

How to Track Inventory in QuickBooks

August 2021

Knowing where you stand with your company's product count is crucial. QuickBooks can help you stay current.

If your company sells physical products, you know how important it is to always be aware of your stock levels. You have to know what's selling and what's not. And you need to get a head start on ordering new inventory when yours is running low.

The tricky part is always having enough available to meet the needs of existing orders as they come in. On the other hand, you don't want to have too much money tied up in products that are selling slowly. It's a delicate balance, and one you can't maintain unless you have very precise inventory records and reports.

QuickBooks helps with both sides of this equation. It allows you to create detailed records for each of your company's products that both track your existing stock levels in real time and alert you when it's time to re-order. Plus, specialized reports provide insight on your inventory as a whole. Here's how it works.

Getting Set Up

Before you start entering item records, you need to make sure that QuickBooks is set up for inventory tracking. Open the **Edit** menu and select **Preferences**, then **Items & Inventory**. If you are the administrator, you can click on the **Company Preferences** tab to open this window.



Before you start working with inventory, you must make sure that QuickBooks is ready.

Click in the box in front of **Inventory and purchase orders are active** if it's not already checked. Check the next two boxes if those apply to you, then respond to the final query. **Quantity On Hand** refers to the number of units you actually have in stock. Some items may not be available if they're committed to assemblies, for example. So, choose one of the two conditions that should trigger a warning about inaccessible inventory. When you're done here, click **OK**.

Creating Accurate Records

Even if you have a relatively modest catalog of products for sale, we recommend that you use QuickBooks' inventory tracking. It's just too difficult to keep tabs on your item levels manually, especially if you sell in any volume. And errors in this area may mean you come up short when customers order products that you thought were available but weren't. You could easily lose business.

To start creating item records, click the **Items & Services** icon on the home page or open the **Lists** menu and select **Item List**. Right-click anywhere in the window that opens and select **New**. Under **Type** in the upper left corner, click the down arrow and select **Inventory Part**. This just means that you want to be able to track how many of this item that you have in stock.

The screenshot shows the 'New Item' dialog box in QuickBooks, configured for an 'Inventory Part'. The 'TYPE' dropdown is set to 'Inventory Part' with the description 'Use for goods you purchase, track as inventory, and resell.'. The 'Item Name/Number' is 'Fountain Pump' and the 'Manufacturer's Part Number' is '198-30'. The 'UNIT OF MEASURE' section has an 'Enable...' button. The 'PURCHASE INFORMATION' section includes 'Description on Purchase Transactions' (Fountain pump #198-30), 'Cost' (56.00), 'COGS Account' (Cost of Goods Sold), and 'Preferred Vendor' (Mendoza Mechanical). The 'SALES INFORMATION' section includes 'Description on Sales Transactions' (Fountain pump), 'Sales Price' (75.00), 'Tax Code' (Tax), and 'Income Account' (Landscaping Services:...). An 'Item is inactive' checkbox is present. The 'INVENTORY INFORMATION' table shows the following data:

Asset Account	Reorder Point (Min)	Max	On Hand	Average Cost	On P.O.	On Sales Order
Inventory Asset	7		48	53.9351	0	0

Buttons on the right include OK, Cancel, New Note, Custom Fields, and Spelling.

QuickBooks provides detailed record templates for your item records.

You don't necessarily have to complete every field in these records, but the more thorough you are, the more comprehensive and accurate your inventory tracking will be. Enter an **Item Name/Number**. If this product will be a **subitem of** another, check that box and select the parent item. **Manufacturer's Part Number** is optional.

In the two columns below these fields, you'll provide **Purchase Information** and **Sales Information**. In the left column, enter the text that would appear on a purchase order and the **Cost** the vendor charges for the item. The **Cost of Goods Sold** account should appear by default. Change it if it doesn't. And if you have a **Preferred Vendor**, select it from the drop-down list.

The right column should contain information about your own sale of the item. How will the **Description on Sales Transactions** read? This may be different from the vendor's text. What will your **Sales Price** be? This will, of course, be higher, so you can make a profit. Is the item taxable? Select the correct jurisdiction under **Tax Code** if so. You'll then need to select your **Income Account**. You may want to consult with us on this issued, because it's important that you make the right choice -- or know how to create your own.

On the bottom row here, let the first field default to **Inventory Asset**. If you want to be reminded to reorder when your inventory count hits a specific number, enter a number in the field below **Reorder Point (Minimum)**. Provide the number you currently have **On Hand**. The remaining fields will be automatically completed by QuickBooks. When you've finished here, click **OK**. Your item will now appear in the **Item List** and will be available to use in sales and purchase forms.

QuickBooks can quickly show you the status of your items in the form of numerous reports. Open the **Reports** menu and hover your mouse over **Inventory** to see the list that's available, including **Inventory Stock Status by Item** and **Inventory Valuation Detail**.

Simple or Complex?

QuickBooks Pro and Premier can handle very simple inventory tracking and even meet more complex needs in some cases. If you find that it doesn't do everything you need, you have options. There are add-on apps that expand on the software's capabilities and more senior versions of QuickBooks that offer robust inventory management. Please contact us if you want to explore one of these or if you need help understanding the basics of inventory tracking in your current version.

SOCIAL MEDIA POSTS

If you sell multiple units of the same item, you can track your stock levels using QuickBooks. Ask us about this.

Do you ever run out of specific products or tie money up unnecessarily in excessive item levels? QuickBooks can help track your inventory.

QuickBooks provides templates for creating item records and alerts you to low inventory. We can help you set this up.

Not sure how many products you have available to sell? Track your inventory using QuickBooks and use its built-in reports.