

## Using QuickBooks® in your eBay Business

### Introduction

There are many different ways to keep your books. If you've read *Tax Loopholes for eBay Sellers*, you'll know that we recommend QuickBooks Pro or QuickBooks Premium. Both of these programs have the ability to keep the records that you, as a real estate investor, need to keep, and both are fairly user-friendly. They're also very popular amongst CPAs and bookkeepers, which can be a great advantage when you are trying to pass a financial file back and forth.

However, if you're unfamiliar with bookkeeping and accounting programs in general, even the most user-friendly software can feel daunting. So, we've prepared this handout to go along with the material in *Tax Loopholes for eBay Sellers*. You'll also find both a sample eBay company and a Chart of Accounts the material help you get started. You'll also find some tools on the accompanying CD-ROM that have been set up to work with the 2005 version of QuickBooks.

Ideally, if you're really new to bookkeeping or QuickBooks, you'll go through the process of setting up your own books with your CPA or bookkeeper. This helps you to make sure that you at least start off on the right foot and can save you or your bookkeeper significant time later in redoing your financial records.

### Before You Begin

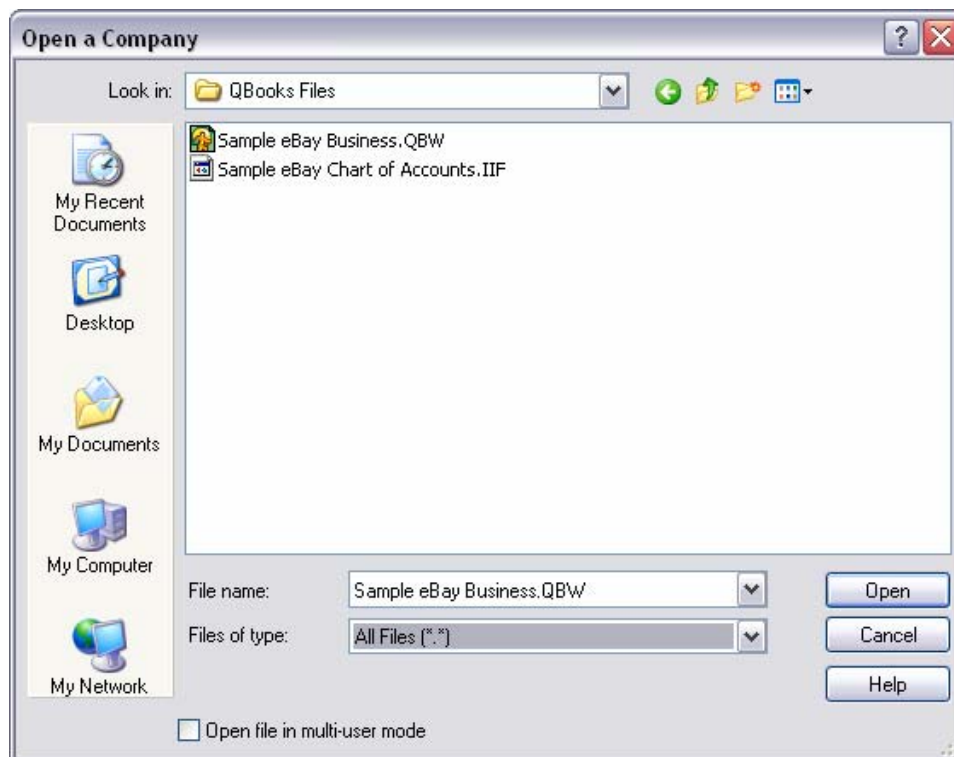
If you look at our web site, [www.taxloopholes.com/ebaysellers](http://www.taxloopholes.com/ebaysellers), you'll find the following files that you can download:

1. Sample eBay Business.QBW
2. Sample eBay Chart of Accounts.IIF

The first file is a complete sample company which you can modify and begin using as your company's file. If you already have QuickBooks and have existing data, then you can import the second file and add any accounts that you don't already have in your own QuickBooks file.

You may find it helpful to review the Charts of Account before you begin. You'll find the Chart of Accounts later on in this handout.

To use the sample company we've provided most effectively, you will need to restart the Easy Step Interview process and input all of your own company or business data. You will also need to download the QuickBooks file or files to your desktop, as you cannot open them directly from our web site.



*You can select either the pre-formed company file (if you haven't already set up your existing business, or you can select the Chart of Account to import into your existing QuickBooks file. Remember to download the file (or files) to your desktop before you begin, as you won't be able to open them otherwise.*



## **Procedures for New Businesses Not Set Up on QuickBooks:**

### ***Step 1 – Gather Your Business Information***

To start the setup of your business in QuickBooks, you will first need to gather basic information about your company such as name, address, and employer identification number. You will also need to know your business's tax year, fiscal year, type of tax return filing, and whether the company reports on the accrual or cash basis. If you don't know this, consult with your CPA or bookkeeper to gather this information.

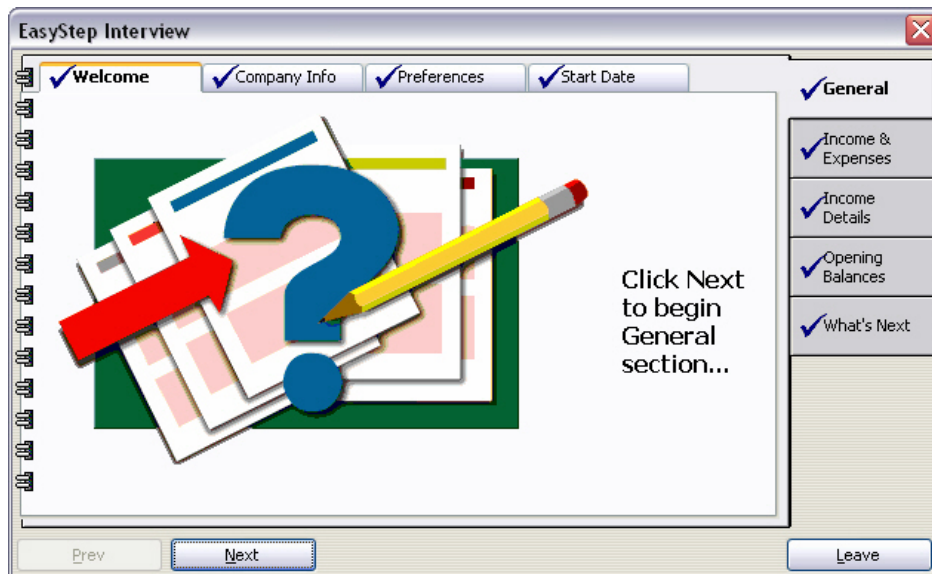
One of the first things that QuickBooks will ask you is the start date for your business. The date that you choose as your business's start date is very important! In QuickBooks, the start date determines when you will begin entering all transactions to create a detailed history. If you have formed a business structure for your real estate activities, choose this date. QuickBooks will allow you to input all data that happened before this date, so personal expenses you incurred in setting up your business structure, etc., won't be lost.

Your business's opening balances for assets, liabilities, equity, income and expenses can be entered during the QuickBooks Easy Step Interview. You will also be asked to choose between entering the beginning balances in the "make journal entry" section of QuickBooks. Ask your CPA or bookkeeper to help you with this decision. Any opening balances for Customers and Vendors should be completed in the Easy Step Interview as well.

### ***Step 2 – The QuickBooks Easy Step Interview***

After you have gathered the information in Step 1, you are now ready to begin the QuickBooks Easy Step Interview, which will guide you through the first stage of the set-up of your company's financials. This is an interactive question and answer session designed to get this basic information into the right places to begin keeping financial records. If you have elected to use the sample eBay company file, you will need to re-start the interview process.

You can do this by selecting Eile, and then Easy Step Interview. Once the interview opens, you will see the screen on the next page. Click the Prev button as many times as necessary to go back to the very beginning of the interview process. Now you are ready to do the interview and input all of your own business information.



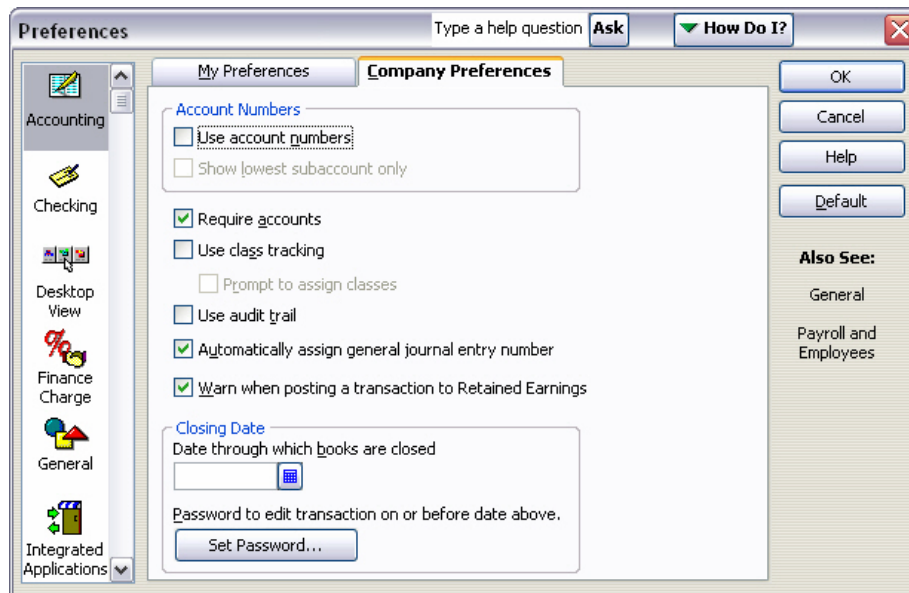
Click the Prev button several times to go back to this screen, which is the beginning of the interview.

As you go through the Easy Step Interview, follow the software prompts and you should be all right. Or, ask a friend who is also a QuickBooks user to help you out. If all else fails, considering using the services of an employment agency specializing in providing accounting staff to send you a bookkeeper familiar with QuickBooks to help you through this process.

### ***Step 3 – Setting Up the Chart of Accounts and Sub-Accounts***

During the Easy Step Interview you will be asked to discuss your business's chart of accounts. A chart of accounts is the list of account names and numbers used to record the flow of a business's financial transactions and provides the coding elements used to classify, record, budget, and report.

By using both account numbers *and* account names, you will be able to retrieve forms easier. To set QuickBooks up to use account numbers, go to the QuickBooks main menu and select Edit, then Preferences, then Accounting (to the left of the open window), then Company Preferences, and select “use account numbers.”



To open this window, select Edit and Preferences from the main QuickBooks menu

You can also use sub-accounts when an account appears to cover too broad of an area. Sub-accounts allow you to track related types of accounts separately but will still provide a main account total that is calculated by adding together all the sub-accounts. For example, consider the account “Utilities.” This account would likely contain many different items, such as electric, water, gas, sewage, etc. By setting up each separate utility as a sub-account, you can keep your costs separate. Your reports will show the subtotals for the specific utilities as well as present a total for all utilities.

***One of the most common errors made when setting up an account in the chart of accounts is choosing an incorrect “Account Type”. This small error can result in inaccurate financial statements and information.***

We've set up the sample eBay company file using both numbered accounts and sub-accounts.

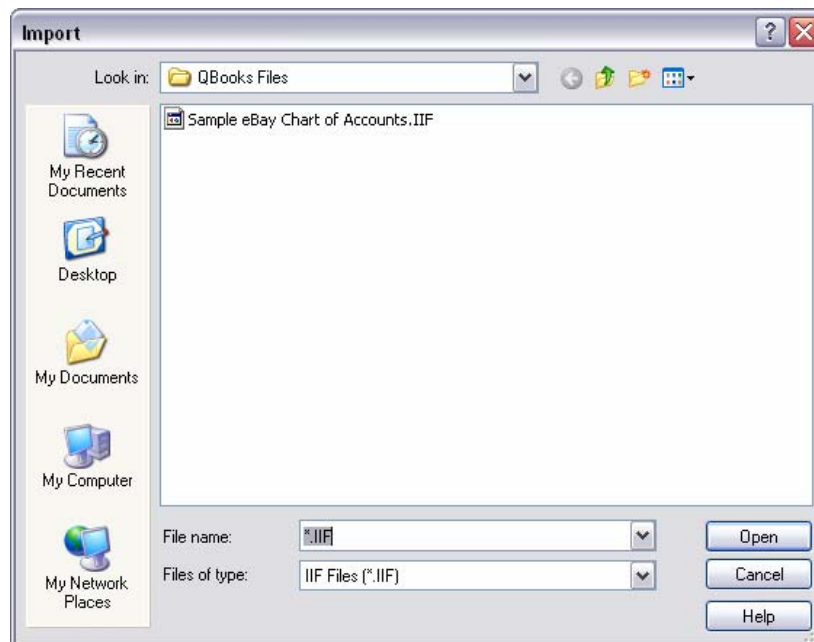
## ***Step 4 – Inputting Your Financial Information***

After the Easy Step Interview has been completed you are now ready to begin entering all detailed transactions that have occurred starting from the QuickBooks start date.

### **Importing the Pre-Prepared Chart of Accounts**

If you have an existing QuickBooks file and would prefer to just add the accounts you need, then you can simply import our Chart of Accounts into your own file. Don't worry about duplicating entries, because QuickBooks will automatically spot those and import only the accounts you don't already have.

To import our Chart of Accounts, first start QuickBooks and open your existing company file. Then select File, and Import. A separate window will open up looking for the import destination file. Select the chart of accounts file from the options that appear. Remember to make sure you select a file that ends in an .IIF extension.



*Select a Chart of Accounts to import into your existing QuickBooks data file. Unlike the full company files, you don't have to copy these files to your desktop first.*



Once you have selected the Chart of Accounts, click “OK” or “Open.” The import process will begin and you will get a message in QuickBooks that says, “Your data has been imported.”

## What The Program is Doing

When you import a chart of accounts’ .IIF file, QuickBooks adds the data to your company file and updates any lists as required. New accounts will be added to your existing Chart of Accounts.

Name	Type	Balance Total
+401 - Checking Account	Bank	0.00
+402 - Bank Savings Account	Bank	0.00
+403 - Accounts Receivable	Accounts Receivable	0.00
+404 - Inventory	Other Current Asset	0.00
+405 - Computer Equipment	Fixed Asset	0.00
+406 - Digital Camera Equipment	Fixed Asset	0.00
+407 - Office Furniture	Fixed Asset	0.00
+408 - Office Equipment	Fixed Asset	0.00
+501 - Accounts Payable	Accounts Payable	0.00
+502 - Sales Tax Payable	Other Current Liab...	0.00
+503 - Payroll Liabilities	Other Current Liab...	0.00
+504 - Interest Payable	Other Current Liab...	0.00
+505 - Loans (from outside parties)	Long Term Liability	0.00
+605 - Notes Payable from Owners	Long Term Liability	0.00
+601 - Capital Stock	Equity	0.00
+602 - Opening Bal Equity	Equity	0.00
+603 - Retained Earnings	Equity	0.00
+100 - Sales	Income	
+101 - eBay Merchandise Sales	Income	
+102 - Trading Asst/Trading Post Sales	Income	
+103 - Shipping & Handling Billed Out	Income	
+105 - Other Income	Income	
+200 - Cost of Goods Sold	Cost of Goods Sold	
+201 - Inventory Purchases	Cost of Goods Sold	
+202 - Purchase Discounts	Cost of Goods Sold	
+204 - Inventory Enhancement	Cost of Goods Sold	
+301 - Advertising and Marketing	Expense	
+302 - Accumulated Depreciation Expens	Expense	
+303 - Automobile Expense	Expense	
+304 - Bad Debt Expense	Expense	
+305 - Bank Service Charges	Expense	
+306 - Books and Publications	Expense	
+307 - Bookkeeping/Accounting	Expense	
+308 - Charitable Contributions	Expense	
+309 - Computer Supplies	Expense	
+310 - Dues, Subscr & Publics	Expense	
+311 - eBay Listing Fees - Regular	Expense	
+312 - eBay Listing Fees - Enhanced	Expense	
+313 - eBay Store Fees	Expense	
+314 - Education Expenses	Expense	
+315 - Insurance	Expense	
+315A - Health Insurance	Expense	
+315B - Liability Insurance	Expense	
+316 - Interest Expense	Expense	
+317 - Internet Provider Fees	Expense	
+318 - Legal Fees	Expense	

Sample QuickBooks Chart of Accounts. You can see this page any time in QuickBooks by pressing Ctrl + A.

## Chart of Accounts

### Asset Accounts

Number	Account Name	Type
401	Checking Account	Bank
402	Bank Savings Account	Bank
403	Accounts Receivable	Accounts Receivable
404	Inventory	Other Current Asset
405	Computer Equipment	Fixed Asset
406	Digital Camera Equipment	Fixed Asset
407	Office Furniture	Fixed Asset
408	Office Equipment	Fixed (photocopiers, postage machine, postage weigh scale, printers, scanners, network equipment, cables)

### Liability Accounts

Number	Account Name	Description
501	Accounts Payable	Money that your business owes others.
502	Sales Tax Payable	Money that you have accrued to pay sales taxes but haven't submitted to the taxation agency yet.
503	Payroll Liabilities	Payroll taxes that have been deducted from employee checks and for the employer's portion, but which haven't been paid to the government yet. Once paid, this liability is removed and transformed into Payroll Expense.
504	Interest Payable	Interest that has accrued against a loan or note each month (or other period) before you make the payment. When you pay it, the liability is removed and transformed into Interest Expense.
505	Loans Payable (from outside parties)	Loans that your business owes to a bank or finance company for vehicles, equipment, and so on.
506	Notes Payable from Owners	Loans that your business owes to you or the other shareholders for start-up money, equipment, inventory, and

		other personal property that you transferred into the business, or to others who contributed other money to help finance your business.
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**Equity Accounts**

<b>Number</b>	<b>Account Name</b>	<b>Description</b>
601	Capital Stock	Money that you paid into the business in return for ownership shares
602	Opening Bal Equity	Reflects the amount of money you put into the business at incorporation
603	Retained Earnings	Net profit that will flow through to the shareholder-owners if the business is an S corporation or that can be distributed to the shareholder-owners if the business is a C corporation

**Income Accounts**

<b>Number</b>	<b>Account Name</b>	<b>Description</b>
100	Sales	Umbrella Account
101	eBay Merchandise Sales	Sub-Account of Sales - Income received from goods sold on eBay
102	Trading Asst/Trading Post Sales	Sub-Account of Sales - Income received from trading assistant sales
103	Shipping and Handling Billed Out	Sub-Account of Sales - Income received from buyers towards shipping, packaging and handling costs
104	Sales Tax Billed Out	Sub-Account of Sales – This is where you record the money you collect for sales tax from your buyers. This money is collected on behalf of your state taxation agency and will be forwarded at regular intervals)

**Cost of Goods Accounts**

<b>Number</b>	<b>Account Name</b>	<b>Description</b>
200	Cost of Goods Sold	Umbrella Account
201	Inventory Purchases	Money you spend on inventory items
202	Purchase Discounts	If you receive any discounts for bulk purchases or early payments on

		account
203	Inventory Enhancement	Money you spend to have an item cleaned, add batteries or other accessories, or to carry out or have repairs performed prior to its listing on eBay

**Expense Accounts**

<b>Number</b>	<b>Account Name</b>	<b>Description</b>
301	Advertising & Marketing Expenses	Money spent on advertisements
302	Accumulated Depreciation	You can break this out into separate accounts to detail your business's home office depreciation, vehicle depreciation, and personal property depreciation, which all accrue at different rates
303	Auto Expenses	Gas, repairs, insurance, and so on
304	Bad Debts	Accounts payable that won't be collected
305	Bank Service Charges	Service charges
306	Books and Publications	Educational materials such as this book, or textbooks if you take business-related courses
307	Bookkeeping/Accounting	Payments for bookkeeping, CPA services, and tax preparation
308	Charitable Contributions	Organizational charity donations
309	Computer Supplies	Computer accessories and supplies
310	Dues, Subscriptions and Publications	Business association memberships, subscriptions to business-related magazines or newsletters, eBay reporting fees for Sales Manager, Sales Manager Pro, etc.
311	eBay Listing Fees - Regular	Fees incurred for standard eBay Listings
312	eBay Listing Fees - Enhanced	Fees to enhance your listings, including displaying large or multiple pictures, reserve fees, scheduled start-time fees, subtitle fees, etc.
313	eBay Store Fees	Rent for your eBay Store
314	Education Expenses	Seminars, workshops, eBay University classes, and so on
315	Insurance Expenses	Umbrella Insurance Account
315A	Health Insurance	Health Insurance Premiums for you and anyone else you provide insurance coverage for
315B	Liability Insurance	Business insurance premiums (fire, loss, casualty, etc.)
316	Interest Expenses	Interest that you pay on any loans your business has
317	Internet Provider Fees	Internet service provider fees

<b>Number</b>	<b>Account Name</b>	<b>Description</b>
318	Legal Expenses	Attorney fees
319	Licenses and Permits	Business License fees, sales permit fees, etc.
320	Miscellaneous	Random expenses with no other category (but if expenses appear more than two or three times, create a separate expense account for them)
321	Office Expenses	Umbrella account for office expenses
321A	Office Supplies	Sub-Account of Office Expenses – paper, pens, paper clips, office supplies, etc.
321B	Postage and Delivery	Sub-Account of Office Expenses – postage and delivery costs (these are your hard, out-of-pocket costs and may be lower than what you charge to the purchaser, if you add packaging and handling surcharges on top of actual postage)
321C	Printing and Reproduction	Sub-Account of Office Expenses – ink, toner, and photocopying or printing costs
322	PayPal Transaction Fees	PayPal's transaction fees for receiving money
323	Payroll Expenses	Business payroll expenses such as workers compensation and unemployment insurance. These are expenses that the business alone pays – not the social security and medicare premiums that you split with your employees
324	Payroll Taxes – Employer Contributions	Business payroll taxes (half of the total Social Security and Medicare payments that the business makes)
325	Payroll Taxes—Employee Contributions	Records the other half of payroll taxes that are deducted and withheld from each employee's salary checks
326	Rent	If you have a home-office, this is the rent you are charging to your business, or if you are renting space from a third party, this is your rental costs
327	Repairs	Umbrella account for computer and equipment repairs
327A	Computer Repairs	Sub-Account of Repairs – all repair costs

<b>Number</b>	<b>Account Name</b>	<b>Description</b>
		for your computer, including virus removal, backup, etc.
327B	Equipment Repairs	Sub-Account of Repairs – all repair costs for other office equipment such as printers, fax machines, etc.
328	Sales Tax Expenses	When you pay out the sales tax you've collected to your state taxation agency, you record the payout as an expense to offset the sales tax income you recorded originally
329	Shipping Expenses	This isn't postage or delivery charges, but rather your hard, out-of-pocket costs to buy boxes, shipping peanuts, bubble wrap, tape, etc.
330	Telephone	Telephone usage for business (including cell phones)
331	Travel, Meals & Entertainment	Umbrella Account for travel costs
331A	Entertainment	Sub-Account of Travel, Meals & Entertainment – for meals out with clients, employees, suppliers, etc.
331B	Lodging	Sub-Account of Travel, Meals & Entertainment – hotel and motel costs when you are away from home on business
331C	Meals	Sub-Account of Travel, Meals & Entertainment – meals cost for you when traveling on business
331D	Travel	Sub-Account of Travel, Meals & Entertainment – travel costs including airfare, rental cars, etc.
332	Trading Assistant Expenses	Expenses such as postage, shipping supplies, and mileage associated with your trading assistant activities
333	Utility Expenses	Energy costs (heat, light, water, electricity, gas, garbage collection)
334	Wages and Contractor Fees	Salaries to you, your kids or any other dependent employees, as well as payments to any independent contractors you use