

# Protect profits: Seven ways you can improve job cost tracking



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# Why you really need to know your job costs

To be profitable, you need to have a good handle on your costs—and that requires efficient and effective job costing.

Job costing consists of tracking and categorizing every cost incurred on a project. It provides you with visibility into your expenses so you can:

- Tighten cost control throughout a project.
- Prevent overruns.
- Build a reliable cost history that can be used to improve estimating.

It's important that you know where costs stand at any given time for each project. Knowing your true job costs enables you to spot issues and take corrective action before costs eat into your profit margins. It also helps you ensure all costs—including overhead—are allocated to a job so you have the highest potential for overall company profitability.

In an attempt to track job costs, many contractors still rely on time-intensive manual methods or spreadsheets. This makes it difficult to figure out exact costs. Plus, data is often out of date or lacks the detail needed for reliable decision making.

## Errors you can, and should, avoid

Three of the top five accounting errors made by construction companies are related to job costing:

1. **Improper job costs cutoff**—omitting costs incurred in the period being reported
2. **Inaccurate application of overhead to jobs**—occurs when the overhead rate used to allocate indirect expenses is not an accurate representation of current overhead costs
3. **Misstatement of estimated job costs**—often a result of poor estimating, inaccurate cost tracking, or excluding change order information

Source: "The top five accounting errors construction companies make,"  
Construction Executive, July 27, 2015.



# Increase accuracy with automated solutions

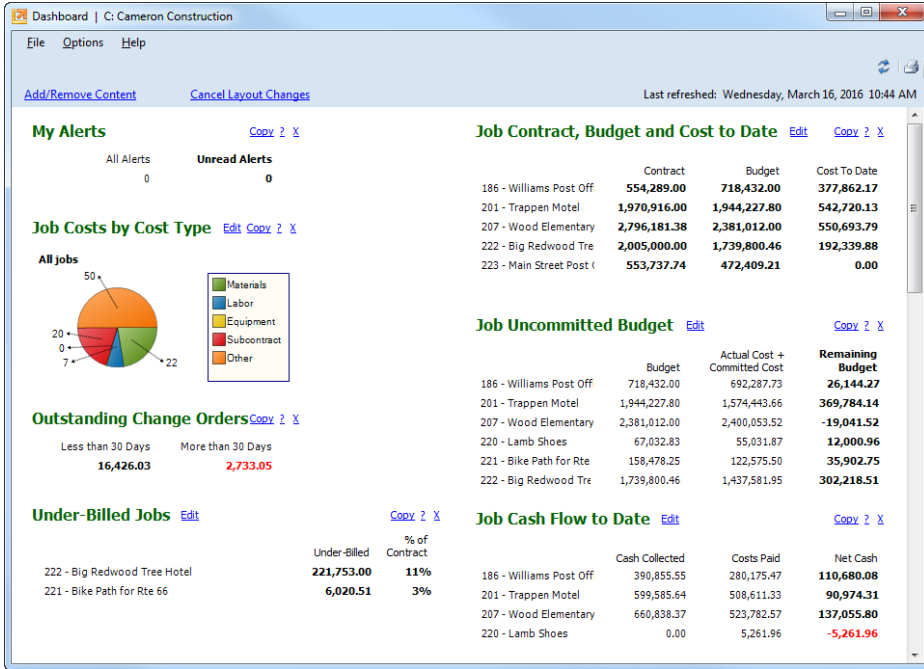
While many software solutions are great at handling most business accounting requirements, they are not set up to meet the unique job cost management needs of construction contractors. A construction-specific accounting system like Sage 100 Contractor tracks job costs as part of your normal accounting and project management processes to give you the insight you need.

This e-book will show you seven ways you can improve job cost tracking. You'll also learn how built-in job cost tools in Sage 100 Contractor can help you increase accuracy and gain better insight into your numbers so you can boost profitability.

*"I recommend the software to other contractors and our subcontractors. So many are struggling without job cost accounting software or with software that is not fully integrated. Sage eliminates the headache of trying to work around software that does not support job costing."*

- Brittany Kennedy, operations manager, GM Construction Inc.

# Gain greater visibility into your job costs



Stay on top of all your job costs as well as other key project information with a customizable user dashboard.

Drill down into anything on the dashboard to get more details.

Understand how your costs break out by cost type.

Identify when a project may be having cash flow problems before it's too late.

Each dashboard shows only the content the user is authorized to see.

Cameron Construction		Job Cost Summary					
		03/16/16					
Job Cost Summary							
Job# 222 - Big Redwood Tree Hotel							
Cost Code	Budget	Changes	New Budget	Costs	%	Balance	
<b>Division 3 - Concrete</b>							
3100.000 - Foundation Formwork	7,172.55		7,172.55	1,679.01	23.41	5,493.54	
3200.000 - Foundation Reinforcem	8,214.39	2,854.35	11,068.74	642.99	5.81	10,425.75	
3300.000 - Foundation Cast-in-Pla	43,349.67		43,349.67	371.10	0.86	42,978.57	
<b>Sub Totals:</b>	<b>58,736.61</b>	<b>2,854.35</b>	<b>61,590.96</b>	<b>2,693.10</b>	<b>4.37</b>	<b>58,897.86</b>	
<b>Division 6 - Wood &amp; Plastics</b>							
6100.000 - Rough Framing	128.40	3,647.19	3,775.59	120.00	3.18	3,655.59	
6110.000 - Sub-Floor Framing	33,282.04		33,282.04	28,982.09	87.13	4,279.95	
6120.000 - Wall Framing	12,536.45		12,536.45	4,389.19	35.01	8,147.26	
6130.000 - Roof Framing	22,376.63		22,376.63	10,445.45	46.68	11,931.18	
6150.000 - Siding & Exterior Trim	497.66	1,596.37	2,094.03	150.29	7.18	1,943.74	
6200.000 - Finish Carpentry	17,603.55		17,603.55	724.25	4.11	16,879.30	
6700.000 - Rough Hardware	612.92	395.75	1,008.67	572.82	56.79	435.85	
<b>Sub Totals:</b>	<b>87,017.65</b>	<b>5,639.31</b>	<b>92,656.96</b>	<b>45,384.09</b>	<b>48.98</b>	<b>47,272.87</b>	
<b>Division 7 - Thermal/Moisture Protection</b>							
7200.000 - Insulation	3,160.78		3,160.78			3,160.78	
7300.000 - Roofing	7,746.80		7,746.80			7,746.80	
<b>Sub Totals:</b>	<b>10,907.58</b>		<b>10,907.58</b>			<b>10,907.58</b>	
<b>Division 8 - Doors &amp; Windows</b>							
8100.000 - Metal Doors & Frames	5,624.75		5,624.75	34.00	0.60	5,590.75	
8300.000 - Special Doors	896.38	1,029.73	1,926.11	4.00	0.21	1,922.11	
8500.000 - Windows	5,640.05		5,640.05	41.24	0.73	5,598.81	
8700.000 - Hardware-Door & Wind	206.32	1,185.39	1,391.71	192.82	13.85	1,198.89	
<b>Sub Totals:</b>	<b>12,367.50</b>	<b>2,215.12</b>	<b>14,582.62</b>	<b>272.06</b>	<b>1.87</b>	<b>14,310.56</b>	
<b>Grand Totals:</b>	<b>169,029.34</b>	<b>10,708.78</b>	<b>179,738.12</b>	<b>48,349.25</b>	<b>26.90</b>	<b>131,388.87</b>	

The Job Cost Summary provides a real-time snapshot of each project.

You define your cost codes.

For each cost code, the report shows original budget, current budget with change orders, what you have spent to date, and what you are going to spend.

The report also recaps job cost information by cost type.



# 1. Know your committed costs

All too often, your reports show only the expenses paid on a project, which is just a portion of your true cost picture. It's critical to understand your committed costs throughout the project so there are no last-minute-surprise invoices or worse—bills that come in after a job has been closed out. These surprises lead to profit fade, which negatively affects your relationships with bonding companies.

There's a better way to track committed costs. Sage 100 Contractor issues and tracks all purchase orders and subcontracts including what's actually been paid and what's still outstanding. The solution also accounts for workers' hours entered into the system that have not yet been processed by accounting as an expense.

Cameron Construction		Committed Costs				
		03/16/16				
Committed Costs						
Job# 220 Lamb Shoes						
Cost Code	Budget + Changes	Cost To Date	Committed Contracts	Purchase Orders	Accrued Labor	Remaining Budget
1000.000 - GENERAL REQUIREMEN	2,748.50				659.06	2,087.44
1020.000 - Contingency	4,250.00					4,250.00
1310.000 - Permits	1,102.46					1,102.46
1540.000 - Mobilize & Demobilize		218.23				-218.23
2200.000 - Demolition	333.70	1,069.76		166.85		-902.91
6100.000 - Rough Framing	3,364.20		1,195.00			2,169.20
6120.000 - Wall Framing	449.25	1,583.39				-1,134.14
6200.000 - Finish Carpentry	451.10			114.22		336.88
6400.000 - Custom Casework	1,060.00			850.00		210.00
6700.000 - Rough Hardware	45.48	46.23		1.76		-2.51
8100.000 - Metal Doors & Frames	7,209.00	743.11	5,248.00	825.00		392.89
8300.000 - Special Doors	5,775.00	87.00	3,857.00	4,200.00		-2,169.00
8700.000 - Hardware-Door & Windo	68.31		2,149.00	68.31		-2,149.00
9250.000 - Gypsum Board					1,875.00	-1,875.00
9500.000 - Acoustical Treatment	1,960.00					1,960.00
9660.000 - Resilient Flooring	11,113.50		6,521.00	2,663.85		1,928.65
9680.000 - Carpet	4,689.81			4,315.50		374.31
10500.000 - Lockers & Shelving	5,262.40			5,262.40		
10800.000 - Bath Accessories	71.20			71.20		
15100.000 - Plumbing	1,925.00					1,925.00
16000.000 - ELECTRICAL					2,115.00	-2,115.00
16100.000 - Electrical Wiring	14,105.92	1,991.04	10,952.00			1,162.88
16250.000 - Electrical Fixtures	1,050.00	1,032.02				17.98
<b>Totals:</b>	<b>67,032.83</b>	<b>6,770.78</b>	<b>29,722.00</b>	<b>18,539.09</b>	<b>4,649.06</b>	<b>7,351.90</b>

*With Sage 100 Contractor, you have a complete picture of each project's total costs at your fingertips.*

You not only see what you have spent, but what you plan to spend.

View purchase orders and subcontracts by cost code.

# 2. Manage change orders

It happens on every job. Your client requests additional work outside the scope of the original contract. You run into unforeseen job site conditions. Each time there's a change, it increases your costs. If handled properly, it can be a source of additional revenue for your business. If not, you wind up holding the bag.

Sage 100 Contractor makes sure that nothing falls through the cracks and delivers a complete change order process. For example, if a building owner requests a change to the project scope, you can easily submit the request through Sage 100 Contractor. Change orders can be tracked against the prime contract and/or against a subcontract. You can even submit no-charge change orders that occur due to any changes you need to make against your budget.

Once a change order is approved, Sage 100 Contractor automatically:

- Updates the prime contract to show the requested change in scope.
- Updates the schedule of values on bonded or fixed-price projects so the change order can be billed.
- Updates the job cost budget so contractors know why the budget has changed.
- Generates a commitment to a subcontractor to do the work.

*Many contractors experience at least 10% additional costs due to changes in the original project plan.*

*Source: Taking Control of Changes, Sage*

Job#		Name		Client#	Name	Approved	Open Contract
186	Williams Post Office 19420 Williams Rd. Monte Rio CA 95462	124	Postmaster - Williams 194 Highway 509 W Monte Rio CA 95462				
Original Contract:						553,499.00	553,499.00
Prime Change Orders:							
						Total Change Orders:	1,210.00
						New Contract:	554,709.00
Invoices:							
						Total Invoiced To Date:	540,551.80
						Balance On Contract:	14,157.20
Original Budget:						467,642.00	
Change Orders:							
						Total Change Orders:	790.00
						New Budget:	468,432.00
						Costs to Date:	372,862.17
						Balance On Budget:	95,569.83
						Percent Complete:	79.60
						Earned to Date:	441,548.36
						Estimated Total GP:	86,277.00
						Earned GP to Date:	68,676.49

*Sage 100 Contractor puts you in control of change orders so you get paid for all the work you do.*

Sage 100 Contractor lets you create a placeholder for potential change orders the minute changes on the job have been reported from the field, and reminders tell you when to submit a formal change order request for approval.

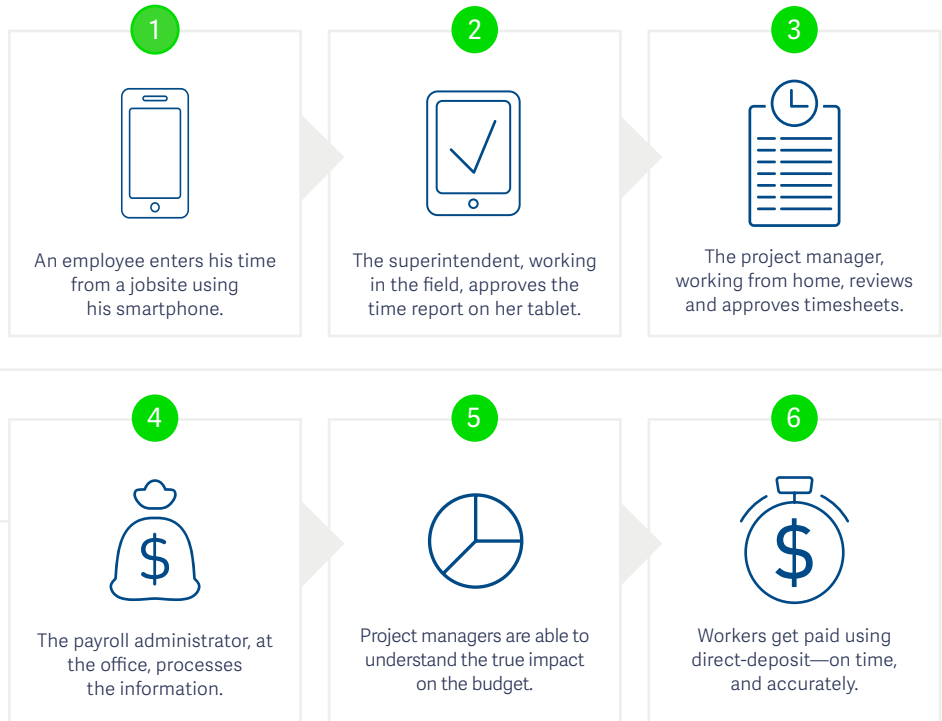
Once change order requests have been submitted to the owner, reminders tell you when a change order approval is overdue.

# 3. Improve labor time tracking

Labor is the biggest risk of losing money on a construction job. Yet many contractors don't accurately track labor costs because it's too hard to get complete time card information in on a daily basis. You don't have to struggle with weekly time cards or limited visibility into your true labor costs.

Sage 100 Contractor integrates with mobile time tracking software to capture, approve, and submit labor hours from the field on a daily basis. The software tracks all direct labor costs and calculates your true labor burden (not just a flat burden rate), so you have a complete account of all labor costs connected to a job. Plus, when employees use equipment on the job, Sage 100 Contractor also applies those equipment costs to the job.

## Mobile time entry process



5-2-2 Payroll Records | C: Cameron Construction

File Edit Options Costs Help

224

\* Employee 6 - Davis John \* Payroll Type 1 - Regular Status 3 - Posted

\* Period Start 06/05/2015 \* Quarter 2 Regular Hourly Rate 22.0000

\* Period End 06/11/2015 \* State CA Overtime Hourly Rate 33.0000

\* Check Date 06/17/2015 Advance Premium Hourly Rate 44.0000

\* Check# 1425 Salary Hourly Rate for Pieces

ACA Hours

Direct Deposit

Row	* Calculation	Calc Type	Amount	Override
1	1 - Employee Social Security	1 - Deduct from Employee	81.22	
2	2 - Employee Medicare	1 - Deduct from Employee	19.00	
3	3 - Federal Income Tax	1 - Deduct from Employee	135.01	
4	4 - CA State Income Tax	1 - Deduct from Employee	36.94	
5	5 - CA State Disability	1 - Deduct from Employee	9.17	
6	7 - CA Workers Comp Ins	3 - Employer Cost	116.30	
7	8 - Employer Social Security	3 - Employer Cost	81.22	
8	9 - Employer Medicare	3 - Employer Cost	19.00	
9	14 - Employee 401K	1 - Deduct from Employee	60.00	
10	15 - Employer 401k Contributn	3 - Employer Cost	30.00	
11	16 - Employer Pd. Health	3 - Employer Cost	54.00	
12	17 - Employee Pd. Health	1 - Deduct from Employee	96.66	
13	19 - Liability Insurance	3 - Employer Cost	80.19	
14	20 - PW Benefit-Cash	2 - Add to Gross	310.00	
15				

Gross Pay 1,000.00 Adds 310.00 Deducts 438.00 Net Pay 872.00 Total Cost 1,690.71

Entered 06/15/2011 User Debra Direct Deposit Batch# Link# 487

Go to Transaction

Enter the beginning date of the payroll period (mm/dd/yyyy) | \* Entry is required

Sage 100 Contractor gives you a complete picture of your labor costs.

The software calculates Workers' Comp based on the type of work performed and handles both multiple state and certified payrolls.

Total labor costs include true burden.

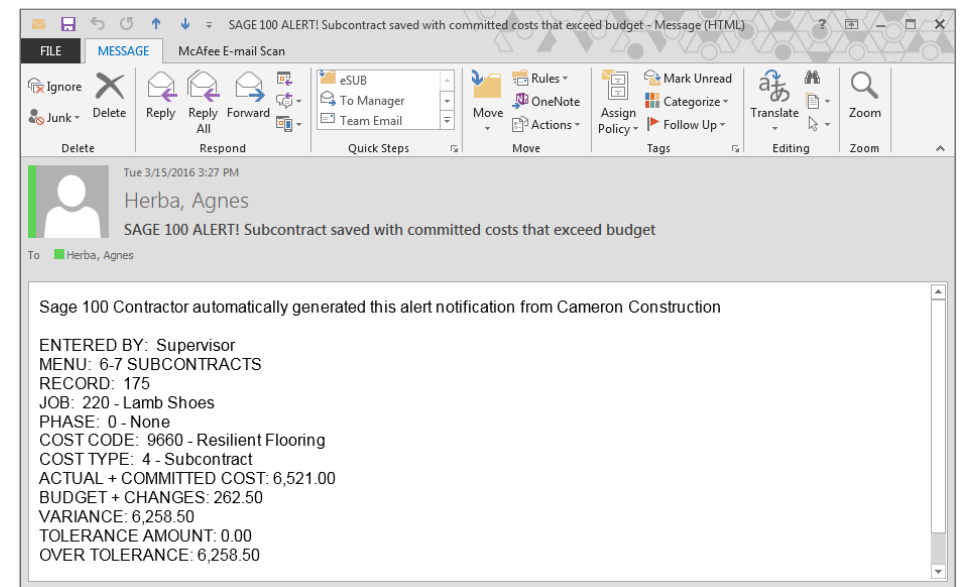




# 4. Keep track of contracts

Prime and subcontracts dictate the scope of a project and costs that fall within that scope. If the scope changes in a contract or agreed-upon items are incorrectly billed, you leave money on the table or pay more than what you planned.

Sage 100 Contractor tracks all costs against the prime contract, budget, and subcontracts. When an invoice comes in, Sage 100 Contractor automatically warns if it is for something that is not in the contract. The software will also raise a “red flag” if costs exceed what is outlined in the contract.



*The software warns you if costs are out of line with what's in the contract.*



## 5. Get user-definable alerts and scheduled reports

When more work comes in the door, it becomes difficult to stay on top of all the schedules, costs, and paperwork. If critical job cost issues are left unattended, it could spell disaster for a project.

Sage 100 Contractor acts like a personal assistant to monitor job cost and keep the appropriate people informed of issues such as:

- Cost codes that are close to going over budget.
- Jobs under- and overbilled.
- Unbilled change orders.
- Job hours over budget.
- Important concerns including insurance expiration and other compliance-related issues.

With Sage 100 Contractor, you can also schedule reports to automatically be distributed to key team members. Alerts and reports can be emailed, put on a person's personal dashboard, or both.



# 6. See work in progress costs

On a bonded or fixed-price job that spans several months, your true earned profit on the job is not necessarily determined by what you have actually billed less your incurred costs at that point in time. To get an accurate picture, billings and costs must be properly aligned based on the actual percent of work complete at that time.

Sage 100 Contractor makes it easy to see each job's work in progress costs and how those costs compare to current billings. This allows you to proactively address any over- and underbillings and more accurately predict profits. Sureties also require this type of information from bonded contractors, so they can make sure projects are moving along as planned.

		Over/Under Billings 03/16/16											
Cameron Construction		Over/Under Billings Extended											
Job Supervisor	Job#	Total Contract At Completion	Est. Cost	Estimated Gross Profit	Percent Complete	Cumulative Total To Date			Estimated Total at Completion				
						Billed	Costs	Income	Over Billed	Under Billed	Earned Revenue	Cost of Revenue	Gross Profit
<b>Current (Job Status = 4)</b>													
David Miller	186 - Williams Post Office	554,289.00	718,432.00	-164,143.00	52.60	630,551.80	377,862.17	252,669.63	338,995.79	291,556.01	377,862.17	86,306.16	
Hugh Sanchez	201 - Trappen Motel	1,970,916.00	1,944,227.80	26,688.20	27.91	755,639.12	542,720.13	212,918.99	205,556.46	550,082.66	542,720.13	7,262.53	
John Davis	207 - Wood Elementary School	2,796,181.38	2,381,012.00	415,169.38	23.13	750,030.57	500,693.79	199,336.78	103,273.82	646,756.75	550,693.79	96,062.96	
William Wilson	215 - Jimenez Burrito #8	380.00	379,535.62	-379,155.62	38.09		144,553.50	-144,553.50		144.74	144.74	144,408.76	
William Wilson	216 - Jimenez Burrito #10												
	220 - Lamb Shows		67,032.83	-67,032.83	10.10	504,306.89	6,770.78	497,536.11	504,306.89		6,770.78	-6,770.78	
	221 - Blue Path for Rte 66	239,774.00	158,478.25	81,295.75	2.87		4,500.00	-4,500.00		8,020.51	4,500.00	1,470.51	
Dave Jones	222 - Big Redwood Tree Hotel	2,005,000.00	1,739,850.46	265,149.54	11.06		192,339.98	-192,339.98		221,753.00	221,753.00	182,328.66	
	223 - Main Street Post Office	553,737.74	472,498.21	81,239.53									
	224 - Walking Shoes Shop	55,300.00	44,068.79	11,231.21									
<b>Total Current:</b>		<b>8,145,578.12</b>	<b>7,904,996.96</b>	<b>240,581.16</b>		<b>2,640,528.38</b>	<b>1,819,490.25</b>	<b>821,038.13</b>	<b>1,152,132.96</b>	<b>227,918.25</b>	<b>1,716,313.67</b>	<b>1,819,490.25</b>	<b>-103,176.58</b>
<b>Complete (Job Status = 5)</b>													
	1 - Adams Post Office						293.19	-293.19			293.19	-293.19	
<b>Total Completed:</b>							<b>293.19</b>	<b>-293.19</b>			<b>293.19</b>	<b>-293.19</b>	
<b>Grand Total:</b>		<b>8,145,578.12</b>	<b>7,904,996.96</b>	<b>240,581.16</b>		<b>2,640,528.38</b>	<b>1,819,783.44</b>	<b>820,744.94</b>	<b>1,152,132.96</b>	<b>227,918.25</b>	<b>1,716,313.67</b>	<b>1,819,783.44</b>	<b>-103,469.77</b>

Know what your actual costs should be based on the amount of work completed on a project.


The software automatically calculates your actual earned revenue, giving you a clearer picture of your income, job profits, working capital, and bonding capacity.



# 7. Create more accurate estimates

Contractors who don't have a good idea of their true job costs will, in turn, continue to bid with bad numbers. This can jeopardize your chance of winning bids. Even worse, you could win a job because your bid is too low—and wind up losing money on the project.

Sage 100 Contractor helps you determine true job costs so you can feel more confident in estimates and win more profitable jobs. As an added bonus, once an estimate is final and the job awarded, you can immediately create a proposal, job budget, purchase orders, and subcontracts directly from the estimate.



**Cameron Construction**  
Job Billing Summary  
*Job# 224 - Walking Shoes Shop*

**Job Billing Summary**  
03/16/16

Description of Work	Revised Contract	Billed To date	Total Retention	Net Billing	Percent Billed	Budget+ Changes	Cost To date	Percent Complete	Cash Flow
1000.000 General Requirements	2,746.50	1,296.27	129.63	1,166.64	47.20	2,746.50	1,070.21	38.97	96.43
1020.000 Contingency	4,250.00	3,007.85	300.79	2,707.06	70.77	4,250.00	2,312.02	54.40	395.04
1310.000 Permits	1,106.00	564.22	56.42	507.80	51.01	1,106.00	231.52	20.93	276.28
2200.000 Demolition	333.70	204.13	20.41	183.72	61.17	333.70	75.54	22.64	108.18
6100.000 Rough Framing	3,364.20	1,787.49	178.75	1,608.74	53.13	3,364.20	1,058.25	31.46	550.49
6120.000 Wall Framing	466.54	407.89	40.79	367.10	87.43	466.54	351.54	75.35	15.56
6200.000 Finish Carpentry	456.66	337.54	33.75	303.79	73.43	456.66	175.24	38.12	128.55
6400.000 Custom Casework	1,123.76	870.86	87.09	783.77	77.50	1,123.76	569.54	50.68	214.23
6700.000 Rough Hardware	48.89					48.89			
8100.000 Metal Doors & Frames	970.87	661.52	66.15	595.37	68.14	970.87	419.54	43.21	175.83
8300.000 Special Doors	6,090.00	5,386.92	538.69	4,848.23	88.46	6,090.00	4,845.21	79.56	3.02
8700.000 Hardware-Door & Win	73.43					73.43			
9500.000 Acoustical Treatment	1,960.00	1,575.42	157.54	1,417.88	80.38	1,960.00	1,284.95	65.56	132.93
9690.000 Resilient Flooring	3,126.14	2,669.19	266.92	2,402.27	68.02	3,126.14	2,364.58	76.28	35.69
9680.000 Carpet	5,013.48	4,321.42	432.14	3,889.28	86.20	5,013.48	3,794.18	75.68	35.10
10500.000 Lockers & Shelving	7,657.08	7,285.11	728.51	6,556.60	95.14	7,657.08	6,954.14	90.82	-397.54
10600.000 Bath Accessories	76.55	41.23	4.12	37.11	53.66	76.55			37.11
15100.000 Plumbing	1,925.00	1,599.88	159.99	1,439.89	83.11	1,925.00	1,186.85	61.65	253.04
16100.000 Electrical Wiring	4,244.99	3,294.27	329.43	2,964.84	77.60	4,244.99	1,897.94	44.71	1,066.90
16250.000 Electrical Fixtures	4,032.00	3,070.07	307.01	2,763.06	76.14	4,032.00	1,500.39	37.21	1,262.67
<b>Totals:</b>	<b>49,068.79</b>	<b>38,401.28</b>	<b>3,840.13</b>	<b>34,561.15</b>	<b>78.28</b>	<b>49,068.79</b>	<b>30,111.64</b>	<b>61.37</b>	<b>4,449.51</b>

Track actual costs against the original and revised budget, then use the information to refine future estimates.



# Real visibility. Real results.

Visibility into your job costs is key to your success—you have to know your job costs in order to control them. Sage 100 Contractor provides the easiest access to critical job cost and project information to help you manage your business operations more effectively.

The built-in job cost capabilities in Sage 100 Contractor:

- Provide a detailed breakdown of costs.
- Offer historical data to help you build more accurate bids.
- Deliver timely, accurate reports.
- Track actual costs versus budgeted costs.
- Monitor job cost status.
- Allow you to make changes based on current data.

For more information about Sage 100 Contractor, visit [sage100contractor.com](https://www.sage100contractor.com) or call **800-628-6583**.