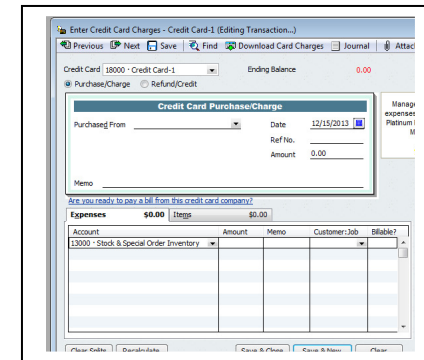
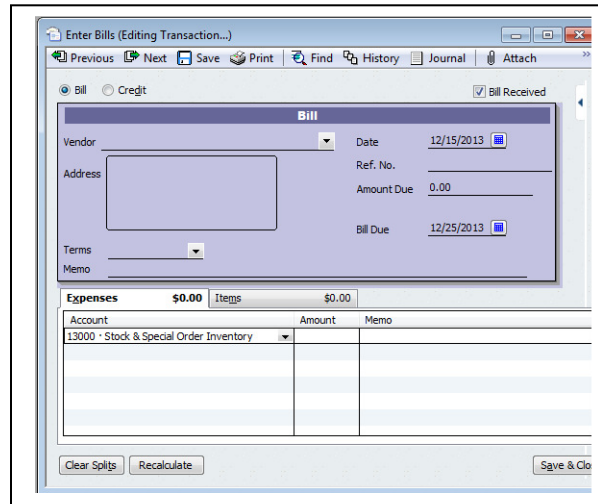
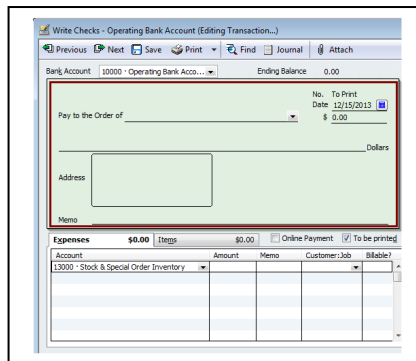
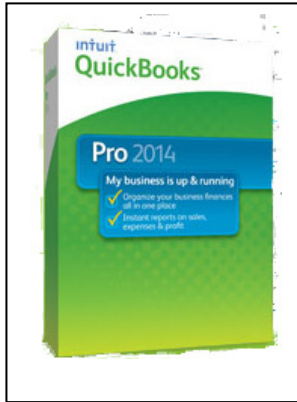


How to know what account in QuickBooks to use to enter a bill or credit card charge when you buy ANY RESALABLE items that are sold in The Edge



David Geller || www.JewelerProfit.com || David@JewelerProfit.com || (404) 255-9565 || December 2013

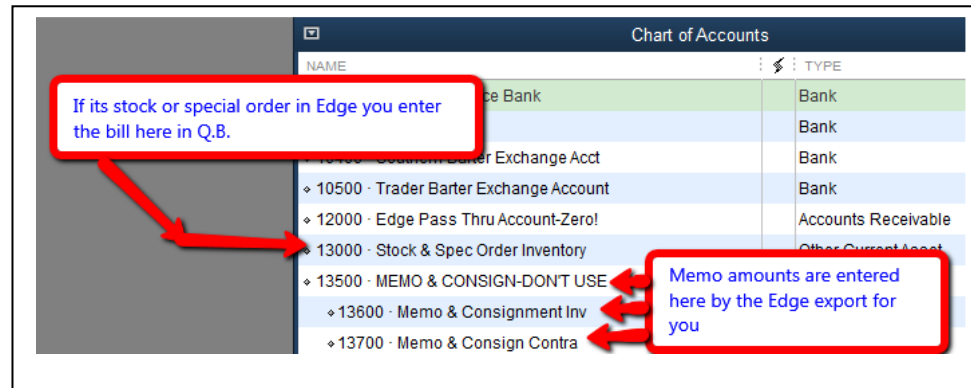
How to know what account in QuickBooks to use to enter a bill or credit card charge when you buy ANY RESALABLE items that are sold in The Edge

You might think this is a simple thing to know but there are several departments in the store and each handles its inventory differently.

Your inventory Asset account in the Edge might have a different number and a different name but when you enter a bill for inventory in QuickBooks and it gets entered as stock or special order **type** in Edge you enter the bill in QuickBooks in an account called:

- **Stock & Special Order Inventory**
- **Inventory Edge**
- **Edge Inventory**
- **Showcase & Special Order Inventory.**

Go to the chart of accounts (Control+A)
and at the top you should see your
two inventory accounts:



The screenshot shows the 'Chart of Accounts' window in QuickBooks. The table lists various accounts with their names and types. Two red boxes with arrows point to specific accounts:

- A red box on the left contains the text: "If its stock or special order in Edge you enter the bill here in Q.B." with an arrow pointing to the account "13000 - Stock & Spec Order Inventory".
- A red box on the right contains the text: "Memo amounts are entered here by the Edge export for you" with three arrows pointing to the accounts "13500 - MEMO & CONSIGN-DONT USE", "13600 - Memo & Consignment Inv", and "13700 - Memo & Consign Contra".

NAME	TYPE
Bank	Bank
Bank	Bank
Bank	Bank
10500 - Trader Barter Exchange Account	Bank
12000 - Edge Pass Thru Account-Zero!	Accounts Receivable
13000 - Stock & Spec Order Inventory	Other Current Asset
13500 - MEMO & CONSIGN-DONT USE	
13600 - Memo & Consignment Inv	
13700 - Memo & Consign Contra	

If you buy inventory to sit in the case waiting to be sold or you order it from a vendor special for a customer and

- It gets a sku number in the Edge
- Is **NOT** a memo or consignment piece

Then in QuickBooks the bill will be entered 100% of the time into the Stock & Special Order inventory account (other current asset) in QuickBooks. (See picture above). Do not use a cost of goods account.

Receiving/Buying Inventory and its Stock or Special Order in the Edge program

Edge Inventory Screen

ITEMS - 001-211-00040

General ● Stones Tag Quantities Notes Pre-Appraise Assembled Disassembled

Item #001-211-00040 Category 211 Colored Stone Earrings

Vendor Info: Vendor **JC Jancin Corp**

Stock Type: **Stock** (Selected)

Special Order (Selected)

Stock & Special Order items are things you will pay for whether they sell or not. Both in QuickBooks gets the bill entered into "Stock & Special Order Inventory in QuickBooks"

QuickBooks Chart of Accounts

10500 - Trader Barter Exchange Account	Bank
12000 - Edge Pass Thru Account-Zero!	Accounts Receivable
13000 - Stock & Spec Order Inventory	Other Current Asset
10500 - Trader Barter Exchange Account	Bank

If the item is **SOLD** in the Edge using these two buttons on the POS screen then the item is a **Stock or Special Order** item in the Edge and in QuickBooks. Therefore in QuickBooks you would enter the bill in the Stock & Special Order Inventory chart of account. (Yours might be called "Showcase Inventory or Edge Inventory"). Do not enter as a cost of goods. This lesson has nothing to do with ordering a diamond in on memo. That's different.

Why In

Sell Item **Special Order**

Make Payment Sell Gift Certificate Repair Intake Start Over

Pick Up / Finish Misc Charge Sell / Activate Card Appraisal Intake Custom Job Intake Open Drawer

Cancel Order Trade / Buy Return / Adjust No Sale Tracking 12/14/2013 7:27 AM Receipts

Description Retail Disc %/\$ Price Tax/Net

Receiving Memo or Consignment Inventory

Edge Inventory Screen

Item #001-211-00040 Category 211 Colored Sto

Vendor Info: Vendor Id **JC** Jancin Corp

PO#: Invoice# 32355 Quantity: Ven Style# DE2016R

Stock Type: **Memo** (dropdown menu open)

Memo Expires: (1) Earning Detail

Style: Sm Metal: 14 Color: Yellow Finish:

QuickBooks Chart of Accounts

13000 - Stock & Spec Order Inventory	Other Current Asset	0.00
13500 - MEMO & CONSIGN-DONT USE	Other Current Asset	0.00
13600 - Memo & Consignment Inv	Other Current Asset	5,565.00
13700 - Memo & Consign Contra	Other Current Asset	-5,565.00
13800 - Edge Store Charges (A		0.00
13850 - Prepaid Expenses		0.00
13860 - Bad Check Holding Acc		0.00
14000 - Undeposited Funds	Other Current Asset	0.00
15000 - Furniture and Equipment	Fixed Asset	0.00
15100 - Shop Equipment	Fixed Asset	0.00

The Edge during posting make these entries. Bookkeeper does nothing until an item is sold

When the staff enters a memo or consignment piece in Edge, the program makes 2 entries in QuickBooks. The bookkeeper NEVER touches these 3 accounts

When you finally **sell** a memo or consignment piece the bookkeeper enters the bill to pay for the item in QuickBooks from either of these two ACCOUNTS

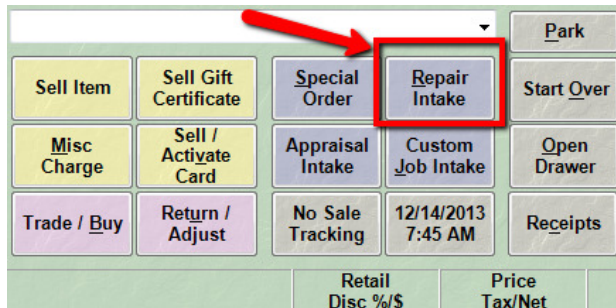
20000 - *DAILY ACTION REQUIRED*	Other Current Liability
20100 - Refunds Due-Refunds/CC's/Gold	Other Current Liability
20200 - Memo Payments Due (Bill or Chk)	Other Current Liability
20300 - Consign Payments (Bill or Chk)	Other Current Liability

Repairing a piece of jewelry including watch repairs, replacing a broken diamond or gemstone, etc.

Shop Costs are entered in the **Findings/Mtgs/Gold/Stones** sub account of Shop Cost of Goods in QuickBooks. (Your numbering may be different). Findings and such are entered in the highlighted box below. If you send things out to an outside trade shop you'd use the "Outside Trade Shop" account. QuickBooks adds up the **total** shop costs and reports that to you on the profit & loss statement.

Edge entry screen

This screen is used to take in a repair so you can print a job envelope and track the job in the store.



QuickBooks entry

♦ 55000 · SHOP COST OF GOODS	Cost of Goods Sold
♦ 55100 · Findings/Mtgs/Gold/Stones	Cost of Goods Sold
♦ 55200 · Tools & Shop Supplies	Cost of Goods Sold
♦ 55300 · Laser Lease/Depreciation	Cost of Goods Sold
♦ 55400 · Watch Repair Costs	Cost of Goods Sold
♦ 55500 · Outside Trade Shops	
♦ 55600 · Jewelers Wages	
♦ 55700 · Jewelers Taxes	Cost of Goods Sold
♦ 55800 · Jewelers Benefits	Cost of Goods Sold
♦ 55900 · 1099 Jeweler	Cost of Goods Sold

A red box highlights the '♦ 55100 · Findings/Mtgs/Gold/Stones' row. A red arrow points from this box to a larger red box containing the text 'Enter bills for shop parts & such here'.

You might also have a few **Misc Sale items** made up to sell a repair without a taken in envelope being printed. When you export or post to QuickBooks these Misc Sale items shown below all go to

SHOP SALES: Jewelry Repair

Watch batteries as well are a sub account of Shop Sales

Many stores have additional repair sales used as a Misc Sale items

Selling a repair in any of these two ways (Repair Intake & Misc Sale) the bookkeeper enters the costs in **QuickBooks** in a sub account of **Shop Cost of Goods**.

- ◊ 55000 · SHOP COST OF GOODS
 - ◊ 55100 · Findings/Mtgs/Gold/Stones
 - ◊ 55200 · Tools & Shop Supplies
 - ◊ 55300 · Laser Lease/Depreciation
 - ◊ 55400 · Watch Repair Costs
 - ◊ 55500 · Outside Trade Shops

Associate 5 Cowgill, Erin (5) Share... Why In Park

Customer #001.00570

Lori Grass
533 Troupsburg Rd
Carlsbad, CA 92009
496-7171
Do Not E-mail
Anniversary: Nov 5

0 0 0 0 01/2003

Find Cust Notes / Edit
New Cust Wish List
No Name Ship...

Take ment
Up / ish
Order

Sell Item
Misc Charge
Trade / Buy

Sell Gift Certificate
Sell / Activate Card
Return / Adjust

Special Order
Appraisal Intake
No Sale Tracking

Repair Intake
Custom Job Intake
12/14/2013 7:50 AM

Start Over
Open Drawer
Receipts

Line	Stock#	QTY	Description	Retail Disc %/\$	Price Tax/Net
1			Quick Jewelry Repair - Jewelry Repair,		\$65.00

Delete Line

Repairs
Coupon/Discount
TC Adj.
Sell Gold to Refiner
Watch Battery
Quick Jewelry Repair

Special instructions when selling jewelry other than a repair using MISC SALE ITEMS

Part 1

The reason we enter in QuickBooks a Stock or Special Order bill into “Stock & Special Order Inventory Chart of Account” is because **there is a place** to enter the cost of the **ITEM** in Edge. So the rule is simple. **If you sell a piece of jewelry with a sku number in the Edge and its Stock or Special order and there is a COST ENTERED, then in QuickBooks use the Stock & Special Order Edge Inventory asset account.**

Edge entry screen

ITEMS - 001-211-00044

General Stones Tag Quantities Notes Pre-Appraise Assembled Disassembled History

Item #001-211-00044 Category: 211 Colored Stone Earrings-Precious

Vendor Info: Vendor, Id, CO, Color Merchs

Inventory: Allocate, Pricing (Cost: \$208.95, Retail: \$499.00, Lowest: \$0.00, Current: \$499.00)

Stock Type: Stock

QuickBooks entry

10500 - Trader Barter Exchange Account	Bank
12000 - Edge Pass Thru Account-Zero!	Accounts Receivable
13000 - Stock & Spec Order Inventory	Other Current Asset

Enter Bills (Editing Transaction...)

Bill Received

Vendor: [Dropdown] Date: 12/15/2013

Address: [Text Area] Ref. No.: [Text]

Amount Due: 0.00

Bill Due: 12/25/2013

Expenses	Amount	Items	Amount	Memo
13000 - Stock & Special Order Inventory				

Clear Splits Recalculate Save & Close

Special instructions when selling jewelry OTHER than a repair using MISC SALE ITEMS

Part 2

When you sell a piece of jewelry using a Misc Sale item on the POS screen there is **no place in the Edge to enter the cost**. A Misc Sale item in QuickBooks is considered a sub account of Product Sales but being there's no cost entered into the Edge then the program *cannot transfer the cost in QuickBooks from the Stock & Special Order Inventory account into a cost of goods account*.

Therefore the bookkeeper *must enter the bill for items SOLD as a Misc Sale item in the Edge* into the **“Bulk & Misc COG-Bookkeeper ENTER!”** account. (That's why it says “Enter!”)

Some examples of what Misc Sales items are:

- Beads
- Jewelry cleaner
- Polishing cloths

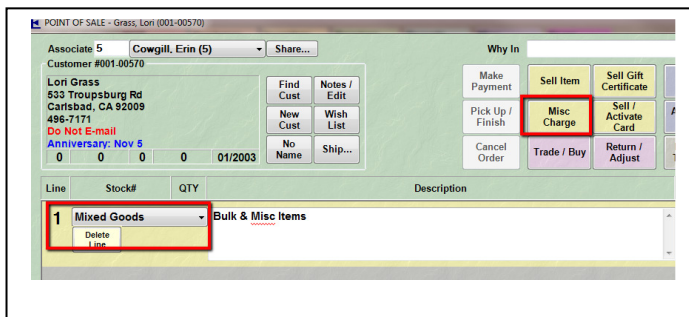
◊ 50000 · PRODUCT COST OF GOODS	Cost of Goods Sold
◊ 50100 · Stock & Spec Order COG	Cost of Goods Sold
◊ 50200 · Memo & Consignment COG	Cost of Goods Sold
◊ 50300 · Bulk & Misc COG-Bkeeper Enter	Cost of Goods Sold

Consider these “insignificant” sale items. It's OK to use the Misc Sale items for these and in the Edge if you choose Misc Items you'll probably see a Misc Sale item the Edge made up called “Mixed Goods, Bulk Items or Non Inventory Items”

If a staff member sells something in Edge with Bulk, mixed goods, non-inventory Misc Sale Item then when the bookkeeper receives the bill it will be entered into QuickBooks using the **“Bulk & Misc COG-Bookkeeper ENTER!”** account.

NOTE: The cost and sales of the Bulk items may not align up in QuickBooks on the P&L in the same month. You might receive a gross of jewelry cleaner jars in June and enter a bill into **“Bulk & Misc COG-Bookkeeper ENTER!”** account for \$300. But the jars themselves will be sold one at a time for \$8.00 and therefore costs and sales will not be aligned. It's such a small number we are not going to worry about it.

Edge entry screen



QuickBooks entry

◊ 50000 · PRODUCT COST OF GOODS	Cost of Goods Sold
◊ 50100 · Stock & Spec Order COG	Cost of Goods Sold
◊ 50200 · Memo & Consignment COG	Cost of Goods Sold
◊ 50300 · Bulk & Misc COG-Bkeeper Enter	Cost of Goods Sold

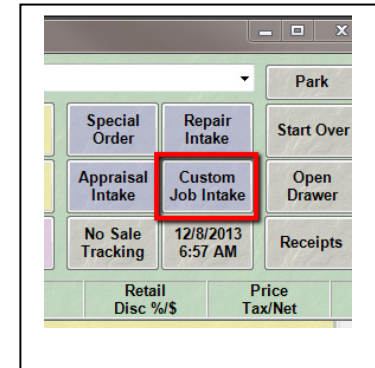
Custom designing a piece of jewelry specifically for a customer

This is a very important section, please read and understand it.

If you custom design a piece of jewelry from scratch there is a 99% chance that making this involves your jeweler and/or several outside trade shops. Your staff might sit down and draw a picture for a customer or look through magazines and come up with an idea of what to make. It doesn't matter if your staff hand carves a wax, designs it with a Cad/Cam computer program or out sources the ring to an outside jeweler. You might even show the customer a stock ring in the case and she says "yes, I like that but can you make the following changes?"

This is a custom design SHOP sale and is entered in The Edge using the "Custom Job Intake" button.

Do not use the Special Order button or enter into inventory and giving this a regular sku number as you would a special ordered chain or bracelet. Use the Custom Job Intake to sell this design if the manufacture/design/making of this piece falls into the description above. See page 12 why you should not enter a custom design piece as "Inventory" in the Edge.



Repair & Custom Design shop costs are **only** entered in the **Findings/Mtgs/Gold/Stones** sub account of Shop Cost of Goods in QuickBooks. Findings and such are entered in the highlighted box below. If you send things out to an outside trade shop you'd use the "Outside Trade Shop" account. QuickBooks adds up the **total** shop costs and reports that to you on the profit & loss statement.

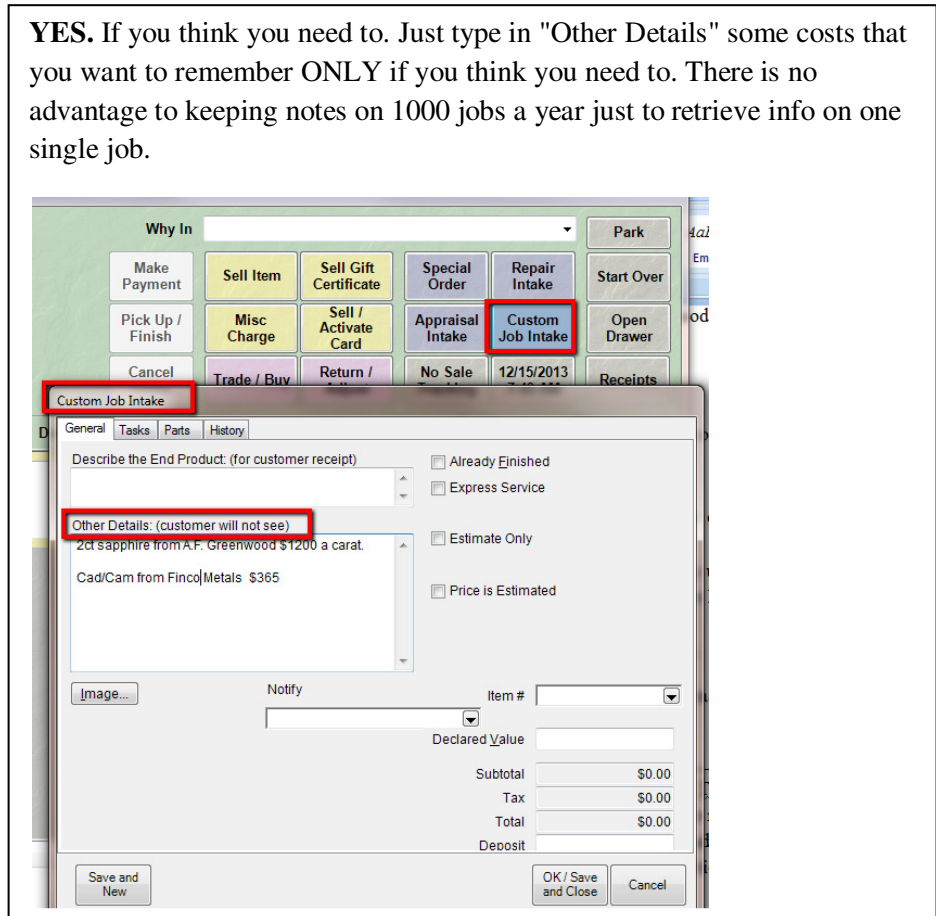
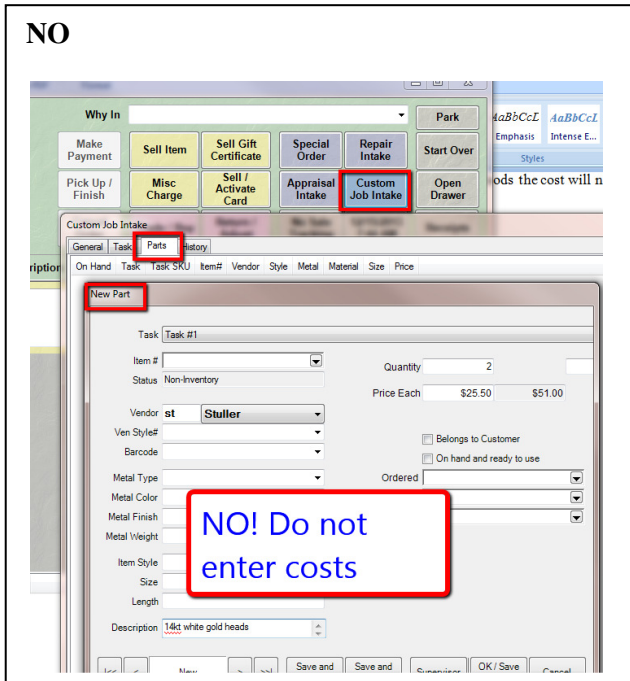
55000 • SHOP COST OF GOODS	Cost of Goods Sold
♦ 55100 • Findings/Mtgs/Gold/Stones	Cost of Goods Sold
♦ 55200 • Tools & Shop Supplies	Cost of Goods Sold
♦ 55300 • Laser Lease/Depreciation	Cost of Goods Sold
♦ 55400 • Watch Repair Costs	Cost of Goods Sold
♦ 55500 • Outside Trade Shops	Cost of Goods Sold
♦ 55600 • Jewelers Wages	Cost of Goods Sold
♦ 55700 • Jewelers Taxes	Cost of Goods Sold
♦ 55800 • Jewelers Benefits	Cost of Goods Sold
♦ 55900 • 1099 Jeweler	Cost of Goods Sold

IMPORTANT: Do not enter the costs for making the custom design sale in The Edge. I train on this extensively and will give a few bullet points below why but if you export/post from Edge to QuickBooks and you enter costs of a job in the Edge then it will posts those costs into QuickBooks Shop Cost of Goods. Being the bookkeeper has also entered costs into QuickBooks: Shop Cost of Goods the **cost will now be doubled.**

Reasons to not enter shop costs into the Edge:

- Will double costs in QuickBooks
- You have no clue what your true labor costs are if you pay hourly or salary. Jewelers never know accurately how long a job took to accomplish.
- It's a waste of the jeweler's time to keep track of time and costs.
- Even if you pay 100% commission to the jeweler as I did you're not accounting for freebies or downtime and won't know the shops true profitability.
- The jeweler would have to report to someone to enter costs into Edge for every jump ring they use, every head, clasps and the gold that goes into shanks and ring sizings. No benefit to this tedious work. If you use my Geller's Price Book to Jewelry Repair and Design you know you're making a good profit. Trust the system.
- The "Geller" method to QuickBooks shop costing takes all of these factors into consideration.

So make sure no one enters costs into the Edge. If for some reason you want to keep track of costs to make a ring for “Mrs. Jones” do as we did. *TYPE* the costs as you know them in *Other Details notes* so you can retrieve that data later.



Why you should NOT enter a custom design job as a Special Order or Stock Inventory item in The Edge.

Some jewelers think they should enter a completely custom designed engagement ring into Edge inventory using a category (like category number 100) and tell the Edge it's a "Stock" or "Special Order" type.

Do not enter the custom sale as an inventory item

Id	Name	Type	Department
100	Diamond Engagement Solitarie Ring	RING	
105	Diamond Engagement Wedding Ring	RING	
110	Diamond Wedding Bands - Women's	RING	
115	Diamond Wedding Bands - Men's	RING	
120	Diamond Band Rings	RING	
130	Diamond Fashion Rings - Women's	RING	
135	Diamond Fashion Rings - Men's	RING	
140	Diamond Semi-Mount, Wraps, & Guard Rings	RING	
141	Diamond Slides	OTHER	
150	Diamond Earrings	EARRINGS	
151	Diamond Earrings Studs	EARRINGS	
160	Diamond Pendants	PENDANT	
170	Diamond Bracelets	BRACELET	
171	Diamond Bracelet -ADD-A-LINK	BRACELET	
180	Diamond Pins or Brooches	PIN	
185	Diamond Jewelry Miscellaneous	OTHER	

You do not want to make this entry. It's a shop sale. You might think "Hey I want to know how many engagements rings I sold this year, custom and from the case."

There is no business reason to run reports on this information and **ruin ALL of your other reports.** Selling custom design engagement rings are a random event. You might advertise "we make engagement rings" but if no one comes in to make one you're only out advertising dollars. When you sell a custom designed engagement ring the real question to ask is "how much money did we make on this one single sale?"

That is different than selling an engagement ring from the case. When you sell a custom ring you only sell the one that's in your mind. Yes the customer might look in the case and say "can you make it like that but different?" But it's a "design from the brain sale."

On the other hand when you sell a ring from the showcase the traditional jeweler might ask "how much did we make selling that ring?" That's an easy answer. But if you want to **have money** (you already made money) the real question to ask is "after we sold this ring, do we have enough money left over to pay for the other rings we haven't sold from the showcase?" This is the GMROI report in the Edge, another document/another report for another time.

Custom design sales are "free money". How much does it take to sell a \$3000 custom designed engagement ring? What do you need to have on hand to sell it?

- A jeweler. Costs maybe \$800 for one weeks pay.
- Some gold and findings kept in stock in the shop. Maybe \$10,000 at all times?
- All other costs are ordered in as needed. Don't have to pay for stuff if not needed & used, right?
- So to make a \$3000 custom design ring takes maybe \$10,800 of on hand costs. True paid for costs. Not much "overhead" at all.

So if you sold a \$3000 engagement ring from the case or had to call the manufacturer to mail one to you from your stock of their merchandise, what does it cost to make a \$3000 sale just from the case?

- Look at your total inventory figures. Typical jeweler I work with has \$350,000; \$500,000; \$1,500,000 or more in inventory that was paid for or will need to be paid. Hundreds of thousands of dollars just to make a \$3000 sale.

Big difference between \$10,800 or less to make a \$3000 custom designed engagement ring versus \$500,000 in inventory on hand to make a showcase sale.

The return on investment (or GMROI) on custom is huge and you don't want to add this huge number to Stock/Showcase/Special Order sales as it will make your showroom look more profitable overall than it really is.

Reasons not to make a custom sale an *inventory sku'd number sale*:

- You can track a job's due date and location of the envelope if it's a custom design sale in Edge. You can't track it if it's a special order sale.
- If you enter it as an inventory sale the **COST** in the inventory screen in Edge has to have ALL costs. That includes the cad/cam fee, jeweler's labor, jeweler taxes & benefits, all findings used and ordered and a portion of shop supplies used (ultrasonic fluid, buffing compounds). You're going to do this accurately?

Any shop sale (Custom or Repair) must have the costs entered into QuickBooks in a sub account of SHOP COST OF GOODS (we already covered this). So if you're going to make the custom ring a "Special Order Sale" you now must remember that any item with a sku number (special orders get sku numbers) will now have to have all costs put into "Stock & Special Order Inventory" other current asset account in QuickBooks. This would mean all of the costs I just mentioned that would make up the cost in the Edge (the cad/cam fee, jewelers labor, jeweler taxes & benefits, all findings used and ordered and a portion of shop supplies used-ultrasonic fluid, buffing compounds) would have to be entered into Stock & Special Order Inventory account in QuickBooks. **You're going to remember this? I don't think so.**

How to enter a custom design sale when there is a large dollar item in the piece, like a 1ct princess cut diamond

If you custom design this engagement ring below for a customer the total sale goes in as a Custom Sale in the Edge and exports to QuickBooks to Custom Design, a sub account of Shop Sales



(Ring is from Anzor)

◆ 45000 · SHOP SALES	Income
◆ 45100 · Jewelry Repair	Income
◆ 45200 · Custom Design	Income
◆ 45300 · Watch Repair & Batteries	Income

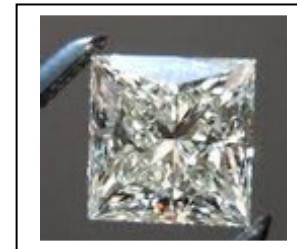
Although this might be a \$3000 sale it's actually composed of a LOT of small costs:

- Small melee at \$30 a diamond.
- Baguettes at \$100 each
- 14kt gold casting grain at \$40 per pennyweight.
- Labor to make the ring at a cost of \$20 per hour.

Sure if you add up the costs it might be \$1500 and you'd keystone it to \$3000. But each individual item, if the ring wasn't sold after all and you had to **keep** the diamonds and the gold would you give these items a sku number in The Edge? Would you put them into stock? No I don't think so. It would be given to the jeweler to hold onto until we make a ring or need a repair done in the future.

That's why the sale is a shop sale and the bills for this stuff goes into shop cost of goods.

But what about if you make this ring and also sell the customer a 1 ct Princess Cut diamond to go in the middle? →



This is a two line entry sale in The Edge and it exports as two different types of sales in QuickBooks.

- Line 1: A custom intake sale for the engagement custom design mounting with melee sale for \$3000. (QuickBooks is a custom sale)
- Line 2: An individual sale for the diamond only at a retail price of \$7500 (your cost maybe \$5000). It can be sold as a stock item or a special order item (if you got it in for the customer's approval. (QuickBooks it's a Stock & Special Order sale.)

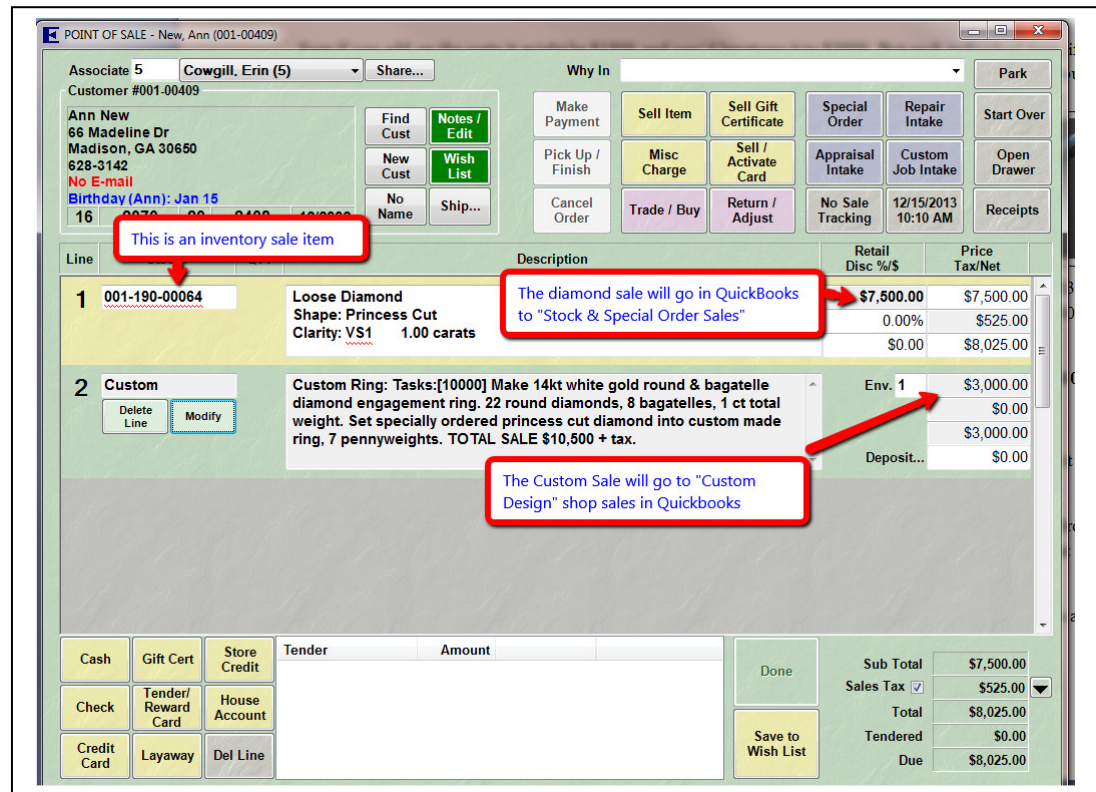
You would not make one BIG custom sale combining the diamond with the engagement ring for \$10,500.00.

The profit on the diamond would give way too much profit to the shop on just the stone.

If at a cost of \$5000 and the princess cut diamond sells for \$7500 and the customer cancelled you would indeed give the stone a sku number and add it to inventory in both Edge and QuickBooks.

The diamond is a big thing and naturally you would enter the bill in QuickBooks into Stock & Special Order inventory account. But if you just sold the whole ring, diamond and all, as a Custom Intake Sale then of course all costs go into SHOP Cost of Goods, don't they? Another thing to remember that different.

When running sales and GMROI reports **you do want to know** how many diamonds we sell and those's a good reason to put the princess cut diamond into inventory and thus sell it on a separate line.



Keeping the way sales are entered when it has something to do with the shop in Edge & QuickBooks will give you much more accurate Profit & Loss statements in QuickBooks and make your product reports more meaningful in Edge.

Lastly don't be lazy and sell this "specially ordered diamond" for the customer using the "Misc Sale" button. It's easy but it's wrong. The sale doesn't go to the right place, there is no cost, the reports are wrong. Just enter everything as you know it should.

Any questions drop me a line.

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