FOUNDATION software

The Ultimate Guide to Construction Job Costing

What is Job Costing in Construction?

Job costing is an effective accounting method for any construction company wanting to maximize their profits. Tracking every dollar helps contractors monitor their budget — letting them make spending adjustments in real time before major financial discrepancies occur. But for job costing to be fruitful, you need to establish a consistent system or else there's space for the errors that cause incorrect invoicing, inaccurate billing and financial loss.

To maintain a stable job cost structure, it's important to first understand what job costing is, why it's important and what it entails. Once you understand how the system operates, you can develop a version that fits the needs of your company. And a construction company using a strong job cost system enjoys easier, more accurate budgeting, better progress tracking and a thorough zeroing-in on profit margins.

There are a lot of benefits to be had with job costing, but there is also a lot of information to process. We've built this guide as a blueprint for you, to help you explore and develop effective job cost structures. Consider this the start of your path to more profitable jobs.

What Is Job Costing?

Job costing is a form of accounting done by tracking the costs and revenues of specific jobs. Operating on a numbering system, individual items are assigned numbers. Whenever there is an expense, the cost is recorded using that item's number. Throughout a project, a contractor uses this tracking method to identify where money is going and how much is being spent.

The overall goal of job costing is to help companies record and report the profitability of each completed project. Job costing is most effective for businesses that are using or providing a variety of products and services, like the construction industry. Job costing is especially helpful when there are a wide range of items to track, because job costing is built for detail. The more moving parts a company has, the more useful a job cost structure will be.

Construction is an ideal industry for job cost accounting because construction companies perform work based on standalone projects — each job is an individual experience. Since most construction company costs are project-specific and involve a high volume of items, job costing keeps expenses organized and contained within each project a company is managing.

What are the Benefits of Job Costing in Construction?

Job costing may be complicated but it's also incredibly effective and can lead to improved profitability. Some of the biggest benefits of job costing include:

Accurate cost tracking — Job costing uses a system that makes it easy for you to record your expenses consistently. You get an accurate account of your company's spending habits down to the cent.

Transparent Spending — Over time, as you record every expense, you can see exactly how much is being spent and the financial impact on the budget. When necessary, you can use this data to tighten up spending before major overruns occur.

Compare actual costs against estimates — See where you overestimated expenses and also where you overran on budget. This information can influence how you bid on future projects because you are now more familiar with the accurate costs associated with similar tasks and jobs.

Real-time budget monitoring — every dollar is being tracked so with consistent budget updates available, you're aware of what your spending is. If there is a threat of an overrun, you can intervene quickly and adjust to prevent any major financial damage.

Determine the profitability of each job — for completed projects, you can calculate the total earned profit. This information can be used to determine which projects are worth bidding for in the future.

Efficient job costing keeps data transparent. You're always aware of how your money is moving throughout the project and you can identify areas of risk and make decisions before the company goes off-budget.

How Does Job Costing for Construction Jobs Work?

Job costing is a unique type of accounting because it tracks even granular costs. Throughout a project, a contractor receives the most up-to-date information regarding the company's spending. Each dollar is categorized into one of the following three categories:

Labor
The cost of paying all the employees involved in a project.

Materials
The cost of all items used to construct a project.

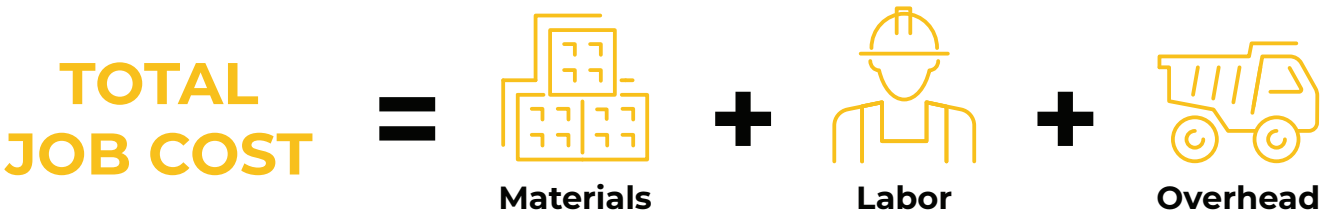
Overhead
The company's daily operating costs during the project.

Both direct and indirect costs are considered during this process.

- Direct expenses are the costs directly involved in the completion of a job.
- Direct material costs include items used to complete a project like nails, lumber, concrete and drywall.
- Direct labor costs include all employees working directly on a project.
- Direct overhead costs include operating costs specific to a project like job site liability insurance.
- Indirect expenses are costs that are not directly used in the completion of a project but are still associated with the job.
- Indirect material costs include items associated with a project but not involved in its completion like tools and cleaning supplies.
- Indirect labor costs include workers not directly involved in the completion of a project like security guards and Quality Assurance representatives.
- Indirect overhead costs include overall company operating costs not specific to a project like general office rentals.
- Before calculating total job cost, you first have to find the totals for each of the three categories.

The job costing equation for materials is direct material costs + indirect material costs.
The job costing equation for labor is (number of working days x daily pay rate x number of employees). This is the equation used for both indirect and direct labor costs. Since construction employees may be paid differently depending on specialty, this step will have to be repeated until all employees are accounted for and then all sums are added together.

The job costing equation for overhead is a little more complicated because companies are varied in how they divide their operating costs. (To read more about overhead allocation, check out our blog). Some will set a base percentage to be included in each project and others will split total overhead costs by how many projects they have. There isn't any set way so choose a method that fits best for your business's needs.
Once there is a sum for each of the categories, add all three numbers together to get the total job cost.



This is a very basic, high-level overview of how job cost accounting calculates a company's spending per project. Of course, most construction companies have a cost scope far larger than what basic pen, paper and calculator can process (that's where construction accounting software comes in), but when you're analyzing your job cost reports after a project is completed, this is all the information that's taken into consideration.

How Can A Job Cost System Track Spending?

To accurately track every dollar, job costing entails logging every dollar. If you don't record every transaction, then job cost accounting is as good as regular budget estimating. Commitment is required. When there is a project-related expense, it must be noted.

Typically, job cost accounting functions within a job cost structure — a system in which each project is treated as standalone. Expenses are tracked within their project and costs are broken down into minute detail. Numbers are assigned to different types of items so tracking can be consistent and specific.

Where expenses are recorded depends on the construction company and the volume of costs being considered. The classic spreadsheet can be effective, especially if there are multiple spreadsheets being used for every project — at least one for each of the three main categories of materials, labor and overhead. For most companies, however, some form of job cost accounting software is essential to be able to organize and track the immense costs involved in big scopes of work.

As you consider the most efficient way to track your costs, here are some best practices to keep in mind. Use them as a guide to help optimize your job costing.

Be Consistent — Regardless of how and where you choose to record your costs, you need to use the same filing system throughout. If you're erratic in your numbers or in your records, it'll be difficult to trust your data.

Track Everything — If you truly want to know each job's profitability, you have to record every transaction. Skipping even one shipment will skew your reports and cause discrepancies with your bottom line.

Check Estimates against Reality — You won't know how effective your tracking is unless you compare your numbers to your bank statements. By doing this consistently, you can identify any errors early and adjust before the project is over and too much money is lost.

Tracking your dollars gets easier as you grow accustomed to using the job cost structure. The more committed you are to recording your expenses, the better you'll know your actual costs and the progress of your jobs.

For a quick breadown of Jobs, Phases, Cost Codes and Cost Classes in Construction, check out our dedicated blog.

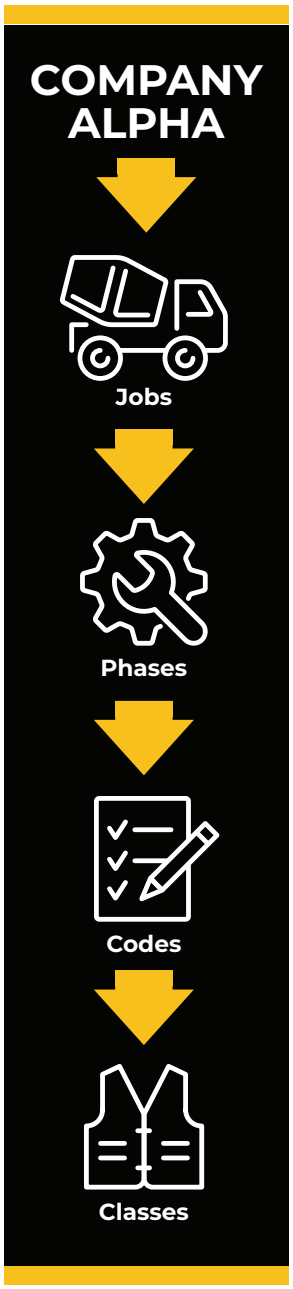
How Do I Start Job Costing for My Construction Company?

Job costing is customizable. A cost structure can be organized in the manner best for your company. When you're ready to start the process of job costing, or ready to tweak an existing system, consider the who, what, where, why and how. The more accounting logistics you identify up front, the easier it is to develop a system that fits your needs.

Who — Who is responsible for recording costs and monitoring the budget? This may seem like a basic question but properly training everyone involved in your company's job costing will help mitigate potential tracking errors. All of your accounting team should understand how your cost structure is broken down, what each cost code represents and how to interpret the data provided by job cost reports.

What — What information are you wanting to receive? This helps determine what kind of job cost structure you'll establish. Traditionally, job costing shows the profitability of jobs but with some reframing, job costing can also provide data like which trades are more profitable and which repeat customers provide the most successful projects. Figure out what you're wanting to know and create a job cost system that fits within that frame.

Where — Where is all of your data living? Are you using spreadsheets? Are you writing each cost by hand or is there a computer program available? Could you benefit from construction accounting software? These are the questions needing to be answered so that costs aren't being recorded incorrectly or in varying locations.



Why — Why is your job cost structure designed as it is? As you break down your jobs and identify your cost codes, make sure to know the reason behind every decision. "This is to help track the costs of drywall," "this is a major component of wiring the building." If there are no reasons for adding something into your structure, then don't add it. Excess job cost coding just adds confusion.

How — How are you tracking your dollars? How in-depth do you want to go? Job costing lets you get as detailed in your data as you're desiring. Do you want to record every transaction that happens or are there specific costs you're interested in?

As you answer these questions, you'll have a clearer idea of what your specific cost structure will look like and how your tracking will operate. If you can, start small. Pick a job, break it down and record your costs. Get accustomed to this new pattern of accounting. Remember to keep your codes simple and your team up to date. If you aren't receiving the data you want, revamp your cost structure. Job costing can be flexible, be open to trying a variety of cost structures until you find your most successful version, effective construction job costing is different for each company.

How Do You Build a Construction Job Cost Structure?

A job cost structure is the shape of job cost accounting. To effectively track each dollar, you have to have a place to put each dollar. You need to know which expense goes to what project and how that expense fits into the budget. The cost structure gives you an outline to work with — it gives you ways to break down your company's finances so that you know exactly where each cost goes and why.

A traditional job cost structure supports the main intention of job costing — which is to determine the profitability of each project. It does so by first separating a company's expenditures into each correlating job. Once the jobs are separated, there is a multi-level breakdown of the costs. Each cost gets categorized into type (some version of material, labor and overhead) as well as classification (which task it's being used for). For our purposes, we'll be breaking down the costs into phases, codes and classes.

As we go through our example, keep the following in mind:
The terms are flexible, you may know them by a different name, but the meaning and intention are the same.

Depending on your company, you may not need to create a structure as in-depth as our example, but it's still helpful to understand just how much detail a job cost structure can include.

Jobs

The first step to building a construction job cost structure is to separate the jobs you are managing so that they are each their own entity. To accurately calculate the profits of every project, costs need to be kept within the perimeters of the project. If you just throw different expenses wherever is convenient, you will not have the correct numbers — which means you won't be able to precisely compare your estimates with your reports.

When it comes to jobs, there isn't a set definition, but oftentimes a job is considered any project that involves an invoice or a contract with a client. Each job encompasses everything associated with its completion — all costs that are incurred during the job, for the job, are documented within that specific job's records.

Example: Company Alpha looks at its schedule for the next year and identifies four jobs:
Job A = Build a supermarket
Job B = Construct a bridge
Job C = Reconstruct a portion of a mall
Job D = Build a recreation center
Each of these jobs are treated as standalones – Job B's costs are not to be included in any other jobs' expenses. Even for costs that occur at the same time or are the same material (for example, both Job A and Job B need lumber); they're all sorted into their specific project.

Phases

Now that the jobs are divided, it's time to start breaking down the costs. Knowing you spent $115,000 on an excavation project, although still important, doesn't provide you with enough information to make impactful adjustments to future estimates. To modify your spending in real-time, you need to know which expenses are specifically putting you off budget.

Phases are the highest level of breakdown and they happen after the jobs are all separated. Phases involve the major milestones of a project — they're the necessary steps taken to complete a project. The total number of phases, and what they're called, can vary depending on the type of job. But, in general, phases are the pieces of a project that have to be done to finish a job.

Example: Company Alpha is building a recreation center. The phases may include:
Clearing/ preparing the land
Laying foundation
Setting the frame
Interior trades
Interior furnishing

If there is overlap — for example, the same subcontractor is used for laying concrete and setting the foundation — you still need to separate the costs. Whatever the subcontractor charges you for concrete is kept with concrete and whatever the costs are for electrical wiring are kept with the interior trades. Blending creates confusion and incorrect numbers — and if you want to know where you can tighten spending, you need correct numbers.

Cost Codes

Phases are broken down into cost codes and these codes are considered the tasks needed to move through a phase. At this level, the costs are becoming more individualized — they're now identified by their function.

For example, Company Alpha has completed a new skyscraper. They're now in the interior furnishing phase.
Some codes may include:

- Clearing building of tools and equipment
- Final cleaning
- Installation of all furniture and décor
- Inspection and final approval

These codes can be as specific as you need. Everything depends on how exact you want your numbers to be. For example, consider the laying the foundation phase. Your codes can include forming the concrete and placing the concrete, or you can choose to be a bit more all-encompassing and keep all costs within the code of 'pouring concrete.' Whatever fits your needs. But remember, the more in-depth you are with your tracking, the better financial data you'll receive.

Classes

In a construction job cost structure, classes are the most specific cost breakdown available. Classes really identify what each cost is and how it's being applied. Essentially, you're taking your cost codes and breaking them down into the granular level.

In a traditional job cost structure, there are six main types of classes:

- Labor costs
- Material costs
- Subcontractor costs
- Equipment costs
- Labor burden costs
- Other costs (for costs that don't fit into any of the other five class types)

For example, Company Alpha is constructing a library. They're in the phase of setting the frame, specifically in the cost code of installing support beams. A very basic class breakdown may look like:

Labor costs include = 50 workers
Material costs include = 800 pounds of lumber, 300 pounds of nails
Subcontractor costs include = N/A, no subs are being used for this portion of the project
Equipment costs include = Tower crane rental, gas for bobcat machines
Labor burden costs = Insurance and workers' compensation (the set overhead percentage for each project is 15%)
Other costs = Four project managers traveling to job site
Written out, a full line of cost tracking would look like the following:

Company Alpha spent $200 on electrical cable for the wiring done during the interior trades phase of Job A.

Your company may not need to get this in-depth with your costing data. But if you start seeing a trend of incorrect estimates then creating cost classes is a good opportunity to get a clearer idea of where your dollars are being used.

What Does a Job Cost Structure Look Like?

In its basic form, a full job cost structure looks like:

Jobs > Phases > Cost Codes > Cost Classes

Once your cost structure is in place, you can locate the specific areas where you're deviating from your estimates.

For example:
Company Alpha is constructing a bridge. So far, their estimates have matched their actual costs through the first two phases of the project. But now they're halfway through phase 3, framing, and are already over budget.

Estimate for phase 3 = $52,000
Actual cost for phase 3 with 54% complete = $52,100
Company Alpha can search deep into their spending, digging through the cost codes and classes to see the specific culprit that has already sent them $100 over budget.

They notice that their labor cost is almost double what they estimated for:

Estimate for labor costs at 50% of project = $2,000
Actual cost for labor at 54% of project = $3,600

Company Alpha can now approach its managers to figure out why there is such a large discrepancy between the estimate for labor costs and the actual costs. If the issue is because the estimator was just off on predicting how much labor they needed, Company Alpha can adjust their estimates for similar projects in the future. If, for example, workers are earning too much overtime, then Company Alpha can mandate a cutback. With a job cost structure, decisions can be made using real-time data, giving construction companies real opportunities to mitigate major losses.

How to Use Construction Cost Coding

While the job cost structure gives the shape to job costing, cost coding gives the value. Cost coding is the method of assigning numbers to costs by category. This is the actual action of tracking costs. Traditionally, cost coding involves a four-to-six-digit number, with six being the most common because there are more numbers to work with — which is especially convenient if you manage big projects that involve a massive volume of items.

For our purposes, we'll work with a six-digit numbering system. A cost code will look something like 00 – 00 – 00

The phases will have two digits, the codes will have two digits and the classes will have two digits. That way when you're looking at a cost code you know which phase, code and class the cost is from. (If you aren't operating a system that uses classes, or even codes, you can itemize using four-or-five-digits instead).

The placement of each of the two-digits depends on what will be understood best by you and your team. Choose one specific way to order your numbers and then train your team with that method. If you bounce around in your numbering system, your costs are not going to be reliable.
Let's break each piece of coding down, assigning random codes to different costs. Remember that your ordering may be different, but the intention is the same.

Phases represent the first two digits. For example:

1

Ground prep is
01 00 00

Foundation is
02 00 00

Framing is
03 00 00

Cost codes represent the middle two digits and come after the phase code. If we look at laying foundation then tasks like excavation, water proofing, and concrete all have places in the middle, next to the foundation code. For example:

2

Excavation is
02 01 00

Concrete is
02 04 00

Waterproofing is
02 08 00

Classes represent the last two digits of coding. They'll go after the phase and cost code they're associated with. In this example, we'll say each class is incurred during the excavation stage of foundation work. For example:

3

Labor costs
02 01 01

Material costs
02 01 02

Equipment costs
02 01 03

Regardless of how you set up your numbering system, the key to success is staying consistent — standardize your numbers and the order they go in. For example, if labor costs are labeled 00 00 01, then they read like that for the entire project and all your projects that follow. The phases and the cost codes will swap out depending on what the cost is for but those last two-digits do not (same rule applies for every number code used).

If, after some practice, you find that your numbering system is too confusing, then try something different for the next job. Be open to experimenting to find the best version of cost coding for your company. But always communicate changes to your team so everyone is consistently up to date with how to record costs.

How Effective is Your Job Cost Structure?

Even if you've built your job cost structure, it's important to recognize that the effectiveness of job costing depends on your commitment. Your jobs are broken down, your cost coding is in place, now you need to record every transaction. If you don't then you're not receiving trustworthy information.

It's always good practice to check in on the quality of your cost tracking and the quality of your job cost structure. Start by asking yourself the following questions:

- Have you experienced multiple unpredicted overruns during your last few projects?
- Are similar projects producing substantial differences in profit?
- Are there major discrepancies between your job cost reports and your general ledger?
- Are projects which were predicted to be profitable not as successful?
- Have there been multiple instances of incorrect invoice billing?

If you relate to some of these experiences, then your cost structure may need some adjusting.

To get the most out of your job costing, there is going to be some work upfront. But as you develop your cost structure and settle into your cost coding, accurately recording all of your expenses will be as easy as a couple of clicks of the mouse.

Construction Job Cost Reporting

Benefits of a Construction Job Cost Report

To really use job cost accounting as a tool for managing costs effectively, you're going to need to generate job cost reports. These reports are detailed documents that provide information regarding the ongoing expenses of a project. Contractors use these reports to track the progress of the project and compare the estimates against the real costs. If run consistently and analyzed appropriately, job cost reports are a major asset for making sure jobs are completed in a profitable manner. Some of the major benefits of job cost reports include:

Managing costs effectively — When you're constantly aware of where your spending is, you can adjust where your money goes. Job cost reports give you exact numbers for all areas of a job. When you notice an area where spending is more than anticipated then you can identify the source of the problem and adjust to better use the money.

Example: You're on your third order of lumber. According to the cost report, you overestimated both the previous orders. You adjust by reducing the amount of lumber requested, saving you money and materials.

Identify problems early — By constantly and consistently running a job cost report (consider a weekly or bimonthly routine) you can spot minor errors before they become massive problems.

Example: Your job cost report shows you've recently been overspending with your labor burden. You discover your workers have started taking too much overtime. You reduce the amount of overtime allowed. You're now spending less, and you caught the problem early enough to recoup the minimal losses.

Track progress of each job — Job cost reports show what has been completed by detailing what has been spent.

Example: This week's job cost report details that $25,000 was spent on laying the foundation. You check this information against the project schedule — discovering that the estimated time allotted for laying the foundation matches actual experience. You job is on track and framing is about to begin.

Compare actual costs vs estimates — By taking the job cost report and comparing them to your estimates, you can see where you overestimated, underestimated and perfectly estimated. Using this information, apply what you now know to future estimates so you can bid more accurately and manage more profitable jobs.

Example: At the start of a project, you estimated the total cost to be $100,000. The final cost report showed the total cost to actually be $110,000. There is a $10,000 discrepancy. Since the job is broken down into specific costs, you can compare every estimate to the line items in your reports and figure out where you deviated from your budget.

Adapt future projects — As the job cost reports display areas where you've incorrectly estimated, you can adjust your budget for similar projects in the future.

Example: According to your job costs from Project Beta, you consistently underestimated how much tile you needed for the flooring of a room measuring 2500 square feet. The job you're currently bidding for has a tile job with a room of the same proportions. You now know to increase the amount of money dedicated to flooring.

Generating job cost reports on a consistent basis lets you fully know and understand your costs for each project. But for these reports to have real beneficial impact, you need to be willing to make decisions quickly and implement new spending tactics immediately. Knowing your workers are taking too much overtime is one thing, actually mandating a strict number of permitted overtime hours is another.

How to Use a Job Cost Report in Construction

There are a few different job cost reports available to help you monitor your expenses. Each may show slightly different information, but they all have the same overall goal. Which is to:

- Show you where your costs are
- Show you what your profit is projected to be
- Show you the potential differentiations between your estimates and your actual costs
- When you're looking at any report you've run, consider the following:

Do your numbers match? Whether it's a G/L tie out or an estimate versus cost, if your numbers are different then there's an issue with how you've been recording your expenses. Additionally, if your actual numbers are higher than the data it's being compared to, you're going over budget and adjustments need to be made.

Is the project progressing as expected? In a WIP schedule, you'll get the project's percentage of completion and how much has been spent. Compare this to your estimates. Are you where you expected and have you spent what you estimated? If there are variances, why? Take a good look at your cost codes and cost classes to find the exact expenditures that created the deviation from budget.

Do the costs projections match your budget? You'll see the trajectory of your costs. Are they going in a direction you expected? If you're spending more than planned, you can look at your job cost structure to specifically see where the overspending is occurring. If you act efficiently and revamp financial behavior, you'll have time to recover before major financial pitfalls.

Do you need to tighten your spending? Whether you're currently over budget or predicted to be over budget, the sooner you locate the main contributors to your excessive spending, the sooner you can make the adjustments needed to stabilize your finances.

Thoroughly analyzing the data received in the reports is an essential part of good job costing. If you want to better manage your company's finances, you've got to be serious about running consistent job cost reports.

Types of Construction Job Cost Reports

Job cost reports provide an immense amount of information that can be used to better manage your projects and your budgets. But to make the information more accessible, there are multiple types of reports that can be generated. Each report will provide different bits of data, all of which relate to the costs of a project.

Job cost report — The purpose of a job cost report is to track the ongoing costs of a project. This report will include the project's estimated costs, the project's current costs and the project's predicted profit. Using this data, you can constantly check how on budget the job is. If there are errors, you can make real-time decisions.

Job cost reports take into consideration the different accounting variables that impact a budget, including:
- Purchase orders
- Change orders
- Subcontractor contracts
- Payable invoices

Work-in-progress schedule (WIP report) — WIP reports analyze the current value of a project. They're run at the end of a pre-determined accounting period and take into consideration the work done, the amount billed and the remaining payments on the contract.

The biggest objective of a WIP report is to show whether a project is being overbilled or underbilled. This essentially means that a WIP determines who is footing the bill: the client or the contractor. To be overbilled, the billing exceeds the cost, so the client is providing the cash. To be underbilled, the cost exceeds the billing, so the contractor is providing the cash. The sooner you know your company is in the red, the sooner you can find ways to tighten your spending, so the costs are more even with the billing.

WIP reports involve information that reflect both the current costs and current revenue, including:
- Contract amount
- Percent complete
- Costs to date
- Earned revenue
- Billed revenue

Cash flow reports — Cash flow represents the amount of money flowing in and out of a company during a specific time period, for a specific job. These reports help determine the status of a company's financial health.

If your company has positive cash flow, you're receiving more money than you're spending. The client is currently paying for the project.

If your company has negative cash flow, you're spending more money than you're receiving. Your company is currently paying for the project.

By regularly analyzing cash flow reports, you have a clearer image of your company's monetary needs. You can then alter financial operations to help even out the cash flow.

Cash flow reports require information that detail how much money a company is receiving throughout a project, like
- External investment receivables
- Operating receivables
- Debt and equity overviews

Job Overhead allocation reports — Overhead allocation is a way in which all overhead costs for a company are distributed among each ongoing project — however you choose to assign overhead costs is determined by the needs of your company. You may select a pre-set rate or use proportional percentages.

These reports identify how much overhead accumulated during the month, what the specific expenses are (using cost codes) and how much a specific project is responsible for. Once you're aware of what each project's overhead is, you can make sure the costs are fair; if they aren't, you can reallocate in a more equal manner.

Overhead allocation reports require information that cover the total direct and indirect overhead costs, including:

- Labor burden
- Insurance liability coverage
- Rental expenses

General Ledger Tie Outs — A tie out compares the transactions on a job cost report to the General Ledger. The intention is to have every cost type and the total cost in the job cost report match the numbers in the G/L. If the numbers are the same, then you've been recording your costs accurately. If the numbers are different, then there's been errors in your entries. Frequently running G/L tie outs will show you if you're appropriately recording your costs or if you need to revamp your processes. If there continues to be discrepancies, your overall job cost numbers won't be reliable or useful.

To run a tie out, you need to have all the information necessary for both your General Ledger and your job cost accounting, like:

- Monthly entries
- Monthly reconciliations
- Bank recs

Ultimately, job cost reports are some of the most important tools a contractor has to manage successful projects. The reports help you adapt previous spending mistakes into more accurate estimates; they let you review the progress of the job and the state of the budget; and they provide red flags well before immense financial damage occurs. Use them wisely and your bottom line will be all the more profitable.

Construction Job Cost Accounting Software

What is Construction Job Cost Accounting Software

Job costing can be used for any level of accounting. Whether you're a construction company with a handful of jobs annually, or a massive, billion-dollar construction empire, the job cost structure is designed to help companies of all sizes. However, just because all construction companies can benefit from job costing, doesn't mean these same companies will benefit from using the same costing equipment.

A company managing two or three small projects a year may be able to successfully job cost using pen, paper and a calculator. Another company, one marginally bigger, may thrive using spreadsheets. But for companies that handle many projects per year then some type of job cost accounting software becomes necessary.

Job cost accounting software are programs that automate the accounting services used to track the costs and revenues of projects. With this software you can develop and build your job cost structure and store all of your project data. As figures get larger and more complicated, these programs can still instantly calculate and generate reports — streamlining the job costing process.

The Benefits of Construction Job Cost Accounting Software

Job cost software is known to simplify complex financial management. And although this is true, these programs aren't just beneficial for larger companies or larger projects. They create opportunities by offering features that any contractor can take advantage of, like:

Automated alerts — You're made aware of overruns as they're happening so you can make quick decisions based on real-time data.

Accessible data — Many major providers offer software that can be viewed anywhere with internet, guaranteeing you constant access to your project's information.

Collaborative engagement — It's become commonplace for an accounting system to offer an executive dashboard. This keeps all the project data in one place and allows permitted team members access to all the information and updates. The workflow is streamlined and communication is far more transparent because it's happening in the dashboard instead of in endless emails.

Simplified change order management — In the accounting dashboard, all of the submitted and approved change orders are displayed, ensuring that the team is aware of any new change.

Streamlined manual entry — With just a few clicks, you can identify the correct project, the appropriate cost code and have your newest expense recorded within seconds.

Easier cost tracking — All projects are kept apart, every cost entry is stored in the selected project and the totals are immediately recounted with every new transaction. There's no worry of mixing up physical papers. All your numbers are organized.

Easily correct errors — If you typed in the wrong number or mistakenly added a cost to the incorrect project, you can correct your error and everything is instantly readjusted to reflect the new information.
Instantly generate reports — All the reporting tools are at your fingertips when using an accounting software. The information needed to run the reports are already in the system so with a click of a button you've got all your requested data.

Construction accounting software is built to handle the complexities of job costing so you don't have to. You're responsible for the input of the correct information, but, after that, the software produces the totals, runs the job reports and monitors the budget for overruns. And even if you make a mistake, the numbers can be easily adjusted. Combine a job cost structure designed for your company's needs with an accounting software made for the construction industry (like FOUNDATION® accounting software) and you've got a strong set-up for success.

Tips for Effective Construction Job Costing

Construction job costing entails quite a bit. If you're wanting to start or if you're looking to improve your existing system, the simplest way to begin is to move in steps. Note the issues you've been having with your financial tracking and identify the information you're wanting to gain with job cost accounting. This will help you as you build the job cost structure that fits the needs of your company. Remember, a cost structure can be as basic or as in-depth as you require it to be. Consistency and constancy matter most when it comes to tracking your dollars.

Once your system is in place, run your reports often. They're your biggest asset when it comes to knowing what your costs are and how aligned your spending is with your budget. The more you remain informed, the less you have to worry about a dwindling bottom line.

Use appropriate equipment while job costing. If you're running some type of construction accounting software, make sure the program both effectively tracks your projects and streamlines your workflow. For a more comprehensive breakdown of the essential features of construction accounting software, see our blog.

The heavy lifting will be done up front. You'll decide how to breakdown your jobs, you'll identify a consistent set of cost codes, you'll train your team, you'll learn to analyze your reports. But as you finalize your job cost structure, budgets get easier to build, progress is easier to track and you're able to zero in on profit margins. Profitable construction jobs are the product of well-managed cost systems.

About us

For more than 35 years, Foundation Software has been providing contractors the tools they need to streamline their workflow. Their flagship product, FOUNDATION® accounting software, is a comprehensive solution that offers construction job costing, payroll processing and project management.