A TALE OF 4 COMPANIES

A Job-Cost & Gross-Profit Percentage Drama

Written by **Diane Gilson**

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About the Author

In 1994, **Diane Gilson** created Info Plus$^{(+)}$ Accounting® to help business owners establish job-cost accounting systems so they can access critical day-to-day operations data using QuickBooks as their primary management accounting tool. Her passion is designing, customizing, and upgrading accounting systems for small to mid-sized construction and manufacturing companies.

Her online workshops offer job-cost and management accounting training using QuickBooks and Intuit Enterprise Solutions, as well as in-house products, to teach, troubleshoot, and coach clients and other accounting professionals throughout the United States.

Diane Gilson

As a published author, speaker, and professional QuickBooks trainer with over 30 years accounting experience, Diane is viewed as a leader in her fields of expertise.

Contact Diane:
Phone: 1-734-544-7620
(9-5 Eastern)

2370 E. Stadium Blvd.
Ann Arbor, MI 48104

dcg@infoplusacct.com

Introduction

Does the word "accounting" immediately make you feel like dropping off into "snooze" mode? If so, you're not alone and – sadly – that aversion to gathering and understanding critical financial information can be a real problem!

It's distressing that so many businesses just "struggle along," their owners never understanding how to use their numbers to achieve truly effective operations and sustainable, predictable profitability.

Failing to plan, track and monitor key financial results can keep owners, their families, and employees in the poor house – and may ultimately even lead to the ultimate failure of the company. Truly a tragedy!

That's why I wrote this tale of four different companies. I wanted to share insights about:

- How different companies understand or don't understand,

- How they track or neglect to track, and

- How they control or fail to control

… their numbers, their operations, and their resulting financial future.

I also wanted to illustrate how it's entirely possible that intelligent, logical, non-accountants can (with a bit of training and help) develop a useful, understandable job-costing and management accounting system.

The story is designed to demonstrate how intelligent owners and managers (like you!) can use enhanced financial data and sound business practices to run their business more effectively and profitably than companies that are, almost literally, working in the dark…

I invite you to embark on a journey that's definitely far from snooze-worthy; nothing could be more exciting than the opportunity to control your own financial freedom and future!

Chapter 1

Is it Worth It?

Setting up a job-costing system can take some time and focused attention. Is it really worth the energy and effort?

Let's start by visiting with the owners of three hypothetical companies *– and you can decide for yourself which owner's shoes you'd prefer to step into…*

As background to the story – we've learned the following about these three companies and their owners:

- **Each company is very similar** in the following:
    - ▸ Gross revenue ($1.2M/year)
    - ▸ First-quarter gross profit results,
    - ▸ Number of jobs undertaken each year,
    - ▸ Type of work performed,
    - ▸ Number of employees, and
    - ▸ Years in business.
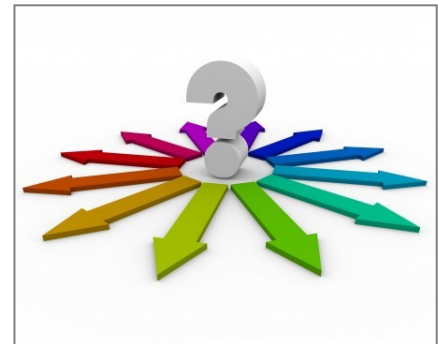
- All companies use one of the available 'desktop' versions of QuickBooks to handle their accounting needs.

- They each manage 4-5 major jobs at any given time.

- **None of the owners are pleased with the weak gross profit percentage that they see for their companies' first quarter results.**

Sales are on target but their **first quarter's gross profit percentage** (i.e., Income minus costs of creating that income) **is showing only 10%** – which means that, after they subtract their standard **15% company overhead costs, they'll see a first quarter bottom line loss of $15,000**.

Needless to say, each company wants to turn the current situation around as quickly as possible.

"Mystery Margins" for Bob's Company

Bob's Get-It-Done-Right, LLC

Bob is a smart guy who does great work for his customers. They love him, and he gets regular referrals.

When it comes to accounting, he's primarily focused on the **basics he needs for his tax accountant**. He's not very comfortable working with numbers, so he **doesn't want to invest valuable time in tracking job costs**.

Simply assigning costs to accounts so that he knows what he's spending on **employees** and payroll taxes, subcontractors, materials, and other miscellaneous job costs seems like it should be just fine. As a result, Bob's first quarter Profit & Loss report (before company overhead), looks like this.

	Jan-March	%
Sales (gross income)	$ 300,000	100%
COGS (Cost of Goods Sold)		
Payroll & payroll taxes	$ 78,000	26%
Trade contractors	$ 66,000	22%
Materials	$ 96,000	32%
Other misc job costs	$ 9,000	3%
Indirect prod'n costs	$ 21,000	7%
Total COGS	$ 270,000	90%
Gross Profit	$ 30,000	10%
Company Overhead	$ 45,000	15%
Net Profit	$ (15,000)	-5%

Bob has two kids in college and knows that he can't continue with these kinds of losses, so he's trying to figure out what happened – and what he needs to do next.

He's fairly sure that he's making money on all of his jobs, but is puzzled by the low gross profit. Unfortunately, his reports only provide a bare minimum of information.

He **can't tell which jobs ran over or under his original estimates.** He **doesn't know which of his job supervisors are properly** managing the jobs he's assigned to them. Where are the problems hiding? Labor over-runs? Materials price increases? Overbillings from vendors? Will things get better? Or worse? And when?

He's reviewed his numbers but feels like he's still pretty much in the dark. It's incredibly hard to decide what to do next. Should he drop his prices to get more work? Sell he a couple of pieces of equipment? Move the office back home?

Not knowing the answers, or how to get to them, is keeping him from sleeping at night. In spite of the fact that his customers think he's fantastic, he continually worries about money and cash flow, and sometimes feels like "it's all spinning out of control." He often wonders how he will face his family if his business fails.

Does Sue Have Super Gross Profit Margins by Job?

Sue's Simply-Super-Service, Inc.

Sue decided last year that she wants to know what she's spending and making on each job.

Although she requires her employees to track their time so she can use it for Invoicing, she's not quite ready to use the QuickBooks payroll module. So **she's continuing to outsource her payroll and enters the total payroll costs via summary journal entries**.

Her first quarter Profit & Loss (P&L) totals are the same as Bob's (see above), but she also receives a P&L by Job report. **She can definitely see MORE** than Bob about what's happening with job costs in her company…

She reviews her results. Wow! **Look at those gross profit margins: 57%, 39%, 32%!** Things are looking good, right?

	Job A		Job B		Job C		Job D		No Job	
Sales (gross income)	$ 60,000	100%	$ 90,000	100%	$ 54,000	100%	$ 96,000	100%	$ -	0%
COGS (Cost of Goods Sold)										
Payroll & payroll taxes	$ -	0%	$ -	0%	$ -	0%	$ -	0%	$ 78,000	N/A
Trade contractors	$ 9,900	17%	$ 21,120	23%	$ 9,900	18%	$ 25,080	26%	$ -	0%
Materials	$ 14,400	24%	$ 30,720	34%	$ 14,400	27%	$ 36,480	38%	$ -	0%
Other misc job costs	$ 1,350	2%	$ 2,880	3%	$ 1,350	3%	$ 3,420	4%	$ -	0%
Indirect prod'n costs	$ -	0%	$ -	0%	$ -	0%	$ -	0%	$ 21,000	N/A
Total COGS	$ 25,650	43%	$ 54,720	61%	$ 25,650	48%	$ 64,980	68%	$ 99,000	N/A
?? Gross Profit	$ 34,350	57%	$ 35,280	39%	$ 28,350	53%	$ 31,020	32%	$ (99,000)	N/A
Company Overhead	$ -		$ -		$ -		$ -		$ 45,000	N/A
Net Profit	$ 34,350	57%	$ 35,280	39%	$ 28,350	53%	$ 31,020	32%	$ (144,000)	N/A

But wait – **what about the $78,000 of payroll and payroll taxes sitting in the "No Job" column?** And **how should she deal with the $21,000 of indirect production cost** that can't be assigned directly to jobs, but are needed to cover employee benefits, vehicle costs, fuel, small tools, and miscellaneous job costs?

Sue's wondering **"How am I REALLY doing on each job?"**

Without assigning payroll costs and indirect production costs, she's seeing that her job costs are missing more than 1/3 of her total production costs ($99,000 ÷ $270,000 = 37%).

The first quarter's loss worries her: Is she paying too much for labor? Will she need to outsource more of the work and lay off one or more of her loyal employees? She's been working incredibly long hours to make things run smoothly, but this is a setback. Will she be able to turn things around? The stress is beginning to get to her!

Scoring the Winners and Losers in the Gross Profit Margin Game

Dave's Dandy Results, LLC

Dave had the same bottom line loss of $15,000, but his reports look a bit different. He decided about a year ago that he was going to have employees track their time, and use the QuickBooks payroll module to automatically **assign payroll and payroll taxes to jobs**.

He also elected to **assign indirect production costs to jobs** using Info Plus Accounting's **eCPA (employee Cost & Pricing Analyzer™)** tool. His Profit & Loss by Job report now shows ALL costs assigned to jobs.

Last year was a busy one, so he wasn't able to carve out the time to review the results. Beginning this quarter, he's resolved that **he's going focus and take the time to dive into these new reports**.

	Job A		Job B		Job C		Job D		No Job	
Sales (gross income)	$ 60,000	100%	$ 90,000	100%	$ 54,000	100%	$ 96,000	100%	$ -	0%
COGS (Cost of Goods Sold)										
Payroll & payroll taxes	$ 11,700	20%	$ 24,960	28%	$ 11,700	22%	$ 29,640	31%	$ -	N/A
Trade contractors	$ 9,900	17%	$ 21,120	23%	$ 9,900	18%	$ 25,080	26%	$ -	0%
Materials	$ 14,400	24%	$ 30,720	34%	$ 14,400	27%	$ 36,480	38%	$ -	0%
Other misc job costs	$ 1,350	2%	$ 2,880	3%	$ 1,350	3%	$ 3,420	4%	$ -	0%
Indirect prod'n costs	$ 3,150	5%	$ 6,720	7%	$ 3,150	6%	$ 7,980	8%	$ -	N/A
Total COGS	$ 40,500	68%	$ 86,400	96%	$ 40,500	75%	$ 102,600	107%	$ -	N/A
Gross Profit	$ 19,500	33%	$ 3,600	4%	$ 13,500	25%	$ (6,600)	-7%	$ -	N/A
Company Overhead	$ -		$ -		$ -		$ -		$ 45,000	N/A
Net Profit	$ 19,500	33%	$ 3,600	4%	$ 13,500	25%	$ (6,600)	-7%	$ (45,000)	N/A

He immediately sees that he has experienced a couple of "loser" jobs: **Job B limped in at a miserable 4% gross profit (circled in green), and Job D actually lost $6,600,** so he **circled** that one **in red**.

On the other hand, **Job C came in at 25% gross profit** (right on the mark to contribute 10% of its income to the bottom line after company overhead – so he gave it an **'approval'** check mark). **Job A was the real star – coming in with a 33% gross profit margin –** so he awarded it a **gold star**.

Note: The margin percentages presented in this article are simply for purposes of illustration, comparison, and discussion. Gross Profit and Net Income targets and 'acceptable' margins can vary widely based on industry, company size, and shareholder decisions, so each company must set their own specific goals.

Although he's not happy about this quarter's overall loss of $15,000, **Dave's still quite pleased with the information he has at hand** because he can now use it to **think about, compare, and investigate** exactly how the losers differed from the winners. For example, he's able to start asking questions like:

- Were these **different KINDS of jobs**?
  - ▸ If so, should we make the move to turn down those 'loser' types of jobs in the future and concentrate on the more lucrative job types?
  - ▸ Is there a 'niche' market here that we should explore?

- Were the jobs performed at **different locations**?
  - ▸ How did that impact profitability and how should that information affect future pricing?
  - ▸ Were they 'standard' or 'highly customized' jobs? To what extent did the unique nature of the job impact the outcome?

- Could the **original cost estimates or pricing have been at fault?**
  - ▸ Did we learn everything we should have taken into account before the job started?
  - ▸ If not, how can we improve the process in the future?

- Who were the job supervisors?
  - ▸ **What's each supervisor's history for bringing jobs in on time and on-budget?**
  - ▸ Should we consider **additional training** for certain people – or do we need to consider more drastic measures?

Dave is impressed with the importance of what he's looking at. He realizes that the **information in these new reports will help him ask critical key questions** – and the resulting answers will be of incredible value in shaping the future direction and success of his company.

He knows that keeping his company alive and successful impacts many people: he has a wife, two grade-school children, loyal customers, and he cares a great deal about the livelihood and families of his long-term, experienced employees.

He's certain that he's been moving in the right direction by establishing a system that can provide him with this information. But even though he's made this much progress, he wishes he could, somehow, have been able to **minimize the problems on those two 'loser' jobs before they got so far out-of-hand.**

It's obviously too late to change the outcome for those particular jobs, but shouldn't there be a way to access some form of "in-process" job reports in the future? A report he could use to **stay on top of the information throughout the life of a job** – so that he could help to keep it on track?

As a result, he started discussing what he was looking for with Paul, one of his mentors and fellow business owners, at a networking event.

Paul listened intently, shook his head, gave him one of his sympathetic "I get it. I've been there too." grins, and then invited Dave over to his office. He said that he wanted to show him some samples of the detailed job-monitoring reports that he's been using for the last 18 months.

"Those reports," he says, ***"have made a big difference in how we approach each job, and how profitable they end up being. Our gross profit percentages are getting better by the day."***

Chapter 2

Paul's Approach to Taming the Gross Profit Problem

When Dave arrived at Paul's office, it was nearly lunchtime, but Paul handed over a cup of coffee and a legal pad – "For notes," he said. "Let's see what we can get through in the next few minutes. Then we'll take a break for lunch, and pick up again afterward."

They settled in at a conference table, and Paul got straight to the point. "Just like you, we put a job cost reporting system into place that showed us comprehensive costs for labor, materials, subcontractors, and other job costs, by account, for each job. Those reports gave us some good information – better than anything we'd had in the past."

"But, **the more we reviewed those results, the more we realized that we wanted more.** We needed information that would **show us enough details to let us manage and control our results.** Big-picture overviews have their place, but when it comes to tracking and monitoring job costs, our management team agreed that **our reports needed more depth.**"

"We brainstormed and decided that we wanted to see information that would help us answer questions like,…" Paul held up four fingers and ticked off:

1. "If we had too much cost showing up in labor, exactly **WHERE in the process did those labor over-runs occur?**"

2. "If we were over budget on material costs, **which materials were coming in at costs different** than we'd estimated?"

3. "**If our costs came in lower than anticipated** on subcontractor costs, had we truly saved money? Or did it just mean that some of our trade contractors **hadn't submitted their bills to us yet?**"

4. "If we had **errors in our estimated costs**, exactly what were our problem areas? Were we **missing some costs** altogether? **Underestimating** the quantities required? Missing the **correct unit costs**?"

"Our reports weren't telling us any of those things! AND **we couldn't see what the real financial picture was until AFTER the job was completed**."

"So we decided that we needed to dig further into the details if we intended to actually be able to control the outcome."

Dave nodded in agreement, "Yup, I know what you mean. Exactly the kinds of questions I've been asking! Oh, and by the way – you mentioned 'job budgets.' How were you coming up with estimated income and costs for jobs?"

"Well," Paul responded, "we experimented with various systems over the years, but eventually **we developed a fairly complex set of internal spreadsheets**. So that's how we typically created our detailed cost estimates."

"The problem was that **the spreadsheets weren't integrated into our accounting system**. So we ended up with detail in spreadsheets, while our summary information showed up in our accounting reports."

"Every once in a while we'd try to put together additional spreadsheet reports to compare the two, but it was a huge amount of extra work, so it didn't happen on a regular basis and, even when it did, **the results never seemed to line up with our accounting records**."

"What we *really* needed was to be able to see estimated vs. actual costs as each job progressed. And we didn't want to have to jump through hoops to do it!"

"From a management standpoint we weren't worried about what was happening with every nut and bolt – so to speak – but we agreed that DID need to see **weekly estimated vs. actual reports for each job**. And we wanted to see the results:

* **Split out by job stage** or phase,

* Organized in about the **same order that the job was being 'built,'**

* AND to **see those phases summarized, but still divided** into labor costs, materials, contracted costs, and other job costs."

"We also thought **we'd like to be able to see where we were in the billing process at any given point**."

"So, after you got those requirements nailed down, what happened then?" asked Dave.

Paul responded, "Well, we figured there must be SOME way to do this with QuickBooks – we just didn't know how to go about it. Fortunately, we found a QuickBooks ProAdvisor who was a job-cost expert, and she had us prepare an outline of our normal job processes."

"Then she helped us set up our internal procedures and reports so that we could **run a standard QuickBooks report** that showed us exactly what we needed to see for each job. It took some set up time, but we got there!"

"Since I invited you here to take a look at what we're currently using, I pulled the first and last page of one of our early "in process" reports. I drew in some arrows and numbers and highlights so we can walk through it together. You can make some extra notes on that legal pad I handed you."

"This is the basic format for our new reports. **For now, let's just focus on the top section of the report:** If you **look at the red arrow and the column titles**, you'll see that we have columns to show estimated vs. actual results for both cost and income."

Job Estimates vs. Actuals Detail for Job "XYZ"								
	Est Cost	Act Cost	($) Diff	(%) Diff	Est Revenue	Act Revenue	($) Diff	(%) Diff
Fixed Price Income								
Invoice A	0.00	0.00	0.00	0.0%	25,000.00	25,000.00	0.00	0.0%
Invoice B	0.00	0.00	0.00	0.0%	62,500.00	62,500.00	0.00	0.0%
Invoice C	0.00	0.00	0.00	0.0%	37,500.00	0.00	(37,500.00)	-100.0%
Total Fixed Price Income	0.00	0.00	0.00	0.0%	125,000.00	87,500.00	(37,500.00)	-30.0%
Job Process								
General Conditions								
Labor	1,200.00	1,450.00	250.00	20.8%	0.00	0.00	0.00	0.0%
Materials	1,452.00	1,452.00	0.00	0.0%	0.00	0.00	0.00	0.0%
Contracted	1,115.00	1,145.00	30.00	2.7%	0.00	0.00	0.00	0.0%
Other costs	293.00	455.00	162.00	55.3%	0.00	0.00	0.00	0.0%
Total General Conditions	4,060.00	4,502.00	192.00	4.7%	0.00	0.00	0.00	0.0%
Design & Engineering								
Labor	5,780.00	5,799.00	19.00	0.3%	0.00	0.00	0.00	0.0%
Materials	355.00	890.00	535.00	150.7%	0.00	0.00	0.00	0.0%
Contracted	1,895.00	2,200.00	305.00	16.1%	0.00	0.00	0.00	0.0%
Other costs	90.00	90.00	0.00	0.0%	0.00	0.00	0.00	0.0%
Total Design & Engineering	8,120.00	8,979.00	840.00	10.3%	0.00	0.00	0.00	0.0%

Dave noted the red arrow and quickly reviewed the column titles.

Paul continued, "Then if you look on the left side of the report – **under the green arrow**, you'll see specific line items. We've started using the **Items feature** in QuickBooks **to enter our estimated income and costs as well as our actual income and costs**. That way our 'actual' results always line up with our accounting records."

"We're still using our spreadsheets to create the detailed estimates, but we're **summarizing and entering the results into QuickBooks in the format that we'd like to see for our reports**."

"We've also been thinking about how we might be able to quit using those old spreadsheets and just start using QuickBooks for our estimating process. We're pretty sure that can work for us, but one step at a time, right?"

Dave agreed. "Yup, if I learned one thing about the changes that we made last year, it's that **putting a job-cost system into place isn't a one-time event. It's definitely a process!**"
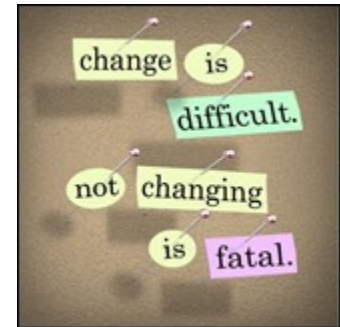
Paul smiled. "Yes indeed! So, back to this particular report… If you take a look at the top, right-hand side – **see the number 1? In the green box?** You'll notice that this report is showing one of our fixed-price jobs. You can see that **we've included our three anticipated billings to the client in this top section**…"

Dave couldn't help himself – he had to jump in at this point with an immediate concern. "OK, I see that. And wow, yes, this is exactly the kind of information that I've been looking for. But not all of my jobs are fixed price jobs – and sometimes I have change orders. I don't want to be confined to fixed price basis because that's what my accounting system requires!"

Paul nodded. "Yes, I totally understand. And **no, you are NOT constrained to just one pricing method**. For 'time and materials' or 'cost plus' jobs we just use the cost line items for invoicing, and then the estimated and actual revenue can show up on those lines rather than at the top, where you see them now."

"And **we have to track change order costs and invoicing** in our company as well. Although you don't see them included in this report – this is an 'early on' report for this job – we make sure that nothing gets missed from a cost and invoicing standpoint when it comes to change orders. **We can either show change orders to be invoiced in this top section** of the report **OR**," he pointed at the lower rows in the report, "**we can estimate and invoice for those extras based on the more detailed line items shown further down**. It **just depends on how our contract is structured**. "

"Ah, OK. I see." Dave sounded both hopeful and relieved. "So I could use this approach regardless of what type of job we take on, right?"

"Right!" Paul agreed. "So, let's take a look at the sections I blocked off with the **number 2 in the red box**. You'll see that we have headers for these first couple of job stages."

"You'll notice that each header includes line items for Labor, Materials, Contracted, and Other Costs. There are also certain job stages – that you don't see here – where **we also added line items for 'Machinery & Equipment' costs**. By using Items, we have almost total control over how these results can be entered and how the reports appear."

Dave was puzzled. "You've mentioned using 'Items' several times now. I've just been using accounts. **I'm not familiar with Items.** It sounds like another feature in QuickBooks that I need to set up. **If I do that, does it mean that I have to enter my information twice** – once in my accounts, and another time in Items?"

Paul laughed "Well, I probably wouldn't be alive if I doubled my accounting staff's workload! **No double entry is required**.

Here's how it works: you set up each Item to link to your income and cost accounts. Then, when you enter an Item into a transaction and assign it to a job, it ALSO automatically posts to an account. QuickBooks handles everything in the background.

That way you can 'slice and dice' your information based on the way YOU want to see it. So that means you can either:

- **Run 'account-based' reports, by job, in the traditional format**, where you can see your costs summarized in the traditional account-style format. You can still see your gross profit totals by job – just like you told me that you're currently doing, *OR*

- **You can create 'Item-based' reports** – like the one that I'm showing you now."

Paul checked his watch. "Say, I see that it's 11:30, and I made lunch reservations, so let's take a short break for food, and you can absorb what we've covered so far while we're eating.

When we get back, we'll jump back into the rest of the report, and I'll share more about how we're using the results. I'll also pull in a few of the people who are using the reports on a regular basis – so you can hear what they have to say."

Dave grinned. "Hey, sounds good to me – I never turn down lunch when it's offered. And I do want to thank you for bringing me in. This is great stuff, and I'm really enthused about seeing that we can do so much more with the QuickBooks software that I already own!"

Chapter 3

How Bookkeeping Supports Job-Cost & Gross Profit Measurement…

…at Paul's Perfect Projects, LLC…

When Dave and Paul returned from lunch, Paul checked the new notes waiting for him on his desk. "A slight change in scheduling," he announced. "It turns out that our bookkeeper, Rhonda, has an appointment and needs to leave by 1:30, so I'll ask her to stop in to talk to us before she leaves for her appointment." Paul glanced at his watch and said he'd be right back.

Dave pulled out his notes and looked again at the report they had started to review before lunch.

He focused on the section surrounded by the **red box** and **blue number 2**. When he compared Estimated Cost to Actual Cost, he noticed that **all but two line items within the General Conditions and Design & Engineering stages showed unfavorable dollar and percentage differences.**

He highlighted the subtotals **in yellow** and thought to himself *"Hmmm. I wonder what they did when they saw these numbers?"* He also questioned exactly **what was included in the Labor "Actual Cost" amounts**, so he grabbed another highlighter off the table and marked those numbers **in green**.

Job Estimates vs. Actuals Detail for Job "XYZ" © Info Plus Accounting Inc.

	Est Cost	Act Cost	($) Diff	(%) Diff	Est Revenue	Act Revenue	($) Diff	(%) Diff
Fixed Price Income								
Invoice A	0.00	0.00	0.00	0.0%	25,000.00	25,000.00	0.00	0.0%
Invoice B	0.00	0.00	0.00	0.0%	62,500.00	62,500.00	0.00	0.0%
Invoice C	0.00	0.00	0.00	0.0%	37,500.00	0.00	(37,500.00)	-100.0%
Total Fixed Price Income	0.00	0.00	0.00	0.0%	125,000.00	87,500.00	(37,500.00)	-30.0%
Job Process								
General Conditions								
Labor	1,200.00	1,450.00	250.00	20.8%	0.00	0.00	0.00	0.0%
Materials	1,452.00	1,452.00	0.00	0.0%	0.00	0.00	0.00	0.0%
Contracted	1,115.00	1,145.00	30.00	2.7%	0.00	0.00	0.00	0.0%
Other costs	293.00	455.00	162.00	55.3%	0.00	0.00	0.00	0.0%
Total General Conditions	4,060.00	4,502.00	192.00	4.7%	0.00	0.00	0.00	0.0%
Design & Engineering								
Labor	5,780.00	5,799.00	19.00	0.3%	0.00	0.00	0.00	0.0%
Materials	355.00	890.00	535.00	150.7%	0.00	0.00	0.00	0.0%
Contracted	1,895.00	2,200.00	305.00	16.1%	0.00	0.00	0.00	0.0%
Other costs	90.00	90.00	0.00	0.0%	0.00	0.00	0.00	0.0%
Total Design & Engineering	8,120.00	8,979.00	840.00	10.3%	0.00	0.00	0.00	0.0%

At that point, Paul walked in with Rhonda. After introducing Rhonda as "Our numbers person – someone we couldn't live without!" he quickly filled her in on Dave's dilemma and what he'd shared so far.

"I asked you to this meeting because **I'm hoping that you'll be willing to share some of your insights – from the bookkeeping and accounting perspective** – with Dave. He'll probably have a few questions of his own to throw into the mix. So please, just be open and let him know some of your thoughts about the process…"

Making Changes to Rhonda's (Prior) QuickBooks Accounting System

Rhonda turned to Dave and said, "Hi – nice to meet you!"

"OK, well, when Paul initially talked with me about bringing someone in to help revise our QuickBooks accounting system, **I really wasn't totally on board with that idea. I was pretty much self-taught in bookkeeping and QuickBooks**. Our outside tax accountant showed me how to make entries into QuickBooks right after I first came to work here, and I'd been using it that way ever since."

"I made sure that income and costs were assigned out to jobs, our bank accounts were reconciled, and our Accounts Payable and Receivable reports were right. Our tax preparers seemed to be just fine with what I was giving them, so my first response was '*If it ain't broke, why to try to fix it?*'"

Then she smiled. "But of course, I was used to just looking at it from my perspective of '*Get the data IN, and get the bookwork DONE!*'"

"Then Paul spent a little more time with me and **explained that he thought we should be doing much better financially than we were** and that he and the job supervisors just weren't able to see some of the detailed information that they needed to hit our profitability targets. I gave it some thought and decided that **I needed to be willing to do whatever was needed to move the entire company ahead**. So I jumped on board."

"In these unpredictable times, I think you have to be flexible and open to different ways of getting things done. And I remember thinking '*Who knows? Maybe I'll have some fun while I learn something new and interesting.*'"

How Accounting Changes Contributed to Company Job-Cost and Gross Profit Goals

Dave nodded, "Sounds like you've got a great team player here, Paul!" Paul nodded in agreement, "Yup, we do."

Rhonda continued. "So the first big transition for me was that I learned how **Items** worked, and **how they link to cost and income accounts**. We did have to make a mental shift. It took a little while to remember that we **needed to enter job costs and income using Items rather than accounts**. But once we got that part under control, it didn't require any additional time to make entries."

"Of course, since Items track detailed costs, there were *more* of them to choose from, so **we organized and grouped them** into a logical flow. Then we set up some 'cheat sheets' we could use to make it easy to post those Items."

"QuickBooks also has a feature that can automatically recall the last account or item you used with a transaction and specific vendor. So by the time we got a couple of months of data entered, day-to-day entries started to work very smoothly."

"We'd already worked out our labor burden percentages and had been adding them into our job costs, but we weren't tracking labor by the type of task being performed."

"We found out that kind of tracking would require us to use QuickBooks Service Items, so **we created and distributed an abbreviated list of Service Item "work codes" to our employees**. Paul let them know that they needed to record the type of work they were performing for each job on their timesheet."

"That information now gets entered into QuickBooks as part of the time-collection process."

Tracking Time by Task Helps Meet Job-Cost and Gross Profit Goals

Dave was curious. **"So how did your employees and staff feel about that change?"**

Rhonda lifted her eyebrows and looked to Paul to answer the question. He picked up the ball. "Well, they weren't overjoyed about it, but **we had several meetings, discussed the reasons for the changes, and asked for their support and cooperation**."

"We also gave them a few weeks to get used to the idea before implementing. Then we set up **coaching and feedback meetings** to help the few people who were having a hard time making the transition."

"In a couple of cases, we had to refer to our policy of '*This is how we do things here, and if it doesn't match up with your philosophy, then we may not have a good fit.*' There were one or two people who decided to move on, but time-tracking wasn't their only issue, so it was probably for the best."

Rhonda added, "It was really important to have that kind of support **come from the top of the company**."

"I was able to tell anyone who gave me a hard time about their time sheet entries that they should speak with their supervisor. I haven't gotten any direct grumbling for quite some time now! So I think the time collection system is working pretty well at this point."

"With that piece in place, our **supervisors can review time and job assignments for accuracy and make changes before the payroll is processed. The whole system is integrated** so, after supervisory approval, payroll gets assigned to job costs based on time and activity."

"I've been looking at this report," said Dave, "and I highlighted the line items for **actual labor costs in green** – right here in **this red box**. Exactly what's included in that number?"

Job Process

General Conditions				
Labor	1,200.00	1,450.00	250.00	20.8%
Materials	1,452.00	1,452.00	0.00	0.0%
Contracted	1,115.00	1,145.00	30.00	2.7%
Other costs	293.00	455.00	162.00	55.3%
Total General Conditions	4,060.00	4,502.00	192.00	4.7%

Design & Engineering				
Labor	5,780.00	5,799.00	19.00	0.3%
Materials	355.00	890.00	535.00	150.7%
Contracted	1,895.00	2,200.00	305.00	16.1%
Other costs	90.00	90.00	0.00	0.0%
Total Design & Engineering	8,120.00	8,979.00	840.00	10.3%

Rhonda leaned in to take a quick look. "You've highlighted the **actual labor cost**. It **includes the employee's hourly pay** – both regular and overtime. It also **includes all of the employer's payroll taxes AND the labor burden costs** we've determined should be assigned to each employee. So the amounts you see on this report for **labor costs are all-inclusive**." "Ah," said Dave. "Pretty impressive."

How Does a Comprehensive Job-Costing System Impact Accounting Workloads?

Dave continued. "One more question. So compared to before – **is there more work, or less work, from an accounting perspective?**"

Rhonda laughed, "Well – after we made the changes – which required a big push and a stretch of late nights and weekends, it's probably about the same.

In some ways, it feels like there's more data entry on the front end of a job. For instance we're using detailed Estimates and Purchase Orders in QuickBooks. But then, **on the tail end of the process, we can convert time sheets into payroll, estimates into invoices, and purchase orders into bills without having to track down project managers to find out what jobs or Items to use**. So that saves a lot of time and frustration."

"It's also much **faster and easier to provide the reports that management wants to see** without having to create a lot of time-consuming spreadsheets, and hand-prepared reports."

"Our ProAdvisor also shared a lot of other time-saving features we didn't even know about – like **keystroke shortcuts, embedded document storage, memorized transactions, and memorized reports**. Those features are handy, and help reduce boring busy-work."

"We're also using the **Month-End Closing Procedures for QuickBooks** so that **we're sure we have a clean set of books each month**. That way, our year-end is pretty much a standard month-end closing, so **we're done with the bulk of the year-end work by the middle of the following month**."

She glanced at her watch. "Ooops. I'm really sorry we had to make this so brief, but I've got to run if I'm going to make it to my appointment on time. If you think of any other questions, please feel free to get in touch. Paul has my contact info."

As she prepared to leave, Dave stood up to shake her hand. "I think you did a great job of giving me a birds-eye view about what kinds of things change from the accounting and bookkeeping perspective. I also appreciate finding out how you and Paul handled asking employees to track the tasks that they're working on."

"It sounds like you've been a key player in making great progress on your job-costing system and it seems like **you've helped to create a great team environment atmosphere** here at Paul's Perfect Projects. Thank you so much for sharing!"

Chapter 4

Estimators and Supervisors Focus on Job Costs & Gross Profit Goals

As Rhonda closed the door, Paul said there were two more people he wanted Dave to meet, as they could likely also provide additional valuable input on gross profit. He disappeared down the hall. When he returned, he introduced them.

"Dave, this is **Walt, our production supervisor, and Jenn, our estimator and purchasing agent**. Walt and Jenn, this is Dave. He's a friend and business associate who's looking to see what he can learn about some of the reporting and operations modifications we've undertaken over the last year or so."

"Dave's thinking about implementing some of the same types of changes so that he can increase gross profit in his own company, so I thought I'd ask you to provide your perspectives about how the new systems are working."

Dave shook hands with Walt and Jenn, said "Hi – and nice to meet you," then settled in to take more notes. Paul continued, "I gave Dave a copy of one of our standard Estimate vs. Actual reports – the ones you look at on a regular basis – so you can point out any specifics as we go. But let's focus first on how both our **estimating and reporting processes** have changed."

"Maybe, to help provide a bit of structure, we could cover how the system works from a **'Before, During, and After' viewpoint**. Since estimating occurs fairly early in the sales cycle – after we've completed the initial design work – why don't you get us started, Jenn…"

Estimates: the Gross Profit Targeting Process Begins

"Sure," said Jenn. "**First, I review the design documents and underlying specs.**, and then I get busy putting the estimated costs together.

For labor costs, **we use our current, fully-burdened rates and the hours we estimate that it will take** to complete each part of the job. A number of our materials and subcontractor costs are based on current agreements with vendors so I use those, but if those agreements don't exist, I **contact the vendors directly to get quotes**."

"Then I enter the estimated cost information into QuickBooks. We have **standard mark-up and gross profit goals**, so based on the estimated costs, and the nature of the contract, I enter the estimated income as well."

Dave leaned forward with a question. "It looks like **it must be fairly time-consuming** to enter that much data into your accounting system. Do you have any tips about how to get all of it into the estimate in an efficient way?"

She responded with, "Well, we've **developed some memorized estimates that we use as a starting point**, so that helps streamline the data entry. I **just modify existing line items as needed, delete lines we don't need, and add in any new line items**. That helps a lot."

"We've also been looking at software that will help to automate the entry, but we haven't pulled that solution into the mix yet – hopefully we'll get that in place within the next few months.

"Ah," said Dave. "I figured that **there must be some tricks of the trade**. I'd like to learn more about this later!"

"Happy to help," agreed Jenn. She continued, "OK, so once I've given the estimate my first best shot, I turn it over to Walt. He's our operations manager, and quite often acts as Field Supervisor as well. Walt – your turn to tell him what you do at this stage..."

From Initial Estimate to Review

"Right," replied Walt. "I look through the underlying detail in the Estimate form in QuickBooks. First **I review to see that the line items show everything I think we're going to need.**

Then, the second things I check are the estimated quantities and hours for each job stage. I ask myself, 'Are the estimated time and materials right? Did anything get missed?'"

"And? Do you ever find anything?" asked Dave.

"Well, Jenn's darn good at what she does, so she's usually pretty much on target, BUT she's not on the front-lines on a day-to-day basis like I am. So sometimes I can **envision or anticipate some aspects of the job that she doesn't know about**."

"I also like to **give it some 'think time' before handing it back with my notes**. I'm always amazed at what rises to the surface if I give myself time to ask questions like *'Is anything missing here? Are the goal times realistic? What could potentially go wrong? Do we need to build in some contingencies?'* and so on..."

Jenn interjected, "Then he sends me an email with his comments, or he shows up in person to let me know which line items need to be modified, and why he's suggesting changes! We hash our way through his suggestions; then I modify the estimated costs. Of course, **when the estimated costs change, the estimated price to the customer needs to change as well**."

Paul jumped into the discussion. "And, **as a company owner, I like to take a look at the detail that goes into the larger job quotes as well**. I'm aware of at least a half-dozen times where this **'think tank' review process kept us from quoting a fixed price that was way too low**.

We would have lost our shirt and not hit our gross profit goal on those particular deals if we'd quoted at our initial estimated price. In a couple of instances, our quotes came in higher than other bidders, and we didn't get the job. But my philosophy is that,"

<p align="center">*"A job lost at a loss – is a profit."*</p>

They all grinned. "Yup, I agree," said Dave. "I could see in my own job-cost reports that those **'loser jobs' just suck up the gross profit from the winner jobs**. I've decided that **I'd be further ahead sitting on my patio in a lounge chair** than to agree to 'pay' a customer to do their project at a loss."

He continued, "I once heard a consultant (by the name of Les Cunningham I believe) suggest what I should say to a customer who's trying to talk me into a rate lower than what I quoted:"

*"Tell you what Joe, I'll lose about $5,000 doing your job at the rate you're suggesting. So **why don't I just write you a check for $5,000?** I'll end up in the same place but, in the meantime, I'll save myself a lot of time and effort.*

*And here's an even better idea! **Why don't I just send you over to my competitor?** I hear that he's been cutting his prices lately. He'll probably do the job for you and take a loss in the process. That will take care of two problems at once – **I won't be losing money, and my competitor won't be around for long!"***

Everyone around the table got a good chuckle as they pictured the imaginary exchange. "I've paraphrased quite a bit, I'm sure," said Dave, "but it was something to that effect… Sorry to have interrupted – go ahead, Walt."

Using Job-Cost Detail From the Estimate to Plan the Job

"So," Walt continued, "assuming the salesperson can finalize the contract with our desired pricing, we then move into the planning phase. **We work on three things** as we create the plan." He held up his hand and ticked off:

1. **"Developing and coordinating our operations schedules:** Our detailed estimate provides a birds-eye-view of the job process. We can see what's supposed to happen at each stage. That means we can **develop a realistic schedule** for the job. When we know what's required for each job, we can **coordinate the workflow between ALL of our in-process projects**."

2. **"Communicating the schedule internally and to clients:** When we have the schedule set up, it means that we can clearly **communicate the process and anticipated scheduling to team leaders and front-line employees**. The result?

   They can ask questions, think ahead, and adjust their workflow when they know ahead-of-time what the scheduling looks like.

   Depending on the circumstance, **we sometimes also prepare a 'big-picture' schedule to share with our customers**. It **adds to our professional image, and provides them with a sense of security** to know we have a specific process and specific timeline for their project."

3. **"Communicating our goals:** The detailed estimate provides ALL of us with the gross profit goals we need to meet. The job-cost lines clarify our time and cost targets for each part of the project. **Keeping those goals 'visible' helps us all to stay focused** on the outcome that we're shooting for.

Paul added, "This **emphasis on planning was a bit of a 'perspective shift' for us**."

"We're spending more time on the front end to plan and schedule than we used to. But I read somewhere – don't know that this is a proven fact, but it seems logical – that **an hour spent in planning, saves four in execution.**"

"Our gross profits are up, and it sure seems that everything is operating more smoothly. We've had fewer crisis situations to deal with which has, I think, **reduced stress levels – and that's good for all of us!**"

"I can see that we're running short on time here, so let's move on to how we use our reports while a job is underway."

Using Job-Cost Detail From the Estimate to Monitor Jobs in Process

"We have **weekly progress meetings**," said Jenn. "Walt heads up the meeting, I attend because I learn a lot that helps me continue to get better at estimating and purchasing, and we include team leaders as well. Sometimes Paul sits in, but he mostly observes and takes notes to share with Walt and me after the meeting."

"As a group, we **review individual project reports to see Estimate vs. Actual amounts for costs incurred and income invoiced**. You'll see the costs' that occur throughout the life of the job are shown at the top of the report under "General Conditions.""

The rest of the **information is listed in job-stage order**. The amounts shown in the 'Actual' columns provide a financial-progress overview. For instance, you'll notice that this report shows that we've invoiced the first two of the three anticipated billings." She pointed at the **green box** that showed the **number 1**.

"And you'll see in the **red box** labeled **number 2** that the payroll for Design and Engineering Labor hasn't been paid yet – even though the labor for Job Setup & Prep in the **blue box** labeled **number 3** apparently **has** been paid. That's because the **front line** employees are **paid weekly,** but the **Design and Engineering department employees are paid bi-weekly**."

Job Estimates vs. Actuals Detail for Job "XYZ"

	Est Cost	Act Cost	($) Diff	(%) Diff	Est Revenue	Act Revenue	($) Diff	(%) Diff
Fixed Price Income								
Invoice A	0.00	0.00	0.00	0.0%	25,000.00	25,000.00	0.00	0.0%
Invoice B	0.00	0.00	0.00	0.0%	62,500.00	62,500.00	0.00	0.0%
Invoice C	0.00	0.00	0.00	0.0%	37,500.00	0.00	(37,500.00)	-100.0%
Total Fixed Price Income	0.00	0.00	0.00	0.0%	125,000.00	87,500.00	(37,500.00)	-30.0%
Job Process								
General Conditions								
Labor	1,200.00	1,450.00	250.00	20.8%	0.00	0.00	0.00	0.0%
Materials	1,452.00	1,452.00	0.00	0.0%	0.00	0.00	0.00	0.0%
Contracted	1,115.00	1,145.00	30.00	2.7%	0.00	0.00	0.00	0.0%
Other costs	293.00	455.00	162.00	55.3%	0.00	0.00	0.00	0.0%
Total General Conditions	4,060.00	4,502.00	192.00	4.7%	0.00	0.00	0.00	0.0%
Design & Engineering								
Labor	5,780.00	5,799.00	19.00	0.3%	0.00	0.00	0.00	0.0%
Materials	355.00	890.00	535.00	150.7%	0.00	0.00	0.00	0.0%
Contracted	1,895.00	2,200.00	305.00	16.1%	0.00	0.00	0.00	0.0%
Other costs	90.00	90.00	0.00	0.0%	0.00	0.00	0.00	0.0%
Total Design & Engineering	8,120.00	8,979.00	840.00	10.3%	0.00	0.00	0.00	0.0%
Job Setup & Prep								
Labor	4,783.00	4,785.00	2.00	0.0%	0.00	0.00	0.00	0.0%
Materials	2,468.00	1,955.00	(513.00)	-20.8%	0.00	0.00	0.00	0.0%
Contracted	2,200.00	0.00	(2,200.00)	-100.0%	0.00	0.00	0.00	0.0%
Other costs	293.00	350.00	57.00	19.5%	0.00	0.00	0.00	0.0%
Total Design & Engineering	9,744.00	7,090.00	(2,656.00)	-27.3%	0.00	0.00	0.00	0.0%
Site work								
Labor	8,450.00	2,500.00	(5,950.00)	-70.4%	0.00	0.00	0.00	0.0%
Materials	2,546.00	3,000.00	454.00	17.8%	0.00	0.00	0.00	0.0%
Contracted	3,000.00	2,130.00	(870.00)	-29.0%	0.00	0.00	0.00	0.0%
Other costs	2,244.00	475.00	(1,769.00)	-78.8%	0.00	0.00	0.00	0.0%
Total Site work	16,240.00	8,105.00	(2,185.00)	-13.5%	0.00	0.00	0.00	0.0%
Cleanup & Punchlist								
Labor	1,250.00	0.00	(1,250.00)	-100.0%	0.00	0.00	0.00	0.0%
Materials	450.00	0.00	(450.00)	-100.0%	0.00	0.00	0.00	0.0%
Contracted	425.00	0.00	(425.00)	-100.0%	0.00	0.00	0.00	0.0%
Other costs	311.00	0.00	(311.00)	-100.0%	0.00	0.00	0.00	0.0%
Total Cleanup & Punchlist	2,436.00	0.00	(1,186.00)	-48.7%	0.00	0.00	0.00	0.0%
Total Job Cost	81,200.00	57,352.00	(9,990.00)	-12.3%	0.00	0.00	0.00	0.0%
Total	81,200.00	57,352.00	(9,990.00)	-12.3%	125,000.00	87,500.00	(37,500.00)	-30.0%

"So, if I understand this part correctly," said Dave, "from a progress perspective – focused only on labor,

- Even though the **Design and Engineering Labor** looks like it's lagging behind, it's just because of the timing on the payroll.

- The **Job Setup & Prep labor** looks like it should be pretty much completed, and we're part-way through the **Site Work labor.**

- And we apparently haven't started any work on any of the **Cleanup & Punch-list** stage of work – section **number 4** – at the end of the job, right?"

"You've got it!" said Jenn.

Walt picked up the conversation, "So generally speaking, **we can review these reports to see how costs are lining up against estimates, and how that matches up against what we know about the job**."

"Let's say we know – from being in touch with the actual job – that about 25% of the labor has been completed on a given job-stage. But then we see in one of our reports that we only have 40% of our estimated cost left. If we have 40% of our estimated cost left, **it means that we've used up 60% of our estimated cost – but only have 25% of the work done**."

	% of Est Cost Incurred	% of Estimated Work Performed
▪ Remaining	40%	75%
▪ Incurred	60%	25%
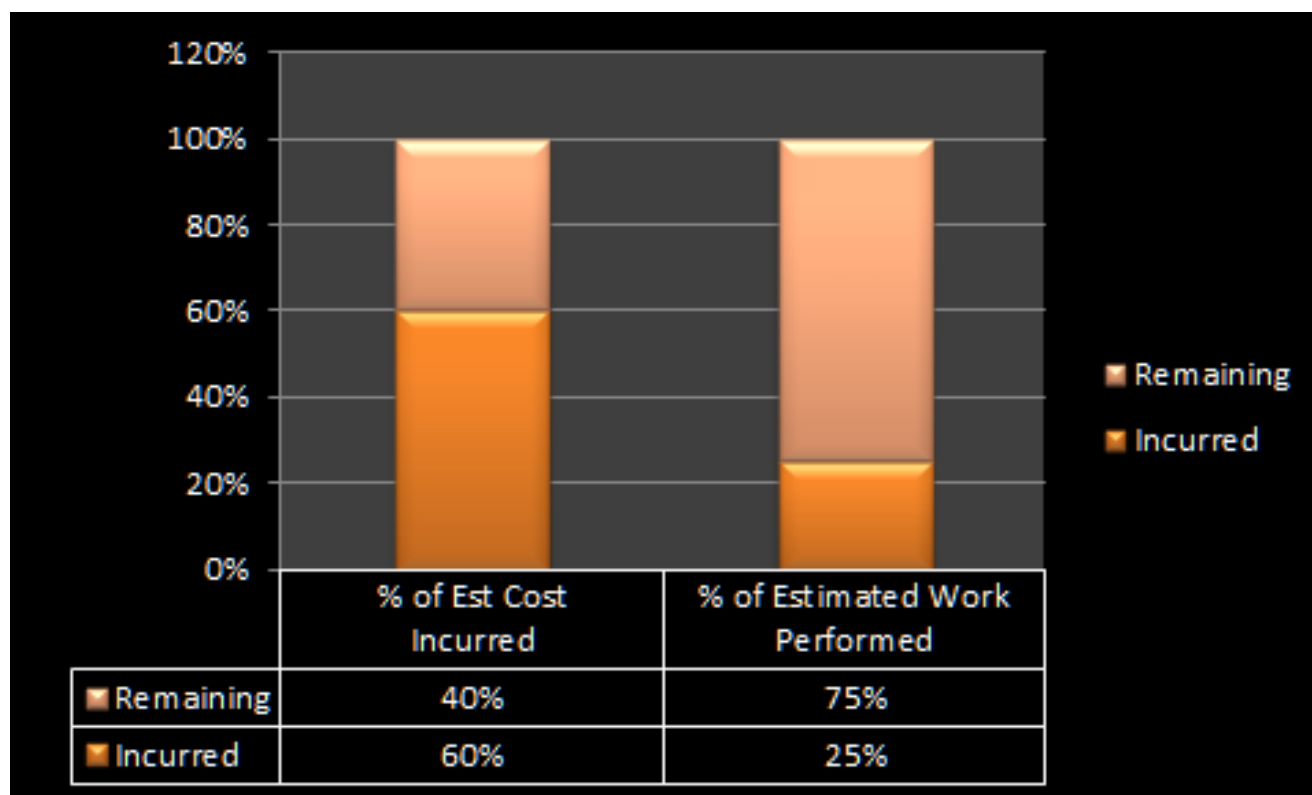
"Granted, that's a bad situation. **BUT by pinpointing the problem, we can follow up right away to find out what's going wrong**. Then we can work towards getting that part of the job back under control.

Without this kind of 'early warning system,' that problem could continue, without our knowledge, and **probably would have a much bigger negative impact**.

On the other hand, if we know that a job stage has been completed and it's under budget **we can congratulate or reward employees for a job well-done**. They like that – and so do we!"

Walt's phone buzzed, and he grabbed it out of his pocket. "I'm sorry, but I'm going to have to duck out for a minute to return this call. I'll be right back."

Paul glanced at his own phone and followed up with "OK, this looks like a good time for a quick break. Let's meet back here in five minutes, and then we can wrap up…"

Chapter 5

When Weird Job-Cost & Gross Profit Numbers Appear

Odd Results Pop Out…

Walt picked up where they left off before the break. "It turns out," Walt said, "When you're looking at these kinds of Estimate vs. Actual reports on a regular basis, you start learning a lot about how the numbers *should* look. Odd results just begin to pop out."

"So the reality is that **we actually go LOOKING for weird numbers** – because they let us **'manage by exception.'** Managing the parts of the job that aren't working according to plan **lets us focus our energy on areas that need our attention**."

"Sometimes, based on what we know about a job, we'll see a situation where the numbers just look **WRONG!** That means that **we need to investigate**."

"A while back we had an unfortunate situation where **an employee was helping themselves to some of our job materi**als. That kind of thing is pretty easy to spot when you're looking at these reports on a week-to-week basis."

"That was an unusual circumstance, and we took care of it right away. Just the fact that everyone knows we're always reviewing our numbers helps to keep folks honest…"

"More likely, **we'll see costs show up in the wrong job**, so we make a note of that – for Accounting – so the entry can be corrected. Or sometimes we know that certain stages of the job have used **materials or services provided by vendors, but we're not seeing those costs in the Estimate vs. Actual job-cost report**."

"Then we just check in with Rhonda to find out if the bookkeeping area is running a bit behind with postings but, more frequently, the vendor hasn't provided us with the bill yet."

Creating Speed, Accuracy & Cost Control With Purchase Orders

Jenn leaned forward to contribute. "Now that we're beginning to use Purchase Orders for outside vendors, we're also planning **a system where we don't have to wait for the vendors to provide their bills to us**."

"We'll provide a listing of open Purchase Orders to the Job Supervisors, and ask them to report back to the office which products and services we have received as agreed upon, and when."

"The idea is to have **the PO's converted into bills without waiting on incoming paper, or having to nag at vendors** to get their bills sent to us."

"Since the PO's already have the correct job and cost category, our bookkeepers can just convert them into bills. **The costs automatically post to the right job and cost category** without having to guess or wait for information from management. That means that our **job-cost reports will immediately be more accurate and up-to-date**."

"Because we're paying vendors based on previously agreed-upon amounts, the **cost-control** is in place. If there are differences between the Purchase Orders and incoming bills, it will **help us to spot 'hidden' change orders so that they get invoiced**. Controlling both sides – the costs and Change Order income – helps us to hit our gross profit goals."

"We're also anticipating that **our vendors will like having less paperwork to deal with, and we can get them paid faster. Everybody wins!**"

Paul nodded. "We're all in agreement that, although hitting our gross profit targets does NOT guarantee a good net profit, **the LACK of a good gross profit will almost certainly guarantee that we'll be hurting when it comes to having a decent net profit**."

"So we're pushing to have that part of the system rolled out by the end of next quarter." Then he glanced at his watch. "Unfortunately I have an appointment coming up in about 10 minutes that I can't miss. So let's fill Dave in on **how we use the information AFTER a job is completed**. Then we'll have to wrap up."

After-the-Fact: Using Job-Cost Detail From the Estimate vs. Actual Report to Improve Gross Profits

"OK, so we'll make it quick," said Walt. "A week or so after the end of the job, we take a look at our open Purchase Orders for that job. In our current system, **if there are still outstanding PO's**, we ask the accounting department to follow up. Then we still usually wait a week or so before we do the final review so we can confirm that all the bills have been received and entered. **We want accurate numbers, but we also need to do the reviews while the job is still fairly fresh**."

Jenn jumped in. "We try to **focus on the variances that are large enough to warrant our attentio**n. From a management standpoint, the first obvious question to discuss is 'Did we hit our gross profit target?' We **review both the gross profit percentage and dollars**."

Those numbers are, of course, extremely important – but **we also want to dig deeper** into the entire job process. We hash through issues like:

- **Which parts of the job didn't work** as we wanted them to?

- What can we do in the future to **avoid the same situations**? For instance:
    - Do we need **better procedures**?
    - **Tighter control**s?
    - **Clearer communication**?
    - **Employee training** or counseling?
    - Tighter or looser **scheduling**?
    - Additional **tools or other resource**s?
    - Did the Designers or Estimators receive **bad information or make a mistake** that they should know about?

- What **did** work well? **Can we expand on those strength**s in the future?

- What needs to be modified in **future estimates**?

- Can we **use these results in the future** if another similar project comes along?

The idea is to **continually improve our estimating, pricing, and internal production processes**.”

Are Detailed Job-Cost Reports & Better Gross Profits in Store for Dave's Dandy Results, LLC?

“Wow! This is terrific, and exactly what I was looking for! You guys are fantastic!” Dave enthused. “When I came to this meeting I was looking to…

1. See whether I could use QuickBooks in more creative ways so that I could **minimize, or even eliminate, my 'loser jobs' before they happen**.

2. I was hoping that I could find out how to access some types of **'in-process' job reports**.

3. I knew I needed a **reporting system that would help me stay on top of financial and operating information throughout the life of a job** – so that I could help my team keep it on track and profitable.”

“The result of this meeting today is that I'm totally blown away! Paul, I know that we had a limited amount of time, but between you, Jenn, Walt, and your bookkeeper Rhonda, you've given me far more than I expected.”

“You've shown me a whole new way to look at what my accounting system is capable of – and how I can begin to use **QuickBooks to make A LOT of changes in our operations, pricing, and monitoring**. In short, **how I can convert it into a business management system that we can use to run our entire business!**”

Dave's excitement was contagious, and everyone looked deeply pleased to be able to share his enthusiasm over what they'd accomplished.

"I can't thank you enough for being willing to share what you've done here. **Every business that's struggling with profitability needs to discover a friend and mentor like you!** I'm heading back to the office to start making these changes as soon as humanly possible, and I'll definitely keep you posted on our progress."

Paul responded, "Dave, as a long-time friend, I know that **you've built a company with terrific products and services. You've put your heart and soul into the business. You had to take a lot of risks to get where you are today, and it's obvious you've worked incredibly hard**."

"You were already headed in the right direction. **We just provided a hand up** so that you can move to the next level a little bit faster. I'm really glad that we could find a way to help."

As Dave packed up and headed out the door, he shook hands with everyone and thanked them again. He got a few steps down the hallway, remembered something, and returned.

"Say, Paul, I almost forgot, and I know you have to get going but, if it's OK, I'd like to get in touch with you later this week to **find out how to contact that ProAdvisor** you mentioned a bit earlier in our meeting. I could probably use some help getting these systems up and rolling."

"Sure thing. Just give me a call." And Paul smiled to himself, pleased to see Dave as he headed out to his new (and substantially more rewarding!) future…

Thus ends this final chapter of the "Tale of 4 Companies"…

Resources

Tired of working without the information you need to run your company most efficiently and successfully? If so, please take a look through the following training and support tools we've developed over our years of working with construction companies…


Online QuickBooks Training

Subscription Program (CAMP)

Is your company losing out because the advanced features you need are buried somewhere in QuickBooks or Enterprise Solutions? Take a closer look at our accounting lessons where you'll learn how to structure your system, enter transactions, and create the reports that can make a REAL difference in your financial results!

When you become a member of our Construction Accounting & Manufacturing Program (CAMP) you get:

- **Full and immediate access to more than 90 individual workshops**
- Plus: **Substantial discounts** on **QuickBooks, Enterprise, Intuit, and Info Plus Accounting products.**
- Plus: **Private Q&A and coaching sessions** (no additional charge) with your QuickBooks consultant and instructor**, Diane Gilson**.
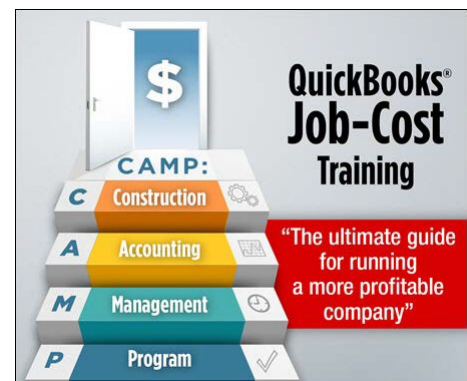
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Job-Cost Support Products from Info Plus

eCPA – employee Cost and Pricing Analyzer™

Convert Labor Burden to Profits!
Calculate regular and overtime labor burden and employee billing rates. Display actual, fully-burdened labor costs for each employee (per year, hour, or minute). Compute exactly what to charge to achieve your desired profit on labor costs.
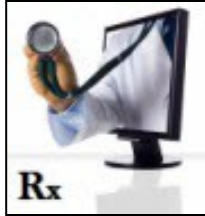
Show Me More…

Watch these eCPA videos to see how you can determine profitable labor rates

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[Comprehensive Check-Up & Action Plan™ for your QuickBooks accounting system](#)

Get a Clean Bill of Health…

You'll get your own individualized report after we test a variety of your most critical job-cost and financial elements and then outline how you can get your system back on track.

[**Show Me More…**](#)

[Percentage of Completion Analyzer™](#)

See True Job Profitability for Long-Term Contracts

Don't rely on guesstimates from job-site supervisors! Instead, use this tool to perform background calculations and see the exact $ amounts and journal entries you need to make to accurately adjust income for long-term contracts. (_Also includes sample calculations and overview of "Percentage of Completion" concepts._)

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[Month-End Procedures](#)

Accurate, On-Time Reports – Each and Every Month…

These month-end closing, proofing, and balancing procedures give you the tools you need to review, self-correct, and protect your monthly records and job-cost reports. This date-driven checklist will help you meet those monthly reporting deadlines.

[**Show Me More…**](#)

[AccountingPRO™ (QuickBooks file template for construction companies)](#)
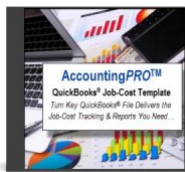
Put a Clean Start in your Cart!

AccountingPRO™ was created by Info Plus to meet the specific needs of the construction industry. This flexible, pre-built QuickBooks data file not only saves start up time but is designed to help business owners (or their accountants) more easily and effectively access QuickBooks' powerful data collection and reporting features.

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[The Profit-Booster Analyzer™](#)

"A little here, a little there… pretty soon you're talking BIG money."

Get the sober truth by using this tool to estimate your own company's invisible costs and the impact of lost income. Next, you'll see the benefits of small, but effective improvements to your financial, operating, and accounting controls. Finally, decide for yourself: Could an investment in tighter controls and better financial info have a substantial impact on your bottom line?

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[Cleancut Time$heets™ – English + Spanish](#)
OR **[Cleancut Time$heets™ – English-only](#)**

Regardless of Language, Accurate Time Reporting = Better Job-Cost Reports

Job-costing requires employees to accurately record time and activities spent on various jobs and tasks. Originally designed as a solution for one of our construction clients with Spanish-speaking employees, this set of Excel-based time sheet templates (construction terms included) provides varied layouts, streamlines data entry, and is easily customized.

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