



QUICKBOOKS® NEWSLETTER

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EQUIPMENT PURCHASES, LOANS & LOAN PAYMENTS

As tax preparers, we often have to search our clients' QuickBooks® files for equipment purchases and loan payments which may be hidden in expense accounts. Here are some tips for showing the purchase of equipment or other fixed assets, setting up & paying off loans, and having it all show up correctly in your QuickBooks® file:

1. ACCOUNT LIST – you will need these set up:

- Fixed Asset account – Depreciable Equipment (or name(s) of your choosing – Furniture & Fixtures, Vehicles, Buildings & Improvements, etc.)
- Liability account – long term or current, depending on the length of the loan – for example, Loan Payable to ABC Bank
- Expense account – Interest Expense

2. PURCHASE OF EQUIPMENT

- When you write a check or use a credit card to purchase a piece of equipment, use the depreciable equipment asset account, rather than an expense account. For example, if you buy a truck, do not enter the transaction as "Auto Expense".
- If you took out a loan to pay for the equipment, the money was deposited in the bank account, & you then wrote a check:
 - ✓ Enter the deposit to the bank – the "from account" should be the loan liability account.
 - ✓ Write the check to the vendor for the total amount of the purchase – the account will be the depreciable equipment account.
- If you wrote a check for the down payment, and a loan is covering the balance of the purchase:
 - ✓ Write a check for the amount of the down payment.
 - ✓ In the "splits" area, enter the depreciable equipment account & the total purchase price as the amount-include a description of the item in the memo.
 - ✓ Also in the splits area of the check, enter the loan account and a negative amount for the difference between the down payment and the total price.

3. LOAN PAYMENTS

- When you enter a loan payment, you will need to use the loan account – not an expense account – each time you make a payment.
- DO NOT "enter a bill" for the loan payment.
- If you know how much of the payment is interest and how much is principal, "split" the payment between the loan account and the "interest expense" account accordingly. (The Loan Manager in QuickBooks® is a great tool to use for loan payments.)

Hope this is helpful!