

Catalyst *manufacturing*[®]

QuickBooks[®] Link User Manual

**Accelerating the Way
You Do Business[™]**



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QuickBooks Link Overview

The QuickBooks Link facilitates the import and export of data between QuickBooks® and Catalyst Manufacturing® using the processes outlined below.

- Import
 - Chart of Accounts
 - Sales Tax Codes
 - Payment Terms
 - Customers
 - Vendors
 - Items

- Export
 - Customers
 - Customer Invoices
 - Vendors
 - PO Receipts
 - Vendor Bills
 - Items
 - Update Inventory

- Reports
 - COGS Detail Report
 - Invoice Audit Report
 - Item Receipt Audit Report
 - Vendor Bill Audit Report
 - Error Log Detail Report
 - Error Log Summary Report

QuickBooks Link Requirements

The Catalyst Manufacturing QuickBooks Link integrates directly with any of the QuickBooks® products listed below starting with the 2002 release. In addition, the interface also supports the Canadian and UK editions of QuickBooks products starting with the 2004 release.

- QuickBooks Pro
- QuickBooks Premier (and industry-specific editions)
- QuickBooks Enterprise Edition (and industry-specific editions)

QuickBooks Setup

Before you start importing and exporting data with Catalyst Manufacturing®, there are a few things you will need to accomplish in your QuickBooks® application if you have not already done so. A summary of these areas has been included below. You can find more details about each of these topics from the QuickBooks Help & Support menu option.

- Setup Accounts
- Enable Inventory
- Setup Logins (optional)
- Setup Authentication (optional)

Setup QuickBooks Accounts

After turning on the inventory feature in QuickBooks, it may be necessary to create revenue, inventory, cost of goods sold, and inventory adjustment accounts in the QuickBooks chart of accounts. These accounts are assigned to an item's product class in Catalyst. Please refer to the QuickBooks Help & Support for more details on creating new accounts.

- **Inventory asset** (account type = Other Current Asset): This account tracks the current value of your inventory. QuickBooks creates this account automatically when the first inventory item is created.
- **Sales** (account type = Income): This account tracks the income from the resale of inventory items. This account may need to be created if QuickBooks didn't create it during the setup process.
- **Cost of goods sold** (account type = Cost of Goods Sold): This account tracks the cost of items sold. On a profit and loss report, QuickBooks subtracts the total cost of goods sold from total income to provide a gross profit before expenses. This account may need to be created if QuickBooks didn't create it during the setup process.
- **Adjustment** (account type = Cost of Goods Sold): This account is used to post gains and losses resulting from inventory overages and shortages. Since gains and losses cannot be posted to separate income and expense accounts when updating inventory from Catalyst, you may want to create a new account just for tracking inventory adjustments e.g. an Inventory Overages/Shortages Cost of Goods Sold account. Please consult your accountant for the appropriate adjustment account to use for your company.

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For any of these accounts, you can set up subaccounts within the account to track the value, income, or costs of different types of inventory. In addition, by default, QuickBooks does not use account numbers in the chart of accounts. To use account numbers, perform the steps below.

1. From the Edit menu, choose Preferences.
2. Select the Accounting category from the list on the left.
3. Select the Company Preferences tab.
4. Select the 'Use account numbers' checkbox.

Enabling QuickBooks Inventory

To import and export inventory items between Catalyst Manufacturing® and QuickBooks®, the inventory feature in QuickBooks needs to be enabled. The steps to accomplish this from the QuickBooks Help section are listed below for your convenience. Please refer to the QuickBooks Help & Support for more details on creating new items.

1. From the Edit menu, choose Preferences.
2. Select Items & Inventory from the list on the left. Note, in prior versions the category is listed as 'Purchases & Vendors'.
3. Select the Company Preferences tab.
4. Select the 'Inventory and purchase orders are active' checkbox.
5. To enable unit of measure functionality, click the **Enable** button in the Unit of Measure section and follow the steps to setup unit of measures.

QuickBooks Login

The QuickBooks Link requires that a user open the QuickBooks company file before a connection can be made from Catalyst Manufacturing. The user can interact directly with both Catalyst Manufacturing® and QuickBooks® while in interactive mode. If you are synchronizing the data for multiple companies, ensure that the appropriate QuickBooks company is open prior to transferring any data between the two systems. The QuickBooks Link does not verify company names prior to exchanging data.

If multiple users have been established for the company, the user will need to login before opening the company file. When setting up new users, the administrator will need to assign permissions in the following areas in order for users to have full access to the functionality in the QuickBooks Link:

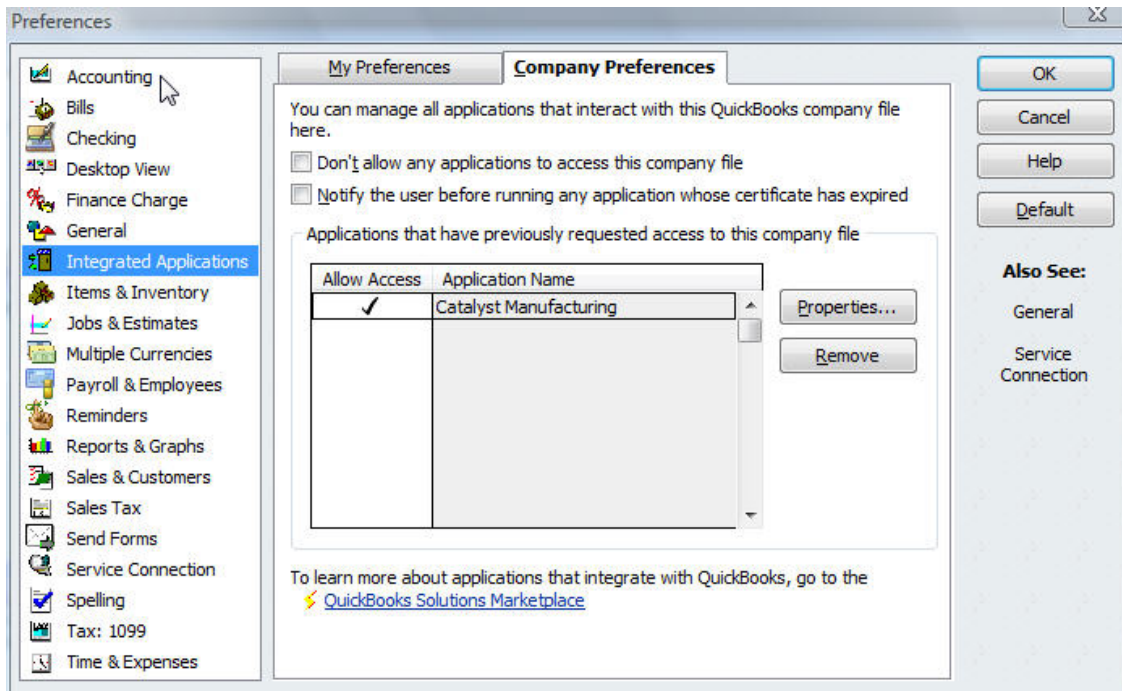
- Sales and accounts receivable
- Purchases and accounts payable
- Inventory

QuickBooks Link Authentication

The first time you connect to your QuickBooks® application from Catalyst Manufacturing®, you may receive a notification from QuickBooks that Catalyst Manufacturing does not have a signed digital certificate. While all Basic Editions are digitally signed, the Full Editions are not to allow users to perform custom modifications in the front-end database. When using the Full Edition, therefore, you will need to authorize Catalyst Manufacturing to access QuickBooks when the application makes its first connection attempt. This authorization is only required for the initial connection, but must be performed by a user with administrator rights in QuickBooks. The authorization to use Catalyst Manufacturing can also be accomplished by the administrator manually performing the following steps in QuickBooks:

1. From the Edit menu, choose Preferences.
2. Select Integrated Applications from the list on the left.
3. Select the Company Preferences tab.

To allow Catalyst Manufacturing to have access to QuickBooks, the checkbox for “Don’t allow any applications to access this company file” must be unchecked. When clicking the “Properties” button, make sure that the checkbox “Allow this application to access this company file” is checked. The QuickBooks Link uses an interactive login so you can leave the checkbox “Allow this application to login automatically” unchecked.



Using QuickBooks Link

The QuickBooks Link allows for the seamless exchange of data between Catalyst Manufacturing® and QuickBooks®. The interface allows for enhanced synchronization of your manufacturing and financial data through the import of customers, vendors, items, sales orders, chart of accounts, payment terms, and other list data and the export of customers, vendors, customer invoices, and vendor bills to QuickBooks. The records can either be updated automatically when changes are saved in Catalyst or in batch mode by exporting records at the end of a day or shift.

The interface supports the export of inventory items from Catalyst to QuickBooks as a mass update or one at a time. If an item does not already exist in QuickBooks when a customer invoice or vendor bill is exported, the item is added to QuickBooks at that time. Catalyst serves as the inventory system of record between the two systems for raw material, intermediate-level/WIP, sub-assemblies, and finished product inventory; however, the inventory balances and values can be exported to QuickBooks with the click of a button. This allows QuickBooks to reflect the current quantity and value of the different inventory asset accounts at any given time making it easier to report and review financials at the end of a period or any time in between.

After the initial import of chart of accounts, sales tax codes, payment terms, customers, vendors, and items from QuickBooks, the standard order fulfillment process occurs as follows:

- Create a customer order in Catalyst or import sales orders from QuickBooks. During the order creation process, a shop order may be linked to order lines for make-to-order items.
- Review material and capacity availability, order raw materials, schedule production of sub-assemblies and perform other activities to support production as required.
- Release shop order to production to build finished product. After reporting completion of final product, the end item is placed in inventory for shipping.
- Prepare shipping documents and enter shipment confirmation to relieve inventory. If QuickBooks is open, the customer invoice is created in QuickBooks during shipment confirmation. Otherwise, invoices are exported to QuickBooks in batch mode at the end of the day or shift.
- QuickBooks is used to receive payments against the invoice and generate financial and accounting journal entries and reports of the business activity.
- Similarly, vendor bills are exported to QuickBooks when the vendor invoice is entered in Catalyst. The vendor bill is then used as the basis for processing vendor payments and updating the relevant expense and liability accounts.

QuickBooks Link Import

After activating and installing the QuickBooks Link, you can begin populating your Catalyst database with data from your matching QuickBooks company. You have the option to import the following lists from QuickBooks:

- Chart of Accounts
- Sales Tax Codes
- Payment Terms
- Customers
- Vendors
- Items

The chart of accounts, sales tax codes, and payment terms typically fall within the domain of the accounting package. Therefore, any changes or updates to these list objects should be made in QuickBooks so that the records in Catalyst can be updated accordingly. The import of these accounting lists replace any existing records in Catalyst, i.e., the existing records are deleted and then replaced with the records from the corresponding list in QuickBooks. Any new records or changes to existing records made in Catalyst will be replaced by the list in QuickBooks for chart of accounts, sales tax codes, and payment terms.

On the other hand, customer, vendor, and item records are typically maintained in Catalyst and exported to QuickBooks since Catalyst includes more information fields for these lists. The import option is available for initial system setup and the occasional requirement to import new records, but, for the most part, these list types should be maintained in Catalyst and exported to QuickBooks. The import routine only adds new customers, vendors, and items to Catalyst, i.e., records that have not been previously imported. The existing records are not replaced or updated as part of the import process so any edits made to customers, vendors, and items in QuickBooks will not be reflected in Catalyst unless the change is made manually.

While data can be imported into Catalyst at any time, it is recommended that the maintenance of these lists occur in the appropriate system as indicated above. This will lead to better synchronization of data between the two systems and thus improved data reliability.

Import Chart of Accounts

The chart of accounts are imported by selecting **QuickBooks > Import > Chart of Accounts** from the Catalyst main menu. The imported fields include the account Number, Name, Type, and the inactive status. The QuickBooks subaccounts are also included in the import. When importing accounts from QuickBooks, the existing chart of

accounts is deleted and replaced with the account list from QuickBooks. The chart of accounts can also be imported using the **Import** button located on the Accounts page of the Company Master.

By default, the account Number field is not displayed in the Chart of Accounts in QuickBooks. To show the Number field, perform the following steps in QuickBooks:

1. From the Edit menu, choose Preferences.
2. In the Preferences window, select Accounting from the list on the left.
3. On the Company Preferences page, select the "Use account numbers" checkbox.

Import Sales Tax Codes

The Sales Tax Codes are imported by selecting **QuickBooks > Import > Sales Tax Codes** from the Catalyst main menu. Both the sales tax items and sales tax groups are included in the import. The sales tax group rate is the sum of the rates from the sales tax items assigned to a group. The sales tax codes are assigned to customers and customer orders where applicable. When importing sales tax codes from QuickBooks, the existing sales tax records are deleted and replaced with the current sales tax items and groups from QuickBooks.

Import Payment Terms

The payment terms are imported by selecting **QuickBooks > Import > Payment Terms** from the Catalyst main menu. The standard and date driven terms are mapped to their equivalent fields in Catalyst and presented in the Payment Terms screen in the **Financial** menu. When importing payment terms from QuickBooks, the existing records are deleted and replaced with the terms list from QuickBooks.

Import Sales Orders

The sales orders in QuickBooks can be imported into Catalyst by selecting **QuickBooks > Import > Sales Orders** from the Catalyst main menu. The import of sales orders can be filtered by order date range and customer name. During the import process, a linked shop order can be created for the order lines to support a make-to-order process. To import sales orders from QuickBooks, refer to the steps below.

1. Enter the desired date range and customer filter options.
2. Select the **Import** button to import sales orders from QuickBooks that match the specified date and customer criteria. After the import completes,

the sales order lines will be displayed in the order section with the ‘Select’ check box marked for append.

3. Review order lines to be appended and mark the ‘Link S.O.’ check box as needed to create linked shop orders for order lines when the sales orders are created in Catalyst. To unselect order lines, use the ‘Select’ check box or **Select All** and **Unselect All** buttons.
4. Select the **Append** button to add the selected order lines to the current order set in Catalyst. The success or reason for error will be displayed in the ‘Result’ field for each order line marked for append.

Note: If the sales order has been entered in QuickBooks with a unit of measure that differs from the stock unit of measure in Catalyst, it will be converted to the stock unit of measure during the import. The unit of measure must be specified for the item in QuickBooks to support unit of measure conversion.

Import Customers

The customers are imported by selecting **QuickBooks > Import > Customers** from the Catalyst main menu. The import of customers automatically creates customer contact and shipping location records in Catalyst. The customer jobs are not included in the import. When importing customers from QuickBooks, only those customers that have not been previously imported are added. The identifier used for QuickBooks customers is the **Accounting ID** found on the **Invoice** page of the Customer Master. The **Accounting ID** is used to update the QuickBooks customer record when the customer is modified in Catalyst.

Import Vendors

The vendors are imported by selecting **QuickBooks > Import > Vendors** from the Catalyst main menu. The import of vendors automatically creates a vendor contact record in Catalyst. When importing vendors from QuickBooks, only those vendors that have not been previously imported are added. The identifier used for QuickBooks vendors is the **Accounting ID** found on the **Invoice** page of the Vendor Master. The **Accounting ID** is used to update the QuickBooks vendor record when the vendor is modified in Catalyst.

Import Items

The items are imported by selecting **QuickBooks > Import > Items** from the Catalyst main menu. The subitems are also included in the import if they are of the inventory or non-inventory part type. To import items, inventory tracking needs to be turned on QuickBooks. For instructions on setting up QuickBooks inventory and required

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accounts, refer to the Enable QuickBooks Inventory section. When importing items from QuickBooks, only those items that have not been previously imported are added. The on-hand quantity for the item is also added with an opening balance inventory transaction to set the initial quantity. The revenue, inventory, and cost of goods sold account codes are not imported and need to be assigned manually by selecting the appropriate product class on the Cost page of the Item Master after the import is complete.

QuickBooks Link Export

In general, the export functions serve as the transition point from manufacturing planning and control functions in Catalyst Manufacturing® to the financial and accounting features found in QuickBooks®. The transfer of data includes customers, customer invoices, vendors, vendor bills, and inventory items, as explained in the following sections.

- Customers
- Customer Invoices
- Vendors
- PO Receipts
- Vendor Bills
- Items
- Update Inventory

Export Customers

The export of customers to QuickBooks depends on the **QuickBooks Export Mode** selected in the Company Master. With the export mode set to 'Automatic', a customer is automatically created or updated in QuickBooks when the customer record is saved in Catalyst. In automatic mode, the QuickBooks company must be open on the same client machine as Catalyst. In batch mode, the customer is created or updated in QuickBooks by selecting **QuickBooks > Export > Customers** from the Catalyst main menu.

When a customer is exported to QuickBooks, an **Accounting ID** is populated on the Invoice page of the Customer Master. The Accounting ID is also used when modifying or deleting an existing customer record in QuickBooks. In automatic mode, if the customer is deleted in Catalyst, it will be deleted automatically in QuickBooks if the QuickBooks company is open. If the QuickBooks company is not open at the time the record is deleted in Catalyst, the customer record must be deleted or inactivated in QuickBooks manually. When a customer is exported to QuickBooks, the following fields are populated in QuickBooks:

Currency: if the multi-currency preference is turned on in QuickBooks and a currency is specified for the customer, the currency field is populated.

Address Info: all fields are populated except for alternate phone and contact. The customer's ship-to location from the Shipping page of the Customer Master is used to populate the Ship To address section. If a customer ship-to location does not exist, then the customer's street address is used.

Additional Info: payment terms, sales rep (with matching initials), and sales tax information fields.

Payment Info: the account number and credit limit fields.

Export Customer Invoices

A customer invoice is created in Catalyst when a shipment is saved on the **Customer Shipment Confirmation** screen. The export of the resulting customer invoice to QuickBooks occurs either at the time of shipment or during a manual batch process depending on the **QuickBooks Export Mode** selected in the Company Master. With the export mode set to 'Automatic', a customer invoice is automatically created in QuickBooks when the ship confirmation is entered in Catalyst. In automatic mode, the QuickBooks company must be open on the same client machine as Catalyst. In batch mode, the invoice is exported to QuickBooks by selecting **QuickBooks > Export > Customer Invoices** from the Catalyst main menu.

The invoice lines are added for both standard and custom quote lines in the detail section of the customer invoice. If the customer does not exist in QuickBooks, it is added before the invoice is created. Similarly, if any invoice line items do not exist in QuickBooks, they are added before the invoice is created. Quote items are also created as inventory items in QuickBooks. Please refer to the **Export Items** section for more details about how items are created in QuickBooks. The sales tax for the customer invoice is calculated automatically based on the sales tax item and code for the customer. Only the taxable line items are included in the sales tax amount subtotal. Any shipping and handling charges are also added to the detail section of the invoice.

If the multi-currency preference is turned on in QuickBooks and the customer has a foreign currency, the customer invoice is exported in the customer's foreign currency. The domestic currency selected in Catalyst must match the QuickBooks home currency. In addition, the customer and customer order currency must match the customer's currency in QuickBooks.

When a customer invoice is created, QuickBooks creates offsetting journal entries in the inventory and cost of goods sold accounts for each line item. The cost of goods sold debit amount is determined by multiplying the average cost of the item by the invoice quantity. Please refer to the **Cost of Goods Sold** section for more details about the cost of goods sold calculation for invoiced items. After an item is created in QuickBooks and the opening balance inventory adjustment has been entered, the quantity on-hand for the item is updated for each subsequent shipment. The inventory on-hand quantity and value can also be updated periodically using the **Update Inventory** menu option.

The customer invoice can be printed and sent to the customer using either the QuickBooks or Catalyst invoice report. If the sales order was created in QuickBooks and subsequently imported into Catalyst, the sales order is automatically updated to a closed status in QuickBooks when the invoice is exported if the Catalyst customer order is complete. Regardless of whether the sales order exists in QuickBooks, customer payments are processed in QuickBooks to update receivables and the bank account.

Export Vendors

The export of vendors to QuickBooks depends on the **QuickBooks Export Mode** selected in the Company Master. With the export mode set to 'Automatic', a vendor is automatically created or updated in QuickBooks when the vendor record is saved in Catalyst. In automatic mode, the QuickBooks company must be open on the same client machine as Catalyst. In batch mode, the vendor is created or updated in QuickBooks by selecting **QuickBooks > Export > Vendors** from the Catalyst main menu.

When a vendor is exported to QuickBooks, an **Accounting ID** is populated on the Invoice page of the Vendor Master. The Accounting ID is also used when modifying or deleting an existing vendor record in QuickBooks. In automatic mode, if the vendor is deleted in Catalyst, it will be deleted automatically in QuickBooks if the QuickBooks company is open. If the QuickBooks company is not open at the time the record is deleted in Catalyst, the vendor record must be deleted or inactivated in QuickBooks manually. When a vendor is exported to QuickBooks, the following fields are populated in QuickBooks:

Currency: if the multi-currency preference is turned on in QuickBooks and a currency is specified for the vendor, the currency field is populated.

Address Info: all fields are populated except for the alternate phone, alternate contact, Cc, and print on check fields.

Additional Info: the account number, payment terms, and credit limit fields.

Export PO Receipts

The purchase order receipt transaction entered in Catalyst can be exported to QuickBooks to update Accounts Payable prior to the receipt of the vendor invoice. The **QuickBooks Export Mode** determines whether the receipt transaction is exported to QuickBooks when the receipt is entered in Catalyst (automatic mode) or if it occurs as a separate transaction (batch mode). In automatic mode, the QuickBooks company must be open at the time the receipt is entered in Catalyst. In batch mode, the receipts are selected by date range to be exported to QuickBooks.

When exported, the purchase order receipt is created as an item receipt in QuickBooks. The **Receiver No.** in Catalyst is stored as the **Ref. No.** in QuickBooks. The journal entry credits Accounts Payable and debits the inventory account for the item. If the item does not exist in QuickBooks, it is created prior to adding the item receipt. To export PO receipts in batch mode, select **QuickBooks > Export > PO Receipts** from the Catalyst main menu and perform the following steps:

1. On the **Export PO Receipts** screen, select a receipt date range. Use the **Vendor Filter** if needed to limit the export to a single vendor.
2. Select the **Print Preview** button to review the receipts to be exported. Adjust the date range filter as needed.
3. Select the Run button to export the selected receipts to QuickBooks.
4. Use the **Audit Report** button to review the receipts exported to QuickBooks and the **Error Report** button to review any errors encountered.

When the vendor invoice is received, it can be entered in Catalyst and exported to QuickBooks as a vendor bill or entered as a vendor bill directly in QuickBooks. In either case, the item receipt(s) should be applied to the invoice when the invoice is entered into the system. If the invoice is entered in Catalyst, any receipts exported to QuickBooks appear on the **Receipts** tab of the **Vendor Invoice Entry** screen. In QuickBooks, the vendor bill should be entered by selecting 'Enter Bill for Received Items' from the Vendors menu. In both cases, the item receipt transaction is replaced by the vendor bill.

If the multi-currency preference is turned on in QuickBooks and the vendor has a foreign currency, the item receipt is exported in the vendor's foreign currency. The domestic currency selected in Catalyst must match the QuickBooks home currency. In addition, the vendor and purchase order currency must match the vendor's currency in QuickBooks.

Export Vendor Bills

When the vendor invoice is received, it can be entered directly into QuickBooks as a vendor bill or into Catalyst using the **Vendor Invoice Entry** screen. When the invoice is entered in Catalyst, any item receipts are applied to the invoice, and it's then exported to QuickBooks to create the vendor bill. The **QuickBooks Export Mode** determines whether the vendor invoice is exported to QuickBooks when it's entered in Catalyst (automatic mode) or if it occurs as a separate transaction (batch mode). In automatic mode, the QuickBooks company must be open at the time the invoice is saved in Catalyst. In batch mode, invoices that have not been exported to QuickBooks are sent by selecting **QuickBooks > Export > Vendor Bills** from the Catalyst main menu.

All invoice receipt lines are added in the Items section of the vendor bill. If the vendor does not exist in QuickBooks, it is added before the vendor bill is created. Similarly, if any invoice line items do not exist in QuickBooks, they are added at the time

of export. Please refer to the **Export Items** section for more details about how items are created in QuickBooks. The applicable sales tax or freight charges appear on the Expense page of the bill using the account specified on the **Accounts** page of the **Company Master**. When paying the vendor bill, the discount amount and dates are inherited from the payment terms of the vendor. The eligible discount amount will be displayed at the time the bill is paid in QuickBooks.

If the multi-currency preference is turned on in QuickBooks and the vendor has a foreign currency, the vendor bill is exported in the vendor's foreign currency. The domestic currency selected in Catalyst must match the QuickBooks home currency. In addition, the vendor and purchase order currency must match the vendor's currency in QuickBooks.

Export Inventory Items

All inventory items (raw material, intermediate-level/WIP, sub-assemblies, and finished product) can be exported to QuickBooks by selecting **QuickBooks > Export > Items** from the Catalyst main menu. If an inventory item on a customer invoice or vendor bill has not already been created when the invoice or bill is created, the item is created in QuickBooks as part of that transaction. For vendor bills, dimensional inventory items are exported to QuickBooks as subitems.

Only inventory items in Catalyst are exported. Any items classified as non-inventory are not included. To create an inventory item in QuickBooks, inventory tracking must be turned on in QuickBooks. Please refer to the **Enable QuickBooks Inventory** section for more details about this topic.

When an inventory item is exported to QuickBooks, the following fields are populated in QuickBooks:

- Item name/number and subitem if a dimensional item
- Manufacturer's Part Number (using the first active vendor part number in Catalyst)
- Unit of measure (if enabled in QuickBooks)
- Sales description and purchase description
- Purchase cost
- Preferred vendor
- COGS, income, and inventory asset accounts
- Sales price
- Sales tax code (if applicable)
- Quantity on-hand
- Average cost

For an item to be created in QuickBooks, a product class must be assigned to the item in the Item Master and the revenue, inventory and cost of goods sold accounts for

the product class populated with the appropriate account. These fields are mapped into the income, inventory, and cost of goods sold fields, respectively. Please refer to the Catalyst Manufacturing Help section on Creating Product Classes and the **Setup QuickBooks Accounts** section for more details about how to setup these account types.

The quantity on-hand and average cost can be updated in QuickBooks based on the most recent transactions entered in Catalyst by selecting **QuickBooks > Export > Update Inventory** from the Catalyst main menu. This feature will update inventory and average costs in QuickBooks to match Catalyst. For new item records, QuickBooks creates an opening balance inventory adjustment for the item and sets its initial value based on the average cost. For quantity and value updates made to existing inventory records, QuickBooks enters an inventory adjustment journal entry using the adjustment account specified on the product class for the item.

Update Inventory

The inventory on-hand and value for an item can be updated for existing items in QuickBooks by selecting **QuickBooks > Export > Update Inventory** from the Catalyst main menu. This allows for synchronization of the inventory records in Catalyst and QuickBooks based on the latest receipt, issue, and adjustment transactions entered in Catalyst. Catalyst remains the inventory system of record in this arrangement; however, it allows for a snapshot of the inventory at any given time to support financial reporting and review in QuickBooks.

On the **Update QuickBooks Inventory** screen, the records to be updated in QuickBooks can be filtered by item and quantity or cost difference. The average cost in QuickBooks is calculated as the current inventory value divided by the current on-hand so inventory value adjustments cause a corresponding update to the average cost. During the update process, an option is provided to select items for update based on either a quantity or average cost difference to allow for the complete synchronization of inventory between the two systems.

For quantity and value updates made to existing inventory records, QuickBooks enters an inventory adjustment journal entry to document the change. Although these transactions do not reflect the detail reporting that occurs in Catalyst, they present an accurate summary of the inventory activity for an item or inventory class over time. Refer to the **QuickBooks Journal Entries** help topic for details on the journal entries entered in QuickBooks when synchronizing inventory.

Audit Reports

After exporting customer invoices and vendor bills to QuickBooks, an audit report can be printed by date range summarizing the transactions exported. The audit reports provide details about the transaction including the date, time, and system user who created the transaction. To run an audit report, select **QuickBooks > Export > Customer Invoice Audit Report** or **QuickBooks > Export > Vendor Bill Audit Report** from the Catalyst main menu.

When a customer invoice is created, QuickBooks creates offsetting journal entries in the inventory and cost of goods sold accounts for each line item. The cost of goods sold debit amount is determined by multiplying the average cost of the item by the invoice quantity. However, since Catalyst is where inventory transactions are entered and maintained, the cost of goods sold reports and inventory asset reports need to be generated in Catalyst, not QuickBooks. The cost of goods sold can be reviewed by selecting **QuickBooks > Reports > COGS Detail Report** from the Catalyst main menu. The COGS Detail Report summarizes the shipment transactions for standard items and quote lines throughout a specified date range. The report subtotals the COGS and inventory for each item and includes a grand total on the final page for the COGS account. This report can be used to make a summary journal entry in QuickBooks at the end of each accounting period.

Daily Task List

The **Daily Task List** is provided to manage the daily import and export tasks for a batch mode operation. To open the control board, select **QuickBooks > Daily Task List** from the Catalyst main menu. The Daily Task List contains links to common import and export tasks including the:

- import of sales orders
- export of PO receipts, vendor bills, and customer invoices, and
- reconciliation of inventory through the inventory update feature.

Error Log Reports

Any errors encountered during the export process are summarized in detail and summary reports. These reports include a reference identifier and a description of the error for easier tracking and resolution. After resolving the error, the export routine can be launched again to complete any pending transactions. The error logs are cleared before each export process begins so the errors in the report list only those errors from the most recent export.

QuickBooks Journal Entries

The information below summarizes the journal entries created in QuickBooks when exporting purchase order receipts, vendor bills, customer invoices, inventory items and during the **Update Inventory** reconciliation process.

Exporting PO Receipts

The purchase order receipt transaction entered in Catalyst can be exported to QuickBooks to update Accounts Payable prior to the receipt of the vendor invoice. When exported, the purchase order receipt is created as an item receipt in QuickBooks. The journal entry credits Accounts Payable and debits the Inventory account for the item.

Exporting Vendor Bills

A vendor bill is created in QuickBooks with the export of a vendor invoice from Catalyst. When a vendor bill is created in QuickBooks, Accounts Payable is credited and the inventory account for the item is debited. If an item receipt has been applied to the invoice, it is replaced by the vendor bill. The QuickBooks vendor bill 'Date' is based on the date the vendor invoice was entered into Catalyst. The QuickBooks 'Bill Due' date is based on the invoice due date entered in Catalyst. When selecting the Pay Bills menu option in QuickBooks, the 'Date Due' refers to the 'Bill Due' date on the vendor bill.

Exporting Customer Invoices

When a customer invoice is created in QuickBooks, two journal entries are created, 1) a credit to the income/revenue account for the item and debit to Accounts Receivable and 2) a credit to the inventory account for the item and debit to Cost of Goods Sold (COGS). The COGS entry occurs as long as there is an average cost for the item. The debit to COGS represents the fully absorbed cost of the parent item because the average cost of a parent item in Catalyst includes the material, labor, and overhead costs of all levels in the bill-of-material.

Exporting Items

When a new item is added in QuickBooks, QuickBooks debits the specified inventory account for the item and credits Opening Balance Equity. The QuickBooks interface does not provide an option to specify the account that gets credited – it just defaults to the Opening Balance Equity account so the equity part of the balance sheet equation reflects the investment in inventory. The average cost is populated when the item is initially created in QuickBooks using the total inventory value for an item divided by the quantity on-hand for the item.

Inventory Update

For existing items, Catalyst adjusts the inventory quantity and value in QuickBooks to match Catalyst and posts the difference in value to the Adjustment account assigned to the item. The general ledger account used for the inventory adjustment is the Adjustment account assigned to the item's product class in Catalyst. For

new items, QuickBooks uses the Opening Balance Equity account as the offsetting asset account.

An inventory adjustment typically consists of both a quantity and value adjustment in QuickBooks to adjust both the quantity on-hand and the average cost for an item. To perform only quantity adjustments without updating the current average cost stored in QuickBooks, a company can select the 'Update quantity only' option on the QuickBooks page of the **Company Master**. This option updates the quantity on-hand, but preserves the current average cost maintained in QuickBooks.

The adjustment account will typically vary by item type as indicated below. Please consult your accountant for the appropriate adjustment account to use in your situation.

- For raw materials, the adjustment account typically would be the same as the inventory account for the item so adjustments are posted to the same account debited when exporting item receipts.
- For sub-assemblies and intermediate level items, adjustments would typically be posted to an Inventory Overages/Shortages Cost of Goods Sold account where gains and losses would average out over time.
- For finished goods, the adjustment account typically would be the same as the inventory account for the item so adjustments are posted to the same account that is credited when the customer invoice is created.

Alternatively, inventory adjustments can be made manually on a periodic basis by comparing the inventory valuation reports in Catalyst and QuickBooks and entering the necessary journal entries in QuickBooks to match Catalyst. Catalyst captures all receipt, issue, adjustment, and shipment transactions so the Ending Inventory in QuickBooks for each inventory asset class needs to be adjusted at period end to reflect the increase or decrease that occurred during the period (using the equation $\text{Ending Inventory} = \text{Beginning Inventory} + \text{purchase order/shop receipts} - \text{material issues, adjustments, and shipments}$).