



Setting up and Depreciating

A Guide to Assets

David Bowes FICB PM. Dip
BOOKSMART ACCOUNTANCY SOLUTIONS

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Disclaimer

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Setting Up Your Asset

The screenshot shows the Accountant software interface for 'Sample Company'. The top navigation bar includes the 'qb Accountant' logo, a hamburger menu, the company name, a search bar, a plus sign, a settings cog icon, a help icon, and a notification bell. A green arrow points to the settings cog icon. The main dashboard area contains several widgets: 'Invoices' showing £33,860.82 UNPAID and £0.00 OVERDUE; 'Expenses' showing £1,865 LAST MONTH with a donut chart; 'Profit and Loss' showing £-1,865 NET INCOME FOR SEPTEMBER; 'Bank accounts' listing Visa Credit Card and Current accounts; and 'Sales' showing £0 LAST MONTH with a line graph. A text box at the bottom of the dashboard reads: 'From the main dashboard, click the cog in the top right of the screen.'

Menu Selection

The screenshot displays the QuickBooks Accountant interface for a company named 'Long for Successful Events -- Sample Company'. The top navigation bar includes the 'qb Accountant' logo, the company name, a search bar, and utility icons for settings, help, and notifications. A left-hand sidebar lists various business areas: Dashboard, Banking, Sales, Expenses, Projects, Employees, Reports, Taxes, Mileage, Accounting, and My Accountant. The main dashboard area features several key metrics: Invoices (totaling £33,860.82, with £0.00 overdue), Expenses (totaling £1,865 for the last month), and Sales (totaling £0 for the last month). A central 'Expenses' widget includes a donut chart and a list of expense categories: Insurance Expense (£1,250), Dues and Subscriptions (£325), Interest expense (£190), and Depreciation Expense (£100). A green arrow points from the 'Chart of Accounts' option in the 'Your Company' dropdown menu to the 'Expenses' widget. The dropdown menu is open, showing options such as 'Account and Settings', 'Manage Users', 'Custom Form Styles', 'QuickBooks Labs', 'Lists', 'Tools', and 'Profile'. The 'Chart of Accounts' option is highlighted. A text box at the bottom of the screenshot reads: 'From the drop-down menu, click on Chart of Accounts.' The URL at the bottom left is 'https://c14.qbo.intuit.com/app/chartofaccounts'.

Long for Successful Events -- Sample Company

Your Company

- Account and Settings
- Manage Users
- Custom Form Styles
- QuickBooks Labs

Lists

- All Lists
- Products and Services
- Recurring Transactions
- Attachments
- Currencies

Tools

- Import Data
- Export Data
- Reconcile
- Budgeting
- Audit Log
- SmartLook

Profile

- User Profile
- Feedback
- Privacy
- Cookies
- Sign Out

From the drop-down menu, click on Chart of Accounts.

See all activity

<https://c14.qbo.intuit.com/app/chartofaccounts>

Types of Asset

The screenshot shows the 'Account' creation dialog box in the QuickBooks Accountant interface. The dialog box is open over the 'Chart of Accounts' table. The 'Account Type' dropdown is set to 'Cash at bank and in hand', and the 'Name' field contains 'Cash on hand'. The 'Current assets' option is highlighted in the dropdown menu. The background shows a table with columns for 'QUICKBOOKS BALANCE', 'BANK BALANCE', and 'ACTION'.

QUICKBOOKS BALANCE	BANK BALANCE	ACTION
54,458.25	40,071.20	Account history
3,240.00		Account history
52,327.89		Account history
8,411.93		Account history
0.00		Account history
-399.96		Account history
2,750.00		Account history
0.00		Account history
0.00		Account history
5,670.00		Account history
0.00		Account history
2,077.60	-3,210.00	Account history
1,590.01		Account history
0.00		Account history

This is where you will set up your asset.

As you will see, there are two main types of asset: tangible and current.

Tangible Asset

The screenshot displays the QuickBooks Accountant interface. The 'Chart of Accounts' window is open, showing a list of accounts. A modal form titled 'Account' is overlaid on top, allowing for the creation or editing of an account. The modal includes fields for 'Account Type', 'Detail Type', 'Name', 'Number', 'Description', 'Currency', 'Is sub-account', 'Default VAT Code', and 'Balance as of'. The 'Detail Type' dropdown is currently open, showing options like 'Accumulated Amortisation', 'Accumulated Depreciation', 'Buildings', 'Depletable Assets', 'Furniture and Fixtures', 'Leasehold Improvements', 'Machinery and equipment', 'Other Tangible Assets', and 'Vehicles'. The 'Balance as of' date is set to 31/10/2019. The background table shows a list of accounts with columns for 'QUICKBOOKS BALANCE', 'BANK BALANCE', and 'ACTION'.

QUICKBOOKS BALANCE	BANK BALANCE	ACTION
54,458.25	40,071.20	Account history
3,240.00		Account history
52,327.89		Account history
8,411.93		Account history
0.00		Account history
-399.96		Account history
2,750.00		Account history
0.00		Account history
0.00		Account history
5,670.00		Account history
0.00		Account history
2,077.60	-3,210.00	Account history
1,590.01		Account history
		Account history
		Account history

Tangible assets are generally physical items such as buildings, vehicles & equipment

Current Assets

The screenshot displays the QuickBooks Accountant interface. The 'Account' dialog box is open, showing the configuration for a new account. The 'Account Type' is 'Current assets' and the 'Detail Type' is 'Allowance for bad debts'. The 'Name' field is 'Allowance for bad debts'. The 'Currency' is 'GBP British Pound Sterling'. The 'Balance' field is empty and the 'as of' date is '31/10/2019'. The background shows the 'Chart of Accounts' table with columns for 'NUMBER', 'NAME', 'QUICKBOOKS BALANCE', 'BANK BALANCE', and 'ACTION'.

NUMBER	NAME	QUICKBOOKS BALANCE	BANK BALANCE	ACTION
	Current	54,458.25	40,071.20	Account history
	Debtors	3,240.00		Account history
	Debtors - USD	52,327.89		Account history
	Stock Asset	8,411.93		Account history
	Uncategorised Asset	0.00		Account history
	Accumulated Depreciation	-399.96		Account history
	Furniture and Equipment	2,750.00		Account history
	Leasehold Improvements	0.00		Account history
	Vehicles	0.00		Account history
	Creditors	5,670.00		Account history
	Creditors - HKD	0.00		Account history
	Visa Credit Card	2,077.60	-3,210.00	Account history
	VAT Control	1,590.01		Account history
	Current liabilities			
	VAT Payable			
	GBP			
	VAT Suspense			
	Current liabilities			
	VAT Suspense			
	GBP			
		0.00		Account history

Current assets are generally non-physical items such as Loans.

Setting up your Asset

The screenshot shows the 'Account' setup dialog in QuickBooks. The account type is 'Vehicles' with the name 'A123AAA'. The description field is empty. The currency is set to 'GBP British Pound Sterling'. The 'Track depreciation of this asset' checkbox is checked. A green arrow points to this checkbox. The background shows the 'Chart of Accounts' list with columns for 'NUMBER', 'NAME', 'QUICKBOOKS BALANCE', 'BANK BALANCE', and 'ACTION'.

NUMBER	NAME	QUICKBOOKS BALANCE	BANK BALANCE	ACTION
	Current	54,458.25	40,071.20	Account history
	Debtors	3,240.00		Account history
	Debtors - USD	52,327.89		Account history
	Stock Asset	8,411.93		Account history
	Uncategorised Asset	0.00		Account history
	Accumulated Depreciation	-399.96		Account history
	Furniture and Equipment	2,750.00		Account history

Let's set up an asset. In this example, we will set up a company van.

Account type: Tangible Asset

Detail Type: Vehicle

Give the asset a name. In the description box you could use the vehicle registration number.

Select the currency it was bought in and the VAT rate.

When you check the "Track depreciation" box, Quickbooks will automatically create subcategories for this asset: Original cost and depreciation

Finally, enter the cost of the vehicle and the date purchased in the original cost boxes.

All finished

NUMBER	NAME	TYPE	DETAIL TYPE	CURRENCY	VAT RATE	QUICKBOOKS BALANCE	BANK BALANCE	ACTION
	Debtors	Debtors	Debtors	GBP		3,240.00		Account history
	Debtors - USD	Debtors	Debtors	USD		52,327.89		Account history
	Stock Asset	Current assets	Stock	GBP		8,411.93		Account history
	Uncategorised Asset	Current assets	Other current assets	GBP		0.00		Account history
A123AAA	Company Van	Tangible assets	Vehicles	GBP	20.0% S	25,000.00		Account history
	Depreciation	Tangible assets	Accumulated Depreciation	GBP		0.00		Account history
	Original cost	Tangible assets	Vehicles	GBP		25,000.00		Account history
	Accumulated Depreciation	Tangible assets	Accumulated Depreciation	GBP		-399.96		Account history
	Furniture and Equipment	Tangible assets	Furniture and Fixtures	GBP		2,750.00		Account history
	Leasehold Improvements	Tangible assets	Leasehold Improvements	GBP		0.00		Account history
	Vehicles	Tangible assets	Vehicles	GBP		0.00		Account history
	Creditors	Creditors	Creditors	GBP		5,670.00		Account history
	Creditors - HKD	Creditors	Creditors	HKD		0.00		Account history
	Visa Credit Card	Credit Card	Credit Card	GBP		2,077.60	-3,210.00	Account history
	VAT Control	Current liabilities	VAT Payable	GBP		1,590.01		Account history
	VAT Suspense	Current liabilities	VAT Suspense	GBP		0.00		Account history

Now you will see that in your chart of accounts you have an asset named company van with two subcategories; 1 for the original costs and the other for the accumulated depreciation.

Depreciating Your Asset

Depreciation is a reduction in the value of an asset over time, due in particular to, wear and tear. This is an annual accounting exercise.

First you need to decide which method you are going to use, then you must use this method for the life of the asset.

Straight line is the simplest way to work out the loss of value of an asset over time. Straight line basis is calculated by dividing the difference between an asset's cost and its expected salvage value by the number of years it is expected to be used.

Original Value	£25,000.00
<i>less</i> Salvage Value	<u>£5,000.00</u>
Depreciable asset cost	£20,000.00

With this method, you would depreciate your asset by the same amount every year until its value is nil or it is sold.

Useful life of asset	5 years
Depreciation rate per year	(£20,000.00 / 5) £4,000.00

The reducing balance method of depreciation results in declining depreciation expenses with each accounting period. In other words, it charges depreciation at a higher rate in the earlier years of an asset. The amount of depreciation reduces as the life of the asset progresses.

Original Value	£25,000.00
Useful life of asset	5 years
Depreciation rate	20%

Using the same figures as before, here is the calculation using this method:

Annual Depreciation	£5,000.00
---------------------	-----------

1 st year	
Remaining value	£25,000.00
Amount of depreciation	<u>- £5,000.00</u>
	<u>£20,000.00</u>

2 nd year	
Remaining value	£20,000.00
Amount of depreciation	<u>-£4,000.00</u>
	<u>£16,000.00</u>

3 rd Year	
Remaining value	£16,000.00
Amount of depreciation	<u>-£3,200.00</u>
	<u>12,800.00</u>

And so on

Prepare to Depreciate

The screenshot displays the QuickBooks Accountant dashboard for 'Sample Company'. The top navigation bar includes the 'qb' logo, the company name, and a search bar. A 'Create' menu is open, showing various transaction types. A green arrow points to the 'Journal entry' option under the 'Other' category. The dashboard background shows financial summaries for 'Invoices', 'Expenses', and 'Sales'.

Category	Item	Value
Invoices	UNPAID	£33,860.82
Invoices	NOT DUE YET	£0.00
Expenses	LAST MONTH	£1,865
Expenses Breakdown	Insurance Expense...	£1,250
Expenses Breakdown	Dues and Subscript...	£325
Expenses Breakdown	Interest expense	£190
Expenses Breakdown	Depreciation Expe...	£100
Profit and Loss	NET INCOME	£-1,865
Profit and Loss	EXPENSES	£1,865
Sales	LAST MONTH	£0

To devalue or depreciate the asset, click on the “+” on the top right of the screen and select “Journal entry”

<https://c14.qbo.intuit.com/app/journal>

Journal Entry

Journal Entry no.9 ? Help X

Currency: GBP British Pound Sterling

Journal date: 01/01/2020 Journal no.: 9

#	ACCOUNT	DEBITS (GBP)	CREDITS (GBP)	DESCRIPTION	NAME	VAT	LOCATION	CLASS	
1	Depreciation Expense	5,000.00		Annual depreciation of company van					
2	Company Van:Depreciation		5,000.00	Annual depreciation of company van					
3									
4									
5									
6									
7									
8									
Total GBP		5,000.00	5,000.00						

Add lines Clear all lines

Memo

Select the currency you are working in, then date the journal.

Line #1 select the **depreciation expense** category, then in the debit column, enter the amount you have decided to depreciate the asset by using the methods on the previous page. Enter a description for the journal entry. Save Save and new

Line #2 select the **depreciation subcategory of the asset**, then enter the same amount in the credit column. The description will be copied.

Do this for each asset.

Chart of Accounts

qb Accountant Sample Company Long for Successful Events -- Sample Com... Search

Dashboard **Chart of Accounts** Reconcile

Batch actions Filter by name or number

NUMBER	NAME	TYPE	DETAIL TYPE	CURRENCY	VAT RATE	QUICKBOOKS BALANCE	BANK BALANCE	ACTION
	Current	Cash at bank and in h...	Current	GBP		54,458.25	40,071.20	Account history
	Debtors	Debtors	Debtors	GBP		3,240.00		Account history
	Debtors - USD	Debtors	Debtors	USD		52,327.89		Account history
	Stock Asset	Current assets	Stock	GBP		8,411.93		Account history
	Uncategorised Asset	Current assets	Other current assets	GBP		0.00		Account history
A123AAA	Company Van	Tangible assets	Vehicles	GBP		20,000.00		Account history
	Depreciation	Tangible assets	Accumulated Depreciation	GBP		-5,000.00		Account history
	Original cost	Tangible assets	Vehicles	GBP		25,000.00		Account history
	Accumulated Depreciation	Tangible assets	Accumulated Depreciation	GBP		-399.96		Account history
	Furniture and Equipment	Tangible assets	Furniture and Fixtures	GBP		2,750.00		Account history
	Leasehold Improvements	Tangible assets	Leasehold Improvements	GBP		0.00		Account history
	Creditors	Creditors	Creditors	GBP		5,670.00		Account history
	Creditors - HKD	Creditors	Creditors	HKD		0.00		Account history
	Credit Card	Current liabilities	Credit Card	GBP		2,077.60	-3,210.00	Account history
	VAT Control	Current liabilities	VAT Payable	GBP		1,590.01		Account history

Once the journal has been posted, you will see in the chart of accounts three values:

- 1 – The current book value of the asset
- 2 – the amount depreciated so far
- 3 – the original cost of the asset.

Profit and Loss Account

qb Accountant Sample Company Long for Successful Events -- Sample Com... Search + ? Help

Dashboard Banking Sales Expenses Projects Employees Reports Taxes Mileage Accounting My Accountant

Long for Successful Events -- Sample Company

PROFIT AND LOSS
1 January, 2019 - 1 January, 2020

	TOTAL
Income	
Billable Expenses Income	32,844.75
Markup	10,087.55
Sales	10,744.91
Sales of Product Income	8,747.45
Services	1,200.00
Total Income	£63,624.66
Cost of Sales	
Cost of sales	4,375.00
Cost of Sales - billable expenses	33,294.75
Total Cost of Sales	£37,669.75
GROSS PROFIT	£25,954.91
Expenses	
Depreciation Expense	5,199.98
Dues and Subscriptions	325.00
Insurance Expense-General Liability Insurance	3,500.00
Interest expense	1,045.00
Janitorial Expense	404.83
Rent Expense	12,500.00
Utilities	
Utilities - Electric & Gas	1,830.57
Utilities - Water	556.09
Total Utilities	2,386.66
Total Expenses	£25,361.47

The profit and loss report now shows the total depreciation of all assets for the year the report is generated for.

Balance Sheet

qb Accountant Sample Company Long for Successful Events -- Sample Com... Search + ? Help

Dashboard Banking Sales Expenses Projects Employees **Reports** Taxes Mileage Accounting My Accountant

Collapse Sort Add notes

Long for Successful Events -- Sample Company

BALANCE SHEET
As of January 1, 2020

	TOTAL
Fixed Asset	
Tangible assets	
A123AAA Company Van	
Depreciation	-5,000.00
Original cost	25,000.00
Total A123AAA Company Van	20,000.00
Accumulated Depreciation	-399.96
Furniture and Equipment	2,750.00
Total Tangible assets	£22,350.04
Total Fixed Asset	£22,350.04
Cash at bank and in hand	
Current	54,458.25
Total Cash at bank and in hand	£54,458.25
Debtors	
Debtors	3,240.00
Debtors - USD	30,620.82
Total Debtors	£33,860.82
Current Assets	
Stock Asset	8,411.93
Total Current Assets	£8,411.93
NET CURRENT ASSETS	£96,731.00
Creditors: amounts falling due within one year	
Trade Creditors	
Creditors	5,670.00
Creditors - HKD	0.00

The balance sheet will show the accumulated depreciation, original cost and current value per asset