



by Mike Ode

Software Feature Line-Up

NO. 5: SCORE BIG WITH BETTER BILLINGS

Editor's Note: This is the fifth article in the series, "Software Feature Line-Up," by Mike Ode. Each article focuses on must-have accounting software features.

In order to compete and win, players must first understand the rules of the game. And the first rule of construction is: Cash is king.

So how do successful contractors maintain the necessary inflow of cash? After selecting the billing method best suited for their jobs (e.g., AIA, percent complete, time and material or unit price), they bill and collect according to their contracts, they bill promptly and they never forget about such items as change orders and retention. Equally important, successful contractors rely on construction-specific accounting software to automate the entire process.

Industry-Specific Billing Methods Call for Flexible Solutions

In construction, customer billings come in many types and sizes—from the small, quick-hit service invoice to the detailed unit price bill and everything in between. Heavy highway contractors who perform work for state departments of transportation generally require unit price billing. Many contractors prefer time and material billing. Some contractors simply use lump sum billing. However, AIA and



percent complete invoices are the most commonly used in the industry. These progress billings allow contractors to bill as the job progresses.

The problem with progress billing, from a contractor's perspective, is the amount of time it can take to accurately calculate billings based on percent complete (sometimes by individual line items) or quantity/units completed, and then keep track of what has been billed/received to date. Add to that the hassle of manually entering this billing data line-by-line, and it's no wonder that late and erroneous billings are a common complaint among contractors nationwide.

Small business accounting systems (including contractor versions) are not designed—nor are they flexible enough—to handle construction-specific receivable issues. Contractors who use these systems often have to

Software Feature Line-Up

Home Safely:

1. Lead off with Job Cost Reporting
2. A Double Play: Date-Sensitivity/Audit Trail
3. Triple Your Success with 3rd Party Software Integration
4. The Grand Slam: Construction-Specific Payroll

At Bat:

5. Score Big with Better Billings

On Deck:

6. Purchase Orders/Subcontract Management: A Line Drive
7. Game-Saving Plays: Over/Under Billing & Bonding Reports
8. Avoid Wild Pitches With Overhead Allocation
9. The Closer: "Live" Customer Support

rely on spreadsheets or add-on software to calculate prior and current completed work, retainage and so on. And of course, the only way contractors can track these billings is to pull previous invoices, add them together, subtract receivable income and hope that their math is correct.

Likewise, standard accounting systems are unable to handle other construction-specific billing methods. Without the ability to define and calculate markups and/or billing rates based on job, customer or cost code, contractors who use time and material billing must also resort to spreadsheets and applications outside their accounting program for tracking and billing their jobs. And for contractors who use detailed unit price billing formats, generic programs are not capable of tracking and billing for quantities completed by line items.

Technology Designed to Automate Construction Billing

Construction-specific accounting systems, in contrast, support numerous industry-standard billing methods. What's more, complete integration with job costing, general ledger and other modules (like inventory) means that users benefit from a single entry system. Aside from better job costing, these programs offer the kind of automation that can greatly increase billing accuracy and efficiency.

When it comes to creating AIA compliant billings, for example, good construction accounting systems will offer users the ability to:

- ▶ Minimize data entry with default calculations

- ▶ Print on blank forms or directly on pre-printed forms (G702 and G703)
- ▶ Make adjustments to prior invoices
- ▶ Calculate different retainage percentages for each line item
- ▶ Define and track sales and use tax
- ▶ Add change orders
- ▶ Update AIA billings automatically with each application

Time and material billings can also be very time-consuming when the process involves manually running job cost reports and using a calculator to markup labor, equipment and materials. Construction-specific software allows users to establish markups up-front by job, customer or company wide. In addition, each job can have unique markups for employees, trades, cost codes and materials, just to name a few. In most cases, users simply choose the dates they wish to bill for, and the system automatically grabs costs, marks them up and creates a user-defined invoice with as much or little detail as desired. What's more, good systems eliminate the possibility of missed costs and billings by tracking what was already billed and automatically adding any new or additional expenses to future invoices.

Enhanced Tools for Greater Efficiency

In addition to supporting standard receivable invoices (with free-form or line-item detail), some construction-specific accounting systems also provide users with the ability to create their own customized invoices. Similar to report writers, these tools

allow users to design an unlimited number of invoice formats. Other useful features include the ability to personalize templates with graphics, such as a company logo, as well as save, reuse, copy and modify all templates.

Finally, sophisticated construction-specific systems also provide enhanced reporting capabilities. At a minimum, users should be able to run reports for any date range, including prior periods and years. In addition, programs should provide reporting flexibility, allowing users to run reports by customer, job, income type, project manager, geographical area or project class. Strong systems will also guarantee a detailed audit history so that an inquiry into the transaction history of a customer and/or job can be made at any time.

Billing clients for work performed is a task that's crucial to the survival of any business. In construction, where multiple billing methods and complex terms make up the rules of the game, the stakes are even higher. Luckily, construction-specific accounting technology has what it takes to level the playing field. ■

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