FREE GUIDE

Step-by-Step Guide to Setting Up QuickBooks

Chart of accounts, products and services, bank feeds, and reporting — done right from day one.

A clean QuickBooks Online setup saves hundreds of hours of cleanup later. Follow these steps in order. Menu names change occasionally; if a label differs, search for it with the magnifying glass in QuickBooks.

Step 1 — Company settings

- Enter your legal business name, EIN, address, and entity type (sole prop, LLC, S corp, C corp, partnership). The entity type drives which tax-form lines your accounts map to.
- Set the **first month of your fiscal year** and tax year.
- Choose the **accounting method** for reports (accrual is recommended for management reporting).
- Turn on **account numbers** — they make the chart of accounts far easier to organize.
- Set default **payment terms** (e.g., Net 30) and enable online payments if you'll accept card/ACH.

Step 2 — Build the chart of accounts

QuickBooks creates a default chart. Trim it rather than adding to it. Use number ranges: 1000s assets, 2000s liabilities, 3000s equity, 4000s income, 5000s cost of sales, 6000s operating expenses, 7000s other income/expense.

- Make every bank account and credit card its own account.
- Separate **cost of sales** from overhead so gross margin is meaningful.
- Inactivate (don't delete) default accounts you won't use.
- Use **classes or locations** for departments or divisions instead of duplicating accounts.

> **TIP** Our free Chart of Accounts Starter Pack includes ready-made Service, Product, and SaaS charts you can import.

Step 3 — Opening balances

Choose a clean start date (usually the first day of the fiscal year or the current month). Enter balances as of that date from your bank statements, loan statements, and prior accountant's balance sheet. Enter open customer invoices and vendor bills individually so aging reports work.

Step 4 — Products & services

Create items for what you sell. Map each to the correct income account (and, for inventory, the COGS and inventory asset accounts). Set default rates to speed up invoicing.

Step 5 — Connect bank and credit card feeds

1. Go to Banking (or Transactions › Bank transactions) and connect each account.
2. Pick a download start date **after** your opening balance date to avoid duplicates.
3. Review each downloaded transaction — match it to existing records or categorize it.
4. Create **bank rules** for recurring vendors (rent, software, utilities).
5. Reconcile each account for the first month immediately.

Step 6 — Customers, vendors, and sales forms

- Import customer and vendor lists (CSV) with emails and terms.
- Mark contractors as **1099 vendors** and collect W-9s up front.
- Customize invoice templates with your logo, payment instructions, and terms.

Step 7 — Connect your other apps

Payroll, payment processors (Stripe, Square, PayPal), bill pay, and expense tools should sync to the right accounts. Record processor fees as an expense — don't net them against revenue — and use a clearing account so payouts match deposits.

Step 8 — Users and permissions

Give each person their own login with only the access they need. Invite your accountant using the accountant user type. Never share passwords.

Step 9 — Set up reporting

- Customize and save your monthly P&L, balance sheet, AR aging, and AP aging.
- Schedule reports to email you monthly.
- Set a **closing date** with a password after each month-end close.

Common setup mistakes

Mistake	Why it hurts	Fix
Bank feed start date overlaps opening balances	Duplicate income and expenses	Delete duplicates; reconcile from the start date
Using Uncategorized Income/Expense	Reports are meaningless	Categorize weekly; target a zero balance
Recording deposits as income when invoices exist	Revenue is double-counted; AR never clears	Receive payment against the invoice
Owner personal expenses in business accounts	Overstated expenses, audit risk	Record as owner draws; separate accounts
Too many accounts	Hard-to-read reports	Consolidate; use classes for detail

NEED HELP? Already set up but messy? A QuickBooks cleanup usually starts with reconciling each account from a known-good date forward.

This guide is general information for small business owners and is not tax, legal, or accounting advice. Rules, rates, and deadlines change — confirm specifics with your CPA or the relevant agency.