Estimates, Change Orders, and Reporting

About this Guide and Webinar

This guide is designed to accompany our webinar entitled *Estimates, Change Orders, and Reporting*, in which you will be introduced to the concept and use of *Estimates* in QuickBooks Online. *Estimates,* also referred to as quotes or proposals, often precede invoicing your construction customers for work. QuickBooks gives you a way to track what you've quoted and what quotes your customers have accepted. This webinar will also cover what happens when a customer wants to make changes to the original quote, and finally how to report on the outstanding *Estimates* and each one's status.

Note: this supplemental guide and the video it accompanies were prepared using QuickBooks Online ("QBO") Plus Canada and a Construction Demo company set up specifically by the author for this purpose. This company is not available to students taking this webinar, but you can set up your own company with this Demo company as a model. You can also access the QuickBooks Online Canada Sample Company, *Long for Success – Event Planning* to test out what you've learned. *Long for Success – Event Planning* is a "dummy" set of QBO Plus books that will maintain your additions, deletions, and edits only as long as the browser windows you use to access it are open, or after a period of inactivity. *Do not use this company as your real set of books.* The *Long for Success – Event Planning* is accessible here: http://tinyurl.com/canadasampledata.

What are QuickBooks Estimates?

Use QBO Estimates to produce bids, quotes, proposals, or estimates that you send to your clients, indicating what you plan to do for them and how much it will ultimately cost them. QBO allows you to invoice the client from the estimate, so that nothing falls through the cracks. Although estimates are tracked in QuickBooks, they do not affect your income or revenue (such as on a Profit and Loss report) because no money has been earned yet. Estimate figures appear on estimate-based reports instead. Once you have invoiced the customer, only then will your income be affected.

You can invoice fully from an estimate in one invoice if you so choose.

In addition, however, you can enable Progress Invoicing in QuickBooks to create partial invoices from an estimate, and QBO will track what you have invoiced so far compared to the original estimate.

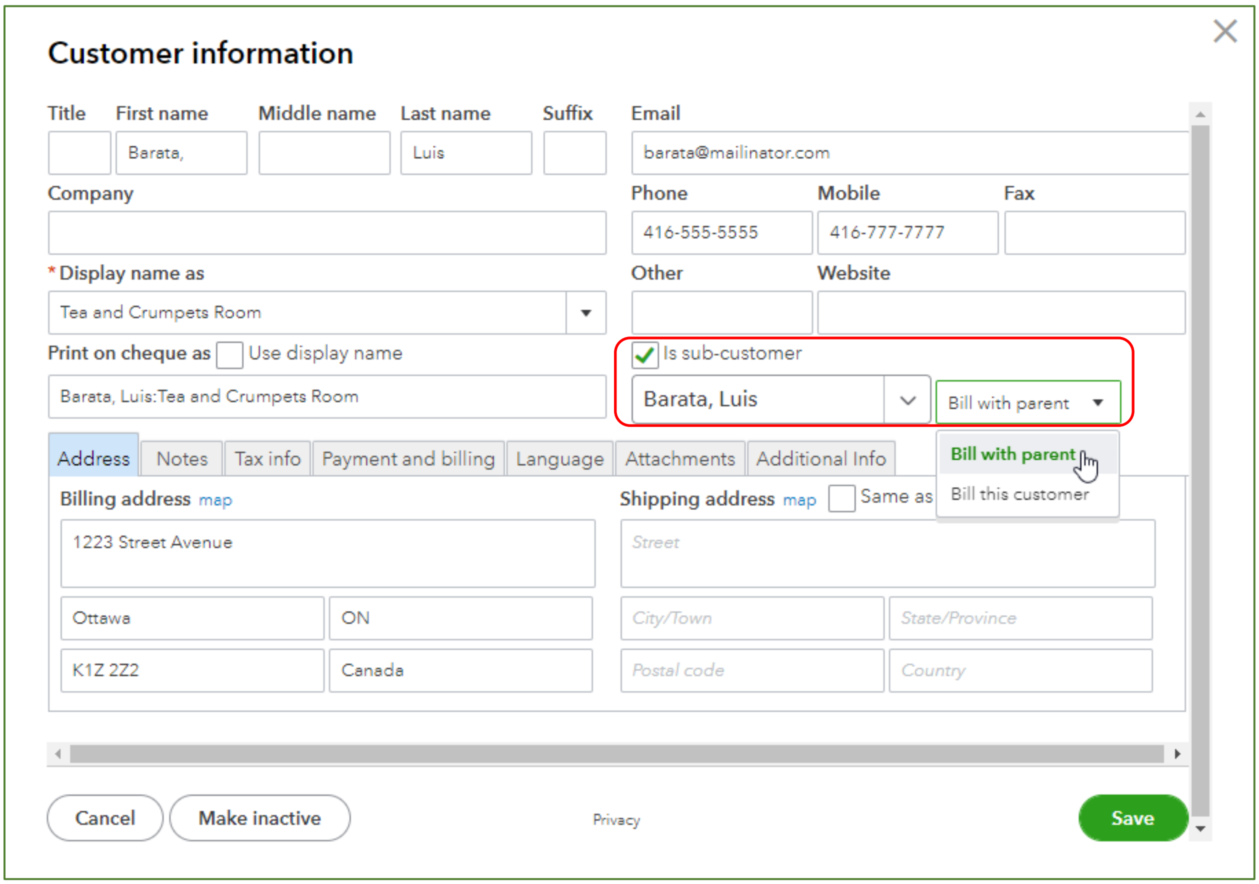
Progress invoicing allows for the following:

- Divide project estimates into multiple invoices based on milestones or phases
- On each line item of the invoice, you can use a full, partial, or custom amount to invoice clients as you go, and your progress for that line item is tracked automatically
- Each incremental or progress invoice shows customers exactly what's been invoiced so far, as well as the remaining estimate balance; the estimate reflects that too

We'll cover invoicing from an estimate in the webinar entitled *Invoicing, Progress Invoicing, Job Costing and Reporting*.

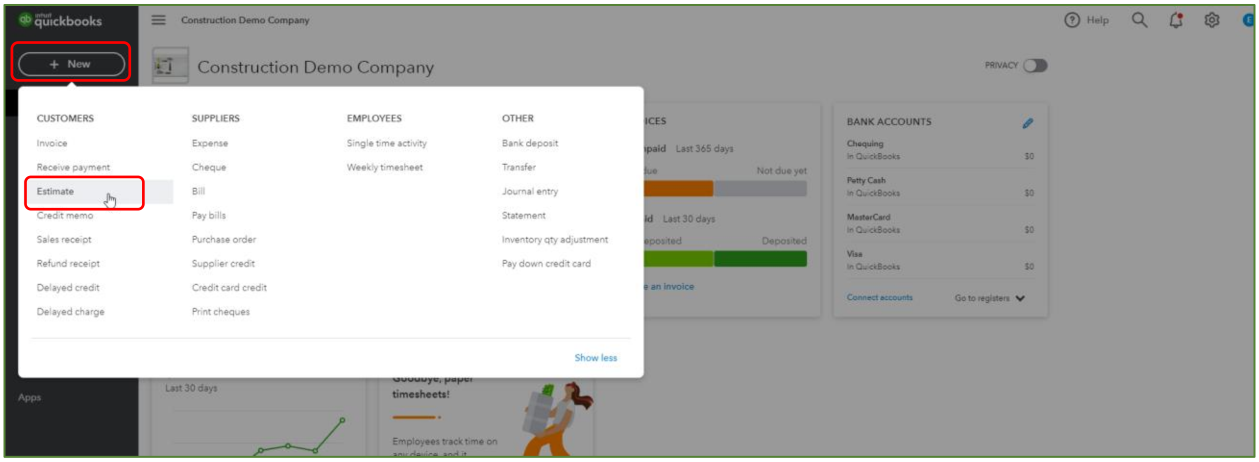
Sub-customers or "Jobs"

In a construction setting, it's a recommended practice to set up and use jobs or sub-customers (or projects, which we'll cover in another webinar entitled *Projects*) instead of using the parent customer name. This allows you to track the work and finances that are related to each distinct job you perform for a customer. Set up each sub-customer as a new customer, but make sure to check the box next to **Is sub-customer** and then select the **pre-existing parent customer** from the drop-down. In most cases, you will choose to **Bill with parent** if that parent customer is receiving all invoices related to this job. In a few cases, if the job is to be invoiced separately to another party, fill out the party's name and billing address, and then select **Bill this customer**. **Save** the sub-customer.



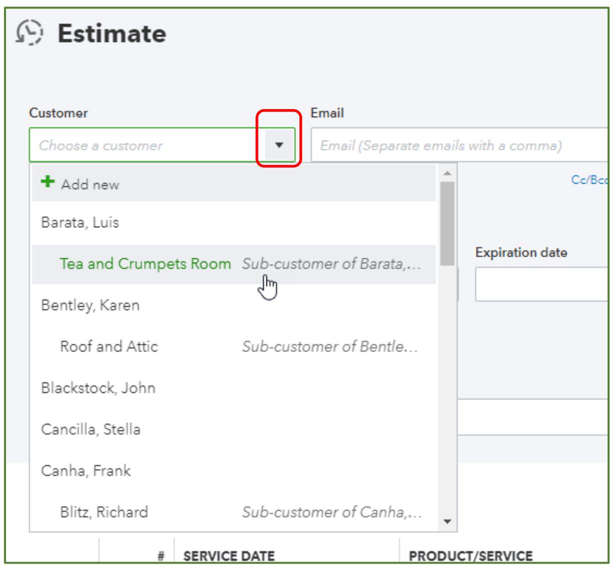
Creating an Estimate

Create an Estimate by selecting the **+New** icon in the left navigation bar, and then by selecting **Estimate**.

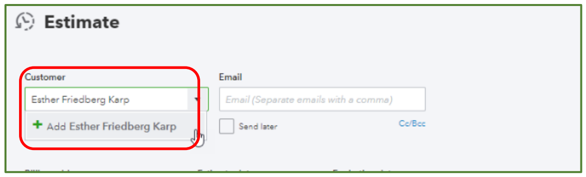


Then fill out the fields, tabbing from field to field as you go:

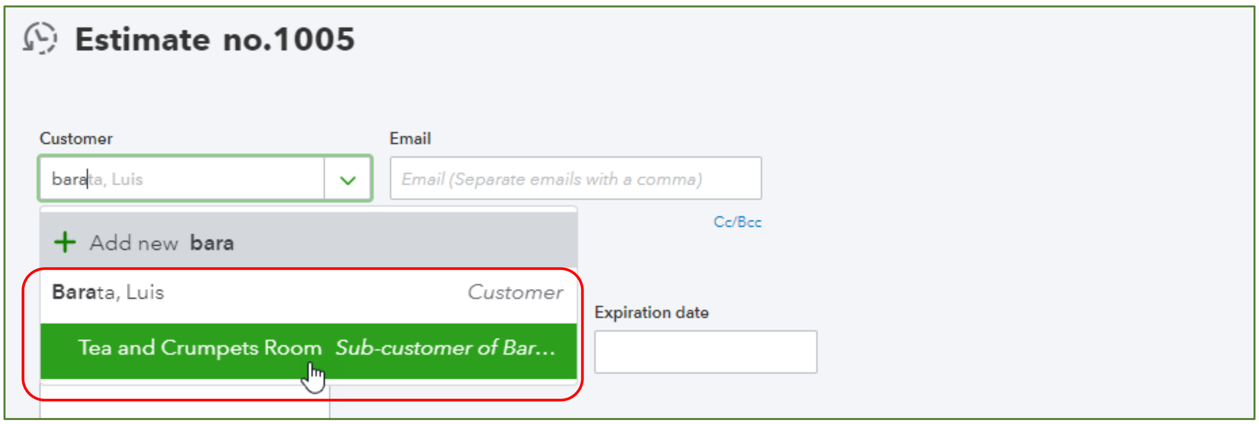
1. Start typing or select your sub-customer name from the drop-down.



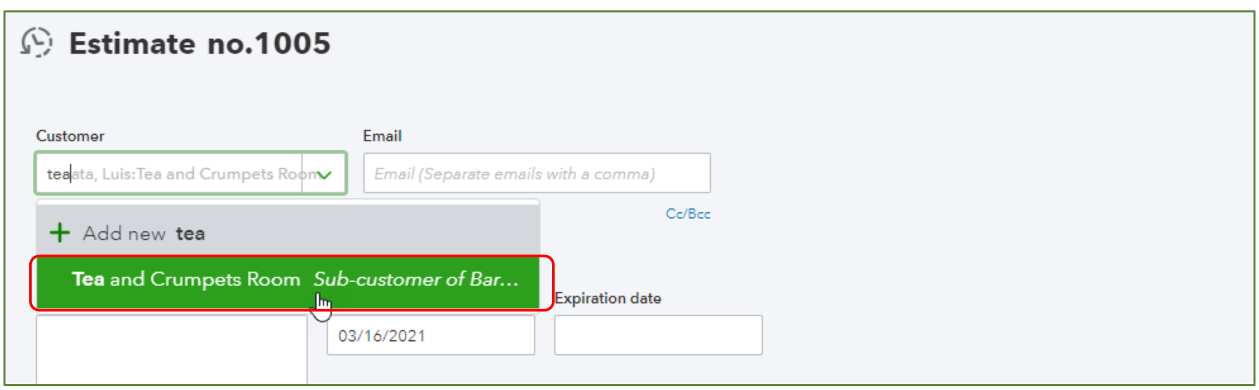
- If it's a new sub-customer name, you'll be prompted to add it to the Customer List, and either add details about that customer immediately or later. Enter the new sub-customer name in the format *customer*:*sub-customer*. You can specify if the new name is a new customer altogether or a sub-customer (i.e., a job) of an existing customer. As indicated earlier, it is a recommended practice to use sub-customers so you can track all the different work you might have done under one customer (e.g., customer is *Smith, Mary* and the sub-customers or jobs are *Basement*, *Kitchen*, *Roof*, etc.)



- If you started typing an existing customer or sub-customer name, QuickBooks will auto-fill it for you and you can select the name you want from the drop-down list. Be sure to select the correct sub-customer under the parent customer name. You can also enter the name of the sub-customer or job. You may find it faster to start typing the sub-customer name instead, as QuickBooks will autofill the field, allowing you to select it from the drop-down. For example, in the image below, we started to type *bara*:

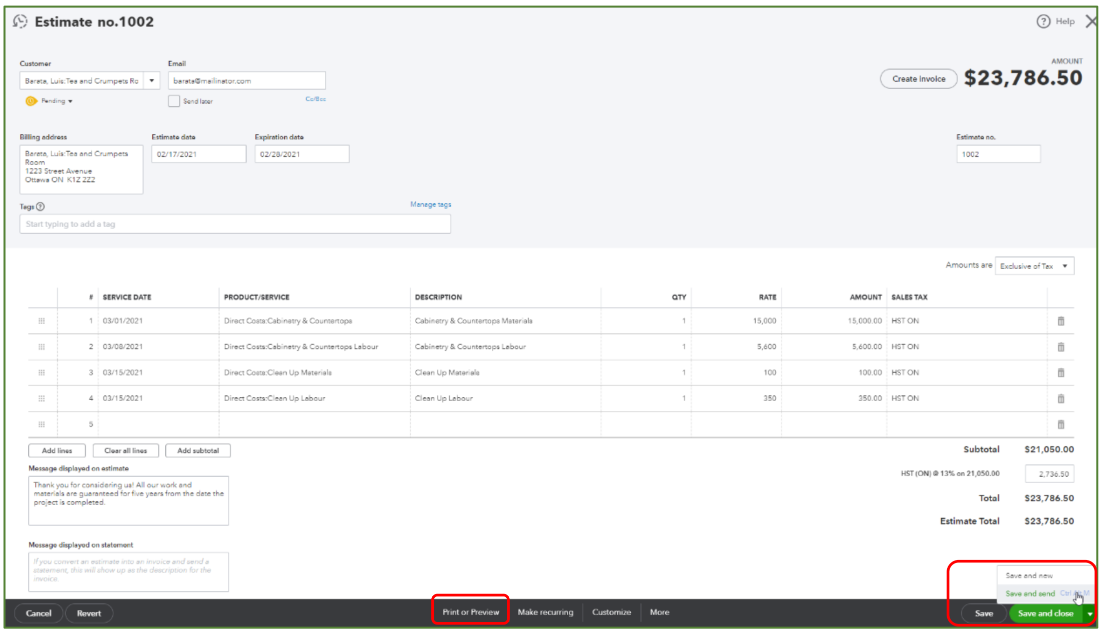


- You may find it faster to start typing the sub-customer name instead, as QuickBooks will autofill the field and allow you to select it from the drop-down. For example, in the image below, we started to type *tea*:

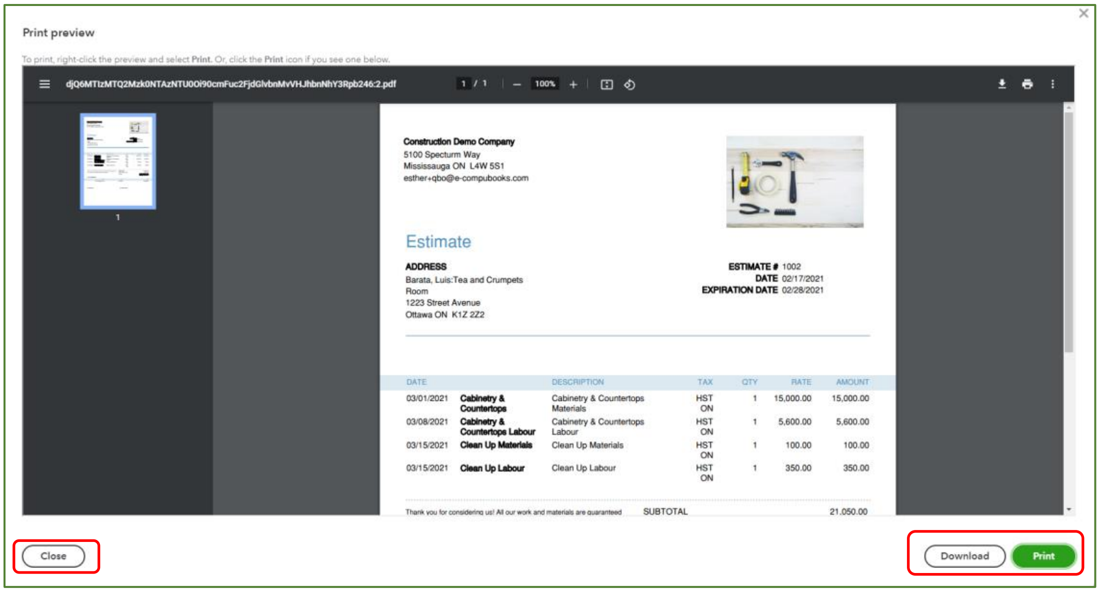


2. The customer's or sub-customer's email address(es) and mailing address will populate properly if it exists in the setup of that customer and job in the Customer List. Otherwise, you will have to enter the addresses manually on the form, but that won't save them for future use. It is best to have the customer and sub-customer contain all that information so that they will populate automatically on future forms.
3. Fill out all the fields:
    - Estimate date

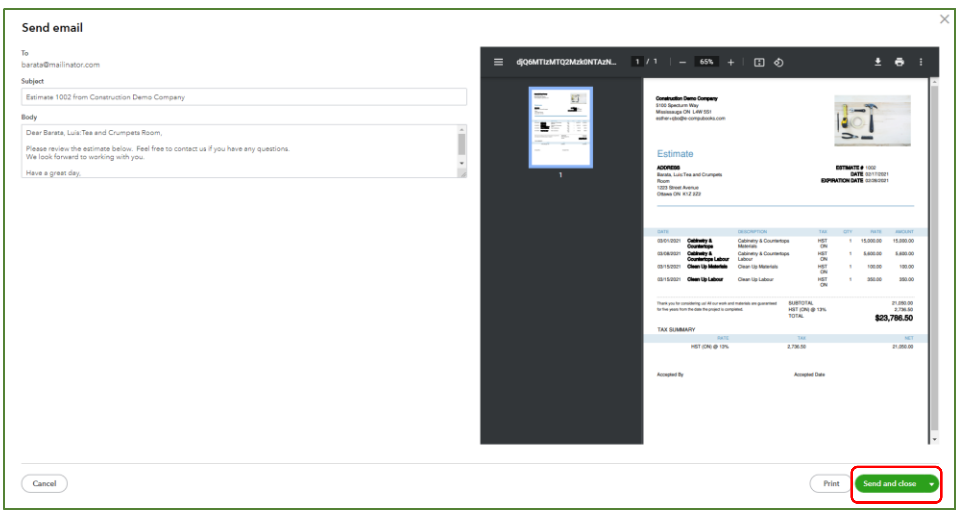
- Expiry date (it's a good idea to have one)
- All the product or service items (or alternatively, a bundle item) for which you are creating an estimate, including the service date and price for each line. We are using a quantity of 1 for each line as the price is variable
- The default description for each product or service appears but you can optionally overwrite the description for any and all lines on the estimate to suit a specific scenario
- The sales tax code for each line item, which will populate automatically if the customer and job are assigned a default sales tax code in the Customer List
- Enter any message you wish, if any
- Select **Save** at any time to save your work if you are making changes
- Select **Print or Preview** at the bottom to preview what the customer will see.



- You can download the form to a PDF or print it from this screen:



- Close the *Print preview* screen when you're ready
- When you are ready to send this to the customer, select **Save and send**.
- The Send email window opens. It is populated with boilerplate info you set up in the Estimate template you are currently using (more on that later in this webinar). You can edit the subject and the body to suit your needs. When you're ready to send it out, click on **Send and close**.



Estimate Status

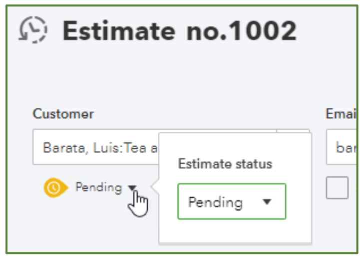
An estimate in QuickBooks can have one of four statuses:

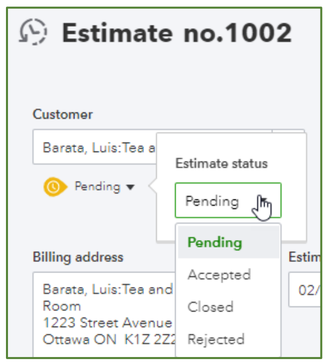
- *Pending* (if a customer hasn't reviewed it yet)
- *Accepted* (if a customer has accepted it)
- *Closed* (after acceptance and the customer is invoiced in full)
- *Rejected* (if a customer rejects the quote)

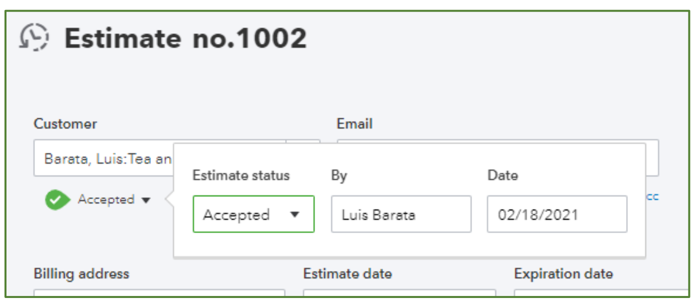
When an estimate is first created in QuickBooks, it is given a default status of *Pending*. When changing the status manually from *Pending* to *Accepted*, it's a good practice to include the customer's name or initials and the date.

QuickBooks Manual Estimate Status Changes

To modify an estimate's status manually, under the *Customer* field, select the **downward-facing caret (arrowhead)** next to the estimate status. A drop-down will appear, allowing you to choose another status. Then select **Save** at the bottom of the estimate to keep that change.







QuickBooks Automatic Estimate Status Changes

QuickBooks will change the estimate status automatically, and so the only manual status change you would really need to make on a *Pending* invoice is to mark it *Rejected*. The automatic estimate status changes QuickBooks makes are as follows:

- If an invoice for the entire estimate is created, the estimate is marked *Closed*.
- If progress invoicing has been enabled and the estimate is only partially invoiced, the estimate is marked *Accepted*.
  - It would still be a good practice to edit the *Accepted* status with the approving individual's name and date of the acceptance.

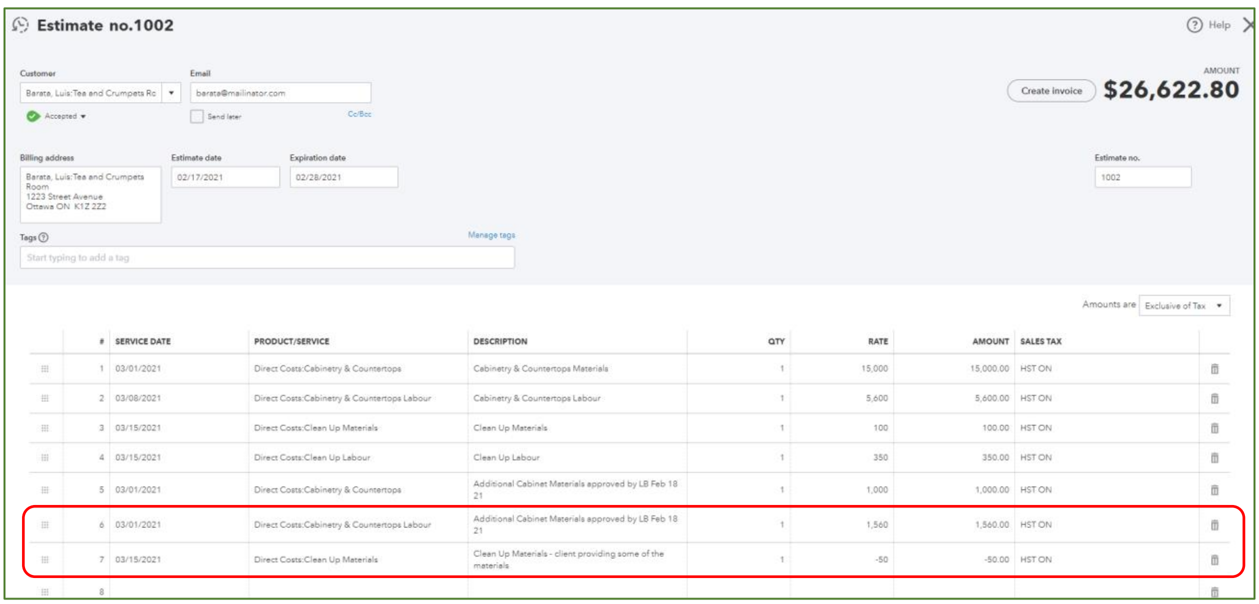
- If the customer has accepted the estimate but invoicing is not to start for some time, this is an opportunity to change the estimate status manually to *Accepted*.

Change Orders

There are times when a customer will want to make changes to what they've ordered, either to add services or to take some away. There is no *Change Order* function in QuickBooks Online, and so the best option is to take the existing estimate and add additional lines of detail on it, either to increase the total price or, by adding negative numbers, decrease it.

There is also the option of creating an additional estimate for the incremental order, and yes, more than one estimate can be added to an invoice. However, if the change order is to <u>reduce</u> the amount of the estimate, an additional estimate cannot work; that's because estimates cannot have a negative total dollar amount.

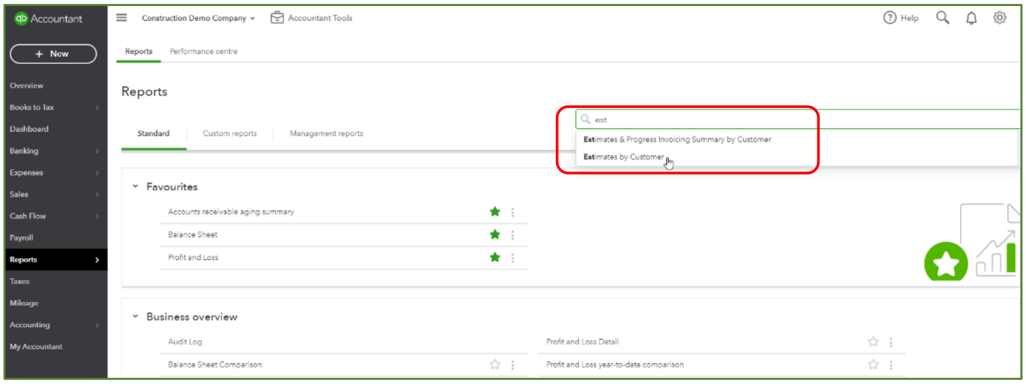
An example of an estimate that includes a change order (part increase, part decrease) is below.


Estimate no.1002
Help
Customer
Barata, Luis:Tea and Crumpets Rc
Accepted
Email
barata@mailinator.com
Send later
Cc/Bcc
AMOUNT
Create invoice
$26,622.80
Billing address
Barata, Luis:Tea and Crumpets Room
1223 Street Avenue
Ottawa ON K1Z 2Z2
Estimate date
02/17/2021
Expiration date
02/28/2021
Estimate no.
1002
Tags
Manage tags
Start typing to add a tag
Amounts are Exclusive of Tax

#	SERVICE DATE	PRODUCT/SERVICE	DESCRIPTION	QTY	RATE	AMOUNT	SALES TAX
1	03/01/2021	Direct Costs:Cabinetry & Countertops	Cabinetry & Countertops Materials	1	15,000	15,000.00	HST ON
2	03/08/2021	Direct Costs:Cabinetry & Countertops Labour	Cabinetry & Countertops Labour	1	5,600	5,600.00	HST ON
3	03/15/2021	Direct Costs:Clean Up Materials	Clean Up Materials	1	100	100.00	HST ON
4	03/15/2021	Direct Costs:Clean Up Labour	Clean Up Labour	1	350	350.00	HST ON
5	03/01/2021	Direct Costs:Cabinetry & Countertops	Additional Cabinet Materials approved by LB Feb 18 21	1	1,000	1,000.00	HST ON
6	03/01/2021	Direct Costs:Cabinetry & Countertops Labour	Additional Cabinet Materials approved by LB Feb 18 21	1	1,560	1,560.00	HST ON
7	03/15/2021	Direct Costs:Clean Up Materials	Clean Up Materials - client providing some of the materials	1	-50	-50.00	HST ON
8							

Reporting on Estimates

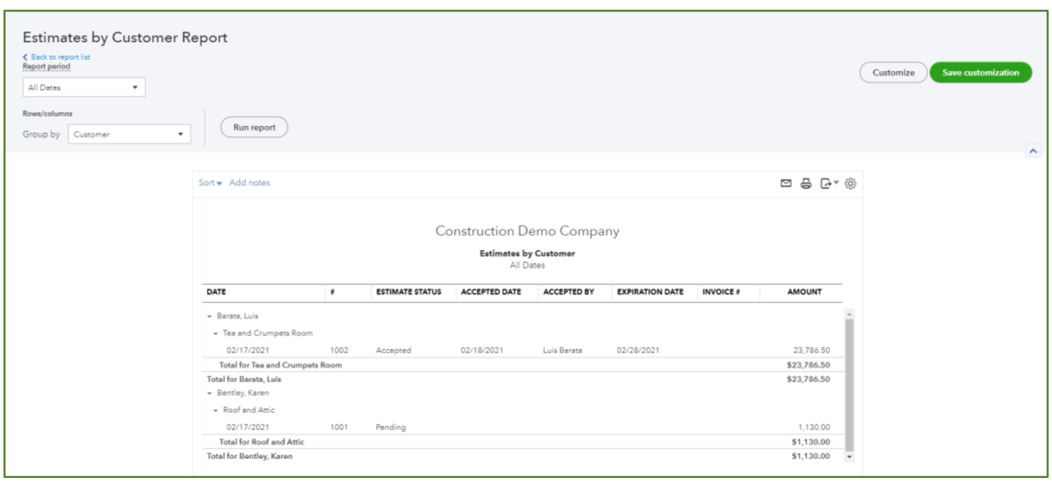
In the *Reports* tab, type "est" in the search bar and you'll see two reports that are available for estimates: *Estimates & Progress Invoicing Summary by Customer* and *Estimates by Customer*. These are found in the *Sales and customers* grouping of standard reports.



We will cover progress invoicing in another webinar entitled *Invoicing, Progress Invoicing, Job Costing and Reporting*, so for now, let's review the *Estimates by Customer* report.

The default report period for this report is *This Month-to-date*. Change the date range according to your needs; you can even select **All Dates**. When you make any report setting changes, select **Run report** to refresh the report with the new settings. This report displays, for the selected report period, all estimates grouped by customer. There are columns for:

- Estimate Number
- Estimate Status
- Accepted Date
- Accepted By
- Expiration Date
- Estimate Amount (including all taxes)



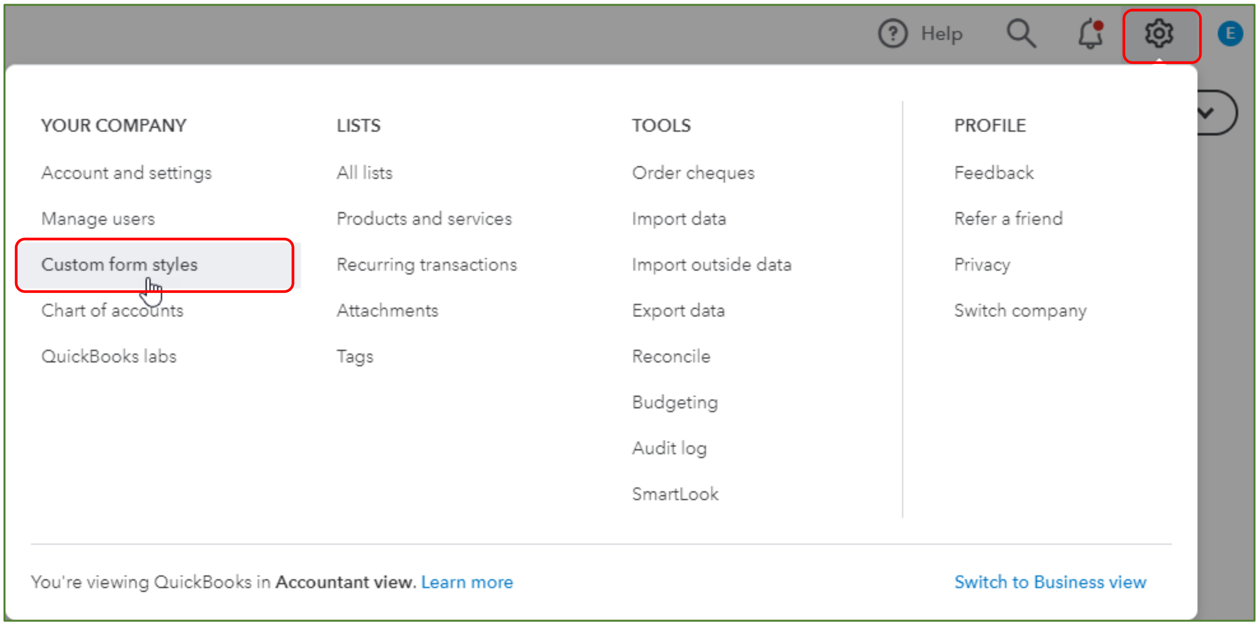
You can click on or "drill down" into any estimate in this or other reports to get more information.

Customizing Estimate Templates

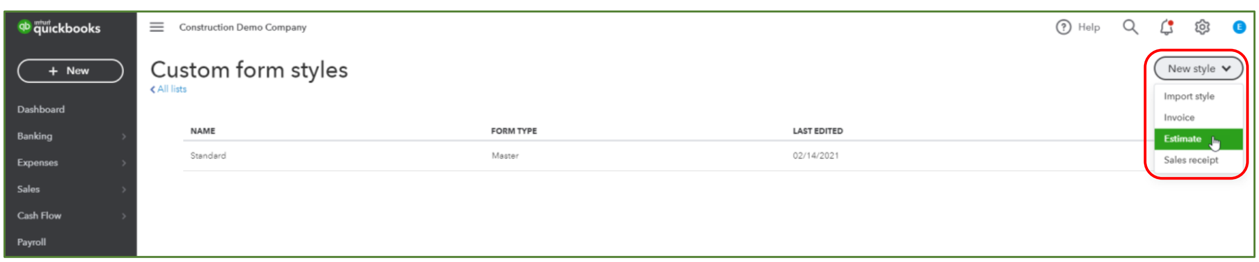
QuickBooks automatically creates a “Standard” master template for estimates, invoices, and sales receipts, so that you can issue these forms quickly without fuss if you’re in a hurry to “get them out the door.”

However, you’ll likely want to customize these forms to suit your specific needs and to match your style.

Estimate templates (as well as templates for invoices and sales receipts) can be created and customized by selecting the **gear icon** at the top right of the QBO screen > **Custom form styles**.

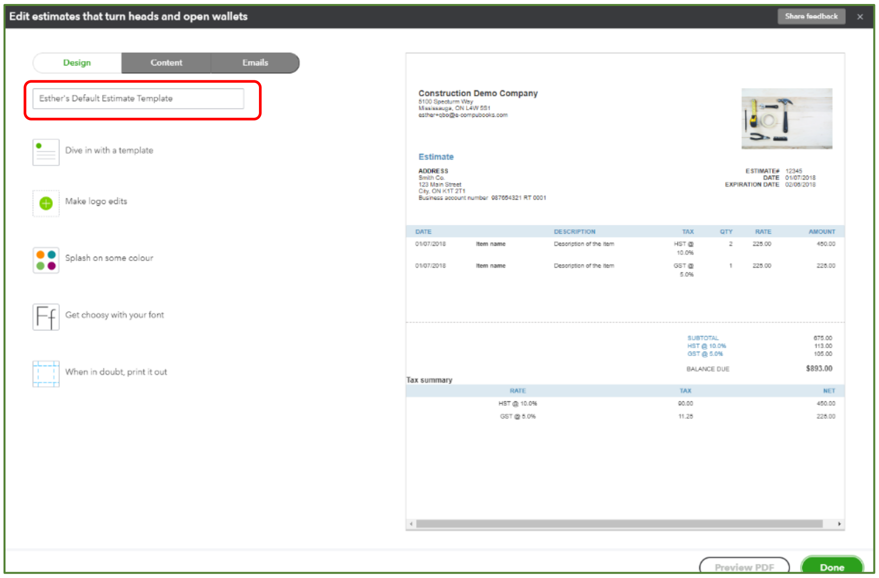


Then, select **New style** > **Estimate**.

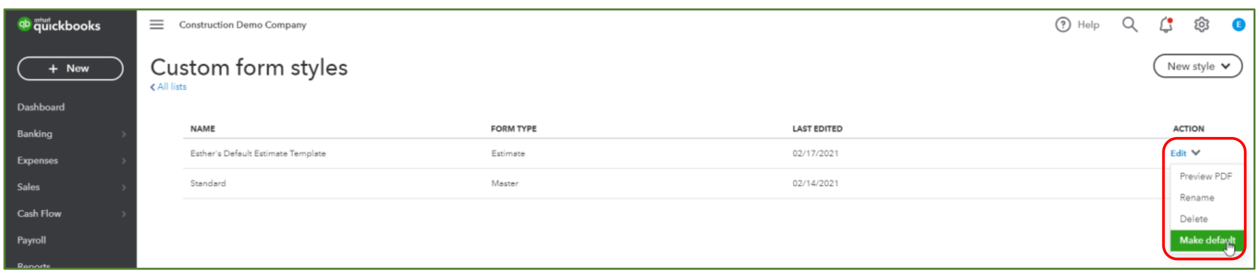


You will be taken through three tabs: *Design*, *Content*, and *Emails*. Make your edits, name your template and save it by selecting **Done** for use on estimates going forward. Here are some ideas:

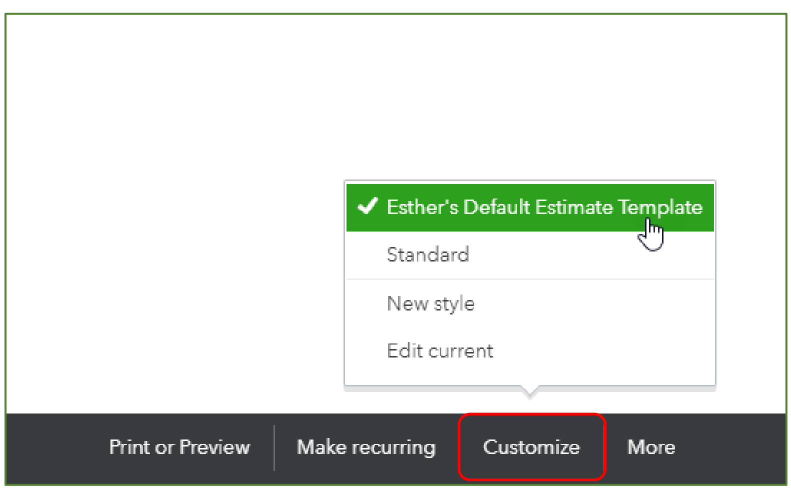
- If you don’t want your clients to see the word *Estimate*, you can change the title of the form to something else like *Proposal* or *Quote* in your customized template.
- You can customize multiple estimates to suit different clients and scenarios.
- You can bring up to 10 logos into QuickBooks (by selecting the **gear icon** > **Account and settings** > **Company**), and you might want to use different logos on different estimate templates.

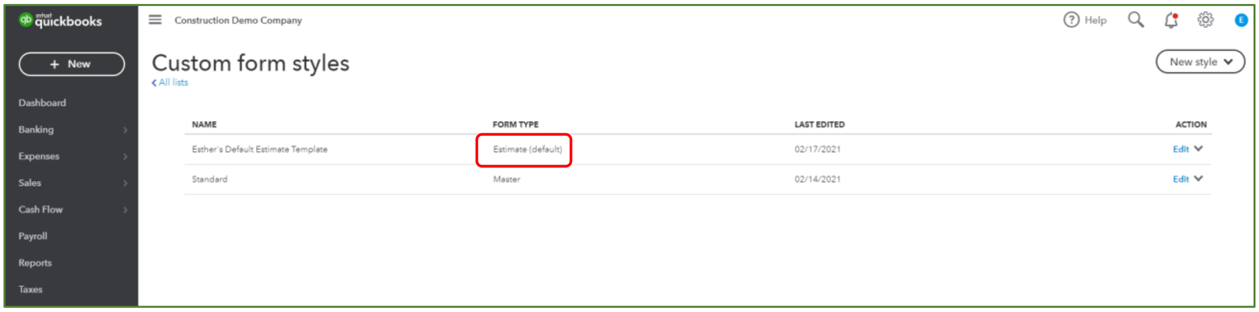


You should select the estimate template you prefer to use most and make it your default estimate template by clicking on the drop-down in the *Action* column and choosing **Make default**. The estimate is then listed as the default template for that type of transaction.



You can change to another template on an individual estimate form by selecting **Customize** at the bottom of the estimate and then selecting either an existing alternative template or to create a **New style**.





More information on customizing templates can be found here: https://quickbooks.intuit.com/learn-support/en-ca/customise-forms/customize-invoices-estimates-and-sales-receipts-in-quickbooks/00/291044.

Now that we've covered Products and Services as well as Estimates, be sure to check out our webinar entitled on *Invoicing, Progress Invoicing, Job Costing and Reporting*.