



“...only job costing software can produce both financial reporting and the detailed job cost reporting contractors need to run their jobs...”

NO. 3: HAS INCONSISTENT JOB COST REPORTING LEFT YOU FEELING IRRITABLE?

Editor's Note: Following is the third article in our ten-part series called, “Accounting Software Checkup: 10 Ailments That Can Hinder a Healthy, Bottom Line,” by Fred Ode, CEO, chairman and founder of Foundation Software. Each “ailment” will be discussed in detail to help you determine if your seemingly healthy business has an underlying problem.

“I don't know how the job is doing.” “I don't have any report to show that.” “There is no data from previous jobs.” These are comments that no contractor wants to hear.

Unfortunately, they are probably all too familiar for many contractors who continue to use general bookkeeping or outdated accounting software to run their businesses. But contractors must identify the main cause of this distress and exasperation rather than take it out on their

field superintendent, office manager or estimator.

Why Job Costing Software Makes a Difference

Trying to get job cost reporting from an off-the-shelf general business accounting system is like trying to dig a fifty-foot trench with a garden shovel. You might be able to do it but not without a lot of pain and effort.

Nevertheless, lots of contractors attempt it anyway. Without a job costing module, they often try to do job

10 Ailments That Can Hinder a Healthy Bottom Line

1. The Symptoms of Spreadsheet Addiction
2. Tired of Redundant Work and Double Entries?
- 3. Has Inconsistent Job Cost Reporting Left You Feeling Irritable?**
4. Get Relief from Weak Financial Reporting
5. Are Untimely and Inaccurate Billings Causing Financial Distress?
6. Warning: Unmanageable Growth Can Lead to Excess Staffing
7. Learn to Use Your CPA in a Well-Balanced Way!
8. Is Pressure Building Between Accounting and Field Staff?
9. Stop End-User Rejection Before It Grows
10. Technophobia: The Hidden Disease

■■■ Accounting Software Checkup

costing through their general ledger reports. For example, they might set up “Labor Account A,” “Labor Account B” and so on. But nowhere does this begin to resemble a system for tracking costs by job. In the end, the general ledger cannot be used for job costing; it is account driven, not job driven. The general ledger has its purpose (providing accurate, current financial reports), which is different from the job costing module’s purpose (tracking and reporting all job costs).

Nearly every business accounting system will handle bill paying, invoicing and other bookkeeping functions in similar ways. But only job costing software can produce both financial reporting and the detailed job cost reporting contractors need to run their jobs without requiring any additional data entry or exporting of data to another system. Every piece of data entered into a construction accounting system flows directly to a job. There are no detours or dead ends that can cause errors (such as manual reconciliation) or slow productivity (such as duplicated data entry).

Detailed Reporting from One-Step Entry

The real advantage of having a job cost accounting system has more to do with information access than how a report is created. When you suddenly have the ability to see your actual job costs and revenue on a job alongside your estimated costs and profits, you have decision-making power. With every time-sheet entered and every transaction posted, your accounting system is continuously updated with real-time job data. With instant access to data, you can turn bad jobs around and avoid committing the same costly mistakes on future jobs.

Let’s say a drywall contractor

“ With a good job cost accounting system, contractors have access to hundreds of standard job cost reports and customizable reporting options. ”

finishes a job and profits are close to what was estimated. Without a detailed job cost report broken down by job code, task or phase, this contractor may never learn how they really did on the project. He may discover that they made more than expected on painting and drywall but actually lost money on the acoustical ceiling work—he might miss the all-telling facts that could help keep his future jobs on track.

Irritability Can Lead to Nausea

Contractors get irritable once they realize their generic/small business accounting systems cannot produce important job costing reports. They think creating reports in spreadsheets is the solution. But spreadsheet solutions almost always cause more problems and more work. Irritability leads to nausea when contractors discover that nearly all of the information needed to run their businesses resides in disconnected islands of data.

With a good job cost accounting system, contractors have access to hundreds of standard job cost reports and customizable reporting options. They can get immediate access to percent complete, estimated versus actual, unit cost reports, production reports, work-in-progress, over/under billing, cash flow by job and so on.

Are you in distress because of inconsistent, inaccurate or untimely job cost reporting? Are you having

trouble accessing information you need about how your jobs are doing or how you did in the past? Construction-specific accounting software may be the relief you need. ■



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