

QuickBooks for everyone
A Practical Guide to understanding Bookkeeping
With the D.A.R concept

By CPA JUMA ABDULRAHMAN BAKARI

D.A.R is framework that I created to help bookkeepers have a clear path in their day to day operation that allows them to be consistent in their task while also enjoying their work, by shifting their mentality on the view of accounting as a whole which is more of a game of **First Principle** which changes with the **type of business at hand**. My name is Juma Abdulrahman Bakari a **Student of knowledge, QuickBooks Lecture and a Passionate user of the QuickBooks application**, allow me to walk you through the path of bookkeeping that will help you level up for your task in future. Please follow along without skipping any page to have a clear understanding of the framework.

What is Accounting?

- It is process of *identifying, collecting, classifying, analyzing and summarizing* accounting information to allow informed economic decision by users of accounting information. E.g. Shareholders, Directors, Government agencies (KRA) etc.

This definition might seem very simple, but it will be the tool to successfully mastering of bookkeeping, a skill worth having, so please ensure that you hold tight to this definition and try not to forget.

What does D.A.R stand for?

- D => stands for **Double Entry**
- A => stands for **Accounting Cycle**
- R => stands for **Reconciliations**

Allow me to affirm to you that the whole process of bookkeeping revolves around this framework which makes it clear for you to work towards a successful task thus, according to this concept the bookkeeping process is summarized in 3 key steps which helps you to navigate the accounting or bookkeeping journey in an easier and comfortable way. So let's unveil the beauty behind the game of Accounting!

1.Double Entry

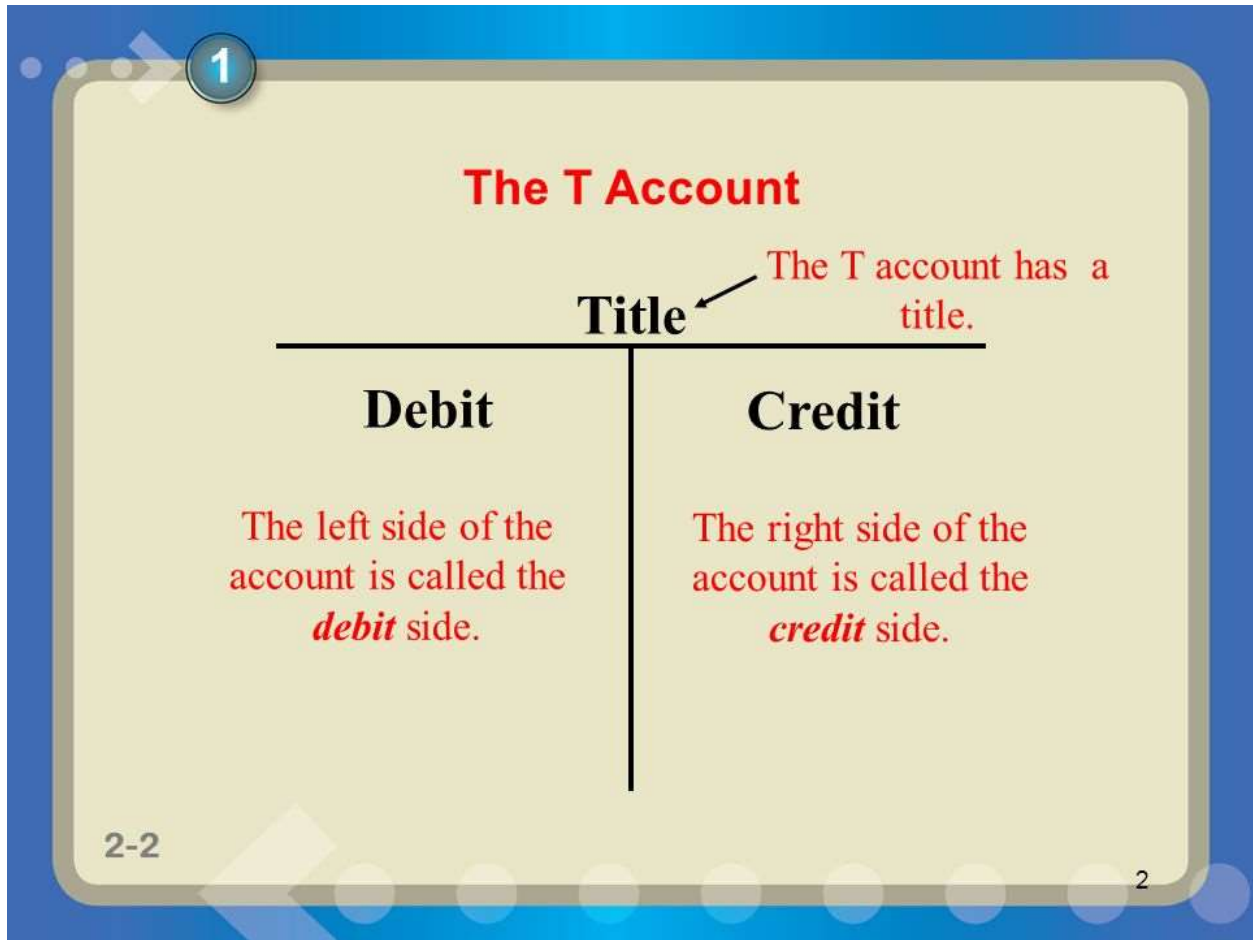
The Double Entry Principle is the most basic and vital core principle that separate the best accountants in this world from the others since the whole accounting and successful bookkeeping revolves around this basic principle which carries the whole disciple of accounting & bookkeeping.

The Double Entry Principle state that for any transaction made in the books of accounts there must be a corresponding entry thus every business transaction has a two-fold effect let me explain.

For example, if you purchase a machine for Ksh.8.000 you receive the machine on one hand and give Ksh. 8,000 on the other. Thus, this transaction has a two-fold effect.

- ❖ *A transaction refers to the change of ownership of goods from one individual to another thus a Purchase order is not a transaction.*

it is a conventional approach to use the **T** account to represent this form of transactions but I will give you a simpler way of mastering this concept without using the **T** account with a much simpler way yet powerful that will help you build a strong mental model to grasp this concept in the shortest time possible.



Account	Increased by	Decreased by
Assets	Debit	Credit
Expenses	Debit	Credit
Liabilities	Credit	Debit
Equity	Credit	Debit
Revenue	Credit	Debit

In Accounting there are 5 types of Account namely [**Income, Expenses, Capital, Assets, Liabilities**] and to 2 operations that act on this Accounts namely [**Debit, Credit**]. Let's go on and defined them further so as we can have ownership in what we are talking about.

Types of Accounts(Operands)

- **Income** => also called revenue, is the amount earned by a business entity resulting from operations which constitute its major or central activities. For example, sale of goods or services.
- **Expenses** => it is the amount of money incurred by a business for some benefit services received by a business entity thus we can also say it is money a business parts with to earn income let me explain.

Any business established with profit motive takes *caution* with any money its spends as expenses, even expenditure that might seem not to target profit e.g. *Office parties and stuff prizes*. These expenses boost the stuff morel that result to positive output which in turn is reflected in the Financial statements. Others include salaries, rent etc.

- **Capital & Equity** => It is the Percentage (%) claim or amount of Ownership right that someone has in an asset or even an entire business. We can also define it as the initial amount used to start a business.
- **Assets** => It refers to anything that a business owns that has Value. E.g. Land, buildings, machinery. vehicles, furniture.
- **Liabilities** => It refers to Money or obligation that a company must pay/fulfill in future E.g. Loan from a bank

Operations

- Debit => Latin meaning **Left Side**.
- Credit => Latin meaning **Right Side**.

The table below simplifies the whole picture of how we play with the operation to the operands to balance any transaction made in the books of account but we will use the ILO-OLI loop to make it more interesting and simple.

Table 1.0



⇒ **Indicates a Decrease in the type of Account**

↑⇒ Indicates an Increase in the type of Account

Operands	Operations	
	Debit	Credit
Income	↓	↑
Expenses	↑	↓
Capital	↓	↑
Assets	↑	↓
Liabilities	↓	↑

What is the ILO-OLI loop?

- I => Stands for **Identity**
- L => Stands for **Label**
- O => Stands for **Operation**

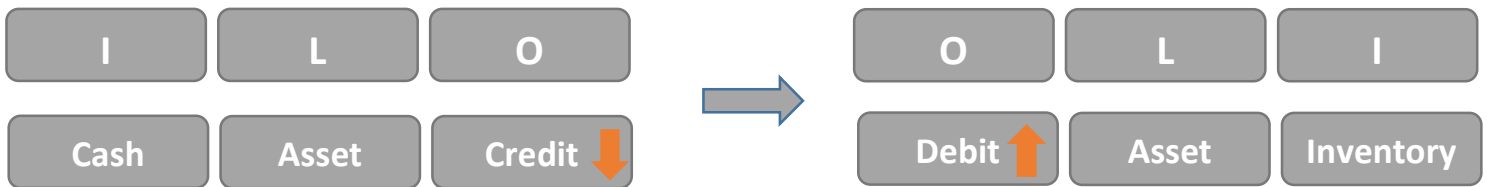
It is a simple way of conducting double entry without the use of the traditional **T** accounts let's see how it works.

- **Identity** = Name of the account name (Bank, Loan)
- **Label** = Operands (Income, Expenses, Capital, Assets, Liabilities)
- **Operations** = Operations (Debit, Credit)

1. For example, if you purchase a machine for Ksh.8,000 you receive the machine on one hand and give Ksh. 8,000



2.If we purchase Inventory for Ksh.6000 using Cash You will receive the inventory and part away with your money.



3If we sell our 4 old PCs to a second hand store for cash worth Ksh.16000 each.



Now let me explain what the whole Process work.

Steps in ILO-OLI loop

- I. For any transaction made in the system one must identify the identity of the name of the account which acts as a guide to help you label the account correctly in our case, Example one we identify that the identity of the account name is Bank and Machine this helps us in applying labels to them and offsetting them in the process.
 - ❖ *A point to remember is that the labels we refer to are the 5 types of Accounts [income, expenses, capital, assets, liabilities]*
- II. Once you Identify this names you then use the 5 types of Accounts and their meaning to guide you in giving labels to this names that will help you offset them and work with the labels which makes the work much easier in our case the Bank and Machine refer to Assets as they are valuable to the company.
- III. We then identify the operations that will apply in the current transaction. **Note:** we said that any transaction has a 2way effect (Double entry) in our case we are parting away with Money which is an Asset to buy Machine which is also an Asset. They both have the same type of accounts but Have different operation I will explain.

When we use money to purchase the machine we are reducing our balance in the Bank account

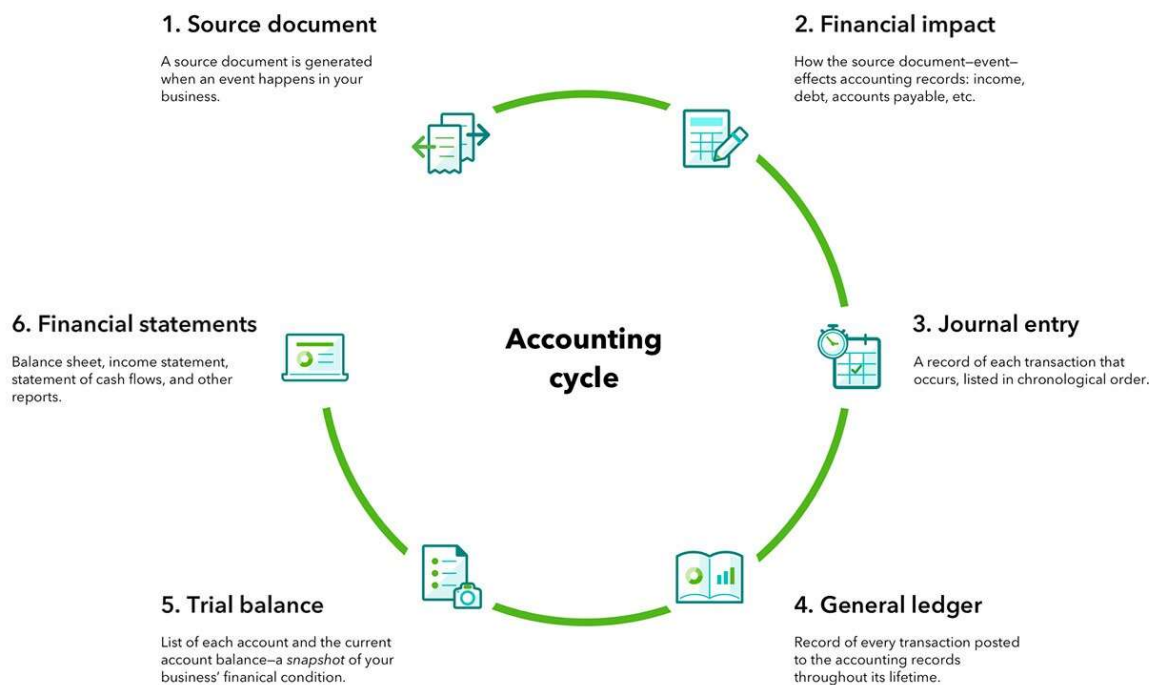
And increasing our Machinery in the organization. The proper operation to apply with an increase in asset see Table 1.0 is to **Debit** and corresponding operation with a decrease is to **Credit**.

Now try using ILO-OLI in the other 2 examples.

2. The Accounting Cycle

Remember We talked about the definition of Accounting and reached an agreement to hold tight to it, now it's time to unpack the practical side of it. It is process of *identifying, collecting, classifying, analyzing and summarizing* accounting information to allow informed economic decision by users of accounting information.

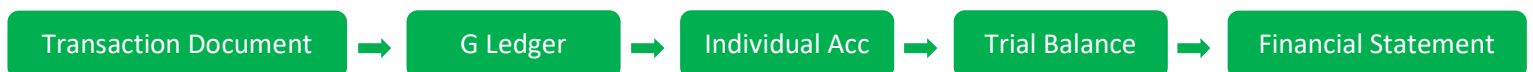
The accounting cycle is a collective process of identifying, analyzing, and recording the accounting events of a company. It is a standard 5-step process that begins when a transaction occurs and ends with its inclusion in the financial statements and the closing of the books.





QuickBooks has integrated all these steps in its application to ensure that it takes to account the whole process which would be shown I'll show you in the pictures below.

The QuickBooks Accounting Cycle Algorithm.



The following is an empty QuickBooks which we will demonstrate the accounting cycle with 2 transactions.

1. Opening a company Bank account and Depositing Funds.
2. Purchasing Inventory from a Vendor.

Terminologies:

- 1.Transaction Document** => It is a window that QuickBooks has provided for us to handle transaction E.g. the Create Invoice Window etc.
- 2.General Ledger** => It is an account that records all the data that is fed to QuickBooks.
- 3.Individual Account** => It is a Report that holds specific Accounts in the QuickBooks application that gives more all the information about that account E.g. Stock Valuation Detail.
- 4.Trial Balance** => It is a Report that shows the result of all accounts and measures accuracy of transaction.

5. Financial Statements => They Comprise of the 4 Financial statement which are key in any business that is Income statement, Balance sheet, Statement of Cash Flow & Statement of Changes in Equity.

6. Charts of Accounts => It is a list of Financial accounts set up by an accountant, for an organization and available for use by the bookkeeper for recording transaction in the organization General Ledger.

- ❖ **Note:** The account created in the charts of account in QuickBooks is the account that will show in the trial balance it is used.

Example 1.1. Opening a company Bank account and Depositing Funds.

We will start with an empty chart of account

CPA JUMA ABDULRAHMAN BAKARI - QuickBooks: Premier Accountant Edition 2018 - [Chart of Accounts]

File Edit View Lists Favourites Accountant Company VAT Customers Suppliers Employees Banking Reports Window Help

Look for account name or number

Search Reset

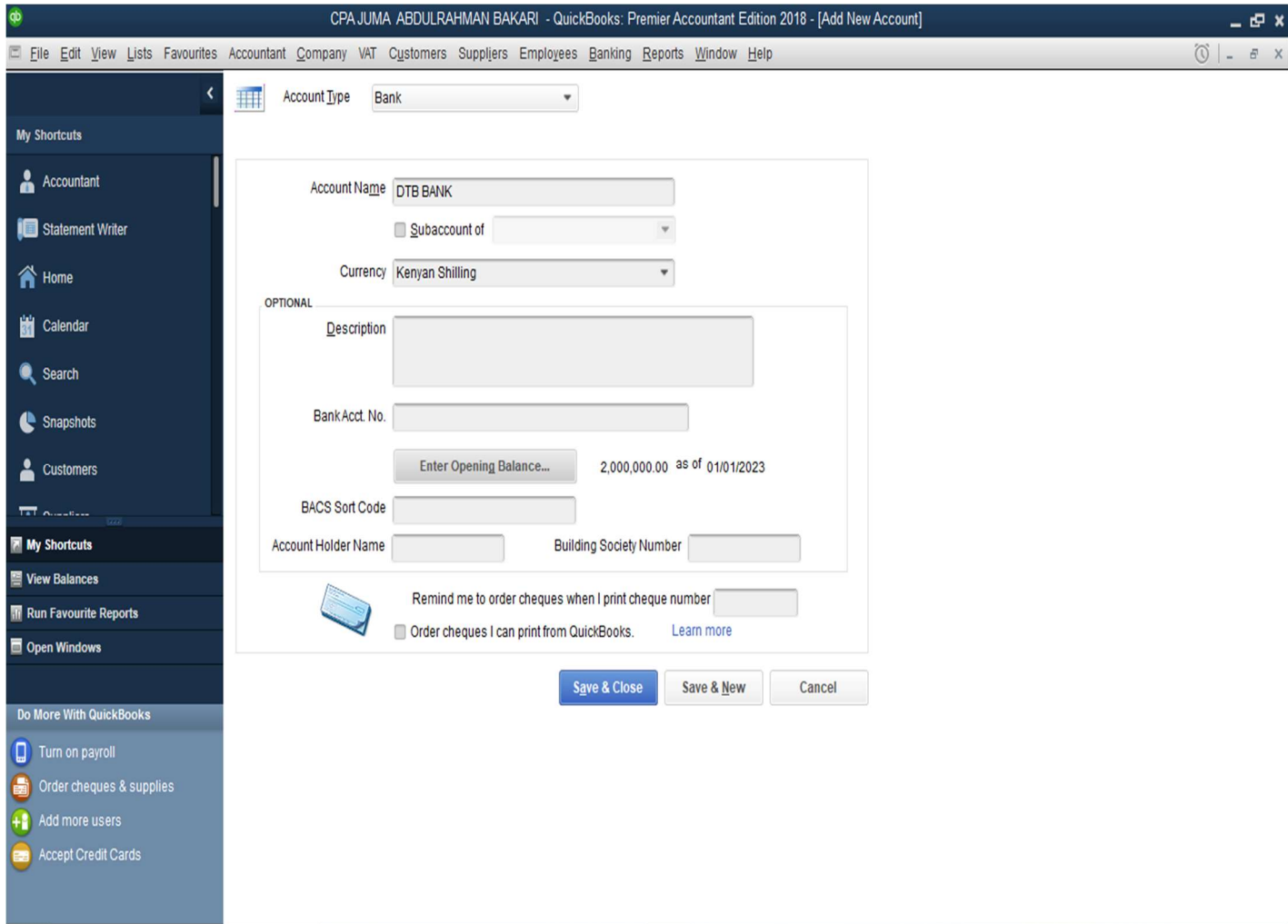
NAME	TYPE	CURRENCY	BALANCE TOTAL	ATTACH
◊ Accumulated Depreciation	Fixed Asset	KES	0.00	
◊ Computer Equipment	Fixed Asset	KES	0.00	
◊ Furniture and Fixtures	Fixed Asset	KES	0.00	
◊ Motor Vehicles	Fixed Asset	KES	0.00	
◊ Office Equipment	Fixed Asset	KES	0.00	
◊ Accounts Payable	Accounts Payable	KES	0.00	
◊ Tax Account (Sales Taxes)	Other Current Liabi...	KES	0.00	
◊ Owners Drawings	Equity	KES	0.00	
◊ Owners Equity	Equity	KES		
◊ Share Capital Account	Equity	KES	0.00	
◊ Sales	Income	KES		
◊ Freight and Shipping Costs	Cost of Goods Sold	KES		
◊ Product Samples Expense	Cost of Goods Sold	KES		
◊ Purchase Discounts	Cost of Goods Sold	KES		
◊ Purchases - Resale Items	Cost of Goods Sold	KES		
◊ Advertising and Promotion	Expense	KES		
◊ Bank Service Charges	Expense	KES		
◊ Depreciation Expense	Expense	KES		
◊ Dues and Subscriptions	Expense	KES		
◊ Equipment Rental	Expense	KES		
◊ Insurance Expense	Expense	KES		
◊ Interest Expense	Expense	KES		
◊ Miscellaneous Expense	Expense	KES		
◊ Office Expense	Expense	KES		

Account Activities Reports Attach Include inactive

1. We then Access the transaction document that would help us open a bank account and Deposit money in the Bank.

Steps

List => Charts of Accounts => New Account => Bank => Bank Name and Opening Balance => Save and close.



2.The Second step is to check the trial Balance for the data entered.

CPA JUMA ABDULRAHMAN BAKARI - QuickBooks: Premier Accountant Edition 2018 - [General Ledger]

File Edit View Lists Favourites Accountant Company VAT Customers Suppliers Employees Banking Reports Window Help

Customise Report Comment on Report Memorise Print E-mail Excel Hide Header Expand Refresh

Dates: This Month-to-date From 01/11/2023 To 23/11/2023 Sort By Default

Report Basis: Accrual Cash Show Filters

11:30 AM
23/11/23

CPA JUMA ABDULRAHMAN BAKARI General Ledger

Accrual Basis
As of 23 November 2023

Type	Date	Num	Adj	Name	Memo	Split	Debit	Credit	Balance
DTB BANK									2,000,000.00
Total DTB BANK									2,000,000.00
Accumulated Depreciation									0.00
Total Accumulated Depreciation									0.00
Computer Equipment									0.00
Total Computer Equipment									0.00
Furniture and Fixtures									0.00
Total Furniture and Fixtures									0.00
Motor Vehicles									0.00
Total Motor Vehicles									0.00
Office Equipment									0.00
Total Office Equipment									0.00
Accounts Payable									0.00
Total Accounts Payable									0.00
Tax Account (Sales Taxes)									0.00
Total Tax Account (Sales Taxes)									0.00
Owners Drawings									0.00
Total Owners Drawings									0.00
Owners Equity									0.00
Total Owners Equity									0.00
Share Capital Account									-2,000,000.00
Total Share Capital Account									-2,000,000.00
Sales									0.00

3. The third step is to check in the individual account if the transaction was recorded

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Customise Report Comment on Report Memorise Print

Dates All From To

Report Basis: Accrual Cash Show Filters

11:31 AM
23/11/23

CPA

Type	Date	Num	Adj	Debit	Credit	Balance
DTB BANK						
Deposit	01/01/2023			2,000,000.00		2,000,000.00
Total DTB BANK						2,000,000.00
Accumulated Depreciation						
Total Accumulated Depreciation						0.00
Computer Equipment						
Total Computer Equipment						0.00
Furniture and Fixtures						
Total Furniture and Fixtures						0.00
Motor Vehicles						
Total Motor Vehicles						0.00
Office Equipment						
Total Office Equipment						0.00
Accounts Payable						
Total Accounts Payable						0.00
Tax Account (Sales Taxes)						
Total Tax Account (Sales Taxes)						0.00
Owners Drawings						
Total Owners Drawings						0.00
Owners Equity						
Total Owners Equity						0.00
Share Capital Account						
Deposit	01/01/2023					
				Account Open...	DTB BANK	
						2,000,000.00
						-2,000,000.00

- Report Centre
- Memorised Reports
- Scheduled Reports
- Commented Reports
- Company Snapshot
- Process Multiple Reports
- QuickBooks Desktop Statement Writer
- Company & Financial
- VAT
- Customers & Receivables
- Sales
- Jobs, Time & Mileage
- Suppliers & Payables
- Purchases
- Stock
- Banking**
 - Deposit Detail
 - Cheque Detail
 - Missing Cheques
 - Reconciliation Discrepancy
 - Previous Reconciliation
- Accountant & Taxes
- Budgets & Forecasts
- List
- Custom Reports
- QuickReport Ctrl+Q
- Transaction History
- Transaction Journal

Refresh

CPA JUMA ABDULRAHMAN BAKARI - QuickBooks: Premier Accountant Edition 2018 - [Deposit Detail]

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11:32 AM
23/11/23

CPA JUMA ABDULRAHMAN BAKARI

Deposit Detail

All Transactions

Type	Num	Date	Name	Account	Amount
Deposit		01/01/2023		DTB BANK	2,000,000.00
				Share Capital Account	-2,000,000.00
TOTAL					-2,000,000.00

4. The fourth step is to correct firm in the Trial Balance

CPA JUMA ABDULRAHMAN BAKARI - QuickBooks: Premier Accountant Edition 2018 - [Trial Balance]

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Report Basis: Accrual Cash Show Filters

11:32 AM
23/11/23
Accrual Basis

CPA JUMA ABDULRAHMAN BAKARI
Trial Balance
All Transactions

	1 Jan 23	
	Debit	Credit
DTB BANK	2,000,000.00	
Share Capital Account		2,000,000.00
TOTAL	2,000,000.00	2,000,000.00

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5 the Last Step is to check it in the respective Financial Statement

CPA JUMA ABDULRAHMAN BAKARI - QuickBooks: Premier Accountant Edition 2018 - [UK Balance Sheet - Standard]

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Report Basis: Accrual Cash Show Filters

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23/11/23
Accrual Basis

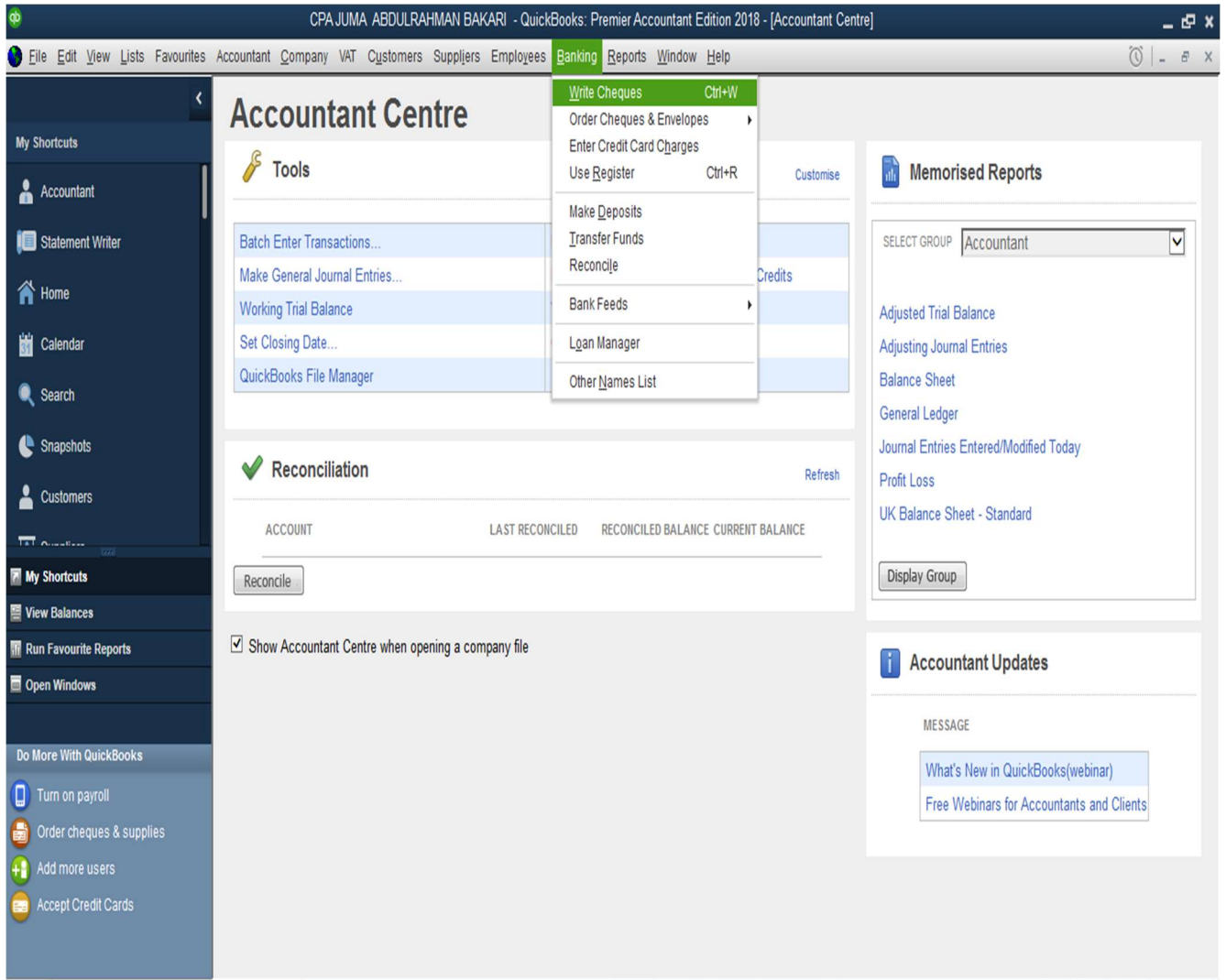
CPA JUMA ABDULRAHMAN BAKARI UK Balance Sheet - Standard

All Transactions

		1 Jan 23
ASSETS		
Current Assets		
Cash at bank and in hand		
DTB BANK	2,000,000.00	
Total Cash at bank and in hand	2,000,000.00	
Total Current Assets	2,000,000.00	
NET CURRENT ASSETS		
	2,000,000.00	
TOTAL ASSETS LESS CURRENT LIABILITIES		
	2,000,000.00	
NET ASSETS		
	2,000,000.00	
Capital and Reserves		
Share Capital Account	2,000,000.00	
Shareholder funds	2,000,000.00	

Example2.

2.Purchasing Inventory from a Vendor.



Step 1

CPA JUMA ABDULRAHMAN BAKARI - QuickBooks: Premier Accountant Edition 2018 - [Write Cheques - DTB BANK]

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Main Reports

Find New Save Delete Create a Copy Memorise Print Amts Inc VAT Attach File Select PO Clear Splits Recalculate Batch Transactions Reorder Reminder Order Cheques

BANK ACCOUNT DTB BANK KES ENDING BALANCE KES 2,000,00...

NO. TO PRINT
DATE 05/01/2023
PAY TO THE ORDER OF Mombasa Maize Millers KES KES 1,500,00...

One million, five hundred thousand, and 00/100*****KES

ADDRESS

MEMO

Expenses KES 0.00 Items

ITEM	DESCRIPT...	QTY	COST	VAT	AMOUNT (KES)	CUSTOMER JOB	BILLABLE?
Maize Flour		10,000	150.00	Tax	1,500,000.00		

Receive All Show PO

SUPPLIER VAT CODE TOTAL VAT KES 0.00 Edit

EXCHANGE RATE 1 KES = 1 KES

Save & Close Save & New Clear

Step 2.

CPA JUMA ABDULRAHMAN BAKARI - QuickBooks: Premier Accountant Edition 2018 - [General Ledger]

File Edit View Lists Favourites Accountant Company VAT Customers Suppliers Employees Banking Reports Window Help

Customise Report Comment on Report Memorise Print E-mail Excel Hide Header Expand Refresh

Dates All From To Sort By Default

Report Basis: Accrual Cash Show Filters

11:41 AM
23/11/23

CPA JUMA ABDULRAHMAN BAKARI General Ledger

All Transactions

Type	Date	Num	Adj	Name	Memo	Split	Debit	Credit	Balance
DTB BANK									
Deposit	01/01/2023				Account Openi...	Share Capital Ac...	2,000,000.00		2,000,000.00
Cheque	05/01/2023			Mombasa Maize Millers		-SPLIT-		1,500,000.00	500,000.00
Total DTB BANK							2,000,000.00	1,500,000.00	500,000.00
Stock									
Cheque	05/01/2023			Mombasa Maize Millers		DTB BANK	1,500,000.00		1,500,000.00
Total Stock							1,500,000.00	0.00	1,500,000.00
Accumulated Depreciation									
Total Accumulated Depreciation									0.00
Computer Equipment									
Total Computer Equipment									0.00
Furniture and Fixtures									
Total Furniture and Fixtures									0.00
Motor Vehicles									
Total Motor Vehicles									0.00
Office Equipment									
Total Office Equipment									0.00
Accounts Payable									
Total Accounts Payable									0.00
Tax Account (Sales Taxes)									
Cheque	05/01/2023	To Print		Tax Agency (Sales Ta...	Tax paid on pu...	DTB BANK	0.00		0.00
Total Tax Account (Sales Taxes)							0.00	0.00	0.00
Owners Drawings									

Step 3.

CPA JUMA ABDULRAHMAN BAKARI - QuickBooks: Premier Accountant Edition 2018 - [Stock Valuation Detail]

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Dates All From To Sort By Default

11:40 AM
23/11/23

CPA JUMA ABDULRAHMAN BAKARI

Stock Valuation Detail

All Transactions

Type	Date	Name	Num	Qty	Cost	On Hand	Avg Cost	Asset Value
Stock								
Maize Flour								
Cheque	05/01/2023	Mombasa Ma...		10,000	1,500,000.00	10,000	150.00	1,500,000.00
Total Maize Flour						10,000		1,500,000.00
Total Stock						10,000		1,500,000.00
TOTAL						10,000		1,500,000.00

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My Shortcuts

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Step 4.

CPA JUMA ABDULRAHMAN BAKARI - QuickBooks: Premier Accountant Edition 2018 - [Trial Balance]

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Customise Report Comment on Report Memorise Print E-mail Excel Hide Header Collapse Refresh

Dates All From To Sort By Default

Report Basis: Accrual Cash Show Filters

11:41 AM
23/11/23
Accrual Basis

CPA JUMA ABDULRAHMAN BAKARI
Trial Balance
All Transactions

5 Jan 23

	Debit	Credit
DTB BANK	500,000.00	
Stock	1,500,000.00	
Tax Account (Sales Taxes)	0.00	
Share Capital Account		2,000,000.00
TOTAL	2,000,000.00	2,000,000.00

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Step 5.

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Dates All As of Show Columns Total only Sort By Default

Report Basis: Accrual Cash Show Filters

11:42 AM
23/11/23
Accrual Basis

CPA JUMA ABDULRAHMAN BAKARI UK Balance Sheet - Standard

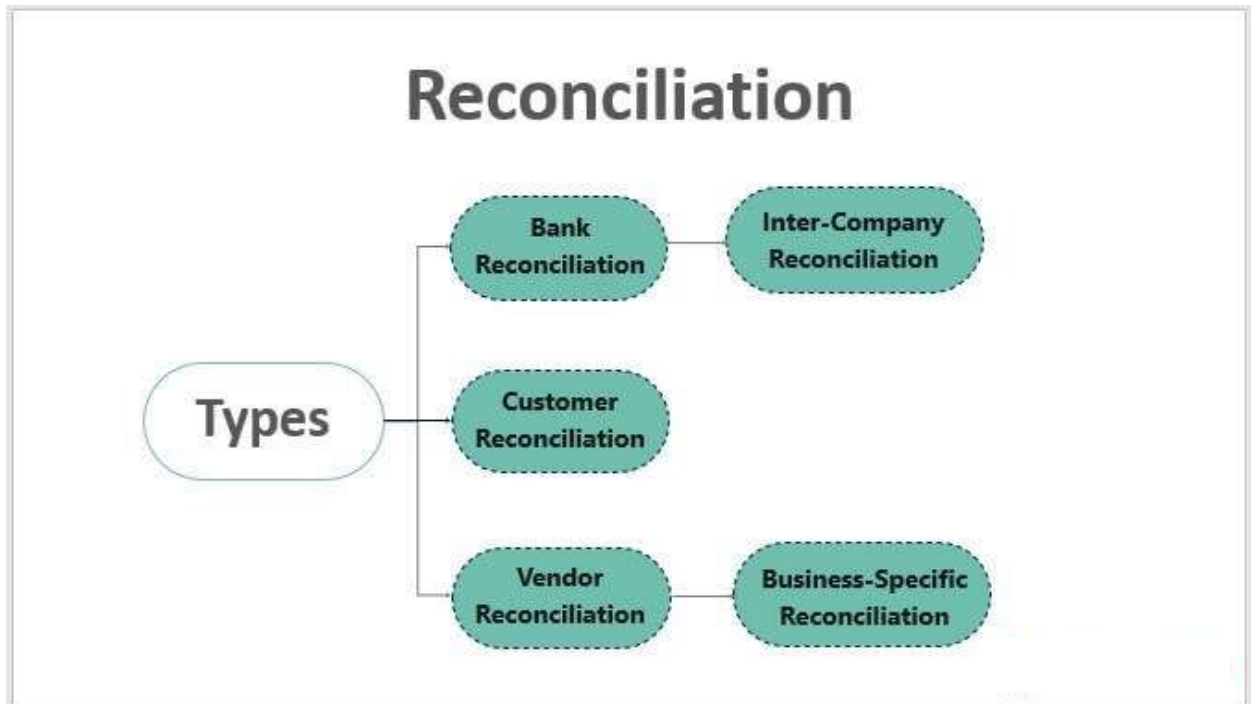
All Transactions

		5 Jan 23
ASSETS		
Current Assets		
Other Current Assets		
Stock	1,500,000.00	
Total Other Current Assets	1,500,000.00	
Cash at bank and in hand		
DTB BANK	500,000.00	
Total Cash at bank and in hand	500,000.00	
Total Current Assets	2,000,000.00	
NET CURRENT ASSETS	2,000,000.00	
TOTAL ASSETS LESS CURRENT LIABILITIES	2,000,000.00	
NET ASSETS	2,000,000.00	
Capital and Reserves		
Share Capital Account	2,000,000.00	
Shareholder funds	2,000,000.00	

In summary the accounting Cycle in QuickBooks is a simple audit trail that one can conduct to confirm his bookkeeping process and track the flow of transaction from source to the end statement.

- ❖ **Note: An Audit Trail is the sequential tracking of a transaction record from its sources document to the Final Financial Statement.**

3.Accounting Reconciliation



- ❖ Reconciliations are procedure done monthly, weekly or daily depending on the business policies and the scale of operations of a business to provide accuracy and prove that all recodes are correct.

In order for one to have reasonable assurance that his or her accounts are correct he or she must ensure that the 3 key Business reconciliations are done and are asserted with reasonable assurance that they are correct by an independent party which will add up confidence to the end result of the process.

Bank, Customer and Vendor Reconciliation are vital for one to deem fit that the accounts are correct this is so and **we *Strongly* assert this to be true because transaction in this reconciliations are compared to an Independent Source keeping records of the same event.**

- ❖ In a Bank business relationship, the ***Bank is an Independent Source Keeping the same*** records that we can independently call and confirm our balances with them and correct any mistakes accordingly this is the case with ***Vendor and Customer Business Relationships.***
- ❖ Although this is vital but the Control Account for all this reconciliation is the bank account since any money in or out of the business should be transacted using the bank to allow for easy reconciliation and transparency in business dealings.

- ❖ Note: Any account that is used for transacting course other than the usual bank account we know e.g. Mpesa etc. should be opened as a bank account to facilitate reconciliation.

Bank Reconciliation QuickBooks Calculations Formulas

- 1.Cleared Balance = Debit – Credit
- 2.Statement ending balance = (Beginning Balance + Deposit) - Payments
- 3.Difference = Statement ending balance – Cleared Balance
- 4.Bank Reconciliation = Deference

END

To Learn more on the D.A.R concept and master not just the basics of bookkeeping in QuickBooks but stand out among many of your colleges you can find me at my email or contacts below or find me at **Mombasa Learning Center (MLC)** a college where a do teach.

Thank you and remember use your knowledge for good!!

Jumabakari753@gmail.com

Phone +254 713883912