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A LESSON PLAN FOR TEACHING ACCOUNTING
FOR THE HOME USING QUICKEN 8.0

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FOR THE HOME USING QUICKEN 8.0

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A Lesson Plan For

Teaching Accounting For The Home

Using Quicken 8.0

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A Lesson Plan for Teaching
Accounting for The Home
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This exercise is designed for the beginning Quicken user. It assumes the user knows how to run a computer, and to start Quicken. The time it takes to complete the entire exercise will depend on; a) how familiar the participants are with computers, b) their ability to type, and c) previous exposure to Quicken or similar software. If there is insufficient time in the workshop to complete all the tasks, most participants should be able to complete it at home. This exercise takes the beginning Quicken user through the process of:

1. Creating & naming a new file for keeping financial records for the home
2. Setting up the accounts and categories for proper allocation of income and expenses
3. Recording financial transactions
4. Memorizing transactions
5. Allocating check amounts between two or more expense categories
6. Creating and memorizing reports
7. Bank reconciliation
8. Calculating loan payments and amortization schedules

Start Quicken in the usual manner, whether in DOS or Windows. Keystrokes for actions for DOS versions will be given followed sometimes by the Windows procedure in brackets. Most Windows users can figure out what to do.

Before getting started, you may need to configure the Menu system for Quicken allow the use of Function Keys, as used in this lesson plan. Here's how:

a) If you are looking at Quicken's Main Menu, and the menu items are numbered from 1-8, Quicken is already configured for this lesson. If you are in the *check Register* or somewhere else in Quicken, and can see **F1 Help, F2 Print/Account, F3 Edit**, etc., the configuration is already set. If not, proceed to the next step.

b) If not at the Main Menu, press *Esc* until you are. Select "Set Preferences" then "Screen Settings", then "Menu Access." Enter a "1" and press *Enter*, then press *Esc* twice to return to the Main Menu.

c) Press "E" to Exit Quicken, then start it again. Usually, all you do is type "Q" and press *Enter*. Now you are ready to proceed with the following exercises.

1. From the Opening menu in the DOS version, **Create** a new file by selecting *File Activities | Select/Setup File | Setup New File*. (Windows Version: select *File | New*)

   a. Name the file **"homexa"**, then select it from the list and press **Enter**

   b. Indicate that you **do not** want to use any pre-defined set of accounts. You are

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going to create your own chart of accounts. Quicken refers to these as *Transfer Accounts*.

c.   Set up the following accounts, starting with a checking account called **"ZionsChkg"** with an opening balance of $10,000 as of 1/1/95. Save the information by pressing **F10** (**File|Save.**).

The set up each of the other accounts with balances and dates as shown:

Name	Type	Balance	Date
Checking	Bank	10,000	1/1/95
Visa Credit Card[1]	Credit Card	00.0	1/1/95
HomeValue	Asset Account	80,000	1/1/95
CarLoan	Liability	7,250	1/1/95

d.   Select the **Checking** account and press *Enter*. You should see the opening balance of $10,000 in the check register.

2.   Set up Income and Expense **Categories**

a.   From any register, press **Ctrl-C**, then select *New Category*. When the *Set Up Category* screen appears, type the name of the first category on the list below, (Wages) then press **Tab** and indicate that it is an Income Category by typing an **"i"**. Save by pressing **F10**. Then select *New Category* again and enter the others. When finished, press *Esc* to return to the *Check Register*.

Name	Type	Description
Salary	Income	
IntEarned	Income	Interest Earned
Dividend	Income	
Groceries	Expense	
Clothing	Expense	

Now you have completed setting up enough accounts and categories to get started, and are ready to enter some transactions. The numbers in brackets at the end of the transaction description represents the *Check Number* which you will put in the *Ref* column.

3.   Record check of $45.10 to Macey's for groceries (101)

Make sure you are in the *Checking Account*. If not, Press *Ctrl-A* and select it. On Jan 1/95. you wrote check #101 for $45.10 to Macey's. In the Category field (opposite *Cat:*), start to type **"groceries."** Notice that all you have to type is the letter **'g'** and the

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[1] Do not specify a credit limit. Just ignore by pressing Enter.

letters **"roceries"** appear as white or lighter letters. Press *Ctrl-M* to memorize this transaction. Next, press **F10** to Save the transaction.

4. Press *Ctrl-T* to bring up the *Transactions List*. Highlight the **Macey's** transaction and press *Ctrl-E* to edit it. Tab to the *Payment* column and press *Ctrl-Backspace* to erase the amount. Press **F10** to Save it. Do you know why you erased the amount?

5. Press the *Home* key, or move the cursor to *New Transaction*. Press *Enter* and type **"Fred Meyer"** in the *Payee* field. Press the *Down Arrow* once, then press *Enter* once to move to the *Category* field. Type **"Clothing."** and press *Enter*. Memorize the transaction as a "1" *(Payment)*. Press *Esc*.

6 Buy a dress at Fred Meyer (102)

   On Jan 4/95 you bought a dress and a pair of shoes at Fred Meyer. Record check # 102 for $74.45. When cursor is in the *Ref* field, press the "+" key to increment the check number. The *Category* is **Clothing**. Save it.

7. You decide you want to keep track of how much is spent on each of the family for clothing. You will need to create *Classes* to do this.

   a) Use the *Up Arrow* to move to the last transaction. Press *Ctrl-S* to create a *Split*.

   b) Press *Ctrl-L* to create *Classes*. Press *Enter* and type **"Mom."** Press **F10**. Create another *Class* for **Linda** and Save.

   c) Move the cursor to **"Linda"** and press *Enter*. You should see **"Clothing\Linda"** in the Category field. Tab to the *Memo* field and type **"dress."**

   d) Tab to the *Amount* field and press *Ctrl-O* to bring up the calculator. The value **"74.45"** should appear in the calculator. Press the minus key and enter **"10.55"** then press *Enter*. Press **F9** to paste **"63.90"** into the *Amount* column.

   e) Press *Enter* and touch the apostrophe key (next to colon key). That is the ditto key. Press *Ctrl-M* then the letter **'M'** and press *Enter*. You should see **"Clothing\Mom."** Type **"shoes"** in the *Memo* field. The *Amount* field should show $10.55. Press **F10** twice to save.

8. Record payment of $63.40 to Utah Power and Light (103)

   Use the "+" key in advance the *Date* to 1/10. Tab to *the Ref* column and use the "+" key to increment the check number to "103." Type **"UP&L"** and press the *Down Arrow* once then press *Enter*. Type **"Electricity"** and press *Enter*. A screen pops up telling you that the *Category* "Electricity" is not found. Move the Cursor to line 1 and add it to the list by pressing *Enter*. Make sure there is an "E" for *Expense* where the cursor is and press **F10** to Save. You should now be back in the *Check Register*. Before enter the amount, press *Ctrl-M* and Memorize the transaction as a *Payment*. Press the *Up Arrow* twice, then Tab to the *Payment* column and enter the amount. Save it.

Call up the *Transactions List* and confirm that you did Memorize the transaction.

9. Now that you have a feel for *Categories* and *Transactions*, enter a few more *Categories*. How do you call up the *Category List*? Try **Ctrl-C**. Enter the following:

Name	Type	Description
Dining	Expense	
SchoolLunch	Expense	
HouseHold	Expense	
Charity	Expense	
HomeImpr	Expense	Home Improvement
Water	Expense	
Gas	Expense	Home heating
AutoFuel	Expense	
AutoRepairs	Expense	
AutoMaint	Expense	Oil/Lube
Education	Expense	Tuition, books, etc.
Food	Expense	
Utilities	Expense	
Phone	Expense	
IntExpense	Expense	Interest expense

Press *Esc* to return to the *Check Register*

10. Next, Memorize the following transactions by calling up the *Transactions List* and select *New Transaction* and enter all the information and Save. Be sure Salary is entered in the *Deposit* column.

Payee	Amount	Category
USU Salary	1456.45	Salary (use Deposit column)
Valley High	9.50	SchoolLunch
Mtn Fuel		Gas
US West		Phone
Texaco		AutoFuel
City Water	18.00	Water
Car Shop		AutoRepairs
GMAC	165.55	[CarLoan] and IntExpense

This last transaction is to be created as a *Split*. Here's how. Before saving, Press **Ctrl-S**. In the *Category* field type "carloan" and press **Enter**. Notice the square brackets. This means it is a *Transfer Account* an not a *Category*. In the *Amount* column, enter $161 and press **Enter**. There should be a balance of $45.55 on the last line. In the *Category* field, type "IntExpense." Press **F10** twice to Memorize it, then press *Esc* to return to the *Check Register*.

In the real world, the principal and interest portion of a loan payment would vary each month. Quicken has a feature that allows you to amortize a loan while setting up the

transaction. The process tends to be somewhat confusing, and will be introduced near the end of this lesson plan.

9.   Make car payment to GMAC on 1/15/95 (104)

If the *Memorized Transaction* was entered and saved properly, you see all the correct entries in all fields after typing only the letter "G" (you don't even need to capitalize it). If you see it in white or a lighter color, just press **F10** to Save. After saving it, move back up to the transaction and press **Ctrl-X**. In the lower left corner of your screen you should see "CarLoan." This is the *Account* where you keep the principal portion of the car payment was recorded. Can you see that $161 was subtracted from the previous balance?

There are two ways to return to the *Check Register*. One is to press *Ctrl-X*, providing the transaction is highlighted. The other way is to press *Ctrl-A* to bring up the list of *Accounts*, then select the *Checking* account and press *Enter*.

10.   Pay the following bills: (The amounts for School Lunch and City Water left blank because the transactions are memorized with amounts)

	Amount	Date	Check#
Valley High for School Lunch		Feb 3	105
Mtn Fuel,	$74.32	Feb 3	106
City Water		Feb 3	107
US West	$32.25	Feb 7	108
UP&L	$42.60	Feb 10	109

11.   Next, you will learn how to merge *Categories*. You decide you want gas, water and electricity as sub-categories under *Utilities*. Press *Ctrl-C* to call up the *Category List*. Press the letter "g" until you land on "gas." Instructions at the bottom of the screen indicate you can move this by pressing **F8**. The cursor moves to the top of the list and displays "**: Gas**." Use the *Down Arrow* to move the cursor bar directly over "Utilities" where "Utilities: Gas" will be displayed, then press *Enter*. The *Category* "Gas" should now be an indented *sub-category* under Utilities.

Move the electricity and water *Categories* in the same manner. Remember, you must move the cursor so "Utilities" is highlighted each time after first Pressing **F8**.

Try Creating a *Category* called "Food" then move SchoolLunch, Groceries, and Dining under it as *Sub-categories*.

12.   Press *Esc* to return to the *Check Register*. Look at the transactions for utility bills. What is recorded in the *Category* field? It should show "Utilities:Gas", "Utilities:Water", etc. Nothing has been lost.

13.   At this point, ask for some *Reports* by pressing **F5**, then selecting **Other Reports | Transactions**. Press *Enter* and a pop-list of date options appears. Select *Year-*

to-date and press *Enter*, then press **F10**. Browse through the report. If you find the car payment to GMAC, highlight it and press **Ctrl-Z**. This will Zoom in on the transaction. Press **Ctrl-Z** again to return to the report.

Press *Esc* once, or until you see the screen that says "Transaction Report." You will now learn how to customize a report. You have 12 different options for Sub-totalling the report. Enter a '9' to sub-total by *Categories* and press **F10**. Browse through the report. Press *Esc* once, and enter an '10' to sub-total by *Classes*. Press **F10** to call up the report. Can you see the amount spent for Mom and Linda for clothes? Press *Esc* once.

Notice the tips at the bottom of the screen. Press **F9** to set *Filters*. In the *Payee* column, enter "UP&L." Now press **F10** to see the report. If you spelled it exactly like you entered it earlier, you should see the two payments to UP&L. Press *Esc* until you are in the *Check Register*.

14. You forgot to record the automatic deposit of your salary check on January 1 and February 1. With the cursor in the *Date* field, press the letter "y" to change the date to 1/1/95. Tab to the *Payee* field (you can type **'dep'** in the *Ref* column if you want) and type "USU" and you should see "USU Salary." If you do, press **F10** to Save it.

    Where did the transaction go? Since transactions are sorted by date, it was placed before the February transactions. Type **Ctrl-G** and enter "1/1/95" and press *Enter*.

    Press the *End* key twice to put you at the bottom of the *Check Register* and record the deposit of your next Salary check on 2/1/95.

15. Press **F5** and select *Business Reports|Balance Sheet*. Browse through the report.

16. Learn how to calculate the periodic payment on a loan. Press **F6**, then **7** then press *Enter*. **Do not** use the arrow keys to move from field to field. Use either the *Enter* key or the *Tab* key. Enter the following:

Principal	30,000
Annual Interest Rate	7.5
Total Years	20
Periods per year	12

    The periodic payment should be $241.68. Press **F9** to see the amortization schedule.

17. Next, you will learn the basics of reconciling your check book. Your bank statement shows the following:

Beginning balance on 1/1/95	10,000.00
Ending Balance on 1/31/95	11,139.61
Deposits:	1,456.45
Interest Earned:	31.66

Checks cleared:

101	45.10
102	74.45
103	63.40
104	165.55

Press **F6** (Activity), then **2**. You should see a beginning balance of $10,000 on 1/1/95. Enter the Ending Balance from your bank statement. *Tab* to the *Statement Ending Date* field and change the date to 1/31/95. *Tab* to the field *Interest Earned* and enter 31.66 and press *Enter*. Type "IntEarned" as the *Category*, then press **F10**. A list of deposits and checks appears on the screen. Press either the *Space Bar* or *Enter* for every transaction that has cleared the bank (appears on the bank statement). It the an amount is incorrect, press **F9** to jump to the *Check Register* where you can correct the amount. Be sure to Save it with **F10**. Press **F10** to jump back to the *Reconciliation* screen. If the *Difference* shows "0.00" your checkbook is reconciled with your bank statement. Press *Ctrl-F10* to finish. Do not print out a report.

18.   Creating Budgets. Press **F6** then select **"3. Set Up Budgets."** A screen with Income and Expense *Categories* appears, but all values are zeros. The function keys, displayed at the top of the screen, now perform different functions.

a)   Press **F3 Edit**. Notice the different options. Choose *1. AutoCreate All*. A pop-up screen entitled, "Automatically Create Budgets" appears. Notice the different options. Leave the dates as they are.

b)   Press *Tab* three times and type a **"2"** indicting that you want to round to the nearest $1. Press *Tab* once. The default is to use acaudal totals for the period, in this case a month. If you have several months, or even a full year's worth of checks and income deposits entered, you could choose the *Average* method. When you do, every month has the same value. You can then edit any month you want. Press **F10** to create the budget.

c)   Press **F4 Layout** and notice the options. Although you have already Quicken to round to the nearest dollar, you must select **4. Hide Cents** to actually change the display. Try it, then press *Esc*.

d)   Press **F3 Edit**. Use the *Enter* key to move to the right from column to column. Use the *Arrow Keys* to move other directions.

e)   Press **F2 File** to see how to Print, Save or Load budgets.

19.   Set up a Loan Account and Memorize the transaction with Split for Principal and Interest.

a)   Press *Ctrl-A* and select *Setup New Account*. Select **"5"** for a *Liability* account

named "*HomeMortgage.*" Set date as 1/1/95 and balance as **56,000**.[2] Press *Enter* to Save. Press *Enter* again to select the account.

b)   Press *Enter* again to select the *HomeMortgage Account*.

c)   Press **F6** (Activity) and **Setup Loan (4)**. A *Loan Amortization Setup* screen will appear with values already appearing in most fields. Enter the information for each field, as shown below, by typing over the values already there. Press *Tab* or *Enter* to move to the next field. **Do Not** use the *Arrow Keys*.

Regular Payment[3]   : **540**   Periods per year   :   12
Annual Interest Rate   : **8.3**   Total Years   :   **20**
Loan Amount: (Leave as is. It should calculate to be 63,142.63)
Current Balance: **56,000**

Payee   : **Zion's Home Mortgage**
Principal Account   : **[HomeMortgage]**
Interest Category   : **IntHome**

The *Category* "**IntHome**" is new, so you'll have to Add it to the list at the appropriate time. Accept the "**E**" because it's and expense, and In the *Description* field, type: **Mortgage interest**. Enter "**Y**" in the *Tax-related* field.[4] Enter "**2/1/95**" as the date of the First Payment.

d)   Press **F9** to see the amortization schedule starting with the current balance. Press **F10** to Save.

e)   Press *Ctrl-A* and select *ZionsChkg* then press *Enter.*

f)   Change the date to "**2/1/95**", increment the *Check Number* and *Tab* to the *Payee* field. Press *Ctrl-T* and highlight *Zion's Home Mortgage*. Press **F9** to amortize. Nothing needs to be changed, so press *Ctrl-10*. With *Zion's Home Mortgage* highlighted, press *Enter*. This should record the entry in the Check Register. Press *Ctrl-S* and verify that there are amounts for both **[HomeMortgage]** and

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[2] If you created the **HomeMortgage** Account before you knew the current balance owing, you would enter a balance of **$0.00**, then change it later once you determine what the balance is.

In setting up a loan like this, you may not know the current balance, but you may know how many payments you have made. In this case, you simple amortized the original amount you borrowed, press **F9** to see the amortization schedule, then read the current balance opposite the number of payments you have made. This is the amount that should be recorded as the beginning balance of the loan in the **HomeMortgage** Account.

[3] Be sure you subtract out the Taxes and Insurance portion of your mortgage payment when setting up the loan, otherwise the amount of principal reduction will not be correct.

[4] Only mortgage interest on homes is deductible as an expense on your tax return. Use an all-inclusive *Expense Category* such as **IntExpense** for loans for cars, boats, credit card accounts, etc.   [qkhomeac.les]

IntHome.   Press **F10** twice and it should be saved.

g) Press *Ctrl-A* and select the **HomeMortgage** *Account*.   Highlight the last entry. Notice that the balance owing was reduced by $103.98, which is the Principal portion of the mortgage payment.

h) Press *Ctrl-X* to jump to this transaction in the *Check Register*.   Press *Ctrl-S* and look at the Splits again. Press *Esc* once, then press the *End* key twice. Change the date to 3/1/95 and record another payment mortgage payment. Select the **HomeMortgage** Account and verify that the principal has been reduced by $104.70.

It will probably take a little practice to become comfortable with setting up loans. I recommended that you practice setting up loans several times under such account names as CabinMort, PickupLoan, BoatLoan, etc. Remember, that you do not want to use the same *Expense Category* for interest paid on non-home loans because such interest is not deductible as an expense on the tax return.

i. See if you can call up a report that shows all the payments you've made to Zion's Home Mortgage by using the Filter to select only the **IntHome** *Category*. Don't forget to set the date to include all the payments you've made.

20. Backing up the data files. All your data has been stored on the hard drive, but if something should happen to your computer you might lose all your data. If you had been working with your own set of books, make sure you always Backup your data to a floppy disk before quitting Quicken. Here's how:

a) Press *Esc* until you get to the Main Menu.

b) Press *Ctrl-B* and enter the name of the floppy disk drive (A or B), then Press *Enter* and follow instructions.

Although you have just barely scratched the surface of Quicken's capabilities, you should be able to set up your own set of books for home use. However, you will not remember very much unless you go home and practice. If you have not completed all the exercises, it is recommended that you do so. When you have completed them, and still lack a little confidence, start over and go through this lesson plan again. You will have to either delete the **"homexa"** file, or create a new one with a different name. It is recommended that you delete it. Here's how:

1. Press *Esc* until you get to the Main Menu. Select **6. File Activities|Select/Setup File**. Highlight the file **"Homexa"** and press *Ctrl-D*. You will be instructed how to proceed from there. After deleting the file, set up a new one before leaving this screen.