

How to Avoid Common Setup Issues in QuickBooks for Commercial Real Estate

QuickBooks serves as a powerful, reliable accounting tool used by hundreds of thousands of small and mid-size businesses nationwide. For commercial real estate owners, property managers, and accountants, it's crucial for maintaining accurate records, performing calculations, and sharing data with team members. However, without proper organization, navigating QuickBooks becomes difficult and can lead to complications when integrating with property management systems like STRATAFOLIO.

By addressing common setup issues, you can ensure your QuickBooks system remains accessible, accurate, and efficient for all users. Here, we'll go through some of the most common problems and how to avoid them.



1

2

Chart of Accounts

Accounts and Classes



3

4

Customer Setup

Invoicing Practices



The Hidden Costs of an Inefficient QuickBooks Setup

It's not just minor irritation or occasional delays. When you rely on workarounds instead of building QuickBooks to support your needs, you risk major data issues, high costs, and even strained relationships. Don't let this solvable problem harm your commercial real estate business. Learn about these hidden costs and how to prevent them now:

Wasted Time

Simply put, if your system isn't clear, your team will waste time on simple tasks rather than working towards business growth. It doesn't just cost minutes, it eliminates potential profits.

Mistakes, Miscommunication and Money

Repeated entries, data overloads, and unclear organization invite errors like miscalculations or sharing incorrect reports. Plus, it's difficult for others to catch these errors in a system that's already confusing. Even small mistakes can add up to huge costs.

Lost Tenant Trust

When you put together inefficient processes and a high probability of mistakes, the result is bad customer service. If tenants can't rely on you for timely, accurate invoices, reconciliations, and communications, they may decide to move on from your property.



Chart of Accounts: Finding the Right Balance

One of the most common setup issues in QuickBooks is creating an overly complex or personalized chart of accounts. While the original creator may understand where everything is located, this unique setup becomes problematic when others need to access information. This is particularly challenging when the employee who established the system is unavailable or leaves the company, leaving no one familiar with your accounting structure.

Beyond daily inconvenience, extremely personalized account setups carry significant risks. Complexity and lack of oversight make it easier for mistakes and fraud to go undetected, while audits become more difficult and prolonged.

The solution is to start with a clear, concise chart of accounts (COA) that anyone can navigate. In some cases, starting with entirely clean books may be the best approach, especially when major updates are necessary. Transferring year-end balances can simplify this transition.

Easy Steps for an Organized Chart of Accounts:

1

Separate Entities

Each entity and LLC should have its own QuickBooks file to prevent commingling of funds, especially if ownership structures differ between entities.

2

Segregate Business Activities

Commercial real estate should be in its own file, separate from other business activities like farms, restaurants, or retail stores.

3

Clear Transaction Trail

This separation ensures transactions are clearly associated with specific parts of your portfolio, creating an easy-to-follow paper trail.



Managing Accounts and Classes Effectively

Having too many general ledger accounts is a common issue that results in lengthy, confusing profit and loss (P&L) statements. This makes it difficult to search for specific data and increases the likelihood of human error when entering and retrieving information. When integrating with STRATAFOLIO, an excessive number of accounts may cause syncing issues. Typically, 100-300 accounts per QuickBooks file is optimal.

Another frequent mistake is creating multiple Accounts Receivable or Income accounts, such as one for each customer or tenant. QuickBooks can effectively track this information without separate accounts. Similarly, creating individual general ledger (GL) accounts for each tenant or unit creates unnecessary complexity.



The Solution: Use Classes Instead of Additional Accounts

Rather than creating numerous separate accounts or subaccounts, consider adding classes for greater specificity on your P&L statement. This approach is simpler and more flexible, allowing you to add multiple assets to a single account while maintaining detailed tracking. Classes enable you to easily view both high-level reporting and granular information as needed.

- ⓘ As a general rule, use a separate class for each building or asset when adding more than one to a single QuickBooks file. This maintains organization while avoiding unnecessary accounts.

Income Items: Finding the Right Level of Detail

Striking the right balance with income items is crucial for effective QuickBooks management. Creating too many income items, such as one for each tenant, results in an unwieldy system that's difficult to navigate. Excessive detail complicates reporting and increases the risk of human error.

Conversely, using a single income item for all rent and rent-related payments (including common area maintenance, or CAM, charges) doesn't provide enough detail. This makes it impossible to separate what tenants pay for specific services, preventing accurate CAM reconciliations or adjustments for upcoming years. The result is lost income and distrust between you and your tenants when you struggle to provide accurate, clear CAM reconciliations.

Drawbacks of Income Item Issues:

Too Many Income Items

- Cluttered income reporting
- Increased risk of human error
- Difficult to generate meaningful reports
- Time-consuming invoice creation

Too Few Income Items

- Cannot separate rent from CAM charges
- Difficult to perform CAM reconciliations
- Potential for lost income
- Decreased tenant trust

The Solution:

Find a middle ground. While you don't need a separate income item for every tenant, you should have distinct categories for different types of income. For example, making CAM charges their own income item keeps them easily visible and distinct from rent payments. This allows accurate reconciliations without overwhelming your system.



Customer Setup: Avoiding Unnecessary Complexity

Another common pitfall is in customer setup, particularly with the addition of customers and sub-customers. Using multiple levels of sub-customers creates confusion both for your team and for integrated software. In STRATAFOLIO, for example, customers are set to a single level, which means that a more complex setup in QuickBooks may prevent correct tenant invoicing.

This complexity can lead to practical problems. QuickBooks generates separate invoices for each sub-customer, potentially resulting in the same tenant being billed multiple times. It also makes it difficult to find accurate outstanding balances, complicating your accounts receivable management and potentially damaging tenant relationships.

Problem: Multi-Level Sub-Customers

- Creates confusion for team members trying to locate information
- Causes integration issues with property management software
- May result in duplicate billing for the same tenant
- Makes it difficult to determine accurate outstanding balances

Solution: Simplified Customer Structure

- Maintain a flat customer hierarchy without sub-customers
- Ensures proper integration with STRATAFOLIO and similar systems
- Prevents duplicate invoicing issues
- Provides clear visibility of tenant payment status

The Straightforward Approach:

Adjust your customer setup to avoid sub-customers. This simplified approach still allows you to find all necessary data while ensuring that integrated programs like STRATAFOLIO sync with your data.



Implementation Guide: Fixing Your QuickBooks Setup

If you've identified issues with your current QuickBooks setup, implementing changes may seem daunting. However, by following these steps, you can streamline your accounting system without disrupting your operations:



Assess Your Current Setup

Review your chart of accounts, customer structure, and income items to identify areas of improvement.



Develop a Restructuring Plan

Decide how you will address any setup issues in your QuickBooks. Determine whether you need to start with a fresh set of books or can modify your existing setup.



Implement Changes Systematically

Start with one area at a time. For example, begin by consolidating accounts, then address customer structure, and finally adjust income items. This methodical approach prevents overwhelming your team and reduces the risk of errors.



Test and Validate

After making changes, run reports to ensure data accuracy. Verify that all transactions and financial statements are correct.



Train Your Team

Ensure all team members understand the new structure and how to use it correctly. Provide documentation and training to facilitate a smooth transition.

While implementing these changes may require an initial investment of time and effort, the long-term benefits of improved efficiency, accuracy, and integration capabilities will far outweigh the costs.

