

QuickBooks Job Costing

by Craig Savage



Recently I wrote about Quicken and QuickBooks and the tremendous following these personal finance and accounting programs have among contractors and subs. The popularity of this software is no mystery: Both programs are easy to understand, painless to set up, fun to use, and inexpensive.

Instead of looking at the familiar territory covered by most off-the-shelf accounting programs — accounts receivable, accounts payable, balance sheets, and income statements — I want to focus on QuickBooks's ability to track labor, materials, and subcontractor costs on a per-job basis. This is commonly known as "job costing" and is probably the most important report a contractor needs in his day-to-day business operations. As an old-

timer once put it, "If your outflow is greater than your inflow, your upkeep is your downfall."

Job Buckets

To track job costs, QuickBooks uses Budgets, which I like to think of as containers that you toss expenses into as you record them. (You could also use Class or Item as containers, but I'll focus on the budget method in this article since it applies to both the current Mac and Windows versions of QuickBooks.)

Matching divisions to chart of accounts. Because budget items are linked to the chart of accounts, one way to track job costs is to design a chart of accounts in QuickBooks that matches the construction divisions, or

phases, you use in your estimates. Assuming you are using the standard QuickBooks chart of accounts, the first step is to find the expense account titled 5000 — Cost of Construction. Next, you would set up subaccounts that match the construction categories, often called "divisions" or "phases" in your estimates.

Consider, for example, an estimate you've made with either a spreadsheet, like Excel, or with an estimating program, like WinEst or Construction Mac. That estimate breaks out discrete phases of the construction process, such as Plans & Permits, Sitework, Demolition, Foundation, and so on. To duplicate this breakdown in the QuickBooks chart of accounts:

- Open the Lists menu
- Select the Chart of Accounts option
- Choose New Account from the Edit menu

Before you start keying in the estimating phases, select the proper option boxes to make sure the phases will be entered as "subaccounts of" the major expense account called 5000 — Cost of Construction (see Figure 1). To help QuickBooks generate the proper report, follow the same procedure to create a set of matching subaccounts in an income account called 4000 — Reimbursable Expenses.

Building a Budget

With expense and income subaccounts set up to match your estimate, you're ready to enter a budget. From the Activities menu, choose the Set Up Budgets option. After clicking on the up or down arrow to choose the fiscal year, account or subaccount, and customer name and number, fill in the January field with the total budget amount for each estimating category. Repeat the process for each subaccount, clicking the Save button after each entry.

Entering a bill. Once your budgets are set up, you are ready to track the cost of your jobs at the same time you pay your suppliers. As an example, let's pay an invoice from the Plans Company. At the main screen, click on the Bill button, and when the Enter Bills window appears, type in the first few letters of the vendor's name. If the name has already been

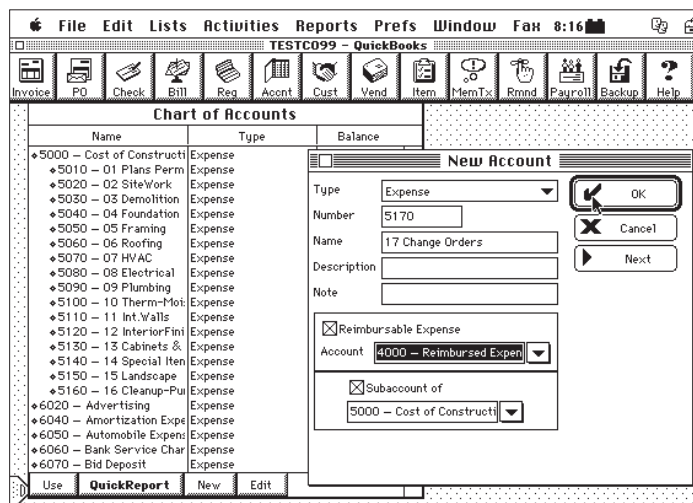


Figure 1. To track material and subcontractor job costs in QuickBooks, first set up expense subaccounts that match your estimating categories, such as Foundation, Framing, and Roofing. Then assign a budget to each subaccount using category subtotals from your estimate.

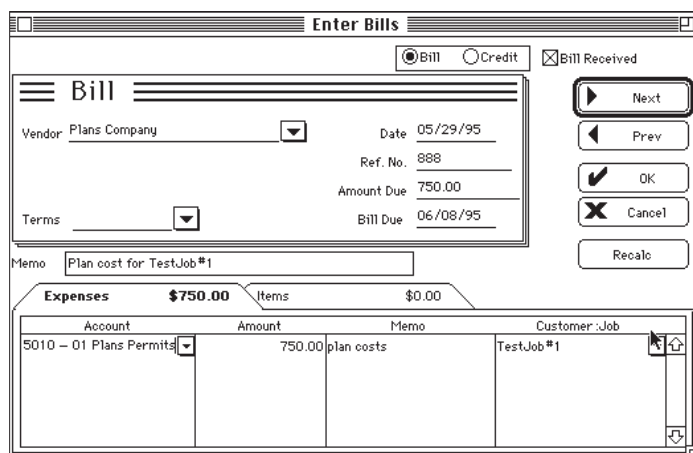


Figure 2. While paying vendor bills, select the Expenses tab to distribute an invoice amount to the appropriate subaccount.

entered in the vendor's list, it will be entered automatically by the program's QuickFill feature. (If not, it's easy to add information on the fly: After you've typed a vendor's full name for the first time, the QuickAdd menu appears asking if you want to add the name to the vendor list.)

Next, enter a reference number — usually an invoice number — and amount in the appropriate fields. (QuickBooks will prompt you to pay the bill on the date you enter into the Bill Due field.) Now click on the Expenses tab at the bottom of the window (the Items tab will also work, but it isn't linked to the chart of accounts). Select the account you want to hold the expense — in this case, 5010-01 Plans Permits — and enter the amount, an optional memo, and the customer name or job number. The completed bill should look like the one in Figure 2.

Payroll. The other type of expense you'll want to track is payroll. QuickBooks for Mac has built-in payroll; QuickBooks for Windows uses a separate module called QuickPay (that should change by the end of this year). In either case, you can distribute your payroll costs to specific jobs.

To run payroll, first pick an employee, then fill in an hourly rate, the number of hours, and assign a Customer:Job (Figure 3). Along with spreading the payroll costs to the individual jobs, QuickBooks also computes federal and state withholding, social security and Medicaid deductions, and any other adjustments to gross payroll.

The budgets report. Now that you've created a bill and a paycheck, open a profit/loss report called PL by Job Budget Comparison (using the Reports and Budget Reports menus) to check the results. If all is well, payroll amounts and vendor expenses will have been recorded in their proper accounts (Figure 4).

Getting paid. Let's finish the process with what should be the most enjoyable part of accounting — invoicing the customer. When you click on the Invoice icon and select the job you've been working with, QuickBooks automatically fills in the Bill To address, and searches for all expenses assigned to that job. Highlighting the Expenses button

Preview Paycheck

John J Carpenter Pay Period Ends 05/29/95

Earnings			
Name	Rate	Hours	Customer:Job
Hourly R	20.00	20.00	TestJob#1
Hourly Rate	25.00	20.00	TestJob#1

Employee Summary			
Name	Amount	YTD	
Hourly Rate 1	400.00	400.00	
Hourly Rate 2	500.00	500.00	
Federal Withholding	-183.00	-183.00	
Social Security Em	-55.80	-55.80	
Medicare Employee	-13.05	-13.05	

Additions, Deductions, & Company Contributions			
Name	Rate	Quantity	

Company Summary			
Name	Amount	YTD	
Social Security C	55.80	55.80	
Medicare Compan	13.05	13.05	
Federal Unemploy	55.80	55.80	

Net Check 648.15

Create Cancel Help

Figure 3. To track payroll costs for a specific job, assign a job name or number in the Customer:Job field while filling out the paycheck screen.

PL by Job Budget Comparison

January 1 through May 29, 1995

	Jan 1 - May 29, '95	Budget	\$ Over Budget	% of
5100 - 10 Therm-Moist	0.00	450.00	-450.00	0.0%
5110 - 11 Int. Walls	0.00	990.00	-990.00	0.0%
5120 - 12 Interior Finish	0.00	1,300.00	-1,300.00	0.0%
5130 - 13 Cabinets & Trim	889.00	450.00	439.00	197.6%
5140 - 14 Special Items	135.00	0.00	135.00	100.0%
5150 - 15 Landscape	1,000.00	0.00	1,000.00	100.0%
5160 - 16 Cleanup-Punchout	0.00	350.00	-350.00	0.0%
Total 5000 - Cost of Construction	3,524.00	22,340.00	-18,816.00	
6560 - Payroll Expenses	900.00			
Total Expense	4,424.00	22,340.00	-17,916.00	
Net Ordinary Income	-4,424.00	-22,340.00	17,916.00	
Net Income	-4,424.00	-22,340.00	17,916.00	

Figure 4. This QuickBooks report compares budget amounts to actual expenses for each subaccount. The report can be generated for all jobs, or filtered to display costs for a selected job.

Choose Reimbursable Expenses

Use	Del	Date Due	Payee	Memo	Amount
<input checked="" type="checkbox"/>		05/29/95	John J Carpenter		400.00
<input checked="" type="checkbox"/>		05/29/95	John J Carpenter		500.00
<input checked="" type="checkbox"/>		05/29/95	Plans Company	plan costs	750.00
<input checked="" type="checkbox"/>		05/29/95	Demolition Co.	demolition costs	750.00
<input checked="" type="checkbox"/>		05/29/95	Cabinet Co.	cabinet deposit	889.00
<input checked="" type="checkbox"/>		05/29/95	Specialty Co	special looks	135.00
<input checked="" type="checkbox"/>		05/29/95	Landscape Co	landscape	1,000.00
Total Selected					4,424.00

☐ Print selected expenses as one invoice item

Markup Amount or % 55.0%

Markup Account 4100 - Construction

Total expenses with markup 6,857.20

OK Cancel Help

Figure 5. To prepare an invoice, QuickBooks searches for all expenses assigned to a given job name or number. You can choose to itemize expenses or lump them together into one invoice item.

brings up the Reimbursable Expense screen with all the expenses currently assigned to that job (Figure 5).

To mark an expense for inclusion on the invoice, click on the Use column beside its name. Add a markup (dollar amount or percentage) in the box at the bottom, and specify the account you use to track markup (I chose 4100 — Construction Sales). When you click OK, the selected items are transferred to the invoice. If you don't want your customer to see individual expense items, QuickBooks gives you the option of combining the selected items into one entry. ■

Craig Savage, a longtime builder and computer user, is an associate editor of the Journal of Light Construction, and publishes the Macintosh Construction Forum and Windows On Construction newsletters.

If you have a question about computing in construction, address it to State-of-the-Art Contractor, JLC, RR 2, Box 146, Richmond, VT 05477; or e-mail to 76176.2053@compuserve.com.