

Sample Upgrade – Joan’s Grangeworth Kitchens Basic Company

2 April, 2008

(Upgrading a Cash VAT file to R1 or R2, or File VAT never used)

Note: This walkthrough will apply to you if you upgraded to QuickBooks before February, 2008. If you upgrade to QuickBooks after this date, view the [walkthrough](#) on upgrading to QuickBooks 2008 R3 (or higher) from a previous version of QuickBooks.

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Company Background

Joan runs a kitchen business in London. She used QuickBooks 2006 (Pro version) and is upgrading to QuickBooks 2008.

She reports VAT on a cash-basis. She used the Write Cheques window to create a VAT payment cheque to HRMC for the period ending 29 February, 2008. She continued to use QuickBooks 2006 until she upgraded on 2 April, 2008.

Before Upgrading

Create Trial Balance report

Joan creates a cash-based Trial Balance report for 2 April, 2008 (the date of her upgrade).

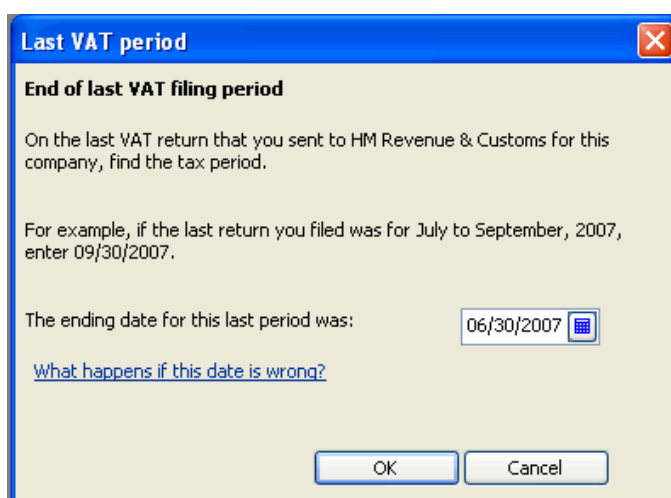
Grangeworth Kitchens Basic		
Trial Balance		
Cash Basis	As of April 2, 2008	Before Upgrade
	Apr 2, 2008	
	◊ Debit ◊	◊ Credit ◊
Bank		◄10,173.07
Accounts Receivable	88.89	
Stock Asset	3,775.00	
Undeposited Funds	10,058.76	
Accounts Payable		708.83
VAT Control		85.77
Retained Earnings		<u>2,954.98</u>
TOTAL	<u>13,922.65</u>	<u>13,922.65</u>

During Upgrade

Joan installs QuickBooks 2008 and checks for available updates.

When upgrading to the QuickBooks 2008

When upgrading her QuickBooks 2006 company file to the latest QuickBooks 2008 product update, a window titled "Last VAT period" is displayed. Joan enters the date of the ending date for the last VAT Return she filed with HMRC.



When a company file is updated to QuickBooks 2008, QuickBooks adds up all tax on sales and all tax on purchases, from the start date of the company to the date entered in the Last VAT period window, and creates a journal entry. This journal entry is created to ensure VAT is reported correctly after upgrading to the new version of QuickBooks.

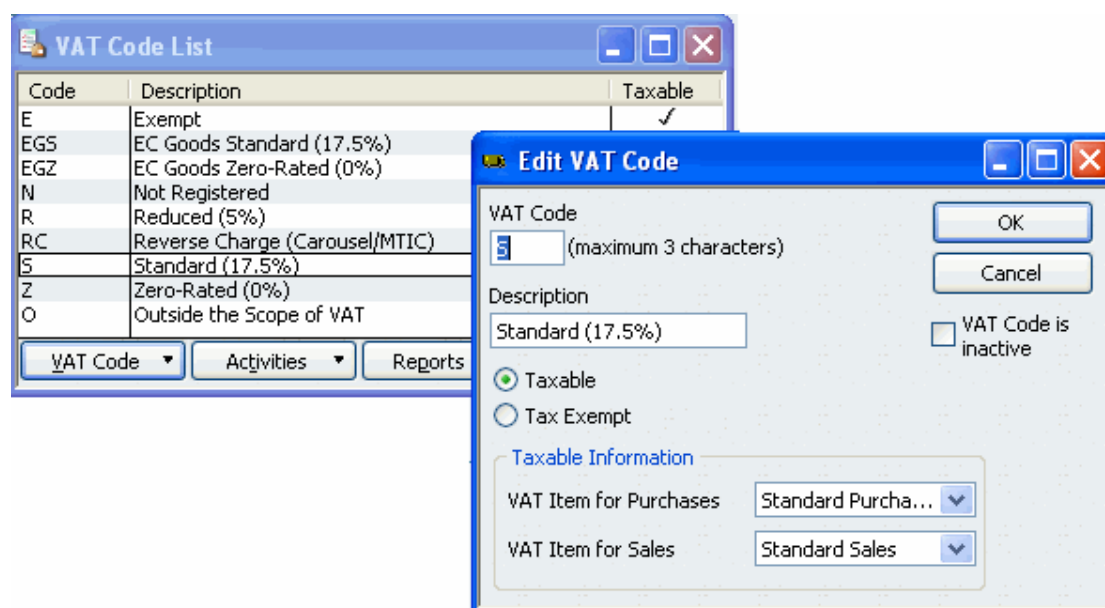
After Upgrading

Joan creates a cash-based Trial Balance report for 2 April, 2008 (the date of her upgrade) and checks the balance of her VAT Control account. The balance is the same as it was before upgrading. (If Joan's balance was not the same after upgrading, she would have called **0845 606 2161** for QuickBooks Support).

Next, Joan checks her VAT codes and VAT items.

VAT Codes and Items

Joan reviews her VAT codes. She finds that each code now links to VAT items. These items calculate the amount of VAT and report it on a specific line of a VAT return.



Because each VAT item represents a single line of the VAT return, there are a lot of VAT items in the Item List. This also means that there are separate VAT items for sales and for purchases. VAT collected on sales is always reported on its own line. VAT on purchases has a separate line on the VAT return.

EC VAT

Joan reviews her VAT codes and notices there are EC VAT codes in the VAT Code List. Because Joan tracks VAT on a [cash-basis](#), she cannot use EC VAT and decides to make these VAT codes inactive. In the VAT Code List, Joan right-clicks on an EC VAT code and selects Make VAT Code Inactive.

[Why shouldn't I use the EC VAT codes in QuickBooks if I track VAT on a cash basis?](#)

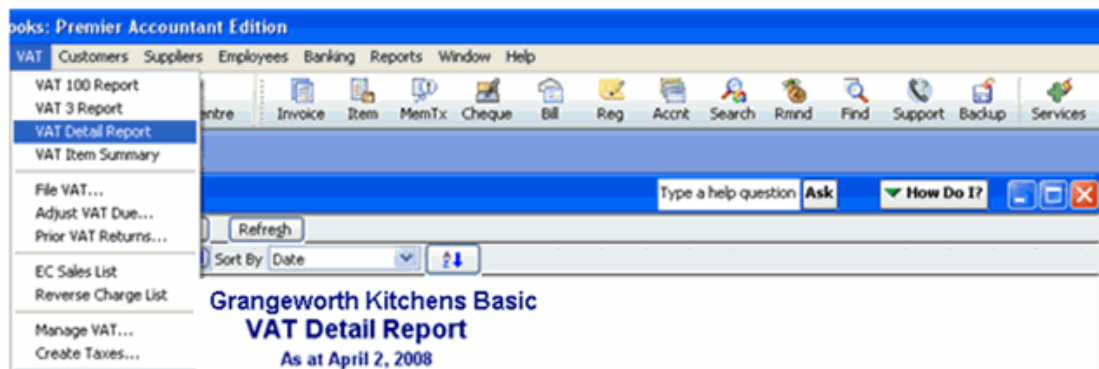
Create VAT Reports and Classify Uncategorized Tax Amounts

Just after upgrading, Joan creates a VAT Detail report, but she notices that the general journal entry created during upgrade isn't showing up on the report.

Joan goes to the Company menu and selects Make General Journal Entries. She clicks Previous until she finds the journal entry that QuickBooks created during upgrade and changes the Accounts Payable or Accounts Receivable account to VAT Control.

VAT Detail report

Just after upgrading, Joan creates a VAT Detail report sorted by Date.



She checks the report for uncategoryed VAT amounts and finds an uncategoryed amount of 188.62



Uncategoryed VAT Amounts

Uncategoryed amounts are not included on any return line as QuickBooks doesn't know which lines they belong to.

In the File VAT window, the total owing or refundable is correct and takes the uncategoryed amount into account.

However, to ensure you are reporting the correct amounts in the VAT Return boxes, you should [categorise any uncategoryed tax amounts](#).

The screenshot shows the 'File VAT' window. At the top, it says 'VAT Agency' is 'HM Revenue & Customs', 'From' is '01/04/2007', and 'To' is '30/06/2007'. Below this is a table with two columns: 'VAT Line' and 'Amount'. The table lists various VAT boxes and their amounts. The 'Uncategoryed Tax Amounts' row is circled in red. Below the table, it says 'You owe VAT of \$188.62 to HM Revenue & Customs.' There are sections for 'Before you file' with buttons for 'Adjust VAT Return...' and 'Print VAT Return...', and a 'File VAT Return' button at the bottom.

VAT Line	Amount
Box 1 VAT due on sales and other outputs	0.00
Box 2 VAT due on acquisitions from other EC Member States	0.00
Box 3 Total output tax due	0.00
Box 4 VAT reclaimed on purchases	0.00
Box 5 Net VAT to pay (or reclaim)	0.00
Box 6 Total net value of sales	3,554.80
Box 7 Total net value of purchases	5,493.67
Box 8 Total net value of supplies to other EC Member States	348.78
Box 9 Total net value of acquisitions to other EC Member States	1,075.79
Uncategoryed Tax Amounts	188.62

You owe VAT of \$188.62 to HM Revenue & Customs.

Before you file

Do you need to make an adjustment?
Use the adjust button if you need to increase or decrease the VAT amounts.
 [When do I need to make a VAT adjustment?](#)

Do you want to print your VAT return?
You can print your VAT return now or print after you file your VAT return.
 [Tell me more about printing my VAT return](#)

Where did these uncategorised tax amounts come from?

During upgrade, QuickBooks 2008 adds up ALL tax on sales and all tax on purchases, as of the date you entered as the Last VAT period (for example, 29 February, 2008), and then creates a general journal entry.

This journal entry also posts an amount to Accounts Payable or Accounts Receivable. This amount is the amount in the VAT Control account on the end date of the last filing period.

The screenshot displays two windows from QuickBooks 2008. The top window is the 'Trial Balance' for 'Grangeworth Kitchens Basic' as of 30 June 2007. The bottom window is 'Make General Journal Entries' for the date 30/06/2007, entry number 1. A red circle highlights the 'VAT Control' account in the trial balance with a credit of 188.62. Another red circle highlights the 'Accounts Payable' account in the journal entry window with a debit of 188.62. A red arrow points from the trial balance entry to the journal entry entry.

30 Jun 07	
Debit	Credit
Bank	8,666.32
Accounts Receivable	58.61
Stock Asset	2,645.00
Undeposited Funds	8,307.51
Accounts Payable	451.91
VAT Control	188.62
Income	5,193.83

Account	Debit	Credit	Memo	Name	VAT Item	Billable?
Accounts Payable		188.62	File Sales Tax	HM Revenue & Customs		
VAT Control	913.68			HM Revenue & Customs	Summary tax item for sales	
VAT Control		569.00		HM Revenue & Customs	Summary tax item for purchases	
VAT Control		156.06		HM Revenue & Customs		
Totals	913.68	913.68				

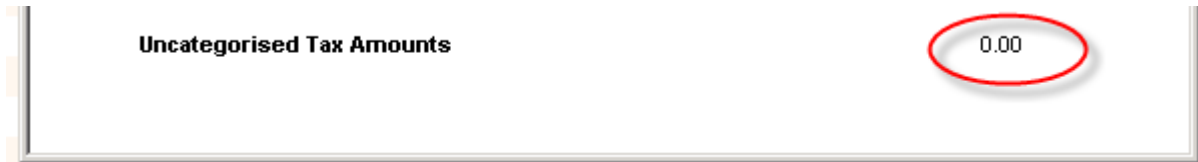
If there is any difference between the tax on sales and tax on purchase amounts, and the Accounts Payable or Accounts Receivable amounts, an uncategorised tax amount is created.

This uncategorised tax amount may be due to one or more factors, and is very common. For example, Joan entered a purchase dated before 29 February, 2008 (her last filed date) using the VAT Control account instead of the VAT Code.

Resolve Uncategorized Tax Amounts

Joan follows the instructions in [this FAQ](#) to resolve her uncategorised tax amounts.

After following the instructions in the FAQ, Joan's reports and the File VAT window have no uncategorised amounts.



Down to Business – using your upgraded file

Joan is now ready to use her upgraded company file.

In QuickBooks 2008, the way you track and file VAT on a day-to-day basis is now the same whether you report VAT on a cash or an invoice (accrual) basis.

From now on, Joan always uses a VAT code (e.g. on transaction forms) or a VAT item (e.g. for VAT adjustments or journal entries) for every transaction that involves the VAT liability account. That way, she doesn't create any new uncategorised VAT amounts in her upgraded company file.

Joan also makes sure to **use the File VAT feature** to file her returns in QuickBooks before she fills out her personalised paper return. The VAT reports are cumulative – in other words, they include all VAT amounts that have not been filed in QuickBooks. In order to start the reports for each new VAT period at zero, you need to use the File VAT feature.

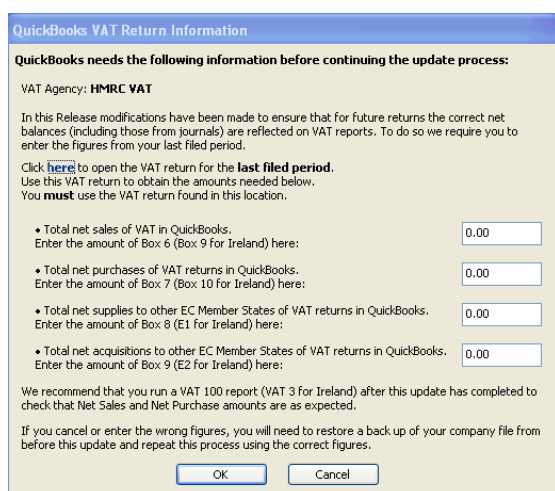
For an overview of how VAT works in QuickBooks 2008, see [Improved VAT Handling in QuickBooks 2008](#).

For more information on VAT tracking and VAT features, see the in-product Help in QuickBooks.

Upgrading to QuickBooks R3 (or higher)

When upgrading from QuickBooks 2008 R1 or R2 to QuickBooks 2008 R3 (or higher) you will be asked to enter amounts in the QuickBooks VAT Return Information window during upgrade (if you filed VAT in QuickBooks 2008). It is important that you enter these amounts using the PDF provided (Click here to open the VAT return for the last filed period).

For more information about the QuickBooks VAT Return Information window, read [Troubleshooting VAT in QuickBooks 2008](#).



The image shows a screenshot of the 'QuickBooks VAT Return Information' dialog box. The title bar is blue with the text 'QuickBooks VAT Return Information'. The main content area has a light beige background and contains the following text:

QuickBooks needs the following information before continuing the update process:

VAT Agency: **HMRC VAT**

In this Release modifications have been made to ensure that for future returns the correct net balances (including those from journals) are reflected on VAT reports. To do so we require you to enter the figures from your last filed period.

Click [here](#) to open the VAT return for the **last filed period**.
Use this VAT return to obtain the amounts needed below.
You **must** use the VAT return found in this location.

- Total net sales of VAT in QuickBooks.
Enter the amount of Box 6 (Box 9 For Ireland) here:
- Total net purchases of VAT returns in QuickBooks.
Enter the amount of Box 7 (Box 10 For Ireland) here:
- Total net supplies to other EC Member States of VAT returns in QuickBooks.
Enter the amount of Box 8 (E1 For Ireland) here:
- Total net acquisitions to other EC Member States of VAT returns in QuickBooks.
Enter the amount of Box 9 (E2 For Ireland) here:

We recommend that you run a VAT 100 report (VAT 3 for Ireland) after this update has completed to check that Net Sales and Net Purchase amounts are as expected.

If you cancel or enter the wrong figures, you will need to restore a back up of your company file from before this update and repeat this process using the correct figures.

At the bottom of the dialog box are two buttons: 'OK' and 'Cancel'.