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**A**

# CLIENT DATA REVIEW

This appendix is provided for accounting professionals using QuickBooks Accountant 2014 or QuickBooks Enterprise Solutions Accountant 14.0. Client Data Review is a tool available with these editions of the QuickBooks software.

Reviewing clients' files can be a time-consuming process. Accounting professionals can save time working with their clients' files using these capabilities of Client Data Review:

- Reclassify hundreds of transactions at once
- Write off multiple open customer invoice balances at once
- Fix incorrectly recorded sales tax payments
- Quickly troubleshoot inventory issues
- Identify changes clients made to the lists in QuickBooks
- Troubleshoot beginning balance changes from year to year
- Apply open vendor and customer credits in batch to charges/invoices
- Clear up balances left in the Undeposited Funds account

After working with the Client Data Review tools you may never want to review a client's file the "old-fashioned way" again!

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# Introduction: Features and Benefits

Available with QuickBooks Accountant 2014 is the Client Data Review (CDR) feature, in Figure A.1. Accessing CDR tools and features is easier than ever with the customizable Accountant's Center. CDR is a collection of tools and reports that accounting professionals primarily use to streamline the many tasks involved in reviewing, troubleshooting, and correcting a client's QuickBooks data.
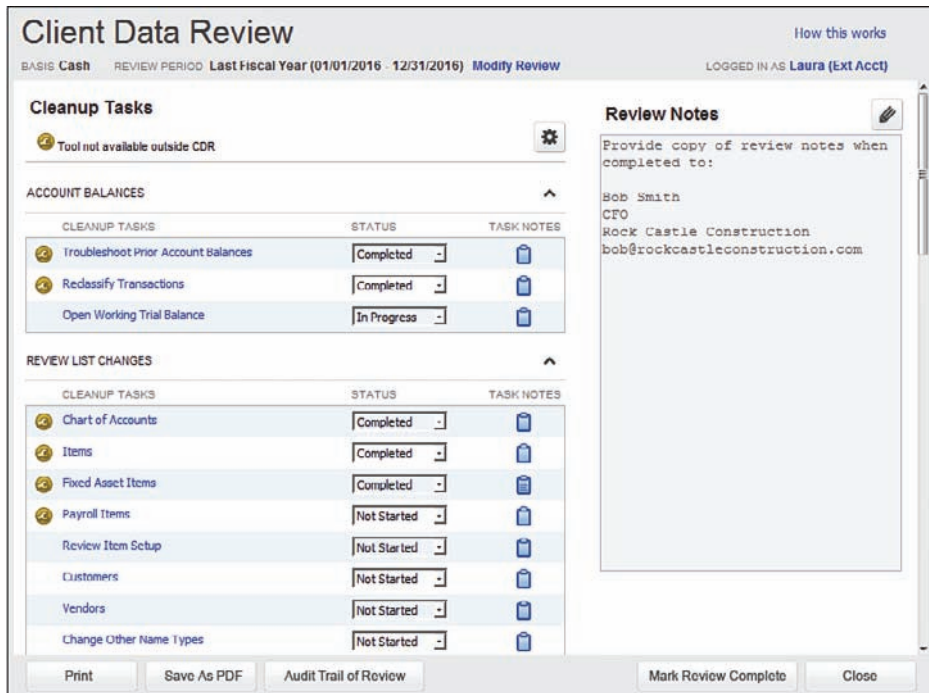


**Figure A.1**
Client Data Review (CDR) is helpful for finding and fixing your client's QuickBooks data entry errors.

The CDR feature is not available for use with QuickBooks Online, or QuickBooks for Mac. However, QuickBooks Online Accountant has its own set of accounting tools similar to the ones in this appendix.

With QuickBooks Accountant software, all the features of CDR work with a QuickBooks Accountant's Copy of your client's file; see Chapter 16, "Sharing QuickBooks Data with Your Accountant."

You can use CDR when working with a client's Accountant's Copy file type (.QBX file extension), but some feature limitations apply. Refer to Chapter 16 for more details on the benefits of working with this file type.

Typically, a best practice workflow using CDR tools is as follows:

1. Review with the client open Accounts Receivable, Accounts Payable, and other balances for which the client has current information.

2. Review your client's data file using the CDR-specific tasks and reports.

3. Make data corrections using CDR tools, and set a QuickBooks closing date.

4. If completing a formal review, select **Mark Review Complete**, letting CDR "store" your period reviewed balances. (The client cannot change these reviewed balances.)

5. Save the details of the review as a PDF.

6. Print the details from the Client Data Review dialog box. Save the details as a PDF. You can also print an Audit Trail of Review, listing the transactions that were added or modified.

7. Begin your next review, and let QuickBooks detail for you any and all changes to balances, transactions, and lists since your last completed review.

> **tip**
>
> You can use CDR features when QuickBooks is in multiuser mode. This means other users in the QuickBooks file can continue with their daily tasks while the accounting professional uses the CDR tools or features to review or make changes to the client's file.
>
> However, only one user can access Client Data Review at a time.

➡ *For more information on working with the Accountant's Copy, see Chapter 16 "Sharing QuickBooks Data With Your Accountant" p. 597.*

There are specific tasks and reports that are available only with CDR. The tasks are indicated with the CDR icon. For example, see the icon next to the Troubleshoot Prior Account Balances task, in Figure A.1. Other tasks listed without the icon indicate a feature or report that is available within and outside the CDR functionality.

CDR offers robust tracking of the changes your client makes to the data between your reviews. CDR also offers the following:

- Powerful time-saving tools for finding and fixing client entry errors: Reclassify Transactions, Write Off Invoices, Fix Incorrectly Recorded Sales Tax, Inventory Troubleshooting, Identify Changes to Lists, Troubleshoot Beginning Balance Differences, Match Unapplied Vendor and Customer Credits, and Clear Up Undeposited Funds.

- Troubleshooting beginning balances "saves" the previously reviewed debit and credit balances; the tool then compares this stored balance to the same prior-dated balances in QuickBooks as of today. Your client cannot modify your previously reviewed and stored QuickBooks balances.

- QuickBooks suggests an adjusting journal entry to make your prior-period reviewed balances agree with the current QuickBooks data for that period. You remain in control and can decide whether you want to modify the detail in the journal entry.

- Identify what chart of accounts balances differ, and determine the amount of the difference when compared to your prior period of reviewed financials.

- Track changes to the Items Lists, such as additions, name changes, and even tracking accounts or list items that were merged.

- Track changes made to list items, accounts assigned, or payroll items when a change to a payroll tax rate is made.

- While working with CDR activities, if you have the Open Windows dialog box displayed, you can move efficiently between activities in QuickBooks and the CDR activities. For more information about navigating QuickBooks, see Chapter 2, "Getting Around QuickBooks."

- Conveniently work on CDR in QuickBooks, and modify or add transactions as normal with an immediate refresh of the data in your review.

- You can use the CDR tool while working in a client's Accountant's Copy file-sharing format. All CDR tools and features work with an Accountant's Copy. Other restrictions apply when working with an Accountant's Copy; Chapter 16 details these.

If you are an accounting professional and want to work most efficiently with your client's file, use QuickBooks Accountant 2014 or QuickBooks Enterprise Solutions Accountant 14.0.

# Accessing Client Data Review Tools and Features

With QuickBooks Accountant 2014, accounting professionals can access common CDR tools and features in the software multiple ways, including the following:

- **Accountant Center—**Customize this to include the tools you use most with your clients' files.

- **Accountant Menu—**Use individual CDR tools and features without starting a review, or launch a formal dated review.

Before you use CDR, determine whether you need to do a formal review or just efficiently work on troubleshooting and fixing client data entry errors.

If your client has engaged you simply to clean up data entry errors, you might not need to open a review to complete these CDR-specific tasks:

- Reclassify Transactions

- Fix Unapplied Customer and Vendor Credits

- Clear Up Undeposited Funds Account

- Write Off Invoices

- Fix Incorrectly Recorded Sales Tax

## tip

As an accounting professional, if you would like to try CDR even if you don't have the Accountant's edition of QuickBooks, you have a way to do so. Have your client create a user login for you in the client's file and assign the External Accountant user type. For more information, see "Creating an External Accountant User Type," p. 618.

When you log in to the client's Pro or Premier 2014 or Enterprise 14.0 data file as an External Accountant user, you then have access to the Accountant Center (which opens automatically, or you can access it from the Company menu). Although this Accountant Center is not customizable, you do have *limited* access to some of the features found only in QuickBooks Accountant software and selected CDR tools, including the following:

- Create a Working Trial Balance

- Reclassify Transactions

- Fix Unapplied Payments and Credits

- Write Off Invoices

In addition, your Accountant Center provides easy access to other common QuickBooks tasks, memorized reports, reconciliation details, and updates especially for the accounting professional.

- Compare Balance Sheet and Inventory Valuation

- Troubleshoot Inventory

- Find Incorrectly Paid Payroll Liabilities

However, if part of your engagement with the client includes using the following CDR tools (detailed later in this chapter), you need to Start Review formally using CDR:

- Troubleshoot Prior Account Balances

- Review List Changes

If your client sends you an Accountant's Copy file with data, you can access the features available with CDR. The benefit of using the Accountant's Copy file is that your client can continue day-to-day operations while you make changes to the data. The file is then sent back to the client to import your changes.

> ➡ *For more information on working with the Accountant's Copy, see Chapter 16 "Sharing QuickBooks Data With Your Accountant" p. 597.*

If your client sends you a QuickBooks 2014 backup file (.QBB extension) or portable company file (.QBM file extension), both of these files, when restored, enable you to use the CDR tool. However, your changes cannot be merged into the data file at the client's office.

**tip**

You can use many of the CDR tools without opening a dated review. The date range that defaults when using CDR tools is your last fiscal year. However, with most of the tools, you can change the date range manually, if needed.

**note**

New for QuickBooks 2014, if you are using the QuickBooks Accountant software and your client is using a version of QuickBooks 2014 for Windows, you can send your adjusting journal entries by email for your client to import. For more information, see "Other Methods of Sharing Data," p. 630.
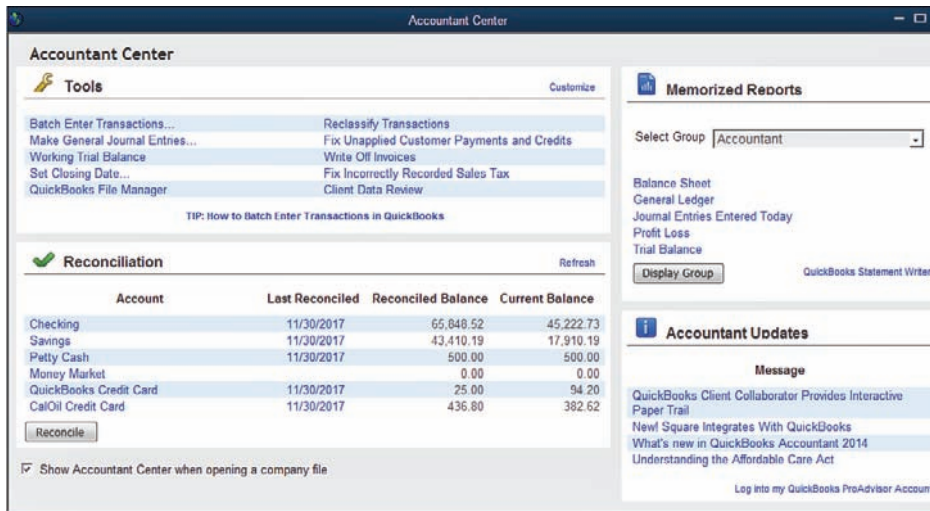
# Customizing the Accountant Center

For the accounting professional, a great benefit of using the Accountant version of QuickBooks 2014 or Enterprise 14.0 is the Accountant Center, in Figure A.2. The Accountant Center offers easy access to Client Data Review tools and other accountant features.

You also can access the Accountant Center from a client's 2014 Pro or Premier (nonaccountant) and Enterprise 14.0 file when you, the accounting professional, log into the file as an External Accountant user.

By default, a preference is set to have the Accountant Center open automatically, but you also can access the Accountant Center from the Accountant menu. In a nonaccountant edition of QuickBooks, you can log in as the External Accountant user type and access the Accountant Center from the Company menu. When you log in to the file this way, some of the Accountant Center features are available, but not all.

**tip**

You need to customize the Accountant Center only once, and your customized view displays with each unique client file opened with your Premier Accountant 2014 software. However, a shortcut won't appear on the Accountant Center if the feature it points to is not enabled in a particular client's file.

**Figure A.2**
Customize the Accountant Center to include the tools and features you use most when working with your client's data.

The Accountant Center also provides easy access to Memorized Report Groups. You can learn about working with reporting in QuickBooks in Chapter 14, "Reporting in QuickBooks," p. 553.

For accounting professionals, create your own memorized report group and access it from the Accountant Center when working with each client's file.

The Reconciliation panel includes timely information about your client's last reconciliation date—reconciled balance and current balance for all bank and credit card type accounts. Click Refresh to reflect recent changes to the client's data. More information about working with banking activities is in Chapter 13, "Working with Bank and Credit Card Accounts," p. 520.

The Accountant's Update section helps accounting professionals stay informed with important alerts, practice development tips, and links to training opportunities.

If you are using QuickBooks Accountant 2014 or Enterprise Accountant 14.0, practice customizing the Accountant Center with these instructions.

### Customize the Accountant Center

Open the Accountant Center from the Accountant menu to customize the Tools section:

1. From the menu bar, select **Accountant**, **Accountant Center**.
2. Click the Customize link in the Tools panel of the Accountant Center. The Customize Your List of Tools dialog box displays. See Figure A.3.
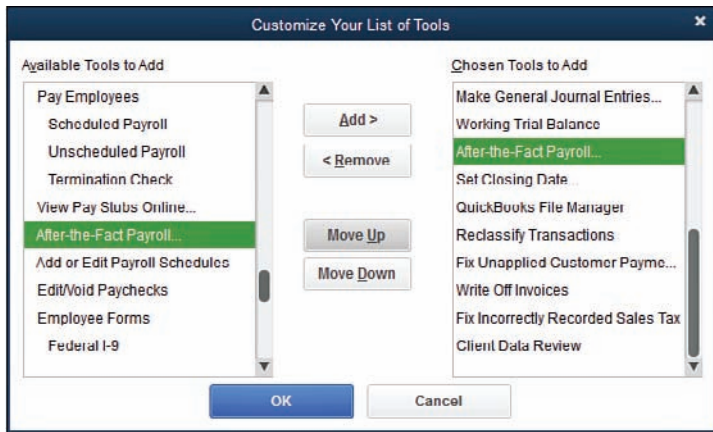
**Figure A.3**
Customize the Accountant Center to include the tools you use most often.

3. From the Available Tools to Add list, select an action you want to add to the Chosen Tools to Add section and click the Add button.

4. Rearrange the order of the selected tools by selecting one in the Chosen Tools to Add list and then clicking the Move Up or Move Down buttons.

5. (Optional) To remove a tool, click the tool in Chosen Tools to Add, and then click the <Remove button.

6. Click OK to close the Customize Your List of Tools dialog box. Your changes display in your very own Accountant Center.

# Customizing the Client Data Review Center

You can customize the list of displayed clean-up tasks in CDR. However, the changes you make affect only the QuickBooks file currently opened. Additionally, some CDR tasks display only if the related feature in QuickBooks is enabled (Sales Tax, for example).

To gain access to the customizing feature, launch the CDR feature. To do so, follow these steps:

1. From the menu bar, select **Accountant**, **Client Data Review**, **Client Data Review**. You can also launch CDR from the QuickBooks icon bar if you are using QuickBooks Accountant 2014 or Enterprise Solutions Accountant 14.0.

2. If this is your first review for this client, the Client Data Review—Start Review dialog box displays, as in Figure A.4. From this dialog box, either accept the default Review Date Range shown or select a date range from the following options in the drop-down list:

   ■ Last Fiscal Year (your default fiscal year is defined in the QuickBooks Company, Company Information menu)

   ■ Last Fiscal Quarter

■ Last Month

■ Custom (you choose the From and To dates)
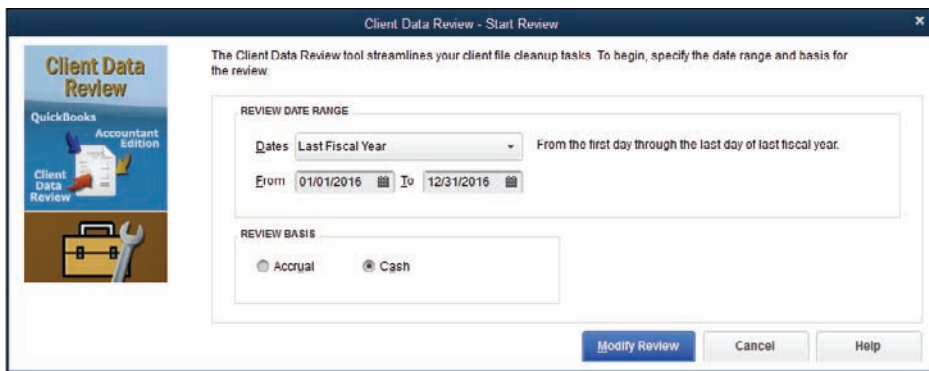


**Figure A.4**
When you choose to do a formal review, you select the date range and basis.

3. Select the appropriate **Review Basis**—**Accrual** or **Cash**. This basis defaults from the Reports & Graphs preference setting in the QuickBooks file.

4. (Optional) Click to select to have Task Notes from previous reviews repeat in the new review.

5. Click Start Review. The Client Data Review tasks display as previously shown in Figure A.1.

## tip

If you find you need to change your default reporting basis, you can do so on the Reports and Graphs tab of the Preferences dialog box (select **Edit**, **Preferences** from the menu bar). You need to be logged in as the Admin or External Accountant user in single-user mode to change the global preference for reporting basis.

## Modifying the Review Date and Basis

The basis shown in the CDR defaulted from the QuickBooks data file preferences when the CDR was first launched, or you might have manually selected the basis on the Client Data Review—Start Review or Modify Review dialog box.

After beginning a review, if you need to change either the review period or the basis, click the Modify Review link in the CDR (top center) to return to the dialog box (refer to Figure A.1).

## Customize Cleanup Tasks

You might have some clients who do not need a review of some of the task groups in their QuickBooks data. For example, say you are working in a client's file that does not have to track or pay sales tax.

With CDR, you can remove the tasks you do not need for the specifically open client file. The changes made in one client's file do not affect another client's file CDR tasks.

With Client Data Review open, follow these steps to remove the sales tax task group (or any of the other tasks) from the CDR:

1. Click the Customize Cleanup Tasks link in the center of the CDR dialog box (refer to Figure A.1).

2. The Client Data Review—Customize dialog box displays (see Figure A.5).

**Figure A.5**
Remove CDR tasks from being displayed in this currently selected client file.
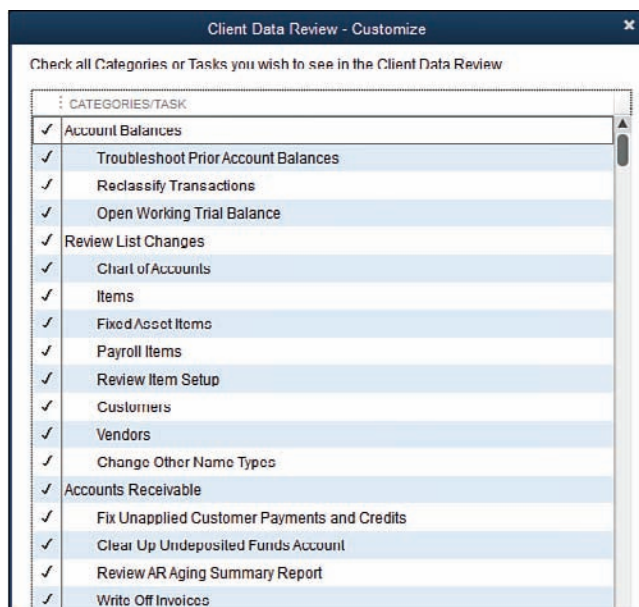


3. Place your mouse pointer on any list item, and click once to deselect that specific task or group of tasks. Clicking again reselects the list item.

4. Click the Restore Defaults button to return to the original settings.

5. Click Help to open the help topic specific for CDR.

6. Click Save Changes or Cancel if you do not want to make the changes.

You have successfully changed the lists of tasks that display for this client's data file only.

**tip**

If the desired Categories/Task does not display in the Client Data Review—Customize dialog box, it is because for the currently opened QuickBooks file that feature is not currently enabled.

# Minimize or Expand Task Groups

You might not want to remove a task completely, but you instead want to minimize it. Figure A.6 shows the task group before being minimized. Figure A.7 shows the same group after being minimized. The Hide and Show Task state for each task group on the CDR is company file dependent. The changes you make in one company file are not made in other QuickBooks client files.



**Figure A.6**
View before minimizing the Review List Changes task.



Click to collapse

Click to expand

**Figure A.7**
View after minimizing the Review List Changes task.

## Assigning Status and Notes to Review Tasks

To help in managing the review of a client's file, you have an associated status you can optionally assign to each task. This feature is useful for your own reference or if several accounting professionals are reviewing the same file.

To assign a new status or change an existing status, click the Status drop-down list and choose from one of the available choices:

- Not Started (this is the default status assigned to all tasks when a review is started)

- In Progress

- Completed

- Not Applicable

(Optional) You can record a note about a particular task. Click the task note icon to the right of a task (see Figure A.8). The Task Notes dialog box displays, and you can document specific review notes for that task. These notes are included in the CDR notes when Save As PDF is selected.

**Figure A.8**
Conveniently store specific task notes as you review the file.
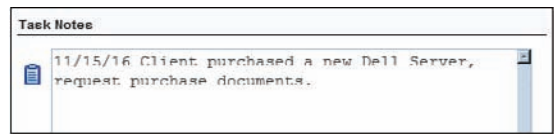


When you return to a CDR in progress, or if you share the review with other accounting professionals at your firm, each individual can see the progress of a particular task in review.

After customizing the CDR to show or hide specific task groups, you should take one more precaution.

Before beginning the review and making changes to a client's file, make sure you are logged in as an External Accountant type user. This ensures that your changes can be tracked separately from the client's changes and also gives you complete access to the Admin activities available in the CDR. For more information, read the "Creating an External Accountant User" section later in this chapter.

To see the currently logged-in user, look to the top-right corner of the CDR. CDR identifies the username and whether the user is an External Accountant, as in Figure A.1.

You are now ready to begin the review process. The following sections provide more details about the unique features and results you can expect when reviewing and correcting your client's data file using this innovative feature. You may not want to do a review the "old-fashioned" way again!
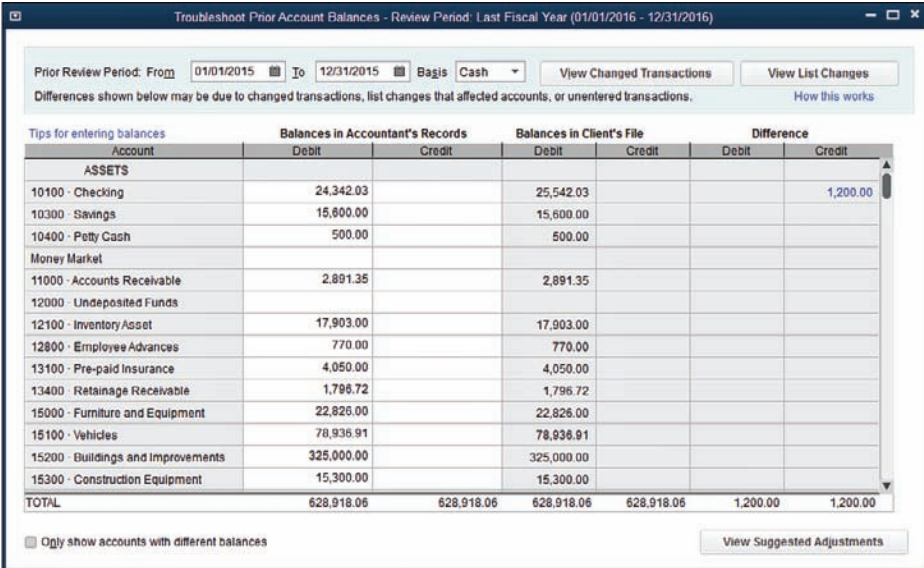
# Account Balances

Although you do not have to do the review task groups in any particular order, I recommend you begin with the Account Balances task group. A reliable client data file review depends on accurate Balance Sheet reporting, which includes financial numbers from earlier periods.

If you did not previously set a closing date, or if the user was granted access to adding, modifying, or deleting prior-year transactions, your ending balances that QuickBooks reports now might differ from those you used to prepare financials or tax return documents. Setting a closing date and password can help control changes to prior-period transactions. See Chapter 16 for more information on setting a closing date.

## Troubleshoot Prior Account Balances

The first task included in Account Balances review, Troubleshoot Prior Account Balances, displays the trial balance in debit and credit format (see Figure A.9).



**Figure A.9**
Use Troubleshoot Prior Account Balances to efficiently correct any changes to prior-period balances.

The Troubleshoot Account Balances tool displays these columns:

- **Accounts—**Grouped by account type:

  - Assets
  - Liabilities
  - Equity
  - Income

  - Cost of Goods Sold
  - Expenses
  - Other Income
  - Other Expense

- **Balances in Accountant's Records—**Debit and credit columns, these amounts are fixed as of the previous review by the accounting professional. They do not change even when a customer makes a change to a transaction in an earlier review period.

- **Balances in Client's File**—Debit and credit columns, these amounts are the currently calculated balances in the client's file for an earlier review period.

- **Difference**—Debit and credit columns, the amounts displayed in these columns represent differences between the Balances in Accountant's Records and the Balances in Client's File.

The primary purpose of this task is to provide a window where QuickBooks can compare the prior-year's ending balances (which you used to prepare financials, tax returns, or monthly and quarterly reviews) with what QuickBooks currently shows for that same date range.

Your work is completed in this window when no amounts remain in the difference columns—this indicates that the Balances in Accountant's Records agree with the Balances in Client's File for that same date.

# Entering Balances in Accountant's Records

If this is your first time using CDR with your client's data, you first need to enter the Balances in Accountant's Records columns in debit and credit spreadsheet format. You have two options for completing this task:

- Select **Yes** to the message that displays when you begin your first CDR of this file. CDR copies the columns of data from the Balances in Client's File to the Balances in Accountant's Records columns. Simply change any of the values copied to agree with your prior financials. If you select **No** to this message, a Copy Balances button is available at the top left for you to click to complete the task automatically.

- Alternatively, you can manually enter the amounts in the Balances in Accountant's Records columns to agree with your last reported financials or filed tax return.

This is the only time you are required to enter the balances. For future reviews, QuickBooks populates the Balances in Accountant's Records columns with the reviewed balances as recorded when you selected Mark Review as Complete at the bottom right of the CDR center.

The Troubleshoot Prior Account Balances task compares these prior balances to the current balances QuickBooks has for each account for the same earlier date range. QuickBooks is determining for you which accounts have a discrepancy from the last review. You'll spend less time on clean-up tasks with CDR.

Any reported balance differences might have been less likely to occur if you had entered a closing date and password in your client's data file.

> **tip**
>
> When working with the Troubleshoot Prior Account Balances task, if a chart of account was marked as inactive in QuickBooks but has a balance in the account as of the date range in the review, the CDR includes that account listing.

Figure A.9 shows a difference for the account Checking (as well as a difference for the account Rent, not shown). The next section details how these CDR-dependent tasks help you locate these differences.

# View Changed Transactions

If this is your first time using the CDR for a client's data file, QuickBooks will not be able to detail the specific changed transactions in the Differences columns. However, after you choose Mark Review as Complete for the first CDR, QuickBooks begins tracking specific changed transactions from that time forward.

To determine what transactions dated on or before your last completed review date have been modified, double-click any amount displayed in the Differences column. A transaction listing report displays (see Figure A.10). The report identifies for you the specific transactions dated on or before the end of the last review period that have been added, modified, or deleted.



**Figure A.10**
Using CDR can help you easily identify changes to transactions that affect the beginning balances.

If you double-clicked a difference amount on a specific line, the resulting report is filtered for transactions modified after your last review. You can limit what you see on the report by clicking the Customize Report button on the displayed report. You can filter for Entered/Last Modified dates to see only transactions that changed after you finished your review.

This one feature alone is why accountants should use QuickBooks Accountant 2014. Think of all the time you can save on future reviews of your client's data!

> **tip**
>
> Select the **Only Show Accounts with Different Balances** checkbox if you want to view fewer rows of detail in the Troubleshoot Prior Account Balances task in CDR.

# View Suggested Adjustments

When QuickBooks detects any difference between the Balances in Accountant's Records and the Balances in Client's File, CDR suggests an adjusting journal entry for you to review.

To have QuickBooks assist in the preparation of this adjusting journal entry, follow these steps:

1. If QuickBooks detects differences, click the View Suggested Adjustments button. QuickBooks opens the Make General Journal Entries dialog box, marked as an adjusting entry and dated as of the last date of the period under review (see Figure A.11). If your debits and credits are equal in the Review Last Balances columns, this journal entry should also have debits equal to credits for any detected differences.

**Figure A.11**
QuickBooks prepares an adjusting journal entry to agree with your reviewed balances for the earlier period.

2. If you are working in an Accountant's Copy file, you might also get a notice that any changes made to shaded fields in the journal entry transfer back to the client. Click OK to close this message.

3. Click OK to close the message about automatically numbering your journal entries.

4. Click Save & Close to close the Make General Journal Entries dialog box.

5. Click View Suggested Reversing Entries if, after you make these adjustments, you need to reverse them. This is useful if the client corrected the error in a future accounting period. Or click the Don't Reverse button to close the Reversing Entries dialog box.

6. Click the X in the top-right corner to close the Troubleshoot Prior Account Balances dialog box.

The Troubleshoot Prior Account Balances task is complete when no amounts appear in the Differences column. Optionally, you can enter a task note for the Troubleshooting Prior Account Balances task to document your work or note other necessary actions.

When you click the Mark Review Complete button on the CDR dialog box, CDR transfers the Balances in Client's File columns to the Balances in Accountant's Records columns in the Troubleshoot Prior Account Balances dialog box. The Balances in Accountant's Records amounts *do not* change when clients add, modify, or delete transactions dated in your completed review period.

> 🔍 **note**
> You cannot save a journal entry transaction unless the totals of the debits and credits are equal.

> 📡 **caution**
> If you selected View Suggested Adjustments and you had adjustments to an Accounts Receivable and Accounts Payable account, a warning message displays that you cannot adjust accounts receivable and accounts payable in the same journal entry. Instructions are given to remove one of the lines and the corresponding balancing line, and enter it in a separate journal entry.

# Reclassify Transactions

How often have you reviewed your client's QuickBooks data to see multiple transactions posted to the incorrect general ledger account? As an accountant, you probably do not want to spend the time needed to correct each individual transaction. A preferred method might be to create a journal entry transaction, which essentially "reclassifies" the amount out of the incorrect account and into the correct account.

With CDR in QuickBooks Accountant 2014 or Enterprise Solutions Accountant 14.0, you can use the Reclassify Transactions feature. You access this tool from the Accountant Center, from the Accountant menu, or from an opened review using CDR.

From the Accounts panel on the left side of the Reclassify Transactions dialog box, you can do the following:

- Accept or change the defaulted date range. These dates control the transactions that display for reclassifying.

- Accept or change the defaulted basis. This reporting basis defaults from the setting found in Preferences. If you want to change the default preference used, from the menu bar, select **Edit**, **Preferences**. On the left, choose Reports & Graphs and click the Company Preferences tab.

- From the View drop-down list, choose to view Expense, Profit & Loss, or Balance Sheet accounts.

- New for QuickBooks 2014, reclassify the "source" account to another account of the same type. For example, checks were assigned to the incorrect bank account. With Reclassify Transactions, in a single window, you can correctly assign them to the proper bank account.

After selecting a chart of account listing on the left in the Accounts panel, you can filter the transactions displayed on the right in the Transactions panel with these options:

- From the Name drop-down list, leave the default of All, for all active list items. Or select a specific list item from Customers, Employees, Vendor, or Other Names list.

- From the Show Transactions drop-down list, the default of Non-Item-Based (can be reclassified) is selected. Other options include Item-Based (can change only the class) or All to show all transactions.

After reviewing the detailed transactions, you might find that a certain vendor had all transactions assigned to the wrong expense account. For example, in Figure A.12, vendor Cal Gas & Electric had the transactions assigned to the Utilities:Water expense account. This was a mistake made on each check all year. The proper account should have been the Utilities:Gas and Electric expense account.

Before using CDR, accounting professionals would have created a journal entry reducing expenses recorded to the Utilities:Water account and increasing expenses for Utilities:Gas and Electric account. With this CDR feature, reclassifying the transactions is easy by following these steps:

---

### tip

When you select **Include Inactive Names** from the Name drop-down list in the Reclassify Transactions task, you do not affect the transactions displayed. Instead, the list now includes any inactive list items for you to select from.

If you select an inactive name from the list, a message displays from QuickBooks asking if you want to use it once, make it active, or cancel.

For more information on working with lists, see Chapter 4, "Understanding QuickBooks Lists."

**Figure A.12**
Use the Reclassify Transactions dialog box to correct the account assigned to multiple transactions.
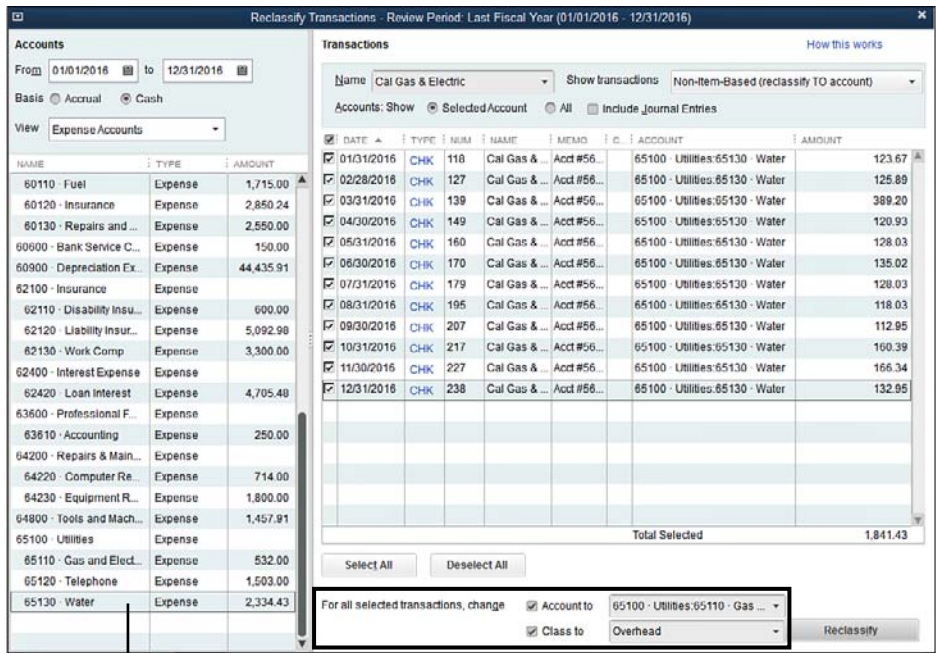


Currently viewing

1. With the Reclassify Transactions dialog box displayed (see Figure A.12), select a date range for which you want to review and possibly reclassify transactions.

2. Accept the default Basis, or change it if needed.

3. From the View drop-down list, select the account types you want to review for reclassification.

4. Select a specific chart of account list item. In the Accounts panel on the left, displayed to the right are transactions assigned to that account for the selected date range and basis.

5. (Optional) From the Name drop-down list, select a specific vendor, customer, employee, or other name for which you want to filter the displayed transactions.

> **caution**
> You can reclassify only non-item-based transactions with the CDR tool. If you want to edit the account assigned on item-based transactions, you need to edit the individual item in the original transaction. For more information about working with QuickBooks items, refer to Chapter 4.

6. The Show Transactions drop-down list defaults to display only transactions you can reclassify with this feature. Optionally, you can choose to show item-based transactions. For item-based transactions, you can reclassify only the Class assigned. Or select **All** to see both item-based and non-item-based transactions.

7. (Optional) Select the Include Journal Entries checkbox.

8. In step 5, if you selected a specific name from the drop-down list, you might want to select Accounts: **Show All**. CDR displays all transactions for the Name selected for all accounts (not just the account selected on the left).

9. As you make changes to the filters in Reclassify Transactions, the displayed transactions refresh automatically.

10. (Optional) Choose Select All or Deselect All when choosing which transactions to reclassify.

11. For all selected transactions, select the proper general ledger account from the Account To drop-down list. Optionally, you can assign a new Class, if desired.

12. Review your selections and click the Reclassify button. The window data refreshes, displaying the changes made to the transactions.

13. Continue reviewing all the accounts until your review is complete.

14. Press the Esc key on your keyboard or click the X at the top right of the Reclassify Transactions dialog box when you are ready to close.

# Open Working Trial Balance

The Working Trial Balance tool has been available for years. It is included with the Premier Accountant and Enterprise Solutions Accountant versions of QuickBooks.

The Working Trial Balance displays the following details (see Figure A.13):

- Account
- Beginning Balance
- Transactions (for the selected date range)
- Adjustments (total of adjusting journal entries)
- Ending Balance
- Workpaper Reference (where you can record specific notes)

The Working Trial Balance provides a window to manage changes to a client's ending balances. You normally use this tool after you have matched the prior-year balances in the Troubleshoot Prior Account Balances task with your records and you need to review and correct the next accounting period.

Click the Make Adjustments button to create an adjusting journal entry and watch the net impact to your client's Net Income change with each saved journal entry change. When you are finished, click the Print button to prepare a report of your work.

**Figure A.13**
Use the Working Trial Balance to make and review adjustments to the client's file in preparation for tax filings.
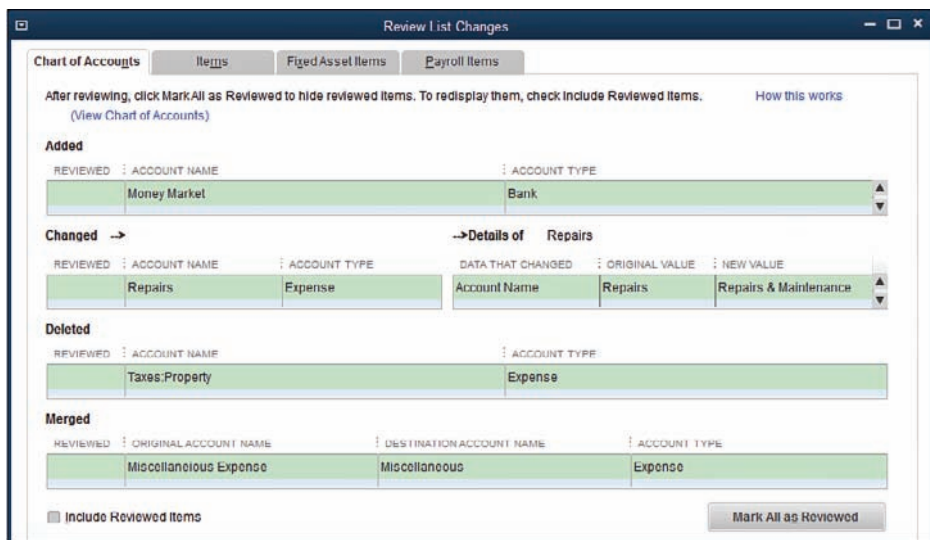


# Review List Changes

The Review List Changes feature is available only with your QuickBooks Premier Accountant software and is available only when you launch a review using the Client Data Review feature. The type of changes tracked is specific to each task, as the next several sections detail. Remember, if a task has the CDR icon in front of it, the task can be accessed only using CDR. If any other tasks are listed, they link to the respective menu in QuickBooks for that activity.

## Chart of Accounts

Chapter 4 covered reviewing the chart of accounts, correcting setup errors, making an account inactive, and merging like accounts. When a CDR is marked as Completed, these list changes are also marked with an R for "reviewed" so that, in future reviews, you can conveniently hide those changes.

Click the Chart of Accounts task in the Review List Changes task group. QuickBooks displays the Review List Changes dialog box in Figure A.14.

**Figure A.14**
Easily track your client's changes to the chart of accounts.

The Chart of Accounts tab on the Review List Changes dialog box tracks the following types of changes:

- **Added**—Account Name and Account Type

- **Changed**—Marked Inactive, Name or Account Number changed, Account Type changed, Parent:Subaccount relationship changed, or Tax-Line Mapping changed

- **Deleted**—Account Name and Account Type

- **Merged**—Original Account Name, Destination Account Name, and Account Type

For changes your client has made, which you want to indicate as Reviewed, click the Mark All as Reviewed button. Changes you make to the lists while logged in as the new External Accountant user are automatically marked as Reviewed.
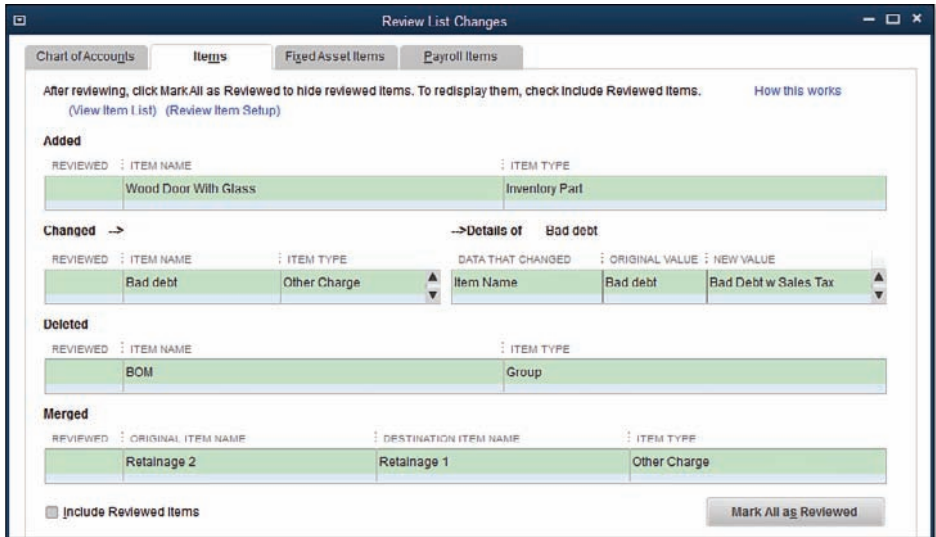
The tabs at the top enable easy access to the remaining tracked list changes. Press the Esc key on your keyboard or click the X on the top right of the Review List Changes dialog box when you have completed this task.

# Items

Chapter 4 details methods for finding and troubleshooting item setup errors. This feature tracks changes made to items. When the review is completed, an R is placed next to each line item change to indicate that it has been reviewed. In future Client Data Reviews, you can conveniently hide these previously reviewed changes.

Click the Items task in the Review List Changes task group. QuickBooks displays the Review List Changes dialog box, in Figure A.15.

**Figure A.15**
Items affecting accounting and reviewing changes to these help in a client's file review.



The Items tab on the Review List Changes dialog box tracks the following:

- **Added**—Item Name and Item Type

- **Changed**—The data that changed, with Original Value and New Value

- **Deleted**—Item Name and Item Type

- **Merged**—Original Item Name, Destination Item Name, and Item Type

When you click the Mark All as Reviewed button, the CDR feature places an R in the Reviewed column for each item list change your client made. Changes you make to the list while logged in as the External Accountant user are automatically marked as reviewed.

Tabs at the top enable easy access to the remaining tracked list changes. Press the Esc key on your keyboard or click the X on the top right of the Review List Changes dialog box when you have completed this task.

# Fixed Asset Items

A business owner using QuickBooks can create a Fixed Asset item type from the Fixed Asset Item List (select **Lists**, **Fixed Asset Item List** from the menu bar). Then when a purchase is made for the asset, the respective Fixed Asset item can be recorded on a purchase order, or on the Items tab of the Enter Bills dialog box or the Write Checks dialog box. This tab tracks changes made to the list of fixed assets.

Click the Fixed Asset Items task in the Review List Changes task group. QuickBooks displays the Review List Changes dialog box (see Figure A.16).
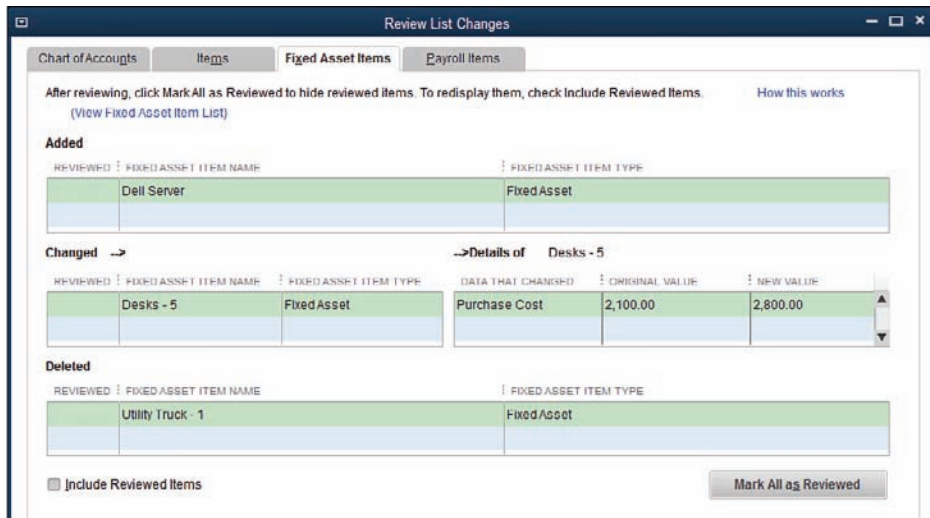
The Fixed Asset Items tab on the Review List Changes dialog box tracks the following fixed assets:

- **Added**—Displays the Fixed Asset Item Name and Fixed Asset Item Type

- **Changed**—The data that changed, with Original Value and New Value

- **Deleted**—Fixed Asset Item Name and Fixed Asset Item Type

When the Mark All as Reviewed button is selected, the Client Data Review places an "R" in the Reviewed column for each fixed asset item list change your client made. If you are logged in to the file as an External Accountant user type, as you make list changes, they are automatically marked as Reviewed.

Tabs along the top of the Review List Changes dialog box enable easy access to the remaining tracked list changes. Press the Esc key on your keyboard or click the X on the top right of the Review List Changes dialog box when you have completed this task.

## Payroll Items

Chapter 11, "Setting Up Payroll," reviewed the purpose of payroll items. Chapter 12, "Managing Payroll," also provided details on correcting payroll setup errors. This feature tracks changes made to payroll items. When the review is completed, an R is placed next to each payroll item change to indicate that it has been reviewed. In future client data reviews, you can conveniently hide these.
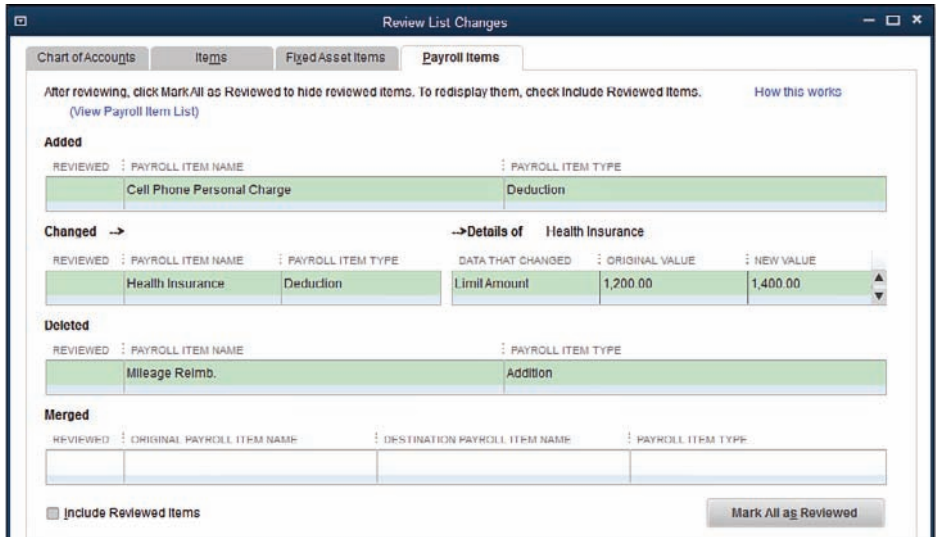
This task displays only in a file that has the payroll preference enabled.

Click the Payroll Items task in the Review List Changes task group. QuickBooks displays the Review List Changes dialog box (see Figure A.17).

**Figure A.17**
See the
changes the
client made to
payroll items
throughout
the year.



The Payroll Items tab on the Review List Changes dialog box tracks the following payroll items:

- **Added**—Payroll Item Name and Payroll Item Type

- **Changed**—The data that changed, with Original Value and New Value

- **Deleted**—Payroll Item Name and Payroll Item Type

- **Merged**—Original Payroll Item Name, Destination Payroll Item Name, and Payroll Item Type

When you click the Mark All as Reviewed button, CDR places an R in the Reviewed column for each item list change your client made. If you are logged in to the file as an External Accountant user type, as you make list changes, they are automatically marked as Reviewed.

Tabs at the top enable easy access to the remaining tracked list changes. Press the Esc key on your keyboard or click the X on the top right to close the Review List Changes dialog box when you have completed this task.

## Review Item Setup

Click the Review Item Setup in the Review List Changes task group. The Add/Edit Multiple List Entries dialog box displays.

From this dialog box, you can make changes to selected item types. Chapter 4, "Understanding QuickBooks Lists," and Chapter 5, "Setting Up Inventory," have more detail about working with the Add/Edit Multiple List Entries.

# Customers

In Figure A.18, note that the Customers task in the Review List Changes pane does not have a Client Data Review icon in front of the name. This indicates that CDR is linking you back to the original Customer Center.

Tasks with an icon are only available with CDR



**Figure A.18**
Tasks without the CDR icon provide quick access to the same menu in QuickBooks.

Refer to Chapter 9, "Setting Up Customers," for more details on how to use the Customer Center to gather information and easily find specific transactions.

# Vendors

The Vendors task in the Review List Changes task group also does not have a CDR icon in front of the name. This indicates that CDR is linking you back to the original Vendor Center.

Refer to Chapter 7, "Setting Up Vendors," for more details on how to use the Vendor Center to gather information and easily find specific transactions.

# Change Other Name Types

QuickBooks includes another names list that is useful when you are paying a supplier or service provider one time and you are not required to provide a 1099-MISC Income document at the end of the year.

This list is titled Other Names List. If you previously added a name to this list and you later need to change the list name to a vendor or even a customer record, click this task link and make the change as desired. The change is not reversible, so take care with this task.

# Accounts Receivable

Reviewing open accounts receivable with your client is an important part of a successful review of a client's file. When errors exist in accounts receivable, the Balance Sheet and Profit & Loss accounts could be misstated.

For a complete review of Accounts Receivable, including the proper process to use in QuickBooks for potentially avoiding the corrections detailed in this section, see Chapter 9, "Setting Up Customers," and Chapter 10, "Managing Customers."

The tasks listed in the Accounts Receivable task group of the CDR help you easily correct client mistakes made when the client recorded a customer payment or completed a deposit but *did not* properly complete the transaction.

Recent versions of QuickBooks discourage this error with messaging that warns the user not to use a Make Deposits transaction to record a customer payment. When recording a customer payment without assigning the payment to an open invoice, QuickBooks provides a message that a credit will be left in the customer's account.

You might want to review the AR Aging Summary report first and then begin the process of using the CDR tools. Properly reviewing your client's data helps you make the most informed decisions about the corrections that might be needed.

## Fix Unapplied Customer Payments and Credits

If your client entered a customer payment but did not apply the payment to an invoice, this tool helps simplify the task of assigning the unapplied payment to the proper invoice.

Review the Open Invoices report (select **Reports**, **Customers & Receivables**, **Open Invoices** from the menu bar) before you begin to make corrections. This is especially important if you have more than one Accounts Receivable account in your chart of accounts.

To fix unapplied payments and credits, follow these steps:

1. If you are completing these changes as part of a dated review, from the menu bar, select **Accountant**, **Client Data Review** and launch **Client Data Review**. Then launch the Fix Unapplied Customer Payments and Credits task in the Accounts Receivable group.

2. If you are not completing these changes as part of a dated review, from the menu bar, select **Accountant**, **Client Data Review** and launch the Fix Unapplied Customer Payments and Credits task.

3. If you have more than one Accounts Receivable account, review the details for each by selecting the appropriate Accounts.

4. Select any of the customers on the list (see Figure A.19). With a customer selected on the left, the Invoices and Charges tab displays any unapplied payments and credits (left side) and any open invoices (right side) for that specific customer.

5. On the Invoices and Charges tab, place a checkmark next to the payment or credit in the left pane, and place a checkmark next to the associated open invoice in the right pane to which you want to apply the payment.
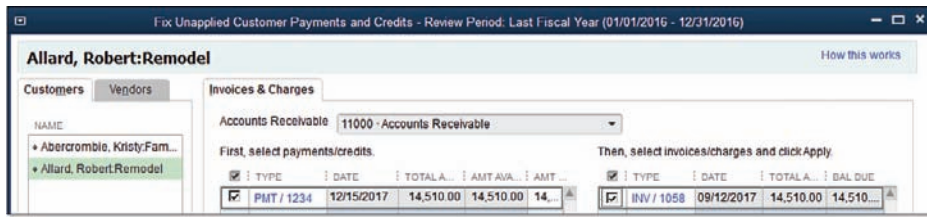
**Figure A.19**
Assign unapplied customer payments or credits to an open customer invoice.

## 🔔 caution

Taxpayers who use cash basis reporting should proceed with caution when using this tool. In cash basis reporting, the date of the Receive Payments transaction is the date revenue is recorded. If a customer payment was dated in the previous filed tax year and was *not* applied to the customer's open invoice, the income from the invoice was not included in cash basis reporting.

When you use CDR to assign the payment to the open invoice, QuickBooks reports the revenue associated with that invoice as of the *date* of the customer payment.

This correction changes prior-period financials. The CDR *does not* recognize the controls associated with setting a closing date. Additionally, QuickBooks *does not* provide any warnings that you are modifying a transaction dated on or before the closing date.

6. If you want to apply only part of the credit or payment, enter the partial amount in the Amt to Apply column.

7. Click the Apply button to assign the payments or credits selected on the left to the selected open invoices on the right. The items are then grayed out to indicate that you have already assigned them.

8. (Optional) Click the Auto Apply All button to apply all the unapplied payments and credits to the invoices on the right.

9. Click Save to begin working on another customer record, or click Save & Close to complete the task.

Recent editions of QuickBooks make recording unapplied credits and payments less likely to occur because of the many warnings provided when the transactions are entered.

## 🌀 Clear Up Undeposited Funds Account

Have you ever worked with a client's data file that had an incorrect undeposited funds balance? Did your client create a separate deposit transaction without assigning the receive payment to the deposit?

The undeposited funds account is a current asset type on the Balance Sheet. It's like using a safe to store checks before you take them to the bank. Customer payments are recorded in QuickBooks, increasing the amount in Undeposited Funds on the Balance Sheet. Later the checks are gathered and added to a single deposit ticket taken to the bank account (more details are provided in Chapter 9, p. 370).

The Clear Up Undeposited Funds Account task can help you assign those undeposited funds to the deposit transaction that was created incorrectly.

Recent releases of QuickBooks make this error less likely to occur with the many warnings provided when the transactions are entered.

It is important to know that this feature works when any of the following conditions apply:

- The Receive Payments transaction was recorded and assigned to the Undeposited Funds account without including the payment in a Make Deposits transaction.

- The Make Deposits transaction was recorded, the Received From column included the Customer or Customer:Job name, and the Account From column has an account assigned, which is typically an income account. See Figure A.20.
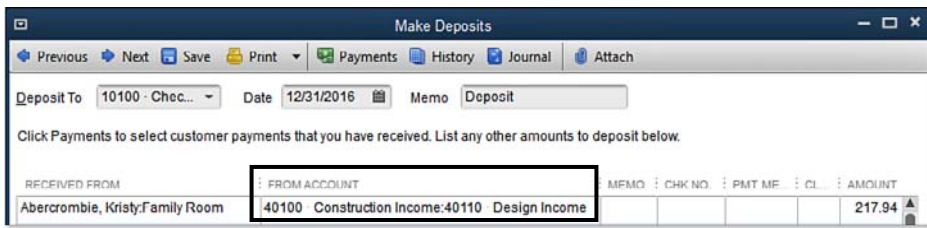


**Figure A.20**
This customer payment was recorded improperly on the Make Deposits dialog box.

- If the Make Deposits transaction did not include a name in the Received From column, CDR reports that deposit transaction in the Clear Up Undeposited Funds Account CDR task assigned to a customer named No Name in Deposit.

To clear up the Undeposited Funds account, follow these steps:

1. If you are completing these changes as part of a dated review, from the menu bar, select **Accountant**, **Client Data Review** and launch Client Data Review. Then select the **Clear Up Undeposited Funds** task in the Accounts Receivable group.

2. If you are not completing these changes as part of a dated review, from the menu bar, select **Accountant**, **Client Data Review**, **Clear Up Undeposited Funds** task.

3. The Show Deposits From field defaults to the review period selected when you started a client data review; if you did not start a formal review, the dates default to your last fiscal year. If needed, change the selected dates and click Refresh to display the changes.

4. The Payers pane on the left displays any customers with transactions that meet the criteria listed previously. With a customer selected, review the payment transaction types on the right.

5. With a customer selected, place a checkmark next to the DEP transaction and also next to the PMT transaction on the right with which you want to associate the payment (see Figure A.21).
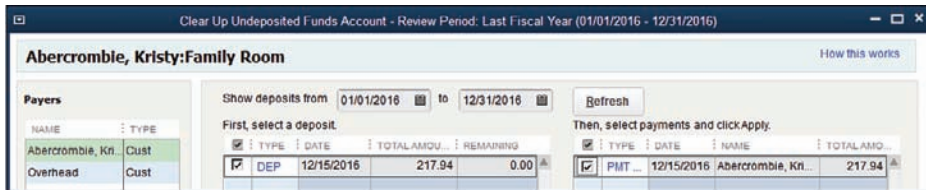


**Figure A.21**
Associate the customer payment in Clear Up Undeposited Funds Account to the incorrectly recorded Make Deposits transaction.

6. Click the Apply button to assign. The list items are grayed out, indicating they have been applied to each other.

7. Click Save to begin correcting records for the next customer, or click Save & Close to complete the task.

You are now ready to move on with your review or continue with additional clean-up tasks. I recommend reviewing the AR Summary report first to get a general idea of the types of corrections you might need to make with the remaining accounts receivable CDR tasks.

> **tip**
> Do you need to return to the original transaction in QuickBooks during your review? Simply double-click the selected transaction.

## Reviewing the AR Aging Summary Report

Check the AR Aging Summary report before fixing transactions. An individual transaction can be deceiving if you don't see its relationship with other related transactions.

When you select the Review AR Aging Summary report link, QuickBooks opens the report of the same title.

What exactly are you looking for on the aging report? You might be looking for customer credits that are aged and have not been applied to current open customer invoices. Or perhaps, as in Chapter 10, p. 403, you might want to remove an open balance from a customer's invoice.

I recommend that you use the Open Invoices report instead of the Aging reports. The Open Invoices report shows the transactions listed separately instead of in summary form. The Open Invoices report is not part of the CDR tool set. It is, however, a regularly used QuickBooks report. Because the Open Invoices report shows the current A/R status, if you are reviewing it for a previous date, you need to modify the report to show the open balances as of that earlier date. To do this, follow these steps:
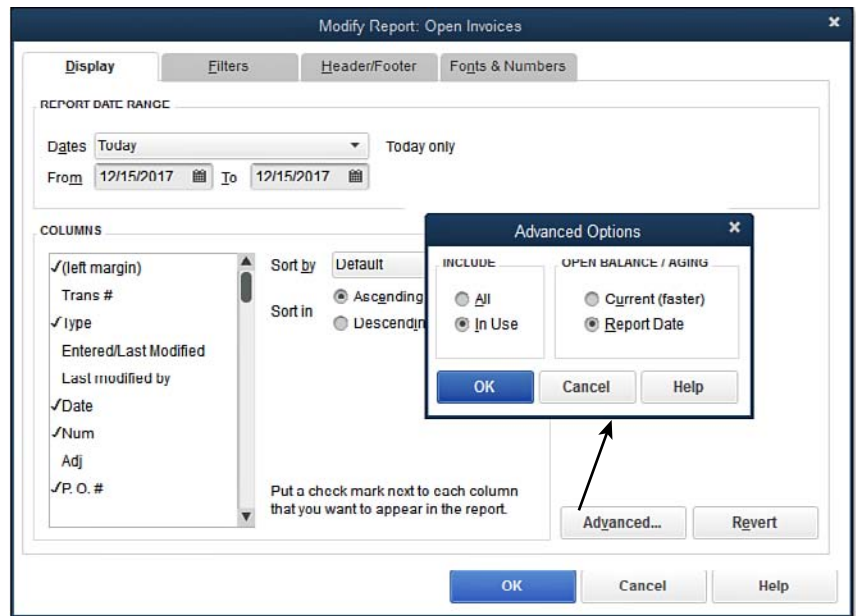
1. From menu bar, select **Reports**, **Customers & Receivables**, **Open Invoices**. This report includes all open invoices, credits, and payments for your customers as of today's computer system date.

2. Review the report with today's date first. This helps you identify what corrections you might want to make using the tasks defined in this section. Reviewing it with today's date also shows whether the correction you might have needed on a previous date has already been entered.

3. If you are reviewing for some date in the past, you can adjust the report to that date by clicking Customize Report in the top-left corner of the report window.

4. From the Display tab, click the Advanced button. In the Open Balance/Aging pane of the Advanced Options dialog box, change the selection to the Report Date option (see Figure A.22). This modification to the report enables you to see each customer's balance detail (see Figure A.23) as of a date in the past.

> **caution**
> If you do not modify this report as instructed here, QuickBooks displays the date you selected on the report, but also reduces the balances owed for payments made after the report date.

**Figure A.22**
You can compare the modified Open Invoices report to the totals on your Balance Sheet report for some time in the past.

**Figure A.23**
The Open Invoices report easily shows unpaid balances and any unapplied customer credits or payments.

## Write Off Invoices

Accounting professionals often need to adjust client's Accounts Receivable balances. Perhaps there were several small unpaid finance charge invoices, or over the year the client's customers did not pay the full amount of their invoices.

Creating a customer credit memo and assigning the credit memo to the original open invoice used to be time-consuming for the accounting professional. Often a journal entry was created, correcting the Accounts Receivable balance on the Balance Sheet but leaving the QuickBooks user with extra line details in the A/R Aging Summary or Detail reports.

The Write Off Invoices feature in Figure A.24 is one convenient window where you can write off balances, review the suggested transaction, and print the details for your customer.

To write off invoices, follow these steps:

1. If Client Data Review isn't already open, from the menu bar, select **Accountant**, **Accountant Center**.

2. Select the **Write Off Invoices** task in the Accounts Receivable task group.

> **tip**
>
> If the customer's invoice that is being written off included sales tax, make sure the item selected for the write off is a taxable item. This ensures that the Sales Tax Payable account is also reduced, which is important when sales tax is paid on an accrual basis.

> **tip**
>
> Earlier in this chapter, I recommended that you review the AR Aging Summary report before using the Accounts Receivable CDR tools. However, even if you do not review the report, the Write Off Invoices dialog box shows CREDITS in the Avail Credit/Pmt column if the customer with the open invoice balance also has unapplied credits.
>
> Click the CREDITS link to open the Fix Unapplied Customer Payments and Credits dialog box. Here you can apply the payment to the open invoice as instructed previously.
>
> It might be more appropriate to assign the available credit than to write off the open balance.
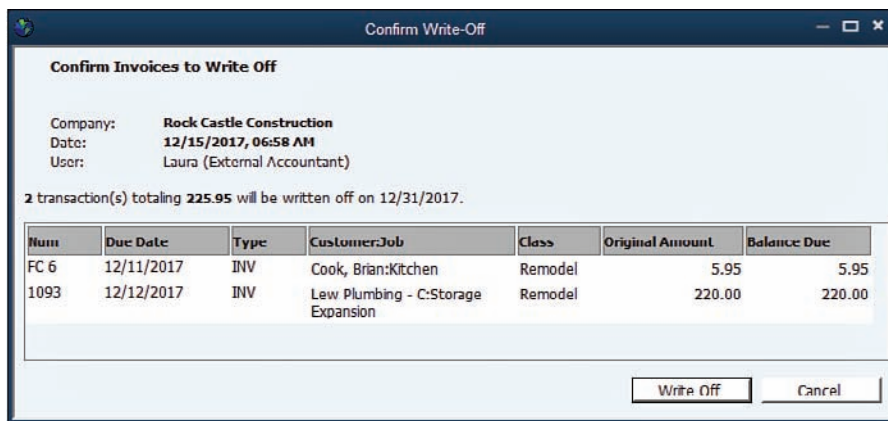
**Figure A.24**
Using CDR's
Write Off
Invoices task
makes remov-
ing open A/R
uncollected
balances easy.



3. If you see the warning that one or more customers in the list have available credits, click OK to close the message. Be sure to do a thorough review of your client's Open Invoices reports, as previously recommended.

4. From the Age drop-down list, choose to show receivables aged over 120 days, receivables aged over 180 days, a Review Period, or a custom date.

5. (Optional) Enter an amount in the Balances Due Less Than box to limit the transactions that display. This is particularly useful when writing off small balances.

6. Select a **To Date**.

7. From the Transaction Type drop-down list, select **All Charges**, **Invoices**, **Finance Charges**, or **Statement Charges**.

8. Click Refresh if you are changing the filters.

9. Place a checkmark next to each transaction for which you want to write off the open balance. (Optional) Click the Select All button or the Deselect All button at the bottom of the screen to simplify the process.

10. From the drop-down lists, select **Write Off Item** and **Write Off Date**. (Optional) Select a **Class**.

11. Click the Preview & Write Off button. CDR displays the Confirm Write Off dialog box (see Figure A.25).

12. Click Write Off when you are done reviewing the invoices, or click Cancel.

13. CDR returns you to the Write Off Invoices dialog box. Press the Esc key on your keyboard to view the Write Off Completed details.

14. Click Save as PDF to print for your records.

QuickBooks creates a Credit Memo transaction using the item and date you selected at the time you created the write off and applies this credit to the original invoice.

You are now finished with the Accounts Receivable tasks. Many QuickBooks preferences guide your clients as they manage undeposited funds and Accounts Receivable transactions. Review Chapters 9 and 10 for more details and other Accounts Receivable troubleshooting suggestions.



**Figure A.25**
You stay in control of the write off, confirming the balances to be removed.

## Accounts Payable

Chapter 7, "Setting Up Vendors," and Chapter 8, "Managing Vendors," offer a complete review of Accounts Payable, including the proper process to use in QuickBooks. Following that procedure potentially avoids the corrections detailed in this section.

The tasks listed in the Accounts Payable section of the CDR feature can help you easily correct client mistakes made when the client has created a vendor credit or bill payment and did not assign it to the open vendor bill.

### 🔔 caution

Item receipts do not display in the CDR tools, but these transaction types are included in your client's open Accounts Payable balances. Review the Unpaid Vendor Bills report (select **Reports**, **Vendors & Payables** from the menu bar) for any aged item receipts.

Chapter 6 offers more specific details for correcting aged item receipts.

The Review Unpaid Bills report is listed last in the Accounts Payable task group. I recommend reviewing this report and other reports before making corrections with the CDR. Properly reviewing your data helps you make the most informed decision on the corrections that might be needed.

# Fix Unapplied Vendor Payments and Credits

Chapter 7 detailed the proper accounts payable process, which is to use the Pay Bills dialog box to pay vendor bills. Some QuickBooks users might have used the Enter Bills transaction type and later paid that vendor bill using the Write Checks transaction instead of properly using the Pay Bills dialog box.

To fix unapplied vendor payments and credits, follow these steps:

1. If you are completing these changes as part of a dated review, from the menu bar, select **Accountant**, **Client Data Review** and launch Client Data Review. Then select the **Fix Unapplied Vendor Payments and Credits** task the Accounts Payable group.

2. If you are not completing these changes as part of a dated review, from the menu bar, select **Accountant**, **Client Data Review** and launch the Fix Unapplied Vendor Payments and Credits task.

> ## caution
>
> If any of the checks listed in the left side of the Bills detail have an asterisk(*) in front of the word CHK, this indicates that the expense is marked as billable to the customer. CDR warns you that when you assign the check to an open vendor bill, the expense will no longer be marked as billable.
>
> Chapter 9 has more details about working with billable expenses in the section titled "Time and Expense Invoicing."

3. The Vendors tab at the top left and the Bills tab at the right are selected by default. Select any of the vendors on the list to the left. The Bills pane displays all unapplied vendor credits for the vendor selected on the left. On the right of the Bills pane, any open vendor bills for that specifically selected vendor display.

4. Place a checkmark next to the credit on the left and the open vendor bill on the right to which you want to apply the payment (see Figure A.26).
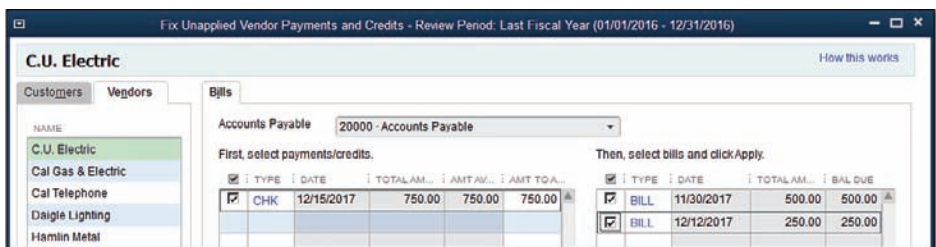
**Figure A.26**
Using CDR to assign a check written to a vendor as payment of an open vendor bill saves time.



5. Click the Apply button to assign that specific vendor credit transaction to that specific vendor bill. The items selected appear grayed out, indicating that you have assigned them properly.

6. Click Save to begin correcting transactions for another vendor, or click Save and Close to complete the task.

# Evaluate and Correct 1099 Account Mapping

Setting up your vendors for proper 1099 status is important. However, be assured that, after reviewing this information, if you determine that the original setup was incorrect, any changes made here correct prior- and future-dated reports and forms.

When you select the link in the Accounts Payable task group for Evaluate and Correct 1099 Mapping, the Preferences dialog box for 1099s displays.

In the preference setting for Tax:1099, you can click the Yes button to select the Do You File option to let QuickBooks know you will be providing 1099 forms to your vendors at the end of the year. A new QuickBooks file defaults with the preference set to Yes for filing 1099-MISC forms.

If this is your first time setting up 1099s in your file, click the link next to If You're Ready to Prepare. The QuickBooks 1099 Wizard displays, as in Figure A.27.
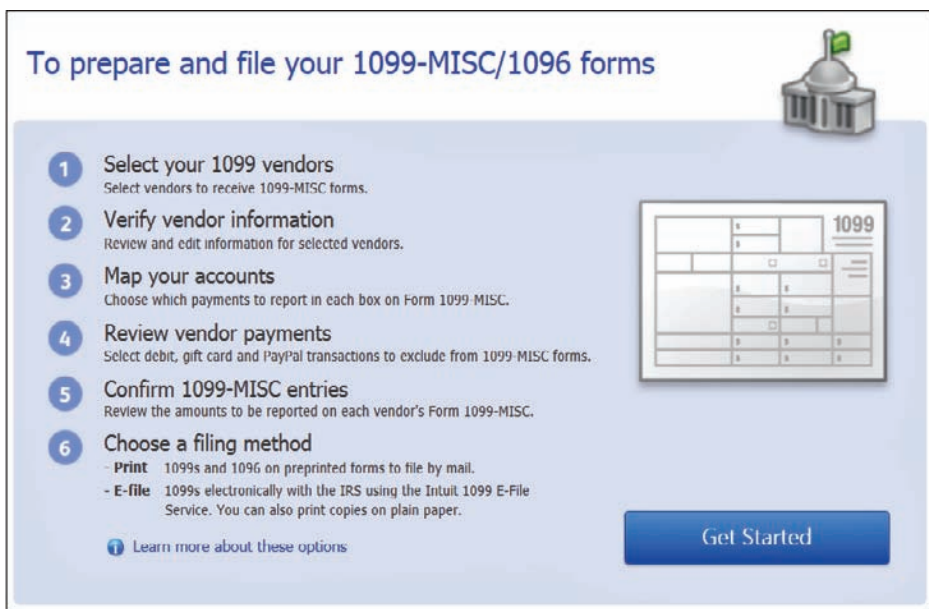


**Figure A.27**
Easily set up and process year-end forms with the 1099 Wizard.

For more detailed information on setting up your 1099s in QuickBooks, see Chapter 7.

# Reviewing the Unpaid Bills Report

One of the first tasks to do with your client is review the Unpaid Bills report, primarily because the client knows best whether the bills that are open are still due and payable to the vendor.

What exactly are you looking for on the aging report? You might be looking for vendor credits that are aged and have not been applied to current open vendor bills. Or, as Chapters 7 and 8 documented, you might see several aged item receipts for vendors that you know your client has paid.

Use the information collected from this report to help determine the corrections that should be made with the tasks listed in the Accounts Payable task group of the CDR.
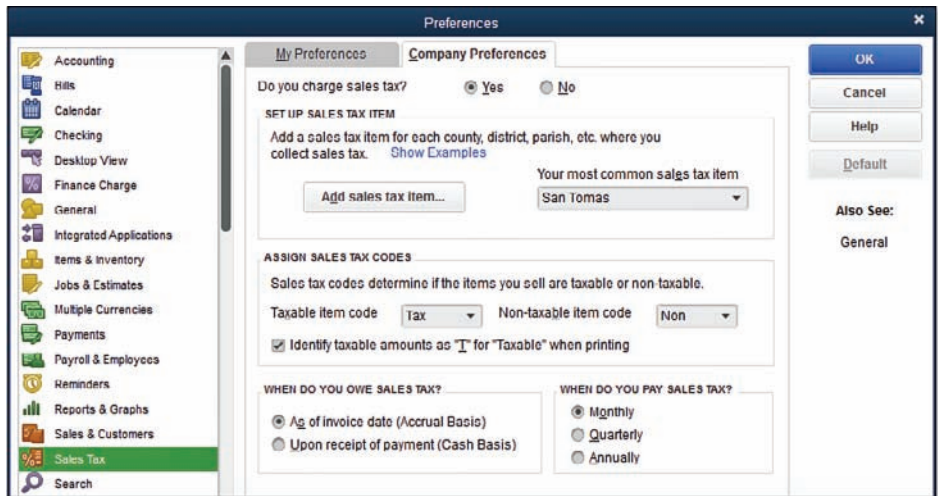
# Sales Tax

This CDR feature not only identifies errors with using the incorrect payment transaction, but also automatically fixes the transaction.

For more information on properly setting up and using sales tax, see Chapter 9.

Before beginning the tasks listed in this section, review the client's settings (preferences) for sales tax (see Figure A.28). Additionally, the Sales Tax task group does not display in the CDR if the Sales Tax feature has not been enabled.

**Figure A.28**
Review Sales Tax preferences before making any corrections.



After reviewing and correcting your client's sales tax preference settings, you are prepared to begin the following CDR tasks.

## Fix Incorrectly Recorded Sales Tax

QuickBooks uses a special Pay Sales Tax dialog box (see Figure A.29) to properly record the sales tax liability payments. When payments are made using other transaction types, such as Write Checks, Pay Bills, or Make General Journal Entries, the Pay Sales Tax dialog box might not reflect the payments accurately.

The Fix Incorrectly Recorded Sales Tax task helps you identify and correct the transaction when a client paid the sales tax liability outside the Pay Sales Tax dialog box. Figure A.30 shows the negative line entry that is included in the Pay Sales Tax dialog box when a Write Checks transaction was created, assigned to the Sales Tax Payable Liability account, and payable to the sales tax vendor. Properly recorded sales tax payments have a transaction type of TAXPMT in the checkbook register.

**Figure A.29**
Create properly paid sales tax using the Pay Sales Tax dialog box.

When sales tax is paid using a non-sales tax payment transaction type



**Figure A.30**
The Pay Sales Tax dialog box looks like this when an improperly recorded sales tax payment was made.

What exactly is this tool fixing? The tool identifies and fixes non-sales-tax-payable type transactions used to pay sales tax liability using Void and Replace functionality.

The tool identifies any Write Checks transactions in which the payee is the same as an assigned payee for any sales tax item.

This tool *does not* identify any vendor bills, vendor bill payment checks, or journal entries recording payment for the Sales Tax Liability.

## 🔊 caution

This might be a good time to review with your client the vendor names associated with different types of tax payments. Some states might have the same vendor name for multiple agency tax payments.

Suggest that your client use a unique vendor name for each different type of tax being paid. This keeps CDR from possibly correcting a non-sales-tax type of payment made to a vendor.

If this is your first incorrectly recorded sales tax transaction fix, you might want to change the "to" date to include today's date. This ensures that you are seeing all sales tax payable transactions that were improperly recorded using the wrong transaction in QuickBooks.

To fix incorrectly recorded sales tax, follow these steps:

1. If you are completing these changes as part of a dated review, from the menu bar, select **Accountant**, **Client Data Review** and launch Client Data Review. Then select the **Fix Incorrectly Recorded Sales Tax** task in the Sales Tax group.

2. If you are not completing these changes as part of a dated review, from the menu bar, select **Accountant**, **Client Data Review** and launch the Fix Incorrectly Recorded Sales Tax task as in Figure A.31.

**Figure A.31**
Automatically find and fix incorrectly recorded sales tax payment transactions.



3. Double-click any transaction to see the originally created non-sales-tax payment transaction to make sure it should be changed to a Sales Tax Payment. Make note of the check number or check date.

4. Place a checkmark by each transaction to be fixed. (Optional) Use the Select All button or the Deselect All button to streamline the process.

5. Click Void & Replace (not shown in Figure A.31). CDR then creates a new Sales Tax Payment transaction and voids the original Write Checks transaction or Make General Journal Entries transaction.

6. Click Proceed to the Fix Sales Tax message that displays to continue with the change, or click Cancel to return to the CDR tool.

> **caution**
>
> If your client has multiple lines recorded on sales tax payable checks, such as including an additional fee for a late payment penalty or other adjustment lines, you might want to use the link for making a manual Sales Tax Adjustment.
>
> The Fix Incorrectly Recorded Sales Tax tool assumes that all lines of the incorrect transaction belong in the Sales Tax Payable account.

> **tip**
>
> With the Void and Replace functionality included in the Fix Incorrectly Recorded Sales Tax tool, you are assured that if your original transaction was marked as cleared in a bank reconciliation, the newly created Sales Tax Payment transaction will be marked as cleared.

7. Click OK to close the message indicating that the transaction(s) have been fixed.

8. Click the X in the top-right corner to return to the CDR Center.

9. Return to your checkbook register (icon on the Home page) and look for the check number or date (or both) to view the original transaction voided and the new transaction created as a Sales Tax Payment type.

# Adjust Sales Tax Payable

If you did not use the Fix Incorrectly Recorded Sales Tax tool to correct the client's sales tax records, you might instead want to use this manual Adjust Sales Tax Payable link.

In addition to reviewing fixing transactions, I recommend that you review the Sales Tax Liability reports and your Balance Sheet balance for Sales Tax Payable before and after making corrections to your sales tax payable balances in QuickBooks.

When comparing these reports and the Pay Sales Tax dialog box, make sure each report is using the same accrual or cash basis and is prepared with the same reporting date. For more information on working with the sales tax payable reports in QuickBooks, see Chapter 10.

Compare the following reports to each other for sales tax payable balances:

■ **Balance Sheet—**Sales Tax Payable balance. From the menu bar, select **Reports**, **Company & Financial**, **Balance Sheet Standard**. (Optional) Click the Modify button to change the report basis and date.

■ **Sales Tax Liability Report—**Sales Tax Payable as of <date> column total. From the menu bar, select **Vendors**, **Sales Tax**, **Sales Tax Liability**.

■ **Pay Sales Tax—**Amt. Due column total. From the menu bar, select **Vendors**, **Sales Tax**, **Pay Sales Tax**.
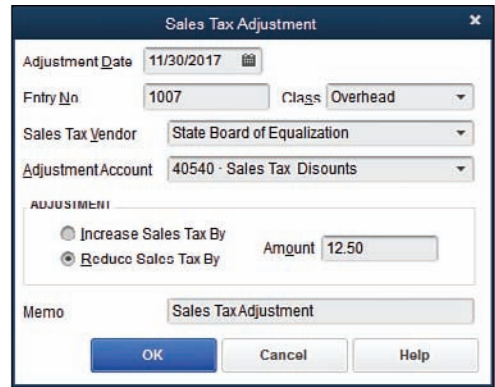
The end result of a properly made sales tax correcting entry or adjustment is that the totals listed in the previously mentioned reports agree.

To adjust sales tax payable, follow these steps:

1. If you are completing these changes as part of a dated review, from the menu bar, select **Accountant**, **Client Data Review** and launch Client Data Review. Then select the **Adjust Sales Tax Payable** task in the Sales Tax group.

2. If you are not completing these changes as part of a dated review, from the menu bar, select **Vendors**, **Sales Tax**, **Adjust Sales Tax Due**.

3. The Sales Tax Adjustment dialog displays (see Figure A.32).

4. Select the Adjustment Date.

5. Type in an Entry No., if desired.

6. Select your Sales Tax Vendor from the drop-down list.

**Figure A.32**
Use the Sales Tax Adjustment dialog box to adjust
QuickBooks Sales Tax Payable properly.



7. Select the Adjustment Account from the drop-down list. As an accounting professional, you
   should recommend the proper account type to your customer to use for these adjustments.

8. In the Adjustment pane, select the **Increase Sales Tax By** or **Decrease the Sales Tax By** option
   buttons. Enter an amount for the adjustment.

9. Enter a Memo or select the default memo.

10. Click OK to save the transaction.

QuickBooks creates a Make General Journal Entries transaction with a decrease (debit) or increase
(credit) to Sales Tax Payable account, with the resulting debit or credit in the account that was
selected in step 7.

The adjustments created remain unapplied in the Pay Sales Tax dialog box until you assign them to
your next Sales Tax Payment.

# Manage Sales Tax

Click the Manage Sales Tax task to properly set up and work with sales tax in your QuickBooks data
file. Manage Sales Tax is also available from a shortcut on the Home page. For more information, see
Chapters 9 and 10.

# Pay Sales Tax

Click the Pay Sales Tax task to properly pay your sales tax in QuickBooks. For more information, see
Chapter 9.

# Sales Tax Preferences

Click the Sales Tax Preferences task to define sales-tax-specific preferences that affect your
QuickBooks data file. For more information, see Chapter 9.

# Inventory

For the accounting professional, this is commonly one area of QuickBooks that is the least understood. Often when working with a client's file with inventory tracking, I see journal entries used to adjust inventory. Although this makes the adjustment to the inventory account balance on the Balance Sheet report, it does not reflect the adjustment in the Inventory Valuation Summary or Detail report.

Why shouldn't you use a journal entry to adjust inventory? Consider that the inventory value on a Balance Sheet is the quantity of an item multiplied by a cost. When you create a journal entry, you can enter an amount for the adjustment, but you cannot associate it with an actual inventory item.

The following sections detail several inventory troubleshooting tools.

## Review Inventory Setup

Chapter 6, "Managing Inventory," discusses several topics about the proper processes needed when your clients track inventory in their business.

When you click the Review Inventory Setup link in the CDR Inventory pane, the Add/Edit Multiple List Entries dialog box opens. From here, you can easily add or edit individual or multiple inventory or non-inventory items on the inventory list, as well as other lists.

The Review Inventory Setup is not a CDR-dependent task, but the link in the CDR center makes it easy to correct your client's inventory items.

## Compare Balance Sheet and Inventory Valuation

The Compare Balance Sheet and Inventory Valuation CDR task is an inventory troubleshooting tool that helps you "diagnose" transaction errors involving the Inventory Asset account. Chapter 6 introduced you to the importance of comparing your client's Inventory Asset on the Balance Sheet report to the asset total on the Inventory Valuation Summary report.

When transactions are recorded to the Inventory Asset account without assigning an inventory item (such as a Make General Journal Entries transaction, or on the Expenses tab of a Write Checks transaction or an Enter Bills transaction by assigning the Inventory Asset account), the Inventory Valuation Summary report no longer matches the value of the Inventory Asset on the Balance Sheet report.

Another result of improperly recording inventory transactions is the potential for misstating the value of the Cost of Goods Sold, or the cost of the inventory sold to a customer, which affects job costing reports.

To compare the balance sheet and inventory valuation, follow these steps:

1. From the menu bar, select **Accountant**, **Client Data Review** and launch Client Data Review.

2. In the Inventory group, select the **Compare Balance Sheet and Inventory Valuation** task.

3. The CDR tool displays the Inventory Asset account balance from the Balance Sheet for the selected As Of date. (Optional) Click the Balance Sheet link to review the report.

4. The CDR tool displays the total asset value from the Inventory Valuation Summary report for the selected As Of date. (Optional) Click the Inventory Valuation Summary link to review the report.

5. A warning message displays (see Figure A.33) if the asset values reported on the two reports differ.

6. (Optional) Click the Transactions Using Inventory Asset Account but Not Inventory Items link, and the report in Figure A.34 displays. The report displays transactions that affect the Inventory Asset balance on the Balance Sheet but are not properly affecting an inventory item.

7. (Optional) Click Review Inventory Setup to open Add/Edit Multiple List Entries.

8. (Optional) Click New Item to create a new inventory item.

9. (Optional) Click Adjust Inventory Quantity/Value on Hand to properly adjust inventory.

There should be no difference listed if the proper type of transaction was used to adjust inventory.



**Figure A.33**
The Compare Balance Sheet and Inventory Valuation task is useful when troubleshooting Inventory Asset account discrepancies.

**Figure A.34**
CDR makes it easy to locate transactions that are affecting the Inventory Asset but not using the proper transaction type.

General Journals should not be used to adjust inventory balances

10. (Optional) Click Item List to modify an item.

11. To close, press the Esc key on your keyboard or click the X in the top-right corner.

If you find these types of errors in your accounting for inventory, you instead should create an inventory adjustment to replace them with. QuickBooks continues to report a difference between the reports if journal entries are recorded to the Inventory Asset account.

# Troubleshoot Inventory

Chapter 6 provides useful information on troubleshooting issues surrounding inventory. One of the issues that chapter discussed is the effect on the company's financials when inventory goes negative.

Negative inventory results when QuickBooks has recorded a higher quantity of inventory sold than is available to sell. This process might seem acceptable for some clients if they are waiting for back-ordered product but want to collect the payment from the customer in advance. Chapter 5 details better methods for handling back orders and other issues, which can result in negative inventory values and misstated financials.

Chapter 6 also explained that if an inventory item is marked as inactive, the resulting inventory value does not display on the Inventory Valuation Summary report. If a client truly has inventory in stock but is not selling it, the Inventory Valuation Summary report would be misstated.

With the Troubleshoot Inventory feature (see Figure A.35) in QuickBooks Accountant, the new Troubleshoot Inventory CDR task replaces many of the reports and processes that previously had to be reviewed in diagnosing inventory valuation errors. In fact, this tool is so valuable in detecting errors such as negative inventory and finding inactive items with a quantity on hand (to name just a couple) that, as accounting professionals, we should encourage our clients to upgrade to QuickBooks 2014.

**Figure A.35**
Easily identify inventory with a negative quantity, and help your clients better manage their inventory processes.



All users in QuickBooks Premier 2014 and QuickBooks Enterprise Solutions 14.0 have access to the Inventory Center, which offers the ability to list any items that have negative inventory.

To review your client's inventory using the Troubleshoot Inventory CDR task, follow these steps:

1. If you are completing these changes as part of a dated review, from the menu bar, select **Accountant**, **Client Data Review** and launch Client Data Review. Then, in the Inventory group, select the **Troubleshoot Inventory** task.

2. If you are not completing these changes as part of a dated review, from the menu bar, select **Accountant**, **Client Data Review** and launch the Troubleshoot Inventory task.

3. From the Show Items drop-down list, select **Filtered By**, **All**, or **All Active**. This helps display specific data for your review of your client's inventory.

4. Place a checkmark in any combination or all of the following:

   - Qty Bought/Built = 0

   - Qty Sold/Used = 0

   - Negative Quantity

   - Inactive Items with Qty on Hand

   - % Markup less than <enter the %>

5. The default date range is the same as the selected Review Period. (Optional) You can change the dates.

6. Click Refresh if you are changing the filters or dates to show current data.

7. (Optional) Click Columns to Display to modify the content that is displayed.

8. Inventory items that match your selected filter criteria display. The column End Qty displays the number of units in stock as of the To date selected. Next to the End Qty column, a green circle symbol displays if there is no negative inventory. A yellow caution symbol displays if inventory items have a negative inventory quantity.

9. Select the option for **Alert If There's Negative Inventory As Of the "To" Date** or **Any Time in Date Range**.

10. (Optional) Place a checkmark in the box in front of any inventory item, and then click the Make Selected Items Inactive button to mark the inventory item as inactive.

11. (Optional) Click Adjust Inventory Quantity/Value on Hand to adjust the ending inventory balances to the client's physical inventory counted totals. The next section has more information.

If your review using the CDR tools and features has identified inventory errors, be sure to read Chapter 6, which has sections on troubleshooting inventory in QuickBooks.

# Adjust Inventory Quantity/Value on Hand

Before you perform this task, you need to know the actual ending quantity and value for each inventory item. You determine this by completing a physical inventory count. Without this important step, you might make an adjustment that the actual count does not support. To create a list for the warehouse personnel to count inventory, select **Vendors**, **Inventory Activities**, **Physical Inventory Worksheet** from the menu bar.

## Quantity Inventory Adjustment

The most common type of inventory adjustment is the Quantity Inventory Adjustment. Adjust Quantity/Value on Hand is not a CDR tool, but is accessible from the Vendors, Inventory Activities menu or from an opened Client Data Review. If you use this feature often, you can also add this to your Accountant Center.

For more details on properly using the Quantity Inventory Adjustment transaction, see Chapter 6. The next section discusses a different type of inventory adjustment, called a Value Adjustment.

## Value Inventory Adjustment

When deciding whether to use a Quantity on Hand or Value Adjustment transaction, be sure of the net result you want to obtain. A value adjustment does not change the quantity on hand, but it assigns a new average cost by dividing the units in inventory by the new value.

Timing is important when doing a valuation adjustment. Value adjustments, if appropriate, should be carefully considered for their impact on the company's resulting financials.

Value Inventory Adjustment transaction is a less common type of inventory adjustment. Adjust Quantity/Value on Hand transaction is not a CDR tool, but is accessible from the Vendors, Inventory Activities menu or from an opened CDR. If you use this feature often, you can add this to your Accountant Center.

# Payroll

To have QuickBooks automatically calculate payroll, you or your client need to purchase a payroll subscription from Intuit. When payroll is not prepared properly, many of the QuickBooks payroll transactions and calculations will not work correctly or at all.

➡️ *For more detailed information on the payroll subscriptions offered, as well as details on the proper payroll process, see Chapter 11.*

The CDR tasks for payroll help you find payroll errors and set defaults in your client's file, to help avoid future mistakes.

### 〰️ tip

As the accountant, your ability to make changes in a client's payroll setup, as well as adjust payroll transactions, is possible only in these circumstances:

- You are working in a client's working data file (.QBW file extension). You cannot make changes to payroll transactions when working in an Accountant's Copy file copy.

- You are working onsite or while remotely logged in to the client's file (via the Internet), and your client has a current paid payroll subscription. The payroll features available are limited by the payroll subscription the client owns.

- You are working with the client's file at your place of business, and you have a paid payroll subscription from Intuit. Accounting professionals providing payroll services for their clients can benefit from using the QuickBooks Enhanced Payroll for Accountants subscription. See Chapter 11 for more details.

## 🪙 Find Incorrectly Paid Payroll Liabilities

Chapter 11 offered details on the proper methods for preparing payroll and paying the accrued liabilities. Some QuickBooks users might choose to use the Write Checks transaction when preparing their payroll liability payments. Incorrectly prepared payments adjust the balance sheet balances but are not reflected accurately in the Payroll Center. However, over the past several years, payroll liability payment errors are less likely to occur because of improved error messaging that encourages QuickBooks users to prepare these liability payments properly.

This CDR task delivers another timesaving tool: It helps the accounting professional easily and quickly find payroll liability payments that were recorded incorrectly.

When you select the menu or link in CDR to Find Incorrectly Paid Payroll Liabilities (Payroll Group), QuickBooks prepares a report titled Payroll Liabilities Paid by Regular Check. Figure A.36 displays the results in true debit and credit format for each item found. This report finds a Write Checks transaction that was payable to a payroll item vendor.

Use the details from this report to determine the account to which your client has recorded these payroll liability payments. Did the client record them to the payroll liabilities account or select an expense account by mistake? For more details on troubleshooting payroll, see Chapter 12.

**Figure A.36**
This CDR report finds incorrectly paid Payroll Liability Payment transaction types.

After you determine the account where the original entries were posted, you can complete a Payroll Liability Adjustment by following these steps:

1. From the menu bar, select **Employees**, **Payroll Taxes and Liabilities**, **Adjust Payroll Liabilities** to open the Liability Adjustment dialog box in Figure A.37.

2. Enter the Date and the Effective Date. Both should be dated in the quarter you want to make the change.

3. Select **Company** for the adjustment. Do not select Employee here because the amounts calculated and paid are correct—just the type of transaction used to make the payment is incorrect.

4. Assign a Class if your business tracks different profit centers.



**Figure A.37**
Correct payroll liabilities paid incorrectly with a Liability Adjustment.

5. Click the Accounts Affected button. When determining which option button to select in the Affect Accounts? dialog box, take these suggestions into consideration:

■ **Do Not Affect Accounts**—Select this option if the payroll liabilities and expenses are correct on the financial statements and you want to affect only totals in the Payroll Center and totals used in QuickBooks-prepared state and federal payroll forms.

■ **Affect Liability and Expense Accounts**—Select this option if the payroll liabilities and expenses are incorrect on the financial statements and you want to affect the financials as well as the Payroll Center totals and the amounts used in QuickBooks-prepared state and federal payroll forms.

6. Click OK.

7. QuickBooks might open another dialog box with the default account that will be affected. You can specify the account used on the original tax payment transaction being corrected.

8. Click OK to save the transaction.

9. Review the balances in the affected accounts to make sure the adjusting transactions have been entered correctly.

You can check this and other details of your client's payroll setup by completing Run Payroll Checkup, which Chapter 11 covers.

# Review Payroll Liabilities

Conveniently, from within CDR, you have access to the Employee Center: Payroll Center. From the displayed dialog box, you can view multiple month calendars, your upcoming scheduled payroll processing dates, due dates and amounts for paying your payroll liabilities in a timely fashion, and even links to processing the quarterly and annual forms for federal filings and most state filings.

➡ *To learn more about using the Payroll Center, read Chapter 11.*

# Review Employee Default Settings

QuickBooks CDR provides easy access to another feature that has been well hidden. Reviewing employee defaults helps your client process payroll with fewer mistakes, making future payroll reviews less time-consuming.

➡ *You can learn more about setting these employee defaults in Chapter 11.*

# Enter After-the-Fact Payroll

No longer is entering after-the-fact payroll time-consuming. From within CDR, the accounting professional has access to this important feature. You or your client must have an active payroll subscription. If you or your client does not have an active payroll subscription, the After-the-Fact Payroll task will not display in the Payroll task group. Keep this in mind if you are working at the client's site or are remotely logged in to the client's data file.

Payroll transactions entered through the After-the-Fact Payroll processing are included in all the federal and state forms totals that the QuickBooks payroll subscriptions prepare.

# Bank Reconciliation

You can troubleshoot bank reconciliation issues with your client's data in many ways. With QuickBooks Accountant 2014, you have access to the Accountant Center (see Figure A.2), which displays timely information about your client's bank and credit card reconciliations.

➡️ *Learn more about completing and troubleshooting your client's bank reconciliations in Chapter 13, p. 541.*

## Reconcile Accounts

You can use the Reconcile Accounts link in the Bank Reconciliation task group of the CDR feature to troubleshoot or complete your client's monthly bank reconciliation. If you are working with a client's Accountant's Copy file, you can reconcile the bank account and have these reconciliations incorporated into your client's data.

➡️ *For more details on this topic, see Chapter 16.*

In my years of working with clients' QuickBooks files, the bank reconciliation is the task I most frequently see not completed at all or not done correctly, yet it is one of the most important tasks when you want to look at trusted financials. The CDR feature helps you, the accountant, work with your client's data file when reviewing or completing the bank reconciliation.

## Locate Discrepancies in Bank Reconciliation

After reviewing the client's previous bank reconciliations, you might determine that the beginning balance, which was once correct, is no longer correct. Perhaps your client modified, voided, or deleted a previously cleared transaction.

The Locate Discrepancies in Bank Reconciliation report helps you easily find these. The report is added to the CDR, Bank Reconciliation group:

1. From the menu bar, select **Accountant**, **Client Data Review** and launch the Client Data Review feature.

2. In the Bank Reconciliation group, select the **Locate Discrepancies in Bank Reconciliation** task.

3. The Previous Reconciliation Discrepancy report displays. For each transaction on this report, you see the modified date, reconciled amount, type of change (amount added or deleted), and financial effect of the change (see Figure A.38), grouped by bank statement date.

> 📡 **caution**
>
> Troubleshoot your beginning balance differences with the Previous Reconciliation Discrepancy report before you complete the next month's reconciliation. Doing so is important because QuickBooks removes all details from the discrepancy report when you complete a new reconciliation. This is because QuickBooks determines that you have solved the issue, or you would not have completed the next month's bank reconciliation.

**Figure A.38**
View details of previously cleared transactions that have been modified or deleted.



You can add the username to the report details to help identify who made the change to the transaction:

**1.** From the displayed Previous Reconciliation Discrepancy report, click Customize Report.

**2.** On the Display tab, place a checkmark on Last Modified By in the Columns box.

**3.** Click OK.

After reviewing the Previous Reconciliation Discrepancy report, you can prepare the Voided/Deleted report to help determine how to correct the transaction(s). To prepare this report, from the menu bar, select **Reports**, **Accountant & Taxes**, **Voided/Deleted Transactions Summary** (or Detail).

The Voided/Deleted report does not track discrepancies caused by changing the bank account associated with a transaction or changing a transaction amount. However, now the Client Data Review, Review List Changes task tracks changes made from adding, deleting, or even merging charts of accounts and other list items in QuickBooks.

## Reviewing Missing Checks

The Missing Checks report is useful when reviewing the accuracy of your client's bank account data. This report can help you determine whether any check transactions are missing or duplicated.

The Review Missing Checks link is conveniently included in the Bank Reconciliation cleanup tasks. In the Specify Account dialog box, select the appropriate bank account from the drop-down list.

The resulting Missing Checks report shows all transactions that are withdrawals from (that is, credits to) the bank account and that have a reference number. Transaction types include check, bill payment, sales tax payment, liability payment, paycheck, and general journal entry type transactions, presented in order by their reference number (see Figure A.39).

Look for any breaks in the detail with a "***Missing or ***Duplicate" warning.

**Figure A.39**
The Missing
Checks report
can help you
determine
whether you
need to enter
any missing
transactions
before you
reconcile.

# Miscellaneous

This section of the CDR can be one of the most useful to you because it shows you how to set preferences to make your client's work more accurate and how to set a closing date, to prevent or discourage a user from making changes to your reviewed data. If you are working with a client's Accountant's Copy, you can set the Closing Date and optional Closing Date Password, which are then incorporated back into the client's file.

## Setting Closing Date and Password

QuickBooks offers flexibility for accounting professionals who want to protect prior-period data and those who need or want to make changes to prior-period accounting records.

What exactly is a "closed" accounting period? Well, a business can decide to close a month when a task such as bank reconciliation is done or a sales tax return is filed, or a business can close once a year when the data is finalized for tax preparation. Because QuickBooks does not require you to close the books, it is a decision of the accounting professional and business owner (see Chapter 16).

The option of setting a closing date and password makes it easy to protect prior-period transactions from unwanted modifications. With additional user-specific security settings, the business owner and accountant can also manage who has the privilege to make changes to transactions dated on or before a specific closing date.

### Step 1: Setting the Date and Assigning the Password

The first step in controlling changes to closed accounting periods is to set a closing date and, optionally (although recommended), a closing date password the user must provide when adding, deleting, or modifying a transaction dated on or before the closing date.

Another important reason for setting a closing date is to track additions, modifications, or deletions to transactions dated on or before a closing date. The Closing Date Exceptions report does not track these changes when a closing date is not set.

To set the closing date and, optionally, a password (different from the Admin or External Accountant password) from an open Client Data Review, follow these steps:
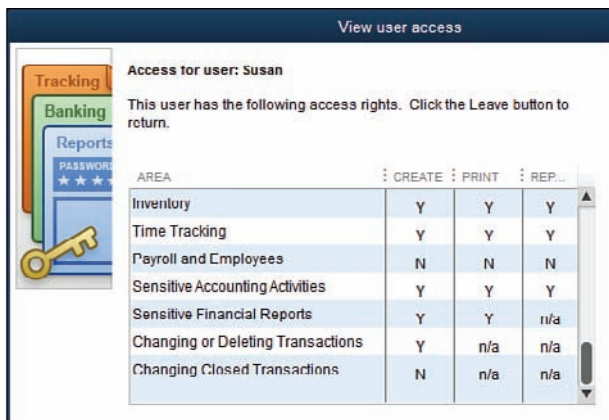
1. Click the Set Closing Date and Password link in the Miscellaneous group of the CDR center. The Accounting—Company Preferences tab of the Preferences dialog box opens.

2. Click the Set Date/Password button. The Set Closing Date and Password dialog box displays.

3. (Optional) Select the checkbox titled **Exclude Estimates, Sales Orders, and Purchase Orders from Closing Date Restrictions**. These transactions are nonposting, and changes made do not affect your financials.

4. Enter a closing date and optional password. Consider using your phone number as the password or using **Call Accountant**, to encourage your client to call you before making changes to closed period transactions.

5. Click OK to close the Set Closing Date and Password dialog box.

6. If the No Password Entered warning displays, select **Yes** to add or edit users, or **No** to close the warning.

7. Click OK to close the Preferences dialog box.

Setting a closing date is only the first step. Next, you must set user-specific privileges for users to whom you want to allow access for adding, deleting, or modifying a transaction dated on or before the closing date.

## Step 2: Setting User-Specific Security

To be certain the closing date control is managed properly, review all users for their specific rights to change transactions, up to and including a closing date. To view the following menu, you need to be logged in to the file as the Admin user (the External Accountant user type does not have the capability to create new users or change permissions for existing users):

1. From the menu bar, select **Company**, **Set Up Users and Passwords**, **Set Up Users**. The User List dialog box opens.

2. To view a user's existing security privileges (other than the Admin or External Accountant user) from the User List dialog box, select the user and click the View User button. You can view in summary form the security settings for that user (see Figure A.40).

3. Any user who should not have rights to changing closed-period transactions should have an N in the last setting of Changing Closed Transactions.

4. After reviewing a user's existing security privileges, if you need to edit the setting referenced earlier, click Leave to close the View User Access dialog box.

5. QuickBooks returns you to the User List dialog box. Select the username and click the Edit User button.

6. On the Change User Password and Access dialog box, optionally modify the username or password. Click Next to continue.

7. The User Access dialog box for the specific user displays. Choose **Selected Areas** and click Next to continue through each of the security selections until you reach the selections on Page 9 of the dialog box (see Figure A.41).

**Figure A.40**
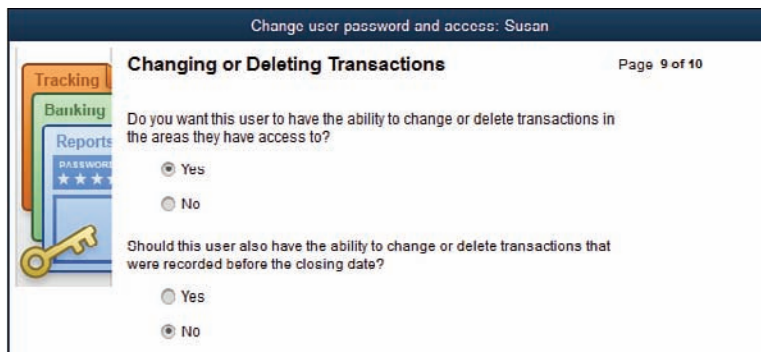Review in summary form the user's security privileges.



**Figure A.41**
With QuickBooks, you set controls to keep users from changing transactions on or before a set closing date.

With the ease of doing client reviews, and now the security of knowing your hard work is documented and protected with a closing date, your future reviews should take even less time to complete. This gives you more time to help your client with important management decisions.

## Review QuickBooks Preferences

Don't forget during your review to manage properly the many useful preferences that help you and your client work more efficiently and accurately in the QuickBooks data file.

QuickBooks offers two types of preferences:

- **My Preferences**—Choices selected on this tab are being defined only for the currently logged-in user. If you are setting preferences for your client, you should log in with the client's username and then set the desired My Preferences. These settings can be changed while in a multiuser environment (when others are in the data file).

■ **Company Preferences**—Preferences set on these tabs are global for all users in the QuickBooks data file. Often these preferences can be set only when you are in single-user mode, meaning that other users cannot be working in the file when you set the Company Preferences. Both the Admin and the new External Accountant type user can modify Company Preferences.

You should review certain preferences specific to accounting. As the trusted accounting professional for your client, you benefit by reviewing each of the available preferences, including the following:

| | | |
|---|---|---|
| ■ Accounting | ■ Items & Inventory | ■ Sales Tax |
| ■ Bills | ■ Jobs & Estimates | ■ Search |
| ■ Calendar | ■ Multiple Currencies | ■ Send Forms |
| ■ Checking | ■ Payments | ■ Service Connection |
| ■ Desktop View | ■ Payroll & Employees | ■ Spelling |
| ■ Finance Charge | ■ Reminders | ■ Tax: 1099 |
| ■ General | ■ Reports & Graphs | ■ Time and Expenses |
| ■ Integrated Applications | ■ Sales & Customers | |

Of the preferences, those that can enhance the accounting accuracy of a QuickBooks file are discussed in more depth in the related chapter. For example, Chapter 9 details the Sales & Customer preferences that improve the client's accuracy in QuickBooks.

## Condense Data from Previous Periods

If you find that the client's data has become "sluggish" or has grown too large to manage efficiently, you might want to consider using the Condense Data feature. The Condense Data feature is greatly enhanced for the QuickBooks Accountant and QuickBooks Enterprise Solutions Accountant editions. Specifically, these software versions can do the following:

■ Remove transactions before a specific date and, optionally, create a report showing which transactions were removed

■ Remove all transactions, but keep lists and preferences

■ Remove transactions outside a date range (to prepare a period copy of the company file)

After choosing from one of these data removal options, the accounting professional can then choose from these options:

■ Create One Summary Journal Entry for All Transactions Prior to the Specified Cut-Off Date.

■ Create a Summary Journal Entry for Each Month.

■ Don't Create a Summary. This option removes all transactions before the stated date, regardless of status. Removed transactions are not replaced with a journal entry.

When condensing involves inventory, the accounting professional has these choices:

- Summarize Inventory Transactions (recommended if the goal is to reduce file size)
- Keep Inventory Transaction Details

As with any process of removing data, you should create a backup first, in case the process does not provide the expected results. Some limitations arise when using this tool—namely, current year payroll transactions are not removed.

➡ *For more information, see Chapter 17, "Managing Your QuickBooks Database," for details on file size management.*

With a password set and preferences reviewed, your next review of your client's data should take even less time using the CDR.

# Finishing a Client Data Review

You can leave the CDR open for as long as it takes you to finish. When you close out of a task, your work is saved. Additionally, as you are working, you can conveniently select a QuickBooks menu outside the Client Data Review, and CDR refreshes automatically, including transactions created and modified.

(Optional) As you work through the many tasks, you can record an overall note for the review or individual notes assigned to specific tasks.

## Saving the Review as a PDF

You can print the details of your CDR to paper or save as a PDF file. Figure A.42 shows the information included with this document:

- Company Name
- Review Period (Last Fiscal Year, Quarter, Month, or Custom)
- Date Printed
- Dates Included in This Review
- Basis: Accrual or Cash
- Client Data Review Notes
- Cleanup Tasks and Subtasks
- Status
- Task Notes
- Filename and Path (where the PDF format of the report is stored)

**Figure A.42**
Print the details of the review or save them to PDF for your paper files.

**Rock Castle Construction**

Review Period: **Last Fiscal Year**                                    Date Printed: **12/15/2017**

Dates: **01/01/2016 - 12/31/2016**                                    Basis: **Cash**

**Review Notes:**

```
Provide copy of review notes when completed to:

Bob Smith
CFO
Rock Castle Construction
bob@rockcastleconstruction.com
```

| Cleanup Tasks | Status | Task Notes |
|---|---|---|
| **Account Balances** | | |
| Troubleshoot Prior Account Balances | Completed | |
| Reclassify Transactions | Completed | |
| Open Working Trial Balance | In Progress | |
| **Review List Changes** | | |
| Chart of Accounts | Completed | |
| Items | Completed | |
| Fixed Asset Items | Completed | 11/15/16 Client purchased a new Dell Server, request purchase documents. |
| Payroll Items | Completed | |
| Review Item Setup | Not Started | |
| Customers | Not Started | |
| Vendors | Not Started | |
| Change Other Name Types | Not Started | |
| **Accounts Receivable** | | |
| Fix Unapplied Customer Payments and Credits | Completed | |
| Clear Up Undeposited Funds Account | Completed | |
| Review AR Aging Summary Report | In Progress | |
| Write Off Invoices | Completed | Provide list of invoices to client |
| **Accounts Payable** | | |
| Fix Unapplied Vendor Payments and Credits | Completed | |
| Evaluate and Correct 1099 Account Mapping | Completed | |
| Review Unpaid Bills Report | Completed | |
| **Sales Tax** | | |
| Fix Incorrectly Recorded Sales Tax | Completed | |
| Adjust Sales Tax Payable | Completed | |
| Manage Sales Tax | Completed | |
| Pay Sales Tax | Completed | |
| Sales Tax Preferences | In Progress | |
| **Inventory** | | |
| Review Inventory Setup | Not Started | |
| Compare Balance Sheet and Inventory Valuation | Completed | |
| Troubleshoot Inventory | Completed | |
| Adjust Inventory Quantity/Value On Hand | In Progress | |
| **Payroll** | | |
| Find Incorrectly Paid Payroll Liabilities | Completed | |
| Review Payroll Liabilities | Completed | |
| Review Employee Default Settings | Completed | |
| Enter After-The-Fact Payroll | Completed | |
| **Bank Reconciliation** | | |
| Reconcile Accounts | Completed | |
| Locate Discrepancies in Bank Reconciliation | Completed | |
| Review Missing Checks | Completed | |
| **Miscellaneous** | | |
| Set Closing Date and Password | Completed | |
| Review QuickBooks Preferences | Completed | |
| Condense Data from Previous Periods | Completed | |

# Mark Review Complete

When you have completed all tasks in the CDR and you click the Mark Review Complete button, QuickBooks does the following:

- Provides the option to set a closing date and password.

- Changes the Prior Review Period dates in the Troubleshoot Account Balances task.

- In the Troubleshoot Account Balances task, QuickBooks transfers your final reviewed balances to the Last Review Balances column. (These amounts will not change even if a customer makes a change to a transaction dated in that review period.)

- Provide the option to carry over task notes to the next review.

Specific to the Troubleshoot Account Balances task, you do not have to Mark Review as Complete for each review. However, your ending balances are recorded only in the Last Review Balances column when you mark the review as completed. Marking a review as completed still gives you the option to reopen a previously closed review.

# Reopen Completed Review

After marking a review as complete, and before you start the next review, you have the option to reopen the previously marked completed review, as in Figure A.43. After you start a new review, you no longer have the option to reopen the previously completed review.



**Figure A.43**
Before starting a new review, you have the option to open a previously closed review.

# Reporting on Review Activity

Also available on the CDR center is a link to the Audit Trail of Review report (see Figure A.44). You can use this report to detail the transactions you have added, modified, or deleted during your review. The Audit Trail report does not report on changes made to list items.

Additionally, if you used the new External Accountant type of login access, you have all the rights of the Admin user (except adding or modifying users and viewing sensitive customer credit card information), and you can see your changes separate from the Admin or other users on this report.

The Audit Trail report provides details of additions and changes made to transactions, grouped by username. The detail on this report shows the previous versions of the transaction and the latest version of the transaction, if it was edited. The Audit Trail report defaults to changes made as of today's date. You can modify this filter date for your needs.

**Figure A.44**
The QuickBooks Audit Trail report helps identify what changes were made to transactions and by which user.



The Audit Trail report can be lengthy to review. However, if as an accountant you try to track down specific user activity with transactions, it can be a useful report because it groups the changes by username.

If you find undesired transaction changes, consider setting a closing date password and setting specific user security privileges, as detailed earlier in this chapter.

# Creating an External Accountant User

Setting up a QuickBooks user for each person who enters data provides a level of control over the sensitive data to be viewed by this user and gives access to specific areas in QuickBooks. For additional control, you can assign a user-specific password.

When you create a new user (or edit an existing user) in QuickBooks, you can assign that user as an External Accountant.

As an accounting professional using the CDR, you might want to request that your client create a username for you and assign the new External Accountant type. If you then log in to the client file with this new user type, you benefit from the following:

- You have complete Admin access (but you cannot create or edit users or view sensitive customer credit card numbers).

- You can filter reports such as the Audit Trail in Excel for a specific username, enabling you to see your transactions separate from the client's transactions.

- Client Data Review distinguishes in the dialog box whether your login is the new External Accountant type (see Figure A.1).

- You have access to Accountant Center, plus limited accountant and CDR tools when logging in to a client's QuickBooks Pro, Premier, or Enterprise 2014 nonaccountant edition file.

If you are reviewing your client's data using the Accountant's Copy file type, or if you are not given the Admin login, this new External Accountant has to be created before your client creates the Accountant's Copy or has you review data files.
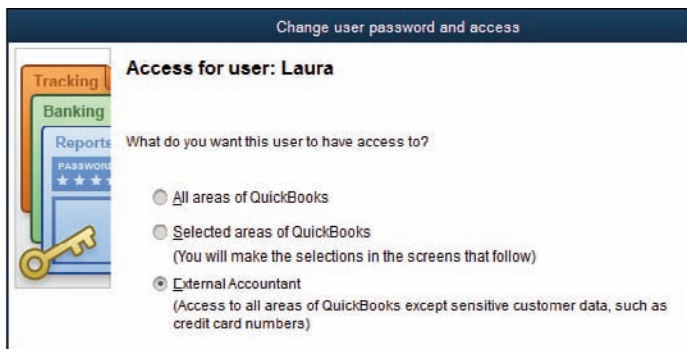
To create an External Accountant, follow these steps:

1. Open the QuickBooks data file using the Admin user (the default user QuickBooks creates with a new QuickBooks file), and enter the appropriate password, if one was created.

2. From the menu bar, select **Company**, **Set Up Users and Passwords**, **Set Up Users**.

3. Enter the Admin user password if one was originally assigned. Click OK.

4. The User List dialog box opens; it lists the current users set up for this file.

5. Click the Add User button to create a new user, or select an existing username and click the Edit User button.

6. The Set Up (or Change) User Password and Access dialog box opens.

7. In the User Name field, type the name you want the user to be identified by in the file.

8. In the Password field, enter an optional password. In the Confirm Password field, retype the password for accuracy.

9. (Optional) Click the box Add This User to My QuickBooks License. (See the Explain link for more details.)

10. Click Next. You might receive a No Password Entered message, click Yes or No to creating a password. If you selected Yes, you are returned to step 8.

    (Optional) Select **Do Not Display This Message in the Future**. The Access for User:<username> dialog box opens.

11. Select the option for **External Accountant** (see Figure A.45).



**Figure A.45**
Ask your client to create an External Accountant type user for your login.

12. Click Next.

13. QuickBooks provides a warning message, confirming that you want to give this new user access to all areas of QuickBooks except customer credit card numbers. Select **Yes** to assign the new External Accountant type privileges to this new or existing user.

14. The Access for User*:<username>* dialog box opens. The message restates that the new External Accountant user will have access to all areas of QuickBooks except sensitive customer credit card data. Click Finish to complete the process.