



QUICKBOOKS DESKTOP 2021 CLIENT TRAINING

---

Lesson 10

**Set Up Inventory**

**Copyright**

Copyright 2021 Intuit, Inc.  
All rights reserved.

Intuit, Inc.  
5601 Headquarters Drive  
Plano, TX 75024

**Trademarks**

©2021 Intuit, Inc. All rights reserved. Intuit, the Intuit logo, Intuit ProLine, Lacerte, ProAdvisor, ProSeries and QuickBooks, among others, are trademarks or registered trademarks of Intuit, Inc. in the United States and other countries. Other parties' marks are the property of their respective owners.

**Notice to Readers**

The publications distributed by Intuit, Inc. are intended to assist accounting professionals in their practices by providing current and accurate information. However, no assurance is given that the information is comprehensive in its coverage or that it is suitable in dealing with a client's particular situation. Accordingly, the information provided should not be relied upon as a substitute for independent research. Intuit, Inc. does not render any accounting, legal or other professional advice, nor does it have any responsibility for updating or revising any information presented herein. Intuit, Inc. cannot warrant that the material contained herein will continue to be accurate nor that it is completely free of errors when published. Readers should verify statements before relying on them.

# Table of Contents

<b>About the Author.....</b>	<b>4</b>
<b>Lesson Objectives.....</b>	<b>5</b>
<b>Turn on the Inventory Feature .....</b>	<b>6</b>
<b>Enter Products into Inventory .....</b>	<b>8</b>
<b>Create Purchase Orders.....</b>	<b>12</b>
<b>Get a Report of Purchase Orders .....</b>	<b>14</b>
<b>Receive Inventory.....</b>	<b>16</b>
<b>Enter a Bill for Inventory Received .....</b>	<b>19</b>
<b>Manually Adjust Inventory.....</b>	<b>21</b>
<b>Set a Default Markup.....</b>	<b>23</b>
<b>Set Up Inventory – Review Questions.....</b>	<b>25</b>
<b>Review Activities .....</b>	<b>26</b>
<b>Answers to Review Questions .....</b>	<b>27</b>

## About the Author



### **Esther Friedberg Karp, MBA**

**President, EFK CompuBooks Inc.**

[esther@e-compubooks.com](mailto:esther@e-compubooks.com)

Esther Friedberg Karp is an internationally renowned trainer, writer, business consultant and speaker who has been repeatedly listed as one of Insightful Accountant's Top 100 QuickBooks ProAdvisors in the world. She has also been named to their Top 10 list on two occasions: as Top International ProAdvisor and Top Trainer/Writer ProAdvisor.

Based in Toronto, Canada, Esther has the unique distinction of holding ProAdvisor certifications in the United States, Canada and the United Kingdom. She has authored materials and delivered educational and certification courses for Intuit in all those countries, as well as Australia where she conducted live QuickBooks Online training. She has spoken at Scaling New Heights, QuickBooks Connect and other conferences, and has written countless articles for Intuit Global.

Esther's clients include companies worldwide and accounting professionals who seek her out on behalf of their own clients. She is sought out for her expertise in multicurrency and various countries' editions of QuickBooks Desktop and Online, and for her talent in customizing QuickBooks usage for different industries. She also teaches QuickBooks Core and Advanced certification classes to accounting professionals in Canada.

Esther holds a BSc from the University of Toronto in Actuarial Science and Mathematics, and an MBA in Marketing and Finance from York University's Schulich School of Business.

She can be reached at [esther@e-compubooks.com](mailto:esther@e-compubooks.com) or 416-410-0750.



## Lesson Objectives

- Get an overview of inventory in QuickBooks
- Practice filling out a purchase order for inventory items
- Track receipt of inventory items in QuickBooks
- Adjust inventory manually to enter a stock loss or increase

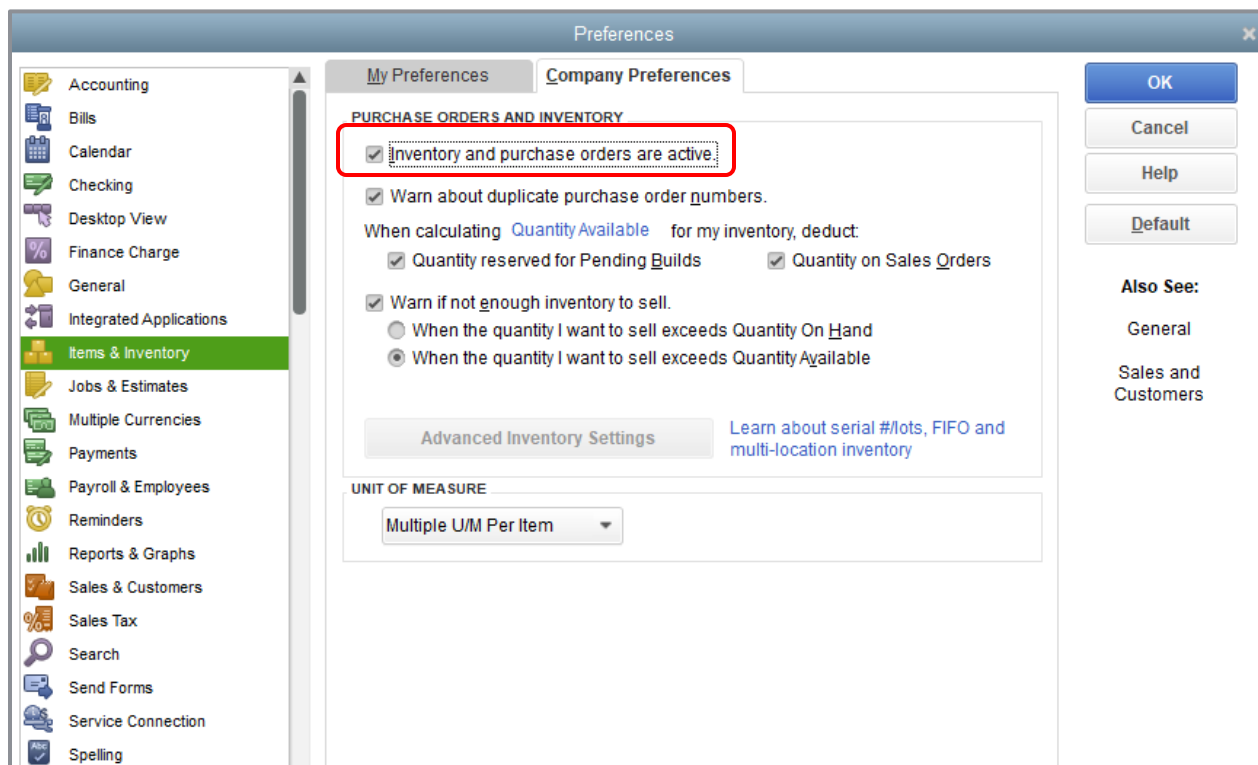
# Turn on the Inventory Feature

If you need to track inventory for your company, you can turn the feature on while completing the EasyStep Interview. If you want to turn on the inventory feature after you've completed the EasyStep Interview, follow this procedure.



## Step-by-Step: Turn on the Inventory Feature

1. Make sure you are signed in to the QuickBooks company as the Admin user. (If other users have been set up on other computers to access the company in multi-user mode, ensure they are not signed in and you are in single-user mode.)
2. From the Edit menu, choose **Preferences**.
3. Select **Items & Inventory** from the menu on the left-hand side.
4. Click the **Company Preferences** tab.
5. Click the **Inventory and purchase orders are active** checkbox to select it.



6. Click **OK**.

## NOTES

# Enter Products into Inventory

Many small businesses that stock inventory don't know the number of units they have on hand or on order at any given time and have no way of getting that information quickly. If you use QuickBooks to manage your inventory, you'll be able to track the number of items in stock and the value of your inventory after every purchase and sale.

As you order inventory items, receive the items, and later sell the items from inventory, QuickBooks tracks each inventory-related transaction. You will know the status of your inventory and will have a more accurate picture of your business's assets.



## Step-by-Step: Enter a Product into Inventory

1. From the Vendors drop-down, choose **Item List** (or from the Lists drop-down choose **Item List**).
2. The Item list appears. Click the **Item** menu button at the bottom left, then choose **New**.

NAME	DESCRIPTION	TYPE	ACCOUNT	TOTAL QUANTITY	ON SA	PRICE	ATTACH
Drafts	Draft blueprints	Service	40100 - Construction Income			0.00	
• Blueprint changes		Service	40100 - Construction Income:40110 - Design Income			0.00	
• Blueprints	Blueprints	Service	40100 - Construction Income:40110 - Design Income			0.00	
• Concrete Slab	Foundation slab - prep and pouring	Service	40100 - Construction Income:40130 - Labor Income			0.00	
• Floor Plans	Floor plans	Service	40100 - Construction Income:40110 - Design Income			0.00	
• Framing	Framing labor	Service	40100 - Construction Income:40130 - Labor Income			55.00	
• Installation	Installation labor	Service	40100 - Construction Income:40130 - Labor Income			35.00	
• Labor		Service	40100 - Construction Income:40130 - Labor Income			0.00	
• Removal	Removal labor	Service	40100 - Construction Income:40130 - Labor Income			35.00	
• Repairs	Repair work	Service	40100 - Construction Income:40130 - Labor Income			35.00	
• Services		Service	40100 - Construction Income:40150 - Subcontracted Labor Income			0.00	
		Service	40100 - Construction Income:40150 - Subcontracted Labor Income			0.00	
	Conditioning Duct Work	Service	40100 - Construction Income:40150 - Subcontracted Labor Income			0.00	
		Service	40100 - Construction Income:40150 - Subcontracted Labor Income			0.00	
		Service	40100 - Construction Income:40150 - Subcontracted Labor Income			0.00	
		Service	40100 - Construction Income:40150 - Subcontracted Labor Income			0.00	
		Service	40100 - Construction Income:40150 - Subcontracted Labor Income			0.00	
	counter	Service	40100 - Construction Income:40150 - Subcontracted Labor Income			0.00	
		Service	40100 - Construction Income:40150 - Subcontracted Labor Income			0.00	
		Inventory Part	40100 - Construction Income:40140 - Materials Income	0	0	0.00	
		Inventory Part	40100 - Construction Income:40140 - Materials Income	423	0	0.00	
	open cabinet wall unit	Inventory Part	40100 - Construction Income:40140 - Materials Income	6	2	1,799.00	



3. In the Type field, choose **Inventory Part** from the drop-down list.

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

- TYPE:** A dropdown menu is open, showing options: Inventory Part (selected), Service, Inventory Assembly, Non-inventory Part, Other Charge, Subtotal, Group, Discount, Payment, Sales Tax Item, and Sales Tax Group.
- Cost:** 0.00
- COGS Account:** 50100 - Cost of Goods...
- Preferred Vendor:** (empty)
- SALES INFORMATION:**
  - Description on Sales Transactions: (empty text area)
  - Sales Price: 0.00
  - Tax Code: Tax
  - Income Account: (empty)
- INVENTORY INFORMATION:**

Asset Account	Reorder Point (Min)	Max	On Hand	Total Value	As of
12100 - Invento...			0.00	0.00	12/15/2024

5. Enter the item name in the Item Name/Number field.
6. If this item is to be a subitem of a parent item, select the checkbox next to **Subitem of** and specify the parent item in the drop-down box below it.

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

- TYPE:** Inventory Part (Use for goods you purchase, track as inventory, and resell.)
- Item Name/Number:** Cab 2021
- Subitem of:**  Subitem of Cabinets
- Manufacturer's Part Number:** (Empty)
- UNIT OF MEASURE:** U/M Set
- PURCHASE INFORMATION:**
  - Description on Purchase Transactions: (Empty)
  - Cost: 0.00
  - COGS Account: 50100 - Cost of Goods...
  - Preferred Vendor: (Empty)
- SALES INFORMATION:**
  - Description on Sales Transactions: (Empty)
  - Sales Price: 0.00
  - Tax Code: Tax
  - Income Account: (Empty)
  - Item is inactive
- INVENTORY INFORMATION:**

Asset Account	Reorder Point (Min)	Max	On Hand	Total Value	As of
12100 - Invento...			0.00	0.00	12/15/2025

7. In the Description on Purchase Transactions field, enter the default description you would like to appear on purchase orders, bills and checks. (You can delete or overwrite the default description on any individual form.) This description automatically copies over to the Description on Sales Transactions, which you can overwrite at that step.
8. In the Cost field, enter your per unit purchase cost for the item.
9. Enter the appropriate Cost of Goods Sold account in the COGS Account field.
10. In the Preferred Vendor field, choose a preferred vendor, if applicable.
11. In the Description on Sales Transactions field, if desired, change the default description you would like to appear on invoices, credit memos, sales orders and estimates.

12. In the Sales Price field, enter the per unit selling price you would like to appear on sales orders, sales receipts, estimates and invoices.
13. Assign a Tax Code, **taxable** or **non-taxable**.
14. In the Income Account field, assign the appropriate income account to be affected when the item is sold.
15. Enter the appropriate asset account in the Asset Account field (e.g., *Inventory Asset*).

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

Item Name/Number: Cab 2021  
 Subitem of: Cabinets  
 Manufacturer's Part Number:

**UNIT OF MEASURE**  
 U/M Set: U/M Set Edit...

**PURCHASE INFORMATION**  
 Description on Purchase Transactions:   
 Cost: 169.00  
 COGS Account: 50100 - Cost of Goods...  
 Preferred Vendor: Thomas Kitchen & Bath

**SALES INFORMATION**  
 Description on Sales Transactions:   
 Sales Price: 225.00  
 Tax Code: Tax  
 Income Account: 40100 - Construction I...  
 Item is inactive

**INVENTORY INFORMATION**

Asset Account	Reorder Point (Min)	Max	On Hand	Total Value	As of
12100 - Invento...	15		0.00	0.00	12/15/2025

16. In the Reorder Point field, enter the point at which you would like QuickBooks to remind you to reorder the item.
17. Click **OK** to close the New Item window.
18. Close the Item List.

## NOTES

## Create Purchase Orders

Once you enter your current products and vendors into the Item and Vendor lists, you'll need to order products to keep your inventory stocked.

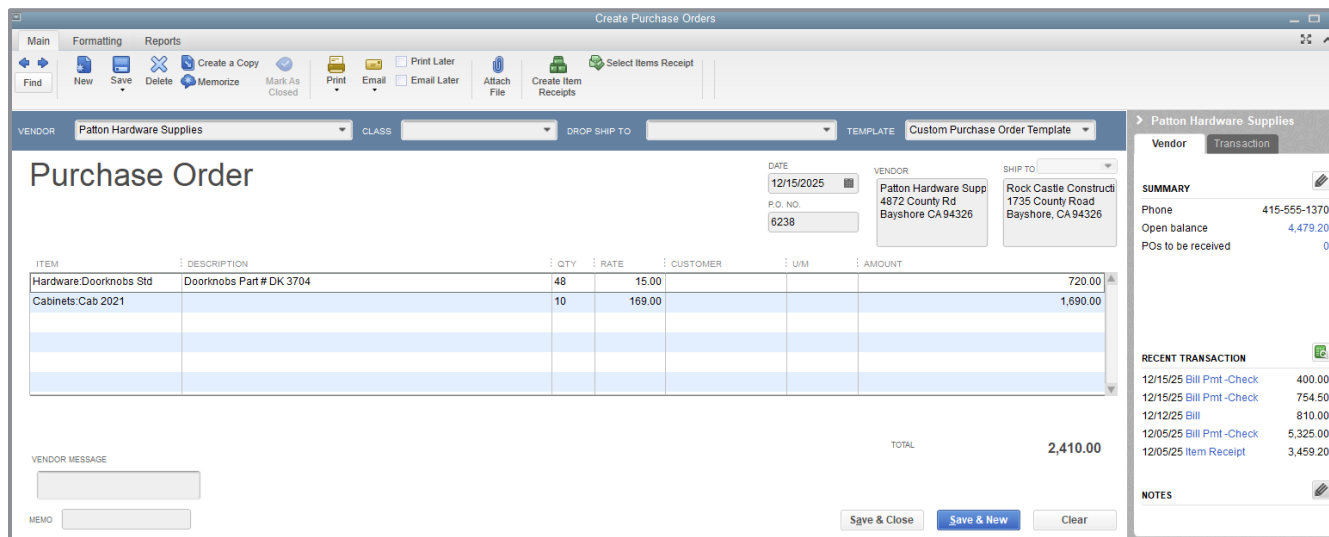
When you order items from a vendor, you create a purchase order. Purchase orders are non-posting transactions, which means that although they are recorded by QuickBooks, they do not affect the general ledger, balance sheet or income statement.



### Step-by-Step: Order a Product Using a Purchase Order

1. From the Vendors menu, choose **Create Purchase Orders**.
2. In the Vendor field, choose the name of the vendor from the drop-down list.
3. If necessary, change the date and P.O. number.
4. In the Item column, select the item you wish to order from the drop-down list.
5. In the QTY field, enter the quantity you wish to order.
6. Change the Rate (the per item unit cost) if necessary.
7. Tab to the next row(s) and continue if you are ordering more than one type of item.
8. You may add a **Vendor Message**, such as *Please rush ship this order*.

- 9. Click **Save & Close** to record the purchase order.
- 10. If spellcheck questions the spelling of any text you've entered (such as a part number or code, which is not a word), choose on that screen how you want to deal with it in QuickBooks



**NOTES**

# Get a Report of Purchase Orders



## Step-by-Step: Get a Chronologically Ordered Report of all the Purchase Orders You have Written

1. From the Lists menu, choose **Chart of Accounts**.
2. In the Chart of Accounts, click **Purchase Orders** (it's one of the last accounts) once to select it.
3. Click the **Reports** menu button and choose **QuickReport: Purchase Orders** (it may include an account number for the Purchase Orders account on the Chart of Accounts).
4. Change the date range to **All** if desired.

Account QuickReport

Customize Report Comment on Report Share Template Memorize Print E-mail Excel Hide Header Refresh

Dates All From To Sort By Default

Report Basis:  Accrual  Cash Show Filters

8:28 AM  
12/15/25  
Accrual Basis

### Rock Castle Construction Account QuickReport All Transactions

Type	Date	Num	Name	Memo	Split	Amount
<b>90100 - Purchase Orders</b>						
Purchase Order	12/01/2023	6001	Vu Contracting	Estimate 35...	-SPLIT-	-2,050.00
Purchase Order	07/15/2024	6100	Perry Windows & ...		54300 - Job M...	-144.75
Purchase Order	07/15/2024	6101	Thomas Kitchen &...		54300 - Job M...	-2,080.00
Purchase Order	07/15/2024	6102	Timberloft Lumber		-SPLIT-	-234.00
Purchase Order	01/04/2025	6201	Custom Kitchens o...	Estimate 35...	-SPLIT-	-435.00
Purchase Order	01/15/2025	6202	Thomas Kitchen &...	Abercrombie...	-SPLIT-	-2,320.00
Purchase Order	07/14/2025	6203	Thomas Kitchen &...		-SPLIT-	-4,487.45
Purchase Order	07/14/2025	6204	Thomas Kitchen &...		-SPLIT-	-1,672.50
Purchase Order	07/14/2025	6205	McClain Appliances		-SPLIT-	-3,690.00
Purchase Order	07/14/2025	6206	Thomas Kitchen &...	Luke, bathro...	54300 - Job M...	-1,390.00
Purchase Order	07/23/2025	6207	Patton Hardware S...		-SPLIT-	-754.50
Purchase Order	08/11/2025	6208	McClain Appliances		54300 - Job M...	-380.50
Purchase Order	08/11/2025	6209	Timberloft Lumber		54300 - Job M...	-563.00
Purchase Order	10/01/2025	6210	McClain Appliances	Jacobsen K...	-SPLIT-	-2,100.00
Purchase Order	10/01/2025	6211	McClain Appliances	Cook Kitchen	-SPLIT-	-1,780.00
Purchase Order	10/05/2025	6212	Perry Windows & ...		-SPLIT-	-1,800.00
Purchase Order	10/06/2025	6213	Larson Flooring	Pretell-155 W...	54500 - Subc...	-6,400.00
Purchase Order	10/10/2025	6214	Timberloft Lumber	Carpenter 2...	-SPLIT-	-14,790.00
Purchase Order	10/17/2025	6215	Wheeler's Tile Etc.		54300 - Job M...	-286.00
Purchase Order	10/17/2025	6216	McClain Appliances		-SPLIT-	-3,065.00
Purchase Order	10/17/2025	6217	Thomas Kitchen &...		54300 - Job M...	-1,897.00
Purchase Order	10/17/2025	6218	Perry Windows & ...		-SPLIT-	-180.75
Purchase Order	10/22/2025	6219	Perry Windows & ...		-SPLIT-	-3,530.00
Purchase Order	10/24/2025	6220	Perry Windows & ...		12100 - Inven...	-810.00
Purchase Order	11/18/2025	6221	Perry Windows & ...	Pretell 75 Su...	-SPLIT-	-7,820.00
Purchase Order	11/18/2025	6222	Perry Windows & ...		-SPLIT-	-2,325.00
Purchase Order	11/26/2025	6223	Perry Windows & ...	playhouse	54300 - Job M...	-50.00
Purchase Order	11/26/2025	6224	Timberloft Lumber	playhouse	-SPLIT-	-80.50
Purchase Order	11/26/2025	6225	Patton Hardware S...		-SPLIT-	-13,695.00
Purchase Order	11/28/2025	6226	Timberloft Lumber	Pretell- 75 S...	-SPLIT-	-6,075.00
Purchase Order	11/28/2025	6227	Perry Windows & ...		12100 - Inven...	-2,400.00

5. Close the QuickReport.
6. Close the Chart of Accounts.

## **NOTES**

# Receive Inventory

When you receive the items you have ordered with your purchase order, you have to enter the items into inventory. You can receive items with a bill or without a bill. This exercise shows how to enter inventory items you've received without a bill.



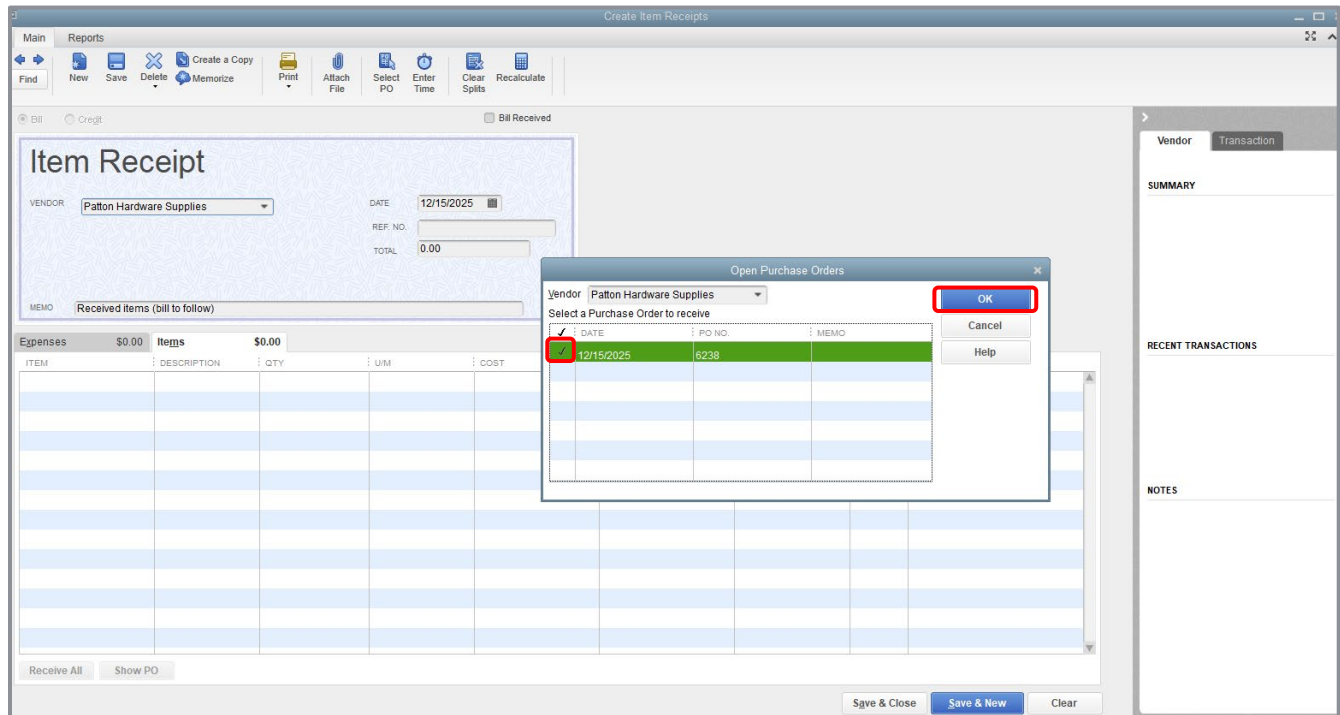
## Step-by-Step: Receive Inventory without a Bill

1. From the Vendors menu, choose **Receive Items**.
2. In the Vendor field, choose the vendor from whom you are receiving inventory.
3. If the Open POs Exist window appears, click **Yes** (or click **Select PO** from the ribbon if you accidentally bypass the pop-up notification).

The screenshot shows the 'Create Item Receipts' window in QuickBooks Desktop. The 'Item Receipt' form is open, showing the vendor 'Patton Hardware Supplies' and the date '12/15/2025'. The total amount is \$0.00. A pop-up window titled 'Open POs Exist' is displayed, asking 'Open purchase orders exist for this vendor. Do you want to receive against one or more of these orders?'. The 'Yes' button is highlighted. The main window shows a table for items with columns for ITEM, DESCRIPTION, QTY, UOM, COST, AMOUNT, CUSTOMER JOB, BILLABLE?, and CLASS. The total amount is \$0.00.



4. Check the purchase order(s) against which you want to receive inventory.
5. Click **OK** to move the information to the item receipt.



6. Specify the **Date** the items were received.
7. If applicable, add more information to the item receipt in the REF. NO. field and an additional Memo.

The screenshot displays the 'Create Item Receipts' window in QuickBooks Desktop. The main form is titled 'Item Receipt' and is for the vendor 'Patton Hardware Supplies'. The date is set to 12/15/2025, the reference number is 1234, and the total amount is \$2,410.00. A memo field contains the text 'Received items (bill to follow)'. Below the form is a table of items with columns for Item, Description, Qty, U/M, Cost, Amount, Customer/Job, Billable, Class, and PO No. The table lists two items: 'Hardware:Doorknobs Std' and 'Cabinets:Cab 2021'. The right sidebar shows a summary for Patton Hardware Supplies, including phone number, open balance, and a list of recent transactions.

ITEM	DESCRIPTION	QTY	U/M	COST	AMOUNT	CUSTOMER/JOB	BILLABLE	CLASS	PO NO.
Hardware:Doorknobs Std	Doorknobs Part# DK 3704	48		15.00	720.00				6238
Cabinets:Cab 2021		10		169.00	1,690.00				6238

8. Click **Save & Close** to process the receipt.
9. QuickBooks processes the items and adds them to your inventory.

## NOTES

## Enter a Bill for Inventory Received

If you've entered an item receipt for inventory but the bill hasn't arrived yet, you can still record the bill amount in QuickBooks. Entering the bill as shown in this exercise changes the item receipt in your Accounts Payable account to a bill, still affecting Accounts Payable. Item receipts appear in payables reports but do not appear in the Pay Bills window. Item receipts must be turned into bills in order to appear in the Pay Bills window.

When the bill comes, you pay it just like you would any other bill in QuickBooks (from the Pay Bills window).



### Step-by-Step: Enter the Bill

1. From the Vendors menu, choose **Enter Bill for Received Items**.
2. In the Vendor field, select the vendor from the drop-down list and press **Tab**.
3. This will bring up the Select Item Receipt window. Select the item receipt you wish to turn into a bill (only one item receipt at a time can be turned into a bill).
4. To use the receipt date as the bill date, place a checkmark in the box for **Use item receipt date for the bill date**; this will automatically transfer to the bill.

DATE	REF NO.	MEMO
12/05/2025		Received items (bill to fol...
12/15/2025	1234	Received items (bill to fol...

5. Click **OK**.

## 6. Enter or change the Date and REF. NO. (bill number).

The screenshot shows the 'Enter Bills' window in QuickBooks. The 'Bill' form is the central focus, with a red box highlighting the 'DATE' field (12/15/2025) and the 'REF. NO.' field (1234). The vendor is 'Patton Hardware Supplies' and the amount due is \$2,410.00. Below the form is a table of items with columns for ITEM, DESCRIPTION, QTY, U/M, COST, AMOUNT, CUSTOMER JOB, BILLABLE?, CLASS, and PO NO. The table contains two rows: 'Hardware:Doorknobs Std' with a quantity of 48 and a cost of 15.00, and 'Cabinets:Cab 2021' with a quantity of 10 and a cost of 169.00. The right-hand side of the window shows a summary panel for 'Patton Hardware Supplies' with fields for Vendor, Transaction, SUMMARY, Phone, Open balance, POs to be received, RECENT TRANSACTION, and NOTES.

ITEM	DESCRIPTION	QTY	U/M	COST	AMOUNT	CUSTOMER JOB	BILLABLE?	CLASS	PO NO.
Hardware:Doorknobs Std	Doorknobs Part # DK 3704	48		15.00	720.00				6238
Cabinets:Cab 2021		10		169.00	1,690.00				6238

7. Make any other edits that are applicable, such as a memo in the **Memo** field.

8. Click **Save & Close**.

9. Click **Yes** if a dialog box appears about changing the transaction.

QuickBooks changes the item receipt to a bill in the Accounts Payable account and lists the bill in the Pay Bills window.

Because it is important to have inventory on hand before you enter a sale for inventory parts, it is recommended you enter your item receipts before entering sales. (If you do not have enough inventory on hand when you are entering an invoice, you will receive a warning. If you elect to ignore the warning, reports regarding costs of goods sold and profitability can be skewed.)

## NOTES

# Manually Adjust Inventory

When you have spoilage or shrinkage, or when you send out samples of your products, you can adjust your inventory manually.



## Step-by-Step: Adjust the Inventory Manually

1. In the Vendors menu, click **Inventory Activities** → **Adjust Quantity/Value on Hand**.

QuickBooks displays the Adjust Quantity/Value on Hand window.

Adjustment Type: Quantity

Adjustment Date: 12/15/2025

Adjustment Account: [Empty]

Reference No.: 1

Customer Job: [Empty]

Class: [Empty]

Find & Select Items... Set Qty to Zero

ITEM	DESCRIPTION	QTY ON HAND	NEW QUANTITY	QTY DIFFERENCE	U/M

Memo: [Empty]

Total Value of Adjustment: 0.00

Number of Item Adjustments: 0

ITEM INFO AFTER ADJUSTMENT

Quantity on Hand

Avg Cost per Item

Value

Save & Close Save & New Clear

2. Keep the Adjustment Type at **Quantity**.

3. Enter the Adjustment Date.
4. In the Adjustment Account field, enter the appropriate Cost of Goods Sold account against which you would like to record the adjustment (if appropriate, create a Shrinkage account).
5. Click **Find & Select Items** to search for items or enter them directly into the Items column of the grid. You can adjust multiple items in this one entry screen.
6. Enter the new quantities you want to appear in your inventory in the New Quantity column or use the Qty Difference column to adjust inventory up or down.

Adjust Quantity/Value on Hand
Previous Next Attach

Adjustment Type: Quantity

Adjustment Date: 12/15/2025      Reference No.: 2

Adjustment Account: 50100 - Cost of Goods Sold      Customer Job:

Class:

Find & Select Items...    Set Qty to Zero

ITEM	DESCRIPTION	QTY ON HAND	NEW QUANTITY	QTY DIFFERENCE	U/M
Cabinets:Cabinet Pulls	Cabinet Pulls	423	420	-3	ea

Memo:

Total Value of Adjustment: -7.68

Number of Item Adjustments: 1

ITEM INFO AFTER ADJUSTMENT

Quantity on Hand

Avg Cost per Item

Value

Save & Close    Save & New    Clear

7. Click **Save & Close**.

**NOTES**

## Set a Default Markup

With QuickBooks, you can add a markup to your basic costs by entering a default markup percentage. QuickBooks uses this percentage to calculate the selling price of items that should have both a per unit purchase cost and a per unit sales price.

You'll see the effect of the default markup percentage when you create inventory part, non-inventory part, service and other charge items when you enter the item's cost.

QuickBooks calculates the sales price and enters it in the Sales Price field. For example, entering a cost of \$10.00 when the markup is 25% causes QuickBooks to fill in the sales price as \$12.50. If you don't want to use the default markup for an item, you can change the sales price that QuickBooks created based on the markup.

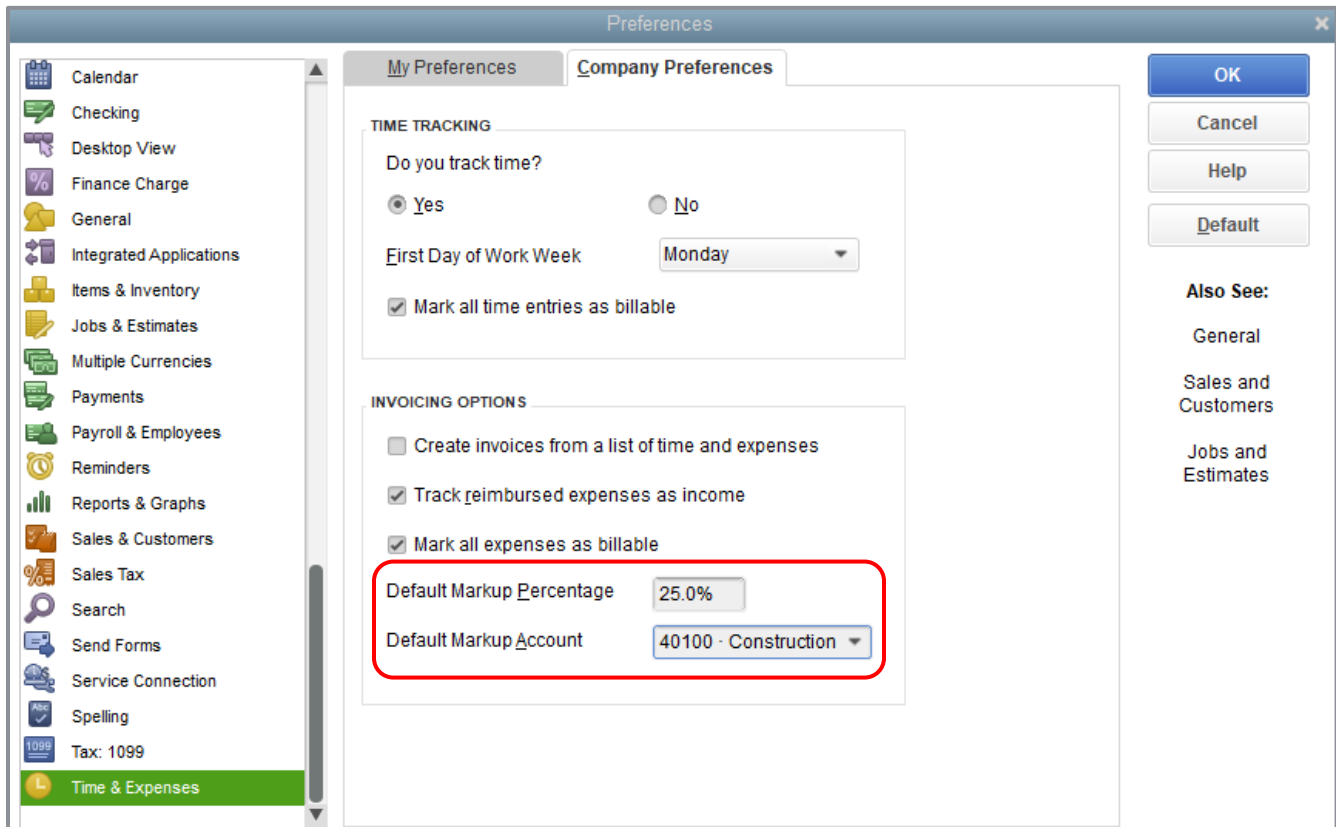


### Step-by-Step: Set the Default Markup Percentages

1. Make sure you are signed in to the QuickBooks company as the Admin user. (If other users have been set up on other computers to access the company in multi-user mode, ensure they are not signed in and you are in single-user mode.)
2. From the Edit menu, choose **Preferences**.
3. Click **Time & Expenses** in the left panel.
4. Click the **Company Preferences** tab.

5. In the Default Markup Percentage field, enter the default markup as a percentage and press **Tab**.
6. In the Default Markup Account field, choose the appropriate Income account to which markups should be mapped.

Your screen should resemble this:



7. Click **OK**.

## NOTES



## Set Up Inventory – Review Questions

1. True or false: The Purchase Orders account does not affect the balance sheet or income statement.
  - a. True
  - b. False
2. You placed an order with a vendor for inventory parts. The items have arrived but you have not received the bill yet. Which option should you choose from the Vendors menu?
  - a. Enter bills
  - b. Receive items and enter bills
  - c. Receive items
  - d. Enter bills for items received
3. You complete a physical inventory count and discover you have five more of a particular item than shown in QuickBooks. How do you update the inventory records in QuickBooks?
  - a. Complete the physical inventory worksheet
  - b. Enter an item receipt
  - c. Adjust the quantity in the Adjust Quantity/Value on Hand window
  - d. None of the above
4. Which of the following provide you with a list of all purchase orders created in a file?
  - a. QuickReport on the Purchase Orders account
  - b. Purchase Orders List report
  - c. Open Purchase Orders
  - d. All of the above

## Review Activities

Use Rock Castle Construction (sample product-based company) to do these activities:

1. Enter a new inventory item using the following information.
  - **Item Name/Number:** Kitchen counter
  - **Purchase Description:** Kitchen counter
  - **Cost:** 280.00
  - **COGS Account:** Cost of Goods Sold
  - **Preferred Vendor:** Patton Hardware Supplies
  - **Sales Description:** Same as Purchase Description
  - **Sales Price:** 340.00
  - **Income Account:** Construction:Materials Income
  - **Asset Account:** Inventory Asset
  - **Reorder Point:** 5
  - **Qty on Hand:** 6
2. Create a purchase order for 20 standard doorknobs.
3. Receive the 20 standard doorknobs into inventory and record the bill for the doorknobs.
4. Process the bill and pay for the 20 standard doorknobs.

## Answers to Review Questions

1. True or false: The Purchase Orders account does not affect the balance sheet or income statement.
  - a. ✓ *True*
  - b. False
2. You placed an order with a vendor for inventory parts. The items have arrived but you have not received the bill yet. Which option should you choose from the Vendors menu?
  - a. Enter bills
  - b. Receive items and enter bills
  - c. ✓ *Receive items*
  - d. Enter bills for items received
3. You complete a physical inventory count and discover that you have five more of a particular item than shown in QuickBooks. How do you update the inventory records in QuickBooks?
  - a. Complete the physical inventory worksheet
  - b. Enter an item receipt
  - c. ✓ *Adjust the quantity in the Adjust Quantity/Value on Hand window*
  - d. None of the above
4. Which of the following provide you with a list of all purchase orders created in a file?
  - a. ✓ *QuickReport on the Purchase Orders account*
  - b. Purchase Orders List report
  - c. Open Purchase Orders
  - d. All of the above