sold Account instead of an Expense Account."

Below is an example of an item set up to only allow an Income Account. This is an alright setup if you only want to record the sale of software to a customer but I advise that clients check the box next to the words "This item is used in assemblies or as a reimbursable charge". (Actually that description should be expanded to include keeping track of costs for job costing.)

The screenshot shows the 'Edit Item' dialog box. The 'Type' is set to 'Other Charge'. The 'Item Name/Number' is 'Software Sale'. The 'Account' dropdown is open, showing a list of accounts with 'Software Sales' selected. A red arrow points to the checkbox 'This item is used in assemblies or is a reimbursable charge'.



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Below is an example of an item with the box checked. The item is now “open” to allow cost of goods or expense accounts along with income.

The screenshot shows the 'Edit Item' dialog box with the following details:

- Type:** Other Charge (dropdown menu)
- Item Name/Number:** Software Sale (text field)
- Subitem of:** (empty dropdown menu)
- Checkboxes:** This item is used in assemblies or is a reimbursable charge; Item is inactive
- Purchase Information:** Description on Purchase Transactions (text area), Cost: 0.00 (text field), Expense Account (dropdown menu), Preferred Vendor (dropdown menu)
- Sales Information:** Description on Sales Transactions (text area), Sales Price: 0.00 (text field), Income Account: Accounting Services... (dropdown menu)
- Buttons:** OK, Cancel, Custom Fields, Spelling

Example: You purchase software that you are going to resell to a customer. When you enter the bill or write a check to pay for the software you go to the Items tab. Once there you would enter the item “Software Sale”, enter a description, enter the amount and then choose a customer/job name and select whether you want this item marked as billable.

For job costing it is important to track this cost to a customer whether you decide to check the billable box or not QuickBooks tracks this cost and will give you information when you are determining the profit or loss from this job.