

## Think estimates don't apply to you? Think again



Most people associate estimates with businesses that use job costing, such as the construction industry — so they may think estimates don't apply to their line of work. But estimates can have a wider use than you might first imagine, and we'll show you how they can benefit your company.

To take full advantage of estimates regardless of industry, we'll:

- Set up QuickBooks to use estimates in our company file.
- Create an estimate from scratch and learn how to transform it into an invoice.
- Obtain estimate information from key QuickBooks reports.
- Copy existing estimates to save data entry time.

Just because you aren't in construction doesn't mean that estimates are irrelevant to your QuickBooks company file. You can use estimates as work orders in businesses where you need to keep a list of promised items or services prior to actually invoicing the customer. Once you've completed the work for your customer, you can use the estimate to create an invoice for the customer.

### How do estimates work?

Estimates do not update your QuickBooks data. You can think of them as placeholder documents that contain information you will need in the future when you're ready to invoice a customer. The invoice is the form that actually updates your QuickBooks data.

**Version difference:** You can create estimates in QuickBooks Pro, QuickBooks Premier and QuickBooks Enterprise. Also, if you use QuickBooks Premier or QuickBooks Enterprise, you can use sales orders instead of estimates to create work orders.

### Prepare to use estimates

You need to be sure that your QuickBooks application is set up to allow you to create estimates before you can begin using them.

#### To enable estimates in your company file:

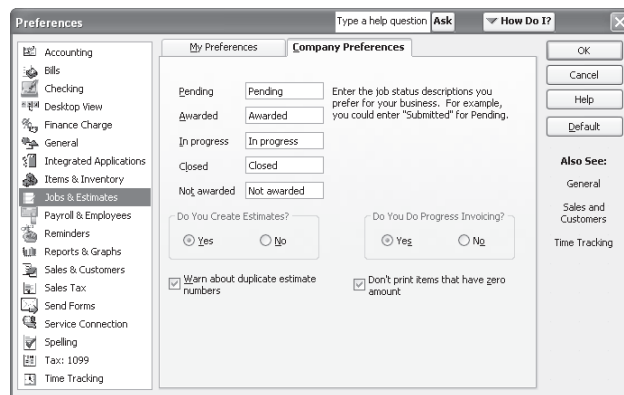
1. Launch QuickBooks and open your company file, or open the Sample Consulting Business sample file to follow along with us.

2. Choose Edit | Preferences from the menu bar to display the Preferences window.

3. Click the Jobs & Estimates icon on the left side of the window and then select the Company Preferences tab.

4. Select the Yes option button in both the Do You Create Estimates? panel and the Do You Do Progress Invoicing? panel, as shown in

Figure 1.



1: You must enable estimates in your QuickBooks company before you can create them.

## CANNON WRIGHT BLOUNT

Cannon Wright Blount is a 30-person accounting, tax and consulting firm specializing in accounting software applications for small to middle-market companies. Our clients cross a broad spectrum of industries including manufacturing, distribution, construction, sales, professional services, tax-exempt organizations and service companies. Products supported include QuickBooks, ACCPAC, MAS 90, 200, 500, ABRA HR Solutions and FAS Asset Management.

5. Click OK to apply the new preference.

When you set up this preference, note that you can change the job status descriptions from the defaults QuickBooks assigns. You can also choose to use unique estimate numbers and not to print \$0 amounts.

## Build an estimate from scratch

An estimate is an educated guess of the potential sale of goods or services. You can print and present an estimate to your customer. If the customer accepts the estimate, you can convert it into an invoice.

You can produce both regular invoices and progress invoices from estimates. Progress invoicing enables you to bill for part of an estimate rather than the entire estimate. When the job will take quite awhile to complete and you need to collect money as you finish portions of the job, you can “bill as you go,” charging either a percentage of the entire estimate or percentages of each line item.

### To create an estimate:

1. Click on the Estimates icon on your Home page or choose Customers | Create Estimates from the menu bar to display the Create Estimates window.

| Item                  | Description           | Qty | Cost   | Amount   | Markup | Class         | Total    |
|-----------------------|-----------------------|-----|--------|----------|--------|---------------|----------|
| Management Consulting | Management Consulting | 5   | 60.00  | 300.00   |        | Deborah Wood  | 300.00   |
| Books for Resale      | Books                 | 3   | 23.25  | 69.75    | 100.0% | Books         | 139.50   |
| Speaking Fee          | Speaking Fee          | 1   | 800.00 | 800.00   |        | Natale Cha... | 800.00   |
|                       |                       |     | Total  | 1,169.75 | 69.75  |               | 1,239.50 |

- 2: Our estimate is an educated guess at what we'll need to bill the customer for once the goods and services are delivered.

2. Select a customer and/or job from the Customer:Job dropdown list.
3. Enter the goods and/or services you plan to supply in the bottom portion of the window, as shown in **Figure 2**.
4. Click the Save & Close button to create the estimate.

**Make a hard copy:** If you want to print a copy of the estimate for your customer, click the Print button in the Create Estimates window before you click the Save & Close button.

## Create an invoice from your estimate

You can create an invoice for all of an estimate or, if you set preferences to use progress invoicing, you can create an invoice for part of an estimate. Remember, an estimate has no effect on your accounting information. If you convert an estimate into an invoice, you're actually creating a bill to send to your customer asking for payment. The invoice does affect your accounting data by reducing your inventory, increasing cost of goods sold, increasing accounts receivable and increasing your sales.

### To turn your estimate into an invoice:

1. Click on the Estimates icon on your Home page to display the Create Estimates window again.

2. Press [Ctrl]F to open the Find Estimates dialog box.
3. Choose the customer and/or job from the Customer:Job dropdown list.
4. Enter any other information you might know about the estimate, such as a date range, the estimate number or the amount in the corresponding text boxes.
5. Click the Find button to view the estimates that meet your criteria and then double-click on the estimate you want to view to open it in the Create Estimates window
6. Click the Create Invoice button on the toolbar. The button's icon resembles an invoice form.
7. In the Create Progress Invoice Based On Estimate dialog box, as shown in **Figure 3**, select the appropriate option to invoice your customer for the entire estimate, a percentage of the entire estimate or for specific lines of the estimate.

**Important:** If you aren't using progress invoicing, QuickBooks copies the entire estimate into the Create Invoices window instead of giving you options through the Create Progress Invoice Based On Estimate dialog box.

8. Click OK to create the invoice.

- 3: You can convert a percentage of the estimate into an invoice or only certain line items if you don't want to bill the customer for the full estimate.

### Three options for progress invoicing

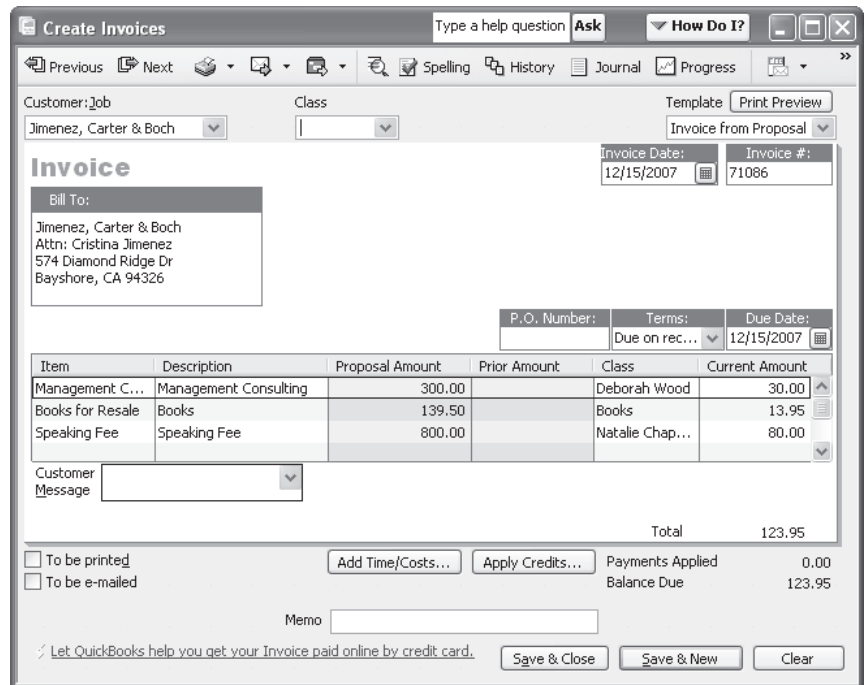
The resulting invoice is different depending on which of the three option buttons you chose in the Create Progress Invoice Based On Estimate dialog box. Here is what you can expect from each option:

- If you chose to create an invoice for the entire estimate, QuickBooks copies the entire estimate into the Create Invoices window.
- If you chose to create an invoice for a percentage of the entire estimate, QuickBooks creates an invoice that contains all lines of the estimate and the appropriate dollar amount for each line, based on the percentage you specified. For instance, if you chose to bill for 10 percent of the estimate, QuickBooks lists all lines on the estimate and the dollar amount for 10 percent of each line item, as shown in **Figure 4**.
- If you chose to invoice for specific lines of the estimate, QuickBooks displays the Specify Invoice Amounts For Items On Estimate dialog box, as shown in **Figure 5**. You can specify which line items you want to invoice and how much of them you want to invoice. For example, you can specify a percentage of any line item. The total displays at the bottom of the dialog box. Once you fill in the appropriate information and click OK, QuickBooks displays the Create Invoices window with the correct information.

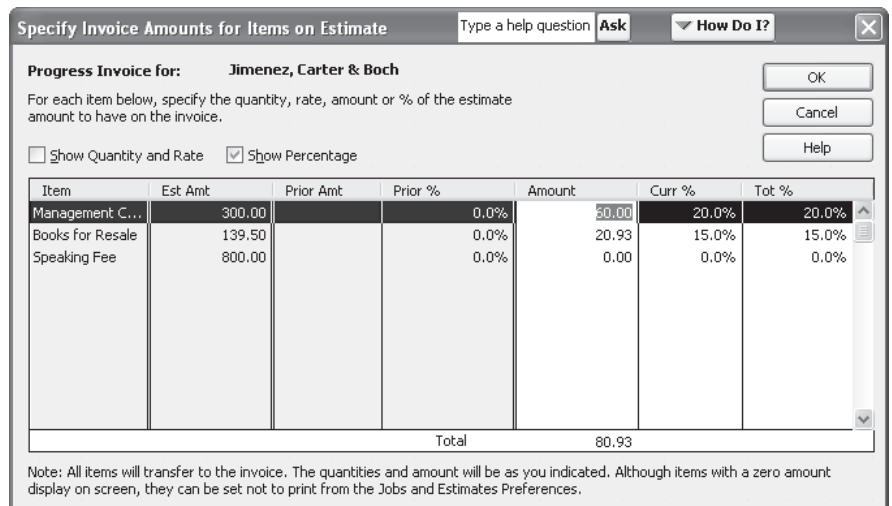
**Expert tip:** If you're specifying your invoice's line items, whether or not the line items you want to exclude (that is, the line items you set at 0 percent) print on the invoice depends on the settings you defined in the Preferences window. If you selected the Don't Print Items That Have Zero Amount check box, you won't see those items on the invoice. However, you will see the items onscreen.

### Report on your estimates' status

QuickBooks contains several reports that help you with estimate information. You'll find all these reports if in the



4: This invoice only bills the customer for 10 percent of the original estimate.



5: You can specify which percentage you want to bill for each line item — or 0 percent if you want to exclude an item.

Jobs, Time, & Mileage section of the Report Center.

One of the most useful reports available is the Estimates By Job report, which lists all of the estimates for each customer job and subtotals the estimates by customer, as shown in **Figure 6**.

In addition, QuickBooks contains these reports to help you compare estimates with the actual amounts you end up billing customers:

- Job Estimates vs. Actuals Summary
- Job Estimates vs. Actuals Detail
- Item Estimates vs. Actuals
- Job Progress Invoices vs. Estimates

### Track changes you make to your estimates

Some editions of QuickBooks support change order tracking, which means you have the option to save modifications to estimates as change orders. Change orders simply identify what changed on the original estimate. If you need this feature, consider moving to one of these editions:

- QuickBooks Premier: Contractor edition 2003 and later
- QuickBooks Premier: Accountant edition 2003 and later
- QuickBooks Enterprise 2.0 and later

Each report compares estimated to actual information from different points of view, so you should choose a report that best fits your situation.

### Reduce data entry time by copying estimates

If you perform essentially the same work for different customers and jobs, you don't need to keep creating the same estimate. Instead, you can copy an existing estimate.

### To duplicate an estimate:

1. Display the estimate you want to copy in the Create Estimates window.
2. Choose Edit | Duplicate Estimate from the menu bar. QuickBooks changes only the number in the Estimate # field.
3. Make any other changes you'd like to make. For instance, choose a new item from the Customer:Job dropdown list, if necessary.
4. Click Save & Close when you're ready to save the new estimate.

| Type                              | Date       | Item   | Memo | Estimate Active | Amount           |
|-----------------------------------|------------|--------|------|-----------------|------------------|
| <b>Jimenez, Carter &amp; Boch</b> |            |        |      |                 |                  |
| Estimate                          | 12/15/2007 | 71003  |      | ✓               | 1,239.50         |
| Total Jimenez, Carter & Boch      |            |        |      |                 | 1,239.50         |
| <b>Wiessinger Optometry</b>       |            |        |      |                 |                  |
| <b>Project #02</b>                |            |        |      |                 |                  |
| Estimate                          | 02/01/2007 | 071001 |      | ✓               | 16,750.00        |
| Total Project #02                 |            |        |      |                 | 16,750.00        |
| Total Wiessinger Optometry        |            |        |      |                 | 16,750.00        |
| <b>Bowden Imaging Systems</b>     |            |        |      |                 |                  |
| <b>Project #03</b>                |            |        |      |                 |                  |
| Estimate                          | 02/01/2007 | 71002  |      | ✓               | 15,000.00        |
| Total Project #03                 |            |        |      |                 | 15,000.00        |
| Total Bowden Imaging Systems      |            |        |      |                 | 15,000.00        |
| <b>TOTAL</b>                      |            |        |      |                 | <b>32,989.50</b> |

6: Use this report to view a list of estimates for each customer job.

From  
The  
Offices  
Of:

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