

# Part I

## Exploiting Your QuickBooks Data

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# Using QuickBooks to Analyze Business Data

**H**ow did you happen to start using QuickBooks? If you're like most of us, you picked it up because you needed an inexpensive way to do bookkeeping. Maybe you saw an ad on TV or some Web site, or a friend told you about it, or your accountant recommended it.

However QuickBooks first appeared on your computer screen, you probably noticed a few of its characteristics before you bought:

- And QuickBooks is not merely a bookkeeping application with some T-accounts and a P&L thrown into the mix. It really is an accounting package. Maybe it's not MAS 90, but you do get actual income statements, balance sheets, inventory histories, and so on: the records needed to back up tax returns and loan applications.

But does QuickBooks provide enough tools? That depends on how much you want to get from the application. If all you want or need is to record your revenues and costs so that your accountant can complete your company's tax filings, you're probably all set. There's not much else you need, and my first and only suggestion for you would be to put this book back on the bookstore shelf. (The top shelf would be nice. Thank you.) On the other hand ...

The first textbook on accounting I ever saw was Meigs and Meigs' *Accounting*. What really struck me about it was its subtitle: *The Basis for Business Decisions*. For me, that subtitle suddenly took the whole notion of accounting out of the realm of sleeve garters and green eyeshades, columns of boring numbers, and stultifying trial balances. The idea that you could actually use those numbers to make better decisions about a business was more than just a pleasant surprise. I won't say it was an epiphany, but it was pretty cool.

## IN THIS CHAPTER

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**Excel as an Adjunct to Report Analysis**

That book went on to show how a business owner or manager could make some very smart moves based on the numbers just sitting there in the journals and statements prepared by the accountant. Those numbers are available to you, too. You just need to know how to get at them and, once you have your hands on them, what to do with them.

It's a little ironic that a software package that makes it easy to enter data makes it kind of tough to get information out, but that's the case with QuickBooks. Thus, it's the purpose of this book to show you how you can get your hands on the information that you might have already broken your fingers typing in.

## Advantages and Drawbacks to QuickBooks Reports

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If you can arrange to get QuickBooks to handle all your financial analysis for you, you're ahead of the game. After all, analyzing the data using other software means that either you have to enter the data twice, or you have to arrange to get the numbers out of QuickBooks and into the other package.

Either task can be error-prone or time-consuming, and sometimes both. There are ways — ways that this book explains — to minimize the errors and the time involved, but you can't eliminate them completely. That's why predesigned reports, as well as reports that you create and tell QuickBooks to memorize, can be so useful. The numbers never have to leave the program.

This book, and its first two chapters in particular, go into the topic of reports in QuickBooks in detail. The reason is not that the structure and function of QuickBooks reports are intrinsically interesting. Quite the opposite.

Nevertheless there are several reasons to become familiar with QuickBooks reports:

So QuickBooks reports have great value for business analysis. It pays to understand the tools QuickBooks gives you to fine-tune the 225 canned reports you see in the Reports menu of the Accountants Edition — and the 138 reports in the Pro Edition.

After all this coverage of the advantages to using QuickBooks reports to get at your data, I need to point out the disadvantages — if only to maintain some credibility:

Most quantitative reports in QuickBooks (that is, reports that do something more than just listing customer names) are simple totals meant to answer typical, everyday, important questions: What's today's balance in current assets? How many cabinet pulls did we sell last month? What was third quarter's net income? You can also dig up a relatively sophisticated average if you look hard. (Hint: Check the inventory valuation reports.)

But just try to find a current ratio in the Reports menu. An inventory turns ratio. The available working capital. Any one of scores of indicators accountants and other business analysts use

to gauge the financial health of a company. They aren't in the reports. Oh, every so often Intuit brings out something such as the Financial Statement Designer or the Intuit Statement Writer, tools that will calculate that kind of quantitative analysis. But it's only the high-end editions that come with those tools — and they don't seem to stick around long anyway.

So if you want to get your hands on that kind of analysis, you won't find it in a QuickBooks report. The raw material is there, though, so the answer for most of us is to export the reports to an analysis package such as Excel or a database that acts as a front end to other analytic engines. QuickBooks provides tools to support that export, and Chapter 2 goes into the mechanics of exports in some detail. Still, most people would consider it a drawback that you might find it necessary to export a report to Excel to get an inventory turns ratio, instead of finding it right in a QuickBooks report.

There are other problems involved in exporting QuickBooks reports. Again, Chapter 2 covers these problems at greater length. Briefly, though, if you want to use an application such as Excel to do more sophisticated analysis than QuickBooks supports, you need to be working with individual records: for example, a list of all the sales receipts the company created last quarter. You don't want subtotals and totals interspersed among the underlying transactions. But that's what you get with most QuickBooks reports, and so there's inevitably some pruning to do before you can get down to the business of quantitative analysis.

On balance, the advantages to QuickBooks reports well outweigh their drawbacks. The next section gives you a leg up in understanding some of the reports' finer points.

### **Understanding QuickBooks reports**

If you seldom work with QuickBooks reports other than looking over an income statement or balance sheet from time to time, you might be surprised at how much good information you can find in them.

It's true that, unless you've spent years as an accountant, numbers in a financial statement are not going to jump off the page and compel you to run a complete physical inventory before you create even one more invoice. You need to know what to look for and where to look for it — and that's information you'll find in subsequent chapters.

Still, you should also know about some of the tools you can bring to bear in built-in QuickBooks reports. You need the tools to answer questions that are important to you, but might not have occurred to the report designers at Intuit. There are standard types of financial analysis covered in depth in later chapters in this book, such as ratio analysis and working capital analysis.

But there are nonstandard kinds of questions that every business owner and accountant asks, which no built-in QuickBooks report is designed to answer. For that, you need to know some basics regarding QuickBooks reports. In particular:

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### Types of QuickBooks reports

Most reports in QuickBooks are either summary reports or detail reports. As the terms suggest, a detail report provides very specific information and allows you to see that you sold 50 linear feet of PVC to Kay Evans on 9/28/2010 for \$19.48 in cash.

By contrast, a summary report rolls that specific information into categories that tell you, for example, that you sold \$556.23 worth of PVC in September. A record in a summary report totals across customer names, method of payment, cash or credit, and other bits of data that, taken together, distinguish one detail record from another.

From the perspective of business analysis, the summary and the detail are the most useful reports available in QuickBooks, and this book has much more to say about using them to help figure out where a business has been and where it should go. For clarity, though, I mention a third type of report, which calls out the members of different lists.

The term *list* is overworked in QuickBooks, because it can mean a set of data consisting of, for example, customer names, customer addresses, phone numbers, jobs, and so on. In this way it acts like what a database user would think of as a table. Or a list can be a simple enumeration of categories, such as types of transaction (invoices, sales receipts, bill payments, paychecks, and so on).

QuickBooks has a variety of reports whose purpose is not to associate dollar amounts with a particular transaction or customer or inventory item, but to show you the current contents of a given list. So the customer phone-number list report by default shows you two fields in the customer list, name and phone number. The Account Listing shows you the names, numbers (if used), type, description, balance, and tax line for each defined account. No transaction information, whether summarized or detailed, is in the listing reports.

Bear in mind that QuickBooks uses the terms *summary report*, *detail report*, and *list report* somewhat loosely. There are several summary reports that don't include the word summary in their name, and the same is true for detail and list reports. And some reports that have the word *List* in their name are actually detail reports (for example, Transaction List by Date). You can generally tell a true list report by double-clicking a line in the report. If you get an Edit Item dialog box, it's a true list report. If you get something such as a Sales Receipt dialog box that enables you to edit a specific transaction, it's a detail report. And if double-clicking a line in the report opens a detail or transaction report, you're working with a summary report.

Because this book is primarily about using QuickBooks data for quantitative analysis, it has little to say about true list reports.

### Deciding between using a summary report and a detail report

Quite a few QuickBooks reports come in two flavors: Summary and Detail. There are several differences between a summary and a detail report. This section gives you a brief overview of those differences, using QuickBooks' Rock Castle Construction sample file as a basis.

### *Showing transactions*

If you open, say, the Sales by Customer Summary report, you see information about each of your customers and, if present, separate jobs within each customer. For example, you'll see the total sales dollars for Kristy Abercrombie's Family Room job, Remodel Bathroom job, and Other job. The customers and jobs may or may not appear depending on whether they experienced any sales activity during the period covered by that report.

But if you open the Sales by Customer Detail report, you'll see not only customer and job records in the summary report but also the individual transactions: every invoice, sales receipt, and credit memo transaction for that job, within that customer, within the date range used in the report.

### *Accounting basis*

All summary and detail reports can be based either on the accrual method or the cash method. The difference is in the applicable dates. Under the accrual method, a transaction's date is defined by the date that a sale was made or an expense incurred. Under the cash method, the transaction date depends on the date that the revenue was received or the payment made.

You can specify the method you want to use in any individual summary or detail report. Click the report's Modify Report button and select Accrual or Cash on the Display tab.

For summary reports *only*, you can set a default basis. Choose Edit Preferences Reports & Graphs and click the Company Preferences tab. Choose your preference in the Summary Reports Basis area and click OK. Whichever option you chose will now be the default for summary reports. You can of course override that default in summary reports that you create later.

This option is not available for detail reports. If you want to change the basis of a detail report you have to do so after it is created, by way of the Modify Report button.

### *Collapsing a report*

Some detail reports enable you to partially suppress details. This is called *collapsing* the report and you do that using the Collapse button at the top of the report. That button is a toggle, so a collapsed report has an Expand button instead of a Collapse button.

The detail reports that can be collapsed and expanded include the general ledger, profit-and-loss detail, balance sheet detail, journal, and transaction detail by account.

For example, if Timberloft Lumber sends you a bill for both rough and trim lumber, each item occupying a different line on the bill, both lines (and their amounts) appear in an expanded Profit & Loss Detail report. They would be combined on one line with the total amount in a collapsed report. When two or more lines are collapsed into one, text fields that have different values (such as the Memo field) show "MULTIPLE."

Even in collapsed mode a detail report shows you each transaction. Because most summary reports don't show individual transactions, they have no Expand or Collapse capability. A

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limited number of summary reports, such as the Profit & Loss Standard and Balance Sheet Standard can be collapsed to condense subtotals.

### *Selecting columns*

The QuickBooks Help documents say that you can add or delete columns in a detail report, implying that you cannot do so in a summary report. It is true there can be more than seventy columns to choose from and show in a detail report.

But there are columns you can choose to display or suppress in a summary report. One type of column is a *subcolumn*. Suppose you open a Balance Sheet Summary report to view account balances as of the end of the current period. A subcolumn can display, for example, the prior period's dollar amounts, or the current period amounts expressed as a percent of the prior period. There are other subcolumn types available.

Summary reports also enable you to see a different column for each value of a field you select. Suppose you decide to show totals by Vendor. The Profit & Loss Standard report (a summary report, despite its name) shows income and expense accounts in rows, and if you choose to show totals by Vendor it also shows the income or expense amount for each different vendor in columns. Other fields you can use to create columns in a summary report include Class, Item (both detail and type), Job within Customer, Employee, and various date spans such as Two Week and Half Month.

### *Filtering reports*

Summary and detail reports provide a means of limiting the records used. You can always establish a date range for the report in the report itself, by means either of the Date dropdown or the From and To edit boxes. Other selection criteria are available through the Modify Report button.

Clicking Modify Report and then clicking the Filters tab gives you access to a Filter list box. Use the list box to select one or more fields you want to use as a criterion to include or exclude certain records from the report. The criteria tend to apply specifically to transactions (such as invoices, or bills, or sales receipts), and there are about 50 fields you can use as transaction filters in a Balance Sheet Detail or Profit & Loss Detail report. Other reports that focus on lists, such as the Item Listing, have their own filters that pertain directly to the list in question.

More detailed information about using the record filter in reports appears later in this chapter. If you're not interested right now in a tutorial on using the QuickBooks record-filtering mechanism, there's no need to bother with it at present. For the time being it's sufficient to be aware that record filters are available, and that you can filter on more than one field at the same time (for example, you could limit a report to all transactions involving the customer Kristy Abercrombie and the item Wood Door Exterior).

### **Balance sheets and income statements**

The two fundamental financial reports, whether you're using QuickBooks or a paper-and-pencil ledger system, are the income statement (or Profit & Loss) and the balance sheet. The reason

they're so important is that, accurately and conscientiously prepared, they can paint an informative picture of the company for a creditor or an investor.

They also form the basis of most business decisions the company makes. For example, there are strict rules you must follow as to structuring an income statement as supporting documentation for a tax return, for a bank loan, or an initial public offering. But you can structure an income statement in a variety of different ways when you use it as an internal decision-making tool, to press a sales team in a more demanding direction or to get a swollen inventory back under control. Used as a management tool, the form of an income statement should follow its function.

Therefore the remainder of this chapter explains how you can control the display of the balance sheet and the income statement using different options in QuickBooks. The concluding section looks at inventory reports as an example of how you can manage the contents of more specialized QuickBooks reports.

### **Using a report's Display tab**

The Display tab appears when you click a report's Modify Report button. It is where you control much of a report's content: that is, what columns you want it to display, what its rows are to represent, and what subcolumns should be included. You can also adjust the date range for the report in the Display tab, without having to go back to the report to use its Dates dropdown or its From and To edit boxes.

### **Balance sheets**

Figure 1.1 shows a Balance Sheet Summary report.

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**FIGURE 1.1**

The balance sheet shows a snapshot of asset and liability accounts as of a particular day.

Summary Balance Sheet

Modify Report... Memorize... Print... E-mail Export... Hide Header Collapse R

Dates This Fiscal Year to date As of 12/15/2011 Columns Total only

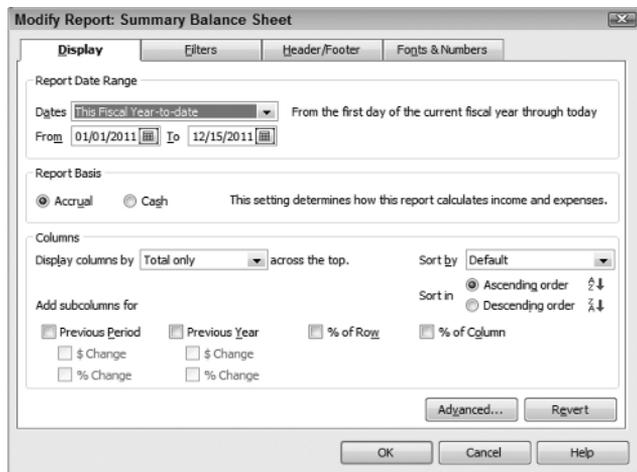
**Rock Castle Construction**  
**Summary Balance Sheet**  
As of December 15, 2011  
Accrual Basis

◊ Dec 15, 11 ◊

<b>ASSETS</b>	
Current Assets	
Checking/Savings	65,214.29
Accounts Receivable	80,586.95
Other Current Assets	41,775.27
Total Current Assets	187,576.51
Fixed Assets	433,218.31
Other Assets	1,720.00
<b>TOTAL ASSETS</b>	<b>622,514.82</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	26,636.92
Credit Cards	556.82
Other Current Liabilities	14,365.85
Total Current Liabilities	41,559.59
Long Term Liabilities	386,896.91
Total Liabilities	428,456.50
Equity	194,058.32
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>622,514.82</b>

**FIGURE 1.2**

The appearance of the Display tab varies depending on the type of active report.



The balance sheet shown in Figure 1.1 uses the framework you'll see if you open the Balance Sheet Summary report using any company file. Only the major divisions within the assets and the liabilities-and-equity sections appear; no accounts or subaccounts and certainly no individual transactions. It's seldom that you can modify the detail level of the information in the rows of a summary report (see the previous section "Collapsing a report"), but you do have some control over what appears in its columns.

**TIP** Notice in Figure 1.1 that the date and time the report was prepared do not appear, although the default configuration of any QuickBooks report calls for that information. To suppress it in all reports, as is done throughout this book, choose **Edit Preferences Reports and Graphs**. Click the **Company Preferences** tab and then click the **Format** button. Clear the **Date Prepared** and the **Time Prepared** checkboxes, and then **OK** your way out of the **Preferences** dialog box. Now the date and time prepared is suppressed on all reports you subsequently create.

Figure 1.2 shows the Modify Report dialog box. Its Display tab appears when you click any report's Modify Report button.

Several controls in the Modify Report dialog box interact to determine what you see in a balance sheet report. Of course you decide which control settings you want to use, and this section shows you which choices to make in order to get the display you want.

### *Using the Dates dropdown*

Both the report itself and the Modify Report dialog box have dropdowns that enable you to control the report's Dates. Both dropdowns have the same effect on the report, and the choice of which one to use is purely a matter of which you find more convenient. If the report itself is

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active and you just want to change the range of dates, use the report's dropdown. If you're using the dialog box to make several changes to the report, it's probably more convenient to use the dialog box's dropdown.

Use the Dates dropdown to establish a range of dates for the report. If you prefer, you can use the From and To edit boxes to establish a range based on particular dates, but if you want to use something such as Last Fiscal Year-to-date, it's probably easier to use the Dates dropdown. The dropdown offers a variety of choices that it would take you a little more time to duplicate using the From and To boxes. The choices available in the Dates dropdown are:

The range of dates you establish does not necessarily have an effect on the appearance of the report, whether it's a balance sheet, a profit-and-loss report, or another type of report. The range of dates determines which transactions QuickBooks will use to populate the report: only those whose transaction date falls within the range of dates you choose.

A balance sheet shows balances as of a specific date. That date always includes the latest in the range of dates you select (and depending on which other options you select, earlier dates might also appear). So changing the range of dates from, say, This Quarter-to-date to This Year-to-date has no effect on which is the latest date in the range of dates.

If you opted to display only one date, therefore, extending the range of dates so that it begins on an earlier date has no effect on the appearance of the balance sheet report.

### *Using the Columns dropdown*

Like the Dates dropdown, the Columns dropdown is found both in the report itself and in the Modify Report dialog box. However, in the dialog box, the dropdown is labeled Display Columns By. Again, which dropdown you use is a matter of your convenience.

In general, the Columns dropdown tells QuickBooks how it should slice up the range of dates. If you've chosen a year for the range of dates and then choose Quarter for the report's columns, you'll get a column for each quarter in the year.

The columns do not venture beyond the limits of the date range. For example, if you choose a date range of one week, say from December 9 through December 15, and then choose to have each column represent a month, you'll get one column only, for December 15. Any earlier quarter is outside the date range you established.

You can select any of the following time slices from the Columns (or the Display Columns By) dropdown:

For example, if you use the default value for Display Columns By, which is Total Only, then the balance sheet report's appearance will not differ when you select different date ranges such as This Quarter-to-date or This Month-to-date. Again, the balance sheet shows account balances as of a particular date. Regardless of the range of dates you select in the Dates dropdown or what you enter in the dialog box's From and To edit boxes, the balance sheet report shows account balances in the report's As Of date.

The Total Only option for columns is special, largely because it's the only option that does not specify a particular time slice. It shows you only one column, which displays the balances for the final day in the date range you selected. For example, if the current date is December 15, 2011, and you choose Next Fiscal Year from the Dates dropdown and Total Only from the Columns dropdown, you will see the balances as of December 15, 2012.

In most cases, though, if you have chosen a sufficiently wide range of dates, your choice in the Columns dropdown provides additional information in the balance sheet. Suppose that you establish 1/1/11 to 12/15/11 as the report's date range. If you now choose Quarter from the

**FIGURE 1.3**

Notice that the Columns dropdown selects Quarter instead of the default Total Only.

Rock Castle Construction				
Summary Balance Sheet				
As of December 15, 2011				
	◊ Mar 31, 11 ◊	◊ Jun 30, 11 ◊	◊ Sep 30, 11 ◊	◊ Dec 15, 11 ◊
<b>ASSETS</b>				
<b>Current Assets</b>				
Checking/Savings	59,419.92	54,430.04	54,861.14	65,214.29
Accounts Receivable	27,985.09	28,329.73	49,539.14	80,586.95
Other Current Assets	<u>37,996.29</u>	<u>51,472.12</u>	<u>49,015.91</u>	<u>41,775.27</u>
<b>Total Current Assets</b>	125,401.30	134,231.89	153,416.19	187,576.51
<b>Fixed Assets</b>				
Other Assets	421,718.31	433,218.31	433,218.31	433,218.31
	<u>1,720.00</u>	<u>1,720.00</u>	<u>1,720.00</u>	<u>1,720.00</u>
<b>TOTAL ASSETS</b>	<u>548,839.61</u>	<u>569,170.20</u>	<u>588,354.50</u>	<u>622,514.82</u>
<b>LIABILITIES &amp; EQUITY</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	9,824.21	16,310.19	9,848.78	26,636.92
Credit Cards	2,142.00	4,674.89	6,534.28	556.82
Other Current Liabilities	<u>3,917.42</u>	<u>5,478.28</u>	<u>3,643.78</u>	<u>14,365.85</u>
<b>Total Current Liabilities</b>	15,883.63	26,463.36	20,026.84	41,559.59
<b>Long Term Liabilities</b>				
	<u>413,171.65</u>	<u>403,548.34</u>	<u>394,219.26</u>	<u>386,896.91</u>
<b>Total Liabilities</b>	429,055.28	430,011.70	414,246.10	428,456.50
<b>Equity</b>				
	<u>119,784.33</u>	<u>139,158.50</u>	<u>174,108.40</u>	<u>194,058.32</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u>548,839.61</u>	<u>569,170.20</u>	<u>588,354.50</u>	<u>622,514.82</u>

Display Columns By dropdown, and if there is data to display within the date range, you'll see the balance sheet amounts as of the end of each quarter within that range. See Figure 1.3 for an example.

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Compare Figure 1.3 with Figure 1.2, and notice that both figures have a Dates dropdown. Both dropdowns have the same choices as shown immediately prior: Total Only, Day, Week, and so on. The report shown in Figure 1.3 has an As Of edit box (as does every balance sheet report), and its function is identical to the To edit box in the Modify Report dialog box shown in Figure 1.2.

### TIP

**Other report types, such as Profit & Loss, have a From and To edit box (instead of As Of) in the report itself. If you use one or both of them to alter the report's date range, be sure to tell QuickBooks to fetch different data by clicking the Refresh button.**

**FIGURE 1.4**

A Previous Period or Previous Year subcolumn might pre-date the Dates range you specified.

Rock Castle Construction			
Summary Balance Sheet			
As of December 15, 2011			
	◊ Dec 15, 11	◊ Dec 31, 10	◊ % Change ◊
<b>ASSETS</b>			
<b>Current Assets</b>			
Checking/Savings	65,214.29	53,191.19	22.6%
Accounts Receivable	80,586.95	21,249.39	279.2%
Other Current Assets	41,775.27	38,536.97	8.4%
<b>Total Current Assets</b>	<b>187,576.51</b>	<b>112,977.55</b>	<b>66.0%</b>
<b>Fixed Assets</b>			
Fixed Assets	433,218.31	421,718.31	2.7%
Other Assets	1,720.00	1,720.00	0.0%
<b>TOTAL ASSETS</b>	<b>622,514.82</b>	<b>536,415.86</b>	<b>16.1%</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	26,636.92	13,100.00	103.3%
Credit Cards	556.82	530.00	5.1%
Other Current Liabilities	14,365.85	72.18	19,802.8%
<b>Total Current Liabilities</b>	<b>41,559.59</b>	<b>13,702.18</b>	<b>203.3%</b>
<b>Long Term Liabilities</b>			
Long Term Liabilities	388,896.91	421,675.06	-8.3%
<b>Total Liabilities</b>	<b>428,456.50</b>	<b>435,377.24</b>	<b>-1.6%</b>
<b>Equity</b>			
Equity	194,058.32	101,038.62	92.1%
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>622,514.82</b>	<b>536,415.86</b>	<b>16.1%</b>

### Showing subcolumns

The term *subcolumn* in QuickBooks is misleading. I say that because there are other structures in QuickBooks that use the *sub* prefix appropriately. Two good examples are subaccounts and subitems. A subaccount is subordinate to, or nested within, a parent account. A subitem is subordinate to a parent item. You don't find a subaccount associated with two different parent accounts, even though subaccounts may have similar, even identical names.

Reports have subcolumns, but they are in no sense subordinate to a parent column. Don't be misled by the terminology into expecting subcolumns to behave the way you see subaccounts behave. A subcolumn in a report is simply a column that helps you put its associated column in context.

There are two types of subcolumn: Previous Period and Previous Year. Each type can appear as either dollars or percent change, or both. Figure 1.4 has one column and two subcolumns.

Compare the information shown in Figure 1.4 with that in Figure 1.1. The only difference is that the user has called for subcolumns in Figure 1.4. Now the report shows:

So in Figure 1.4, the Checking/Savings balance on December 15, 2011, is 22.6% greater than the Checking/Savings balance on December 31, 2010.

The user arranged for the subcolumns by filling, in the Modify Report dialog box, the Previous Period checkbox and its associated % Change checkbox (see Figure 1.2). The Previous Period checkbox calls for the dollar balances headed "Dec 31, 10" in Figure 1.4. The % Change checkbox calls for the percentages subcolumn.

Compare the information shown in Figure 1.4 with that in Figure 1.1. The only difference is in the context of a report, a *period* is whatever you have selected in the Columns dropdown in the report or, equivalently, in the Display Columns By dropdown in the Display tab (refer to Figure 1.2).

Notice that the report shown in Figure 1.4 establishes the date range as This Fiscal Year-to-date. As to *columns*, that means you won't see a column header dated earlier than the start of the current fiscal year. But subcolumns aren't subject to the specified date range. For example, if you choose This Quarter-to-date as your date range, you won't get a column for a date earlier than the start of the current quarter. If you also call for a prior period or prior year subcolumn, it will pre-date the start of the current quarter.

The final date in the date range is special. There will always be a column associated with that date in a balance sheet report. If you call for a previous period subcolumn, the date for that subcolumn is not the final day in the previous period, but instead is exactly one period prior to the final date in the date range.

Suppose the final date in the date range is December 15 and you have chosen to show Quarter in columns. Then the subcolumn associated with December 15 is for September 15, exactly one quarter earlier. By contrast, the same report might also have a column for the quarter ending September 30; that column is associated with a subcolumn for the quarter ending on June 30.

### ***Percent of Row and Percent of Column***

Two more checkboxes in the Modify Report dialog box for balance sheets are % of Row and % of Column. The data they display is the basis of what are called comparative balance sheets (or, more generally, comparative financial statements). Each checkbox adds a subcolumn to

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a report. The % of Row checkbox is most useful when you are comparing one period's results with another's (see Figure 1.5).

The percentages give you a quicker grasp of the company's performance over the three-year time span than do the raw dollar amounts. It's heartening to see that the increase in shareholders' equity outstrips the growth in total liabilities, which is actually negative, declining by 16% from the first through the third year.

**FIGURE 1.5**

You can see that the company's position is improving year to year by comparing percentages.

Rock Castle Construction Summary Balance Sheet As of December 15, 2011						
	◊ Dec 31, 09 ◊	% of Row ◊	◊ Dec 31, 10 ◊	% of Row ◊	◊ Dec 15, 11 ◊	% of Row ◊
<b>ASSETS</b>						
<b>Current Assets</b>						
Checking/Savings	40,442.03	100.0%	53,191.19	131.5%	65,214.29	161.3%
Accounts Receivable	49,024.10	100.0%	21,249.39	43.3%	80,586.95	164.4%
Other Current Assets	24,527.72	100.0%	38,536.97	157.1%	41,775.27	170.3%
<b>Total Current Assets</b>	<b>113,993.85</b>	<b>100.0%</b>	<b>112,977.55</b>	<b>99.1%</b>	<b>187,576.51</b>	<b>164.5%</b>
<b>Fixed Assets</b>						
Fixed Assets	466,154.22	100.0%	421,718.31	90.5%	433,218.31	92.9%
Other Assets	1,720.00	100.0%	1,720.00	100.0%	1,720.00	100.0%
<b>TOTAL ASSETS</b>	<b>581,868.07</b>	<b>100.0%</b>	<b>536,415.86</b>	<b>92.2%</b>	<b>622,514.82</b>	<b>107%</b>
<b>LIABILITIES &amp; EQUITY</b>						
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts Payable	20,119.00	100.0%	13,100.00	65.1%	26,636.92	132.4%
Credit Cards	21,883.89	100.0%	530.00	2.4%	556.82	2.5%
Other Current Liabilities	8,473.44	100.0%	72.18	0.9%	14,365.85	169.5%
<b>Total Current Liabilities</b>	<b>50,476.33</b>	<b>100.0%</b>	<b>13,702.18</b>	<b>27.1%</b>	<b>41,559.59</b>	<b>82.3%</b>
<b>Long Term Liabilities</b>						
Long Term Liabilities	455,696.02	100.0%	421,675.06	92.5%	386,896.91	84.9%
<b>Total Liabilities</b>	<b>506,372.35</b>	<b>100.0%</b>	<b>435,377.24</b>	<b>86%</b>	<b>428,456.50</b>	<b>84.8%</b>
<b>Equity</b>						
Equity	75,495.72	100.0%	101,038.62	133.8%	194,058.32	257%
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>581,868.07</b>	<b>100.0%</b>	<b>536,415.86</b>	<b>92.2%</b>	<b>622,514.82</b>	<b>107%</b>

To get this report, take these steps:

1. Open a Balance Sheet Summary report and click the Modify Report button.
2. Click the From button and enter 1/1/2009 to get a three year report ending in December 2011. You can't call for this span of time using the Dates dropdown.
3. Choose Year from the Display Columns By dropdown.
4. Fill the % of Row checkbox and click OK.

The one aspect of this report that departs slightly from traditional practice is its use of the first year for all comparisons. That is, to get a percent change for 2010 over 2009, a 2010

value is divided by its corresponding 2009 value. So far that's standard practice. But for 2011, QuickBooks also divides a 2011 value by its corresponding 2009 value.

There's nothing really wrong with that comparison, but it's somewhat nonstandard (standard practice would be to divide 2011 values by 2010 values) and thus potentially confusing to an audience. Further, it tends to be more immediately informative to see change between consecutive years than nonconsecutive years.

**FIGURE 1.6**

The divisor for each line is Total Assets (or, equivalently, Total Liabilities & Equity).

Rock Castle Construction Summary Balance Sheet		
Accrual Basis      As of December 15, 2011		
◊ Dec 15, 11 ◊ % of Column ◊		
<b>ASSETS</b>		
<b>Current Assets</b>		
Checking/Savings	65,214.29	10.5%
Accounts Receivable	80,586.95	12.9%
Other Current Assets	41,775.27	6.7%
<b>Total Current Assets</b>	<u>187,576.51</u>	<u>30.1%</u>
<b>Fixed Assets</b>		
Other Assets	433,218.31	69.6%
Other Assets	1,720.00	0.3%
<b>TOTAL ASSETS</b>	<u><u>622,514.82</u></u>	<u><u>100.0%</u></u>
<b>LIABILITIES &amp; EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	26,636.92	4.3%
Credit Cards	556.82	0.1%
Other Current Liabilities	14,365.85	2.3%
<b>Total Current Liabilities</b>	<u>41,559.59</u>	<u>6.7%</u>
<b>Long Term Liabilities</b>		
Long Term Liabilities	386,896.91	62.2%
<b>Total Liabilities</b>	<u>428,456.50</u>	<u>68.8%</u>
<b>Equity</b>		
Equity	194,058.32	31.2%
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>622,514.82</u></u>	<u><u>100.0%</u></u>

Figure 1.6 shows a balance sheet for one year only, with a subcolumn for % of Column.

Even a highly abbreviated summary report such as the balance sheet shown in this chapter can tell you quite a lot about a business's financial status, especially if it includes % of Column data as in Figure 1.6. A quick glance at the percentages for Total Current Assets and Total Current Liabilities tells you that the company's current ratio is over 4.0, its equity ratio is 31.2% (see Chapter 6), and their dollar amounts tell you that the company has about \$140,000 in working capital (see Chapter 5).

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You might want to enrich the information a bit and have a look at how the percentages differ from one year to the next. To do so, just click the report's Modify Report button and change the From date to a year earlier — in this example, you'd change it from 1/1/2011 to 1/1/2010. With Year selected in the Display Columns By dropdown, Figure 1.7 shows what you'd get.

The news in Figure 1.7 is still good, but it helps you focus on one or two items that you might want to look at more carefully. In particular, the component percentage for current liabilities has increased from 2010 to 2011, from 2.6% to 6.7%. Much of that is due to the increase in accounts payable and that's a normal pattern for a startup. But there's a big jump

**FIGURE 1.7**

This view of the balance sheet is not as cheery as that in Figure 1.6.

Rock Castle Construction Summary Balance Sheet				
Accrual Basis As of December 15, 2011				
	Dec 31, 10	% of Column	Dec 15, 11	% of Column
<b>ASSETS</b>				
<b>Current Assets</b>				
Checking/Savings	53,191.19	9.9%	65,214.29	10.5%
Accounts Receivable	21,249.39	4%	80,586.95	12.9%
Other Current Assets	<u>38,536.97</u>	<u>7.2%</u>	<u>41,775.27</u>	<u>6.7%</u>
<b>Total Current Assets</b>	<b>112,977.55</b>	<b>21.1%</b>	<b>187,576.51</b>	<b>30.1%</b>
<b>Fixed Assets</b>				
Other Assets	421,718.31	78.6%	433,218.31	69.6%
	<u>1,720.00</u>	<u>0.3%</u>	<u>1,720.00</u>	<u>0.3%</u>
<b>TOTAL ASSETS</b>	<b><u>536,415.86</u></b>	<b><u>100.0%</u></b>	<b><u>622,514.82</u></b>	<b><u>100.0%</u></b>
<b>LIABILITIES &amp; EQUITY</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	13,100.00	2.4%	26,636.92	4.3%
Credit Cards	530.00	0.1%	556.82	0.1%
Other Current Liabilities	<u>72.18</u>	<u>0%</u>	<u>14,365.85</u>	<u>2.3%</u>
<b>Total Current Liabilities</b>	<b>13,702.18</b>	<b>2.6%</b>	<b>41,559.59</b>	<b>6.7%</b>
<b>Long Term Liabilities</b>				
	<u>421,675.06</u>	<u>78.6%</u>	<u>386,896.91</u>	<u>62.2%</u>
<b>Total Liabilities</b>	<b>435,377.24</b>	<b>81.2%</b>	<b>428,456.50</b>	<b>68.8%</b>
<b>Equity</b>				
	<u>101,038.62</u>	<u>18.8%</u>	<u>194,058.32</u>	<u>31.2%</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>536,415.86</u></b>	<b><u>100.0%</u></b>	<b><u>622,514.82</u></b>	<b><u>100.0%</u></b>

in other current liabilities as well, and you should probably inquire about the reason for that jump.

There's an important conceptual difference between the kind of information presented in Figure 1.5 and that in Figure 1.7. They are both summary balance sheets and both show how component percentages change over time. However:

The % of Row view, in Figure 1.5, shows the rate of growth or decline in a given dollar measure, over time. The % of Column view, in Figure 1.7, shows the rate of growth or decline in a given measurement's *relative importance* over time. They're both important indicators, but they speak to different issues.

### ***Modifying the Balance Sheet Detail report***

Detail reports in QuickBooks answer the same kind of questions as the corresponding summary reports, but they present the underlying information in a radically different fashion. Detail reports show each transaction that occurred in an account (or with a customer, or a vendor, or an item, and so on) during a particular time period, whereas summary reports roll up the transactions and the unit of analysis becomes the account (or customer, vendor, or item).

Because the unit of analysis in a detail report is the transaction, there are many fields available for use in a detail report that are not available in a summary report. You can choose to display any of those fields as a report column, and you can use any of them as a data filter.

Just as with the Balance Sheet Summary report, you access the options to modify the display of a detail report by clicking the report's Modify Report button. The Display tab for the Balance Sheet Detail report appears in Figure 1.8.

There are 40 columns available in the Balance Sheet Detail report and you show any of them simply by clicking on it. You cannot get subcolumns such as prior period or prior year in a detail report because the report's unit of analysis is the transaction: it makes no sense to ask what the value of a transaction was in a prior period.

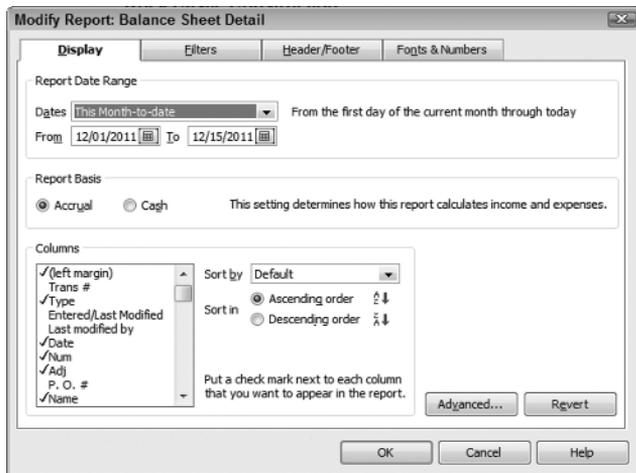
Different detail reports have different columns available (although the Balance Sheet Detail and the Profit & Loss Detail reports offer the same set of 40 columns). Most of the column names are self-explanatory, but two shown in Figure 1.8 deserve mention:

- The fields you use as columns in detail reports can also be used as filters, and you tell QuickBooks which data to select for the report by means of the Filters tab in the Modify Report dialog box. You can make good use of filters in most detail reports, usually because you want to structure an ad hoc inquiry. For example, if you wanted to view all the inventory transactions that involved an adjustment to an item's quantity on hand, you could open the Inventory Valuation Detail report and use its filters to limit the transaction types to Inventory Adjustments.

There are remarkably few reasons you would want to use a filter in a Balance Sheet Detail report. Again, the purpose of that report is to give you a snapshot of account balances while displaying information about the individual transactions that brought the balances about. Only in an extremely unusual situation would you want to exclude, say, invoices that have been paid from the balance sheet.

**FIGURE 1.8**

In detail reports, Columns replace subcolumns.



### The Profit & Loss report

Figure 1.9 shows a Profit & Loss Standard report.

A balance sheet shows how much money is in a given account at a specific *point* in time. By contrast, a profit and loss statement (often termed an *income statement*) shows how much money has entered a given account over a specific *period* of time.

#### *Subcolumns in the Profit & Loss Standard report*

The Display tab of the Modify Report dialog box for the Profit & Loss Standard report is not quite the same as the Display tab for a balance sheet report. Compare the Display tab in Figure 1.10 with that shown in Figure 1.2.

There are additional subcolumns available for the Profit & Loss Standard report that do not appear in a balance sheet report. This report's default date range is This Month to Date. It's convenient, then, that you should be able to fill the Year-To-Date checkbox in the Display tab and obtain a subcolumn that shows the year-to-date figures in dollars, and optionally in percentages. That makes for an easy comparison of your current month's results with your results so far this year.

Of course, you can get the identical report by selecting Profit & Loss YTD Comparison from the Reports menu in the first place.

You'll want to take a little more care in using the other four subcolumns, % of Row, % of Column, % of Income, and % of Expenses. At least understand why you might as well ignore the % of Row and % of Column options.

**FIGURE 1.9**

The Profit & Loss Standard report is actually a summary report.

Rock Castle Construction	
Profit & Loss	
December 1 - 10, 2011	
◊ Dec 1 - 10, 11 ◊	
Ordinary Income/Expense	
Income	
40100 · Construction Income	
40110 · Design Income	3,000.00
40130 · Labor Income	16,643.00
40140 · Materials Income	-175.00
40150 · Subcontracted Labor Income	4,906.00
Total 40100 · Construction Income	<u>24,374.00</u>
Total Income	24,374.00
Cost of Goods Sold	
50100 · Cost of Goods Sold	1,510.13
54000 · Job Expenses	
54200 · Equipment Rental	1,550.00
54300 · Job Materials	7,759.54
54400 · Permits and Licenses	175.00
54520 · Freight & Delivery	<u>-70.00</u>
Total 54000 · Job Expenses	<u>9,414.54</u>
Total COGS	<u>10,924.67</u>
Gross Profit	13,449.33
Expense	
60100 · Automobile	

The % of Row option is useful only if you use the Columns dropdown to arrange for more than one range of dates, such as months or quarters within an overall date range of, say, a year. If you do so, the report will show both the dollar amounts for each time period and their percent of the account total. You will not see a percent for a subcolumn, and if you have one column only then all the percentages will be 100%.

The % of Column option is not useful. The basis for the percentages is Net Income: the profit that is left after the cost of goods sold (COGS) and operating expenses have been subtracted from Income (also known as *sales* or *revenue*). With Net Income as the basis, you will see nonsense such as -572.6% in % of Column for Construction Income. (The percentage can be negative if the net income in the report is itself negative.)

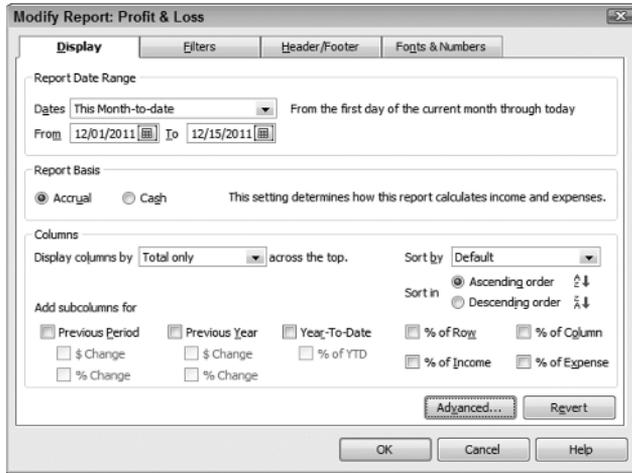
Even if the percentage is positive, it's not informative to know that Construction Income is almost six times as great as Net Income. It's much more sensible in a Profit & Loss statement (and it's also traditional) to base column percentages on Income (again, sales or revenue) rather than on Net Income. And that's what the % of Income checkbox gives you (see Figure 1.11).

Many analysts also find it helpful to view expenses as a percentage of total sales, because it shows them how large a claim each expense category makes on the company's revenues. But

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**FIGURE 1.10**

The Profit & Loss Standard report's Display tab adds some options to the Subcolumns area.



another option in the Display tab, % of Expense, shows more directly each expense category's contribution to total expenses.

It is much less helpful to view income categories as percents of total expenses. Most analysts prefer to view income categories and expense categories as percents of total income, and also to view expense categories as percents of total expenses.

### *Using the Dates dropdown*

Recall that a balance sheet is a snapshot of balances in asset and liability/equity accounts as of a particular date. Even if you arrange to display multiple dates in the report by choosing something such as Month in the Columns dropdown, each column is a snapshot of a particular day.

By contrast, a Profit & Loss report shows income and expense accounts, and it shows cumulative amounts over a period of time. The line for Net Income, for example, shows the dollar amount that entered the Net Income account during the period of time you specify in the Dates dropdown. So when you change the date range from, say, This Fiscal Year-to-date to This Fiscal Quarter-to-date, you are changing the period of time during which amounts can accumulate. The usual result is that the amounts displayed change as the period of time is changed.

Choosing Week from the Columns dropdown results in a report display such as is shown in Figure 1.12.

It's important to be able to display different periods of time in different columns because, when you're analyzing a company's performance with a Profit & Loss report, it's often informative to examine the sources and uses of capital over time. At times you're doing something fairly

**FIGURE 1.11**

Viewing COGS and sources of income as percents of Total Income helps you gauge how you're creating profits.

Rock Castle Construction		
Profit & Loss		
December 1 - 15, 2011		
	Dec 1 - 15, 11	% of Income
<b>Ordinary Income/Expense</b>		
<b>Income</b>		
40100 • Construction Income		
40110 • Design Income	3,000.00	7.6%
40130 • Labor Income	19,703.00	50%
40140 • Materials Income	6,019.91	15.3%
40150 • Subcontracted Labor Income	10,722.25	27.2%
<b>Total 40100 • Construction Income</b>	<b>39,445.16</b>	<b>100.0%</b>
40500 • Reimbursement Income		
40520 • Permit Reimbursement Income	0.00	0.0%
<b>Total 40500 • Reimbursement Income</b>	<b>0.00</b>	<b>0.0%</b>
<b>Total Income</b>	<b>39,445.16</b>	<b>100.0%</b>
<b>Cost of Goods Sold</b>		
50100 • Cost of Goods Sold	3,151.44	8%
54000 • Job Expenses		
54200 • Equipment Rental	1,550.00	3.9%
54300 • Job Materials	9,045.86	22.9%
54400 • Permits and Licenses	175.00	0.4%
54500 • Subcontractors	5,837.00	14.8%
54520 • Freight & Delivery	69.60	0.2%
<b>Total 54000 • Job Expenses</b>	<b>16,677.46</b>	<b>42.3%</b>
<b>Total COGS</b>	<b>19,828.90</b>	<b>50.3%</b>
<b>Gross Profit</b>	<b>19,616.26</b>	<b>49.7%</b>

sophisticated with the numbers, such as a quantitative forecast based on weekly results. If not, it usually makes more sense to break the data down by a longer time frame such as month, quarter, or year, and each of those breakpoints are available from the Display Columns drop-down.

Notice in Figure 1.12 that QuickBooks distinguishes a full week from a partial week. The From and To edit boxes together define a time span of 10 days. QuickBooks always begins a week with Sunday in its reports, so the particular 10 days in Figure 1.12 occupy part of one week and all the next. A full week is denoted in the column header by the words *Week of*.

## Using report filters

In many software applications, including QuickBooks, the verb *filter* means to exclude some records from a report or other type of analysis. It's an important capability, especially when you want to examine a particular type of report and focus on a specific customer, or item, or transaction type, and so on.

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**FIGURE 1.12**

The date range for a Week column always begins with a Sunday.

**Rock Castle Construction**  
**Profit & Loss**  
December 1 - 10, 2011

Accrual Basis

	Dec 1 - 3, 11	Week of Dec 4, 11	TOTAL
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
40100 · Construction Income			
40110 · Design Income	0.00	3,000.00	3,000.00
40130 · Labor Income	885.00	15,758.00	16,643.00
40140 · Materials Income	-660.00	465.00	-175.00
40150 · Subcontracted Labor Income	0.00	4,906.00	4,906.00
<b>Total 40100 · Construction Income</b>	<u>225.00</u>	<u>24,149.00</u>	<u>24,374.00</u>
<b>Total Income</b>	225.00	24,149.00	24,374.00
<b>Cost of Goods Sold</b>			
50100 · Cost of Goods Sold	0.00	1,510.13	1,510.13
54000 · Job Expenses			
54200 · Equipment Rental	850.00	700.00	1,550.00
54300 · Job Materials	7,169.54	590.00	7,759.54
54400 · Permits and Licenses	0.00	175.00	175.00
54520 · Freight & Delivery	0.00	-70.00	-70.00
<b>Total 54000 · Job Expenses</b>	<u>8,019.54</u>	<u>1,395.00</u>	<u>9,414.54</u>
<b>Total COGS</b>	<u>8,019.54</u>	<u>2,905.13</u>	<u>10,924.67</u>
<b>Gross Profit</b>	-7,794.54	21,243.87	13,449.33
<b>Expense</b>			

In some ways QuickBooks filters are quite sophisticated and efficient. Still, there are times when they seem to produce more frustration than enlightenment. For example, it's very handy to filter for All Current Assets or All Assembly Items without having to call out each individual current asset account or each assembly item. And by using the Multiple option in a report filter, you can request two or more different instances from the same field simultaneously; for example, Cabinet Pulls and Locking Doorknobs from the Items field, or Accounts Receivable and Undeposited Funds from the Accounts field.

On the other hand, it sometimes seems as though QuickBooks filters have never met the not-equal symbol <>. The analyst cannot filter for all accounts other than current assets, or for all items other than assembly items. Apart from handy groupings such as All Fixed Assets, it can be difficult to create a filter with any real complexity. If you want to apply a filter such as "show all inventory items and all noninventory parts and nothing else," you're better off omitting the filter entirely. You should just report on all records, export the results to another application such as Excel, and use its data filtering capabilities (briefly described at the end of this chapter).

The current section covers report filters and illustrates their use. Because record filters are seldom of real use in a balance sheet or profit-and-loss report, inventory reports are used as a basis for the chapter's examples.

If a company is a manufacturer, wholesaler or retailer, inventory management is crucial to the company's financial status. Inventory often accounts for the majority of current assets, and — as it contributes to COGS — it usually takes the largest bite out of the company's revenues. Therefore, staying informed about the status of inventories is a critical management function. Chapter 7 covers inventory valuation reports in detail.

In QuickBooks, the best way to determine a company's inventory status is by way of the Inventory Valuation Detail and Inventory Valuation Summary reports. In this book, I use them as a basis for describing report filters; because both the detail and the summary report use the same filtering options, the focus is on the Inventory Valuation Detail report. An example of the report itself appears in Figure 1.13.

By default the Inventory Valuation Detail report uses two filters:

The date range is simply a matter of your preference and you can modify it directly in the report as described earlier in this chapter. It is sensible and appropriate to base the report on inventory and assembly items only, because indicators such as quantity on hand and average cost cannot properly be applied to, for example, discounts or fixed assets.

### **Selecting a single instance from a field**

Suppose you wanted to limit the report to one item only, such as Cabinet Pulls. A specific item such as Cabinet Pulls is an instance of the Item field. To select that instance only, take these steps:

1. Open the Inventory Valuation Detail report.
2. Click the Modify Report button and then click the Filters tab.
3. Item is already in use as a filter, so you can click Item either in the Choose Filter list box or in the Current Filter Choices list box.
4. A new dropdown labeled Item appears next to the Choose Filter list box. Use the dropdown to select Cabinet Pulls, as shown in Figure 1.14.
5. Click OK to apply the filter to the report. The result is shown in Figure 1.15.

If you want to add another field from the list of available filters, repeat steps 1 through 5, being sure to select a filter not already listed in the Current Filter Choices list box. If you select a filter that's already selected, you will merely replace one instance of that filter with another — for example, Cabinet Pulls with Locking Doorknobs. Selecting multiple instances of the same field is covered next.

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**FIGURE 1.13**

As usual in detail reports, each record represents a specific transaction. (For space reasons, I have removed some of the columns that appear by default in an Inventory Valuation Detail report.)

Date	Qty	Cost	On Hand	Avg Cost	Asset Value
<b>Inventory</b>					
<b>Cabinets</b>					
<b>Cabinet Pulls</b>					
12/05/2011	50	87.50	464	2.57	1,192.28
12/14/2011	0		464	2.57	1,192.28
12/14/2011	0		464	2.57	1,192.28
12/14/2011	-26		438	2.57	1,125.47
12/15/2011	-400		38	2.57	97.64
12/15/2011	-10		28	2.57	71.94
12/15/2011	-1		27	2.57	69.37
12/15/2011	-2		25	2.57	64.23
12/15/2011	-3		22	2.57	56.52
12/15/2011	-4		18	2.57	46.24
12/15/2011	-5		13	2.57	33.39
12/15/2011	-6		7	2.57	17.97
<b>Total Cabinet Pulls</b>			<b>7</b>		<b>17.97</b>
<b>Light Pine</b>					
12/05/2011	2	3,000.00	6	1,500.00	9,000.00
<b>Total Light Pine</b>			<b>6</b>		<b>9,000.00</b>
<b>Total Cabinets</b>			<b>13</b>		<b>9,017.97</b>
<b>Door Frame</b>					
12/15/2011	-5		16	12.00	192.00
<b>Total Door Frame</b>			<b>16</b>		<b>192.00</b>

### Selecting multiple instances of the same field

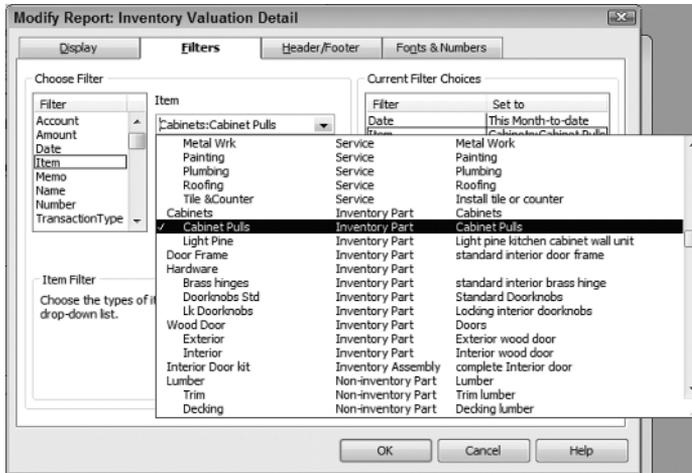
Getting a filter to return more than one instance from a field is only a little more complicated than selecting one instance only. Suppose you wanted to examine the inventory valuation for both Cabinet Pulls and Locking Doorknobs. Begin as you would if you wanted to select one instance only, taking steps 1 through 3 earlier. In step 4, select Multiple Items in the Item dropdown.

You generally find Multiple Items as the second instance shown in the dropdown. As soon as you click it, the Select Item dialog box appears as shown in Figure 1.16.

Just click any instances of the field — here, Cabinet Pulls and Locking Doorknobs — from the field — here, Item — that you want to filter on. Then OK your way back to the report, which will now appear as in Figure 1.17.

**FIGURE 1.14**

Notice the checkmark immediately to the left of a selected item.



## Part I: Exploiting Your QuickBooks Data

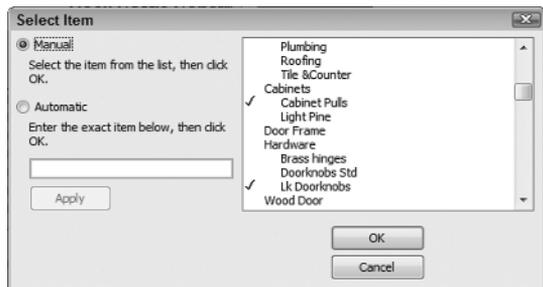
**FIGURE 1.15**

A positive number in the Qty column normally indicates a purchase to inventory; a negative number normally indicates a sale from inventory.

Date	Qty	Cost	On Hand	Avg Cost	Asset Value
<b>Inventory</b>					
<b>Cabinets</b>					
<b>Cabinet Pulls</b>					
12/05/2011	50	87.50	464	2.57	1,192.28
12/14/2011	0		464	2.57	1,192.28
12/14/2011	0		464	2.57	1,192.28
12/14/2011	-26		438	2.57	1,125.47
12/15/2011	-400		38	2.57	97.64
12/15/2011	-10		28	2.57	71.94
12/15/2011	-1		27	2.57	69.37
12/15/2011	-2		25	2.57	64.23
12/15/2011	-3		22	2.57	56.52
12/15/2011	-4		18	2.57	46.24
12/15/2011	-5		13	2.57	33.39
12/15/2011	-6		7	2.57	17.97
<b>Total Cabinet Pulls</b>			<b>7</b>		<b>17.97</b>
<b>Total Cabinets</b>			<b>7</b>		<b>17.97</b>
<b>Total Inventory</b>			<b>7</b>		<b>17.97</b>
<b>TOTAL</b>			<b>7</b>		<b>17.97</b>

**FIGURE 1.16**

The name of the dialog box is Select Item, but you can select more than one in its list box.



**FIGURE 1.17**

Only the bottom portion of the report appears here, and only the Cabinet Pulls and Locking Doorknobs items enter the report.

Date	Qty	Cost	On Hand	Avg Cost	Asset Value
12/15/2011	-1		27	2.57	69.37
12/15/2011	-2		25	2.57	64.23
12/15/2011	-3		22	2.57	56.52
12/15/2011	-4		18	2.57	46.24
12/15/2011	-5		13	2.57	33.39
12/15/2011	-6		7	2.57	17.97
Total Cabinet Pulls			7		17.97
Total Cabinets			7		17.97
<b>Hardware</b>					
Lk Doorknobs					
12/01/2011	0		120	35.28	4,233.72
12/05/2011	6	149.70	126	34.79	4,383.42
12/05/2011	-1		125	34.79	4,348.63
Total Lk Doorknobs			125		4,348.63
Total Hardware			125		4,348.63
Total Inventory			132		4,366.60
<b>TOTAL</b>			<b>132</b>		<b>4,366.60</b>

## Excel as an Adjunct to Report Analysis

Suppose you've decided, for reasons such as applying more complex filters than are available in QuickBooks, to get the data out of QuickBooks and into another program for analysis. Two excellent choices for that other program are Excel and Access. This book explains how to get the detailed information out of QuickBooks and into other programs in Chapter 2. For now, this chapter outlines some of the reasons you'd want to do so and introduces some of the ways to do it.

Excel started life as a pure spreadsheet application, something Microsoft tossed into the market in an effort to compete with existing applications such as Lotus 1-2-3 and VisiCalc. You can even see Excel's heritage in its eccentricities. For example, one of Excel's depreciation functions uses a constant to calculate depreciation. The constant is rounded to three decimals. It is an artifact of the memory and calculation constraints that applied during the 1980s, and it miscalculates accumulated depreciation by about \$2.50 on an asset costing \$12,000 over a five-year period.

## Part I: Exploiting Your QuickBooks Data

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My point is not that Excel has a quirk. All software has quirks. My point is that Excel has been proving itself in financial and business analysis ever since it was released in 1985. And Excel has a long list of tools you can use on QuickBooks data to get a better handle on what's going on with your business. Before taking a quick look at that toolbox, here's an overview of how you can pipe your report data from QuickBooks to Excel.

### Exporting reports

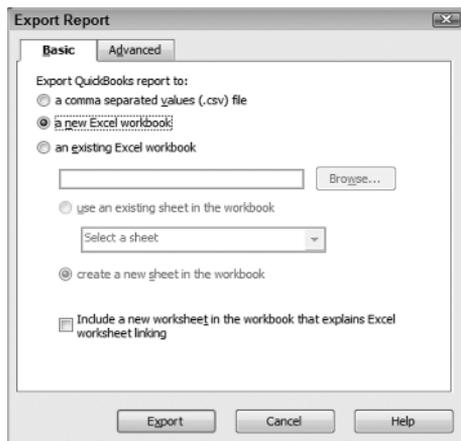
Exporting is probably the quickest way to go from QuickBooks to Excel (or, for that matter, any application that can read files from your working disk). It's also the dirtiest. When you have a QuickBooks report open — a P&L or a Sales by Item Summary — you can move its data to a new text file, to an Excel workbook that you've already saved, or to a new Excel workbook.

As you'll see in the next chapter, there are problems with Excel workbooks that are built from exported QuickBooks reports. Among the problems are cell formats that interfere with calculations, outmoded formulas that calculate subtotals and totals, and cell formulas that turn into error values when you try to copy and paste them.

Still, this approach can be very useful if you want a snapshot of what's going on in a business. For example, one measure of a company's health is the *current ratio*, a measure of a company's ability to pay its debts (see Chapter 6 for an explanation of the current and other ratios). The current ratio is simply the ratio of the company's current assets to its current liabilities. A current ratio that's too low suggests that the company might default on existing liabilities — the company's resources are illiquid — whereas too high a ratio might mean the company's resources aren't invested in ways that contribute effectively to its profitability — the resources are *too* liquid.

**FIGURE 1.18**

You can save the report to a new CSV file or in an Excel workbook.



And, because QuickBooks has no built-in report that returns the current ratio, the surest way to get it is to open the Standard Balance Sheet report, export it to Excel, and then put a formula in a worksheet cell that divides the current assets by the current liabilities.

Figure 1.18 shows the QuickBooks dialog box that appears when you click a report's Export button.

Notice that the first option you have is to save the report as a comma-separated values (CSV) file. A CSV file contains nothing but simple text and numbers, and you can open it using Excel, Access, Oracle, Crystal Reports (using the proper connection type), even the lowly Notepad. It's a good way to save a report because it's not cluttered with a lot of formats and formulas you probably don't need. It's a bad way to save a report because you may have a fair amount of work to do after you've opened it.

If you want to save time and effort, and if you're happy to pipe the report data to Excel, just select the A New Excel Workbook option and click OK. Excel will start if it is not already running, and a new workbook will be created that contains your report data in a worksheet. All this is covered in detail in the next chapter.

### Manipulating QuickBooks report data in Excel

Once you have the report data exported to Excel, there is a variety of analytic techniques you can apply to the data. For example, if you've exported a Balance Sheet Summary report, you can use Excel to quickly divide current assets by current liabilities and return the current ratio. If you've exported a Profit & Loss Standard report, you can get the operating expense ratio from the total operating expenses and net sales.

**FIGURE 1.19**

Use the Custom Transaction Detail report to avoid interspersed subtotal lines.

1	A	B	C	D	E	F
	Type	Date	Name	Account	Debit	Credit
2	Check	12/01/2011	Abercrombie, Kristy:Remode	10100 - Checking		711.15
3	Check	12/01/2011	Abercrombie, Kristy:Remode	11000 - Accounts Receivable	711.15	
4	Credit Memo	12/01/2011	Abercrombie, Kristy:Remode	11000 - Accounts Receivable		711.15
5	Credit Memo	12/01/2011	Abercrombie, Kristy:Remode	40140 - Materials Income	860.00	
6	Credit Memo	12/01/2011	State Board of Equalization	25500 - Sales Tax Payable	51.15	
7	Bill	12/01/2011	Fay, Maureen Lynn, CPA	20000 - Accounts Payable		250.00
8	Bill	12/01/2011	Overhead	63610 - Accounting	250.00	
9	Bill Pmt -Check	12/01/2011	Larson Flooring	10100 - Checking		2,700.00
10	Bill Pmt -Check	12/01/2011	Larson Flooring	20000 - Accounts Payable	2,700.00	
11	Check	12/01/2011	Gregg O. Schneider	10100 - Checking		62.00
12	Check	12/01/2011	Gregg O. Schneider	12800 - Employee Advances	62.00	
13	Invoice	12/01/2011	Roche, Diarmuid:Garage rep	11000 - Accounts Receivable	440.00	
14	Invoice	12/01/2011	Roche, Diarmuid:Garage rep	40130 - Labor Income		440.00
15	Invoice	12/01/2011	State Board of Equalization	25500 - Sales Tax Payable	0.00	
16	Bill	12/01/2011	Timberloft Lumber	20000 - Accounts Payable		80.50
17	Bill	12/01/2011	Robson, Darci:Robson Clinic	54300 - Job Materials	45.50	
18	Bill	12/01/2011	Robson, Darci:Robson Clinic	54300 - Job Materials	35.00	
19	Invoice	12/01/2011	Robson, Darci:Robson Clinic	11000 - Accounts Receivable	445.00	
20	Invoice	12/01/2011	Robson, Darci:Robson Clinic	40130 - Labor Income		280.00
21	Invoice	12/01/2011	Robson, Darci:Robson Clinic	40130 - Labor Income		165.00

## Part I: Exploiting Your QuickBooks Data

**FIGURE 1.20**

Filtering by means of more than one dropdown is equivalent to connecting two conditionals with a logical AND operator.

1	A	B	C	D	E	F
	Type	Date	Name	Account	Deb	Cred
2	(A)	12/01/2011	Abercrombie, Kristy:Remode	10100 - Checking		711.15
3	(Top 10...) (Custom...)	12/01/2011	Abercrombie, Kristy:Remode	11000 - Accounts Receivable	711.15	
4	Bill	12/01/2011	Abercrombie, Kristy:Remode	11000 - Accounts Receivable		711.15
5	Bill Pmt - Check	12/01/2011	Abercrombie, Kristy:Remode	40140 - Materials Income	660.00	
6	Build Assembly	12/01/2011	State Board of Equalization	25500 - Sales Tax Payable	51.15	
7	Check	12/01/2011	Fay, Maureen Lynn, CPA	20000 - Accounts Payable		250.00
8	Credit	12/01/2011	Overhead	63610 - Accounting	250.00	
9	Credit Card Char	12/01/2011	Larson Flooring	10100 - Checking		2,700.00
10	Credit Memo	12/01/2011	Larson Flooring	20000 - Accounts Payable	2,700.00	
11	Deposit	12/01/2011	Gregg O. Schneider	10100 - Checking		62.00
12	General Journal	12/01/2011	Gregg O. Schneider	12800 - Employee Advances	62.00	
13	Inventories Adjust	12/01/2011	Roche, Diarmuid:Garage rep	11000 - Accounts Receivable	440.00	
14	Invoice	12/01/2011	Roche, Diarmuid:Garage rep	40130 - Labor Income		440.00
15	Item Receipt	12/01/2011	State Board of Equalization	25500 - Sales Tax Payable	0.00	
16	Liability Check	12/01/2011	Timberloft Lumber	20000 - Accounts Payable		80.50
17	Paycheck	12/01/2011	Robson, Darci:Robson Clinic	54300 - Job Materials	45.50	
18	Payment	12/01/2011	Robson, Darci:Robson Clinic	54300 - Job Materials	35.00	
19	Sales Receipt	12/01/2011	Robson, Darci:Robson Clinic	11000 - Accounts Receivable	445.00	
20	Sales Tax Paymen	12/01/2011	Robson, Darci:Robson Clinic	40130 - Labor Income		280.00
21	Bill	12/01/2011	Robson, Darci:Robson Clinic	40130 - Labor Income		165.00

If your purpose is to examine individual transactions, or to analyze a subset of transactions, you're well placed if you use a Custom Transaction Detail report and export it to Excel. Figure 1.19 shows that report in an Excel worksheet.

It takes only a couple of commands to get the report data in this layout in Excel — you'll want to delete one nearly blank column and one completely blank row. Now a quick and highly interactive way to manipulate what's displayed is to use Excel's AutoFilter. Select any cell in the populated range and choose Data Filter AutoFilter. Doing so places a dropdown arrow at the top of each column. You can use them singly or in combination to display any subset of records you want. Figure 1.20 shows the data in Figure 1.19 with AutoFilter enabled.

Furthermore, you can select items that do *not* equal one or more values that you specify — just select Custom from the dropdown and choose Does Not Equal as the operator.

AutoFilter is an option that can be enabled from the Advanced tab options of the Export Report dialog box. I recommend that you *not* enable AutoFilter from there; instead, wait until the report is in Excel to enable the AutoFilter.

There are two reasons for my recommendation:

- The remaining chapters in this book build on this brief introduction to the use of QuickBooks reports for business and financial analysis. Often, you will want to export a report before starting your analysis activities, but this is not always the case — there are times that the QuickBooks report can provide what you're looking for with just a little tweaking of its display.

There is potentially a rich source of information buried in the tables that make up your company file. Reports are often the best way to get at that information, and the next chapter details

some powerful and flexible methods for adjusting the reports so that they better meet your needs.