

Key Points on Class Tracking

Setting up QuickBooks to utilize class tracking can be done during the initial *Easy Step Interview* process, or at any other time. However, if done at a later time, past transactions will have to be classified to be included in reports. To set up QuickBooks for class tracking, go to the *Preferences* screen from the *Edit* drop-down. *Class Tracking* is on the *Company* side of the *Accounting* tab. To ensure that each and every transaction is classified, check the *Prompt to Assign Classes* box on the *Company Preferences* tab the *Accounting Preferences*. Once you have selected *Class Tracking* in the preferences, then from the drop-down menu, go to *Lists*, then *Class List* to start setting up classes and sub-classes.

Key Points About Setting Up Classes:

- **There are no right or wrong methods for setting up classes, only different methods.** However, the various QuickBooks reports that utilize class tracking are primarily income and expense accounts. Thus, typically you will want to utilize class tracking for income and expense items, not balance sheet items. To track balance sheet accounts, a better method would be through the use of sub-accounts.
- **Don't use class tracking for more than one purpose.** If the primary purpose for using class tracking is to manage more than one location, then it would not be a good idea to also classify by business segment. You can, however, create sub-classes of any class to accommodate certain types of situations.
- **Be diligent when using class tracking.** QuickBooks does a great job of tracking classes once they are set up; however, the system will only remind you to classify a transaction based on your class tracking preferences if you marked the *Prompt to Assign Classes* within the Accounting preferences. If you are going to use class tracking, it is very important to classify *all* transactions.
- **Class tracking can be used to track labor.** There are two methods for utilizing class tracking when dealing with labor job costs. You can assign classes to an entire paycheck for your employees, or classify the labor by payroll item. To set up these preferences, again go to the *Preferences* screen, select the *Payroll & Employees* tab, then *Company Preferences*. The related payroll taxes and other company expenses associated with the labor will be classified in direct proportion to the actual labor dollars. For any other allocation, a journal entry will be required.

Common Approaches to Setting Up Class Tracking:

- **By market segment** - Setting up classes by type of contract such as residential, commercial, or industrial, may assist you in determining the areas in which to concentrate to maximize job profitability.
- **By profit center** - For businesses that have more than one location, class tracking is an excellent way to track profitability by geographic location.
- **By department** - If a business has separate departments, classes might provide a way to track the profitability of each department and to determine where cost overruns or unanticipated problems might lie.