easiest way to record payroll expenses by job and/or class (department).

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Figure 10: Profit & Loss Standard report.

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Payroll Summary, Payroll Liability Balances) or any of the payroll tax reporting features. Also, this method only approximates (within a few dollars) the payroll costs for jobs and classes, meaning that the amount of payroll expense allocated to each job and class will be based on the average hourly payroll costs for each person in each job. Here are the steps for making this all work.

1. To get started, you can completely turn off the payroll option in QuickBooks Preferences so you'll never see any warnings about downloading tax tables or setting up your payroll.
2. Using a journal entry, enter the totals for your payroll into the general ledger just as you normally do when using a payroll service. This entry should credit the bank account for net pay and debit the gross wages, payroll taxes, and other accounts as necessary (see Figure 1). After recording the entry in Figure 1, your general ledger is accurate and up to date, but no job costs have been recorded. The rest of the steps below provide a self-zeroing entry to record all the job and class information you need in order to generate job cost reports.
3. Compute the average cost incurred to place one person on any given job for one hour. To calculate this amount, you should look at your total payroll expenses for a given period (e.g., last quarter) including payroll taxes and workers' compensation, subtract all payroll expenses that are not job related (e.g., officer salaries), and then divide by the total number of hours all employees worked on all jobs during the period. For the purposes of this section, we will assume the average hourly expense is $18.
4. Create a Bank account called Payroll Service Clearing. This will be a clearing account used to record the zero-dollar checks for the payroll job costing.
5. Create an Expense account called Payroll Job Costs. This is also a clearing account that will only show balances on job cost reports such as P&L by Job. Note: If you have long-term contracts whereby you capture job costs on

the balance sheet in an asset account, you should use an Other Current Asset

7. Create an Other Name record (not an Employee record) for each employee. (See Figure 3.)

8. Enter daily timesheet information for each employee using the Other Name record you just created. On each timesheet, include the Service Item, the name of the job on which the employee worked and the class (if applicable).

9. To record job costs for each paycheck, open the Write Checks window and select Payroll Service Clearing from the Account drop-down menu.

0. Enter the employee's name (Other Name) on the Pay to the Order of field of the Check (see Figure 4). Then press TAB.

11. QuickBooks will notify you that the name you entered has timesheet data in the file and ask if you want to use this information when creating this check (see Figure 5). Click Yes.

2. Enter 01/01/2007 in the Start Date field and 01/31/2007 in the End Date field. Then click OK. Select the period for which you want to job cost payroll expenses. If you use this method monthly, enter the beginning and ending date of the month. If you use this method quarterly, enter the beginning and ending date for the quarter (see Figure 6).

3. 13. QuickBooks will then import the timesheet information into the Items tab of the Check, multiplying the number of hours the employee worked by the average cost per hour to place the employee on any given job (see Figure 7).

4. Click the Expenses tab and then enter Payroll Costs in the Account field and the amount of the check as a negative number in the Amount field (see Figure 8). Since you already used a General Journal Entry to update the

General Ledger for payroll expenses, payroll liabilities and bank accounts,

$2,900, allocating the amount over each job and class on which Mike Muzzulla worked for the period. The Expenses tab (Figure 8) decreases (credits) the balance in the Payroll Job Costs expense account but does not affect job or class information. The job cost and class reports will therefore show the expenses by job and class, but the net effect on the General Ledger (e.g., the Profit & Loss Standard report) will be zero.

6. Review the Profit & Loss by Job report to confirm that payroll expenses now show for specific jobs (see Figure 9). Be sure to include the date of the Zero Check created above (02/01/2007) in your report.

7. However, the Profit & Loss Standard report (and the general ledger as a whole) does not show any balance in the Payroll Job Costs account because you zeroed this account out when you recorded the check (see Figure 10).