

Quicken Your Accounting

by Craig Savage



As a beginning contractor, my first attempt at accounting was with the aid of a large checkbook called Ekonomic. It opened up to reveal checks on the left followed by a standard check register and a long columnar ledger. Whenever I wrote a check, I would fill in the check register with the payee name and amount, and add a memo noting the job name. Then I would record the amount in one of the 12 columns to the right, depending on the type of transaction. If I had written a check for lumber, for example, I filled in the amount in a column labeled Materials; I did the same with amounts for Labor, Tool Rental, Subcontractors, and other expenses.

I didn't know it at the time, but I was job costing. Twenty-five years later I still do job costing, but I've replaced the oversized Ekonomic checkbook with a computer running software called Quicken and QuickBooks. I'm not alone. These low-cost bookkeeping and accounting packages from Intuit are used by more than 60% of the contractors I talk to.

There are plenty of other personal finance and accounting packages available for Mac, Windows, and DOS, so what is it that makes QuickBooks and Quicken such popular choices for contractors? In three words: simplicity, flexibility, and price.

Sample Work Flow

I don't have space for an in-depth review, but a brief look at Quicken will give you a taste for what it's like to use these programs.

Using Quicken. The sample screen (page 65) shows the Macintosh version of Quicken I use to enter checks and categorize expenses by job. The check register, like its paper counterpart, has fields for the date, check number (the lightning bolt symbol indicates an electronic transfer), description, a memo, and the amount of payments or deposits (Quicken calculates the balance automatically). The column des-

ignated by a check when you reconcile the register with your bank statement.

The register also has one more field, which is used to record the "Category/Class" of transactions. I like to think of categories and classes as two containers that I can toss expense items into, then later sort into useful reports. The Categories menu (above and to the left of the check register on the screen) corresponds to the chart of accounts. If you don't know what a chart of accounts is, don't worry: When you set up Quicken, you have the option of using a default set of "construction" categories. Later, you can change them and add subcategories to track specific types of expenses that are important to your business.

Classes are a subset of categories that further organize costs for future reporting. My list (in the menu at top center of the screen) uses the class for job names, and the subclass for different types of expenses (such as labor, material, and subcontractor). But classes, like categories, can be customized to fit the way you work.

The last menu I use to enter an expense contains a listing of all the Merchants I have set up (upper right of the screen). Any name I click on is automatically entered into the check description field of the register.

Quicken also has a feature called QuickFill that speeds entry of categories, classes, and merchants into the register. As you type each character into the appropriate register field, QuickFill searches its database for a match. When QuickFill finds a unique character combination, it automatically fills the appropriate field for you. Similarly, QuickFill speeds entry of recurring payments, such as installment loans or rent payments, by "remembering" and automatically filling in the amount, category, class, and memo attached to a transaction.

Five-second job costing. With

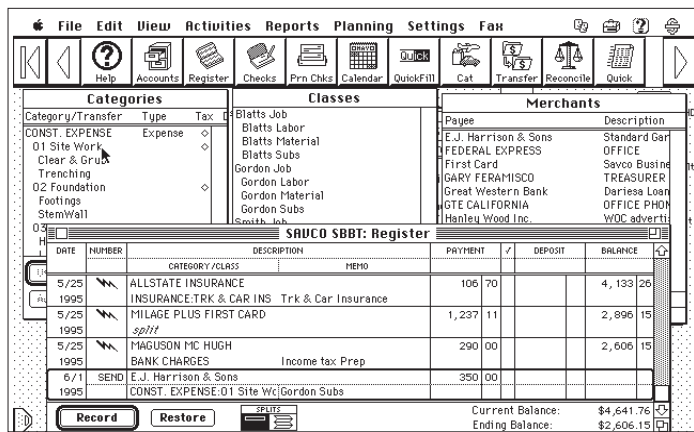
Quicken set up as shown, it takes me just a couple of keystrokes and two or three mouse clicks to enter a complete job-specific transaction. First, I type in a check number, then fill in the Description field, either by clicking on a merchant's name from the menu or typing the name manually. Next, I click on "Site Work" in the Categories menu, then click on, say, "Blatts Labor" in the Classes menu, and I'm done. In a few seconds, I have both written a check and distributed the costs. Later, I can generate a report based on category, job name, and cost type. No other software works this simply or quickly.

Quicken vs. QuickBooks

Quicken is classified as "personal finance software," but that's just a '90s way of describing an electronic checkbook with an infinitely wide columnar pad. Of course, Quicken does lots of stuff a checkbook can't do — schedule and print checks (or send them electronically), track credit card transactions, monitor stock investments and loans, even create budgets. Quicken can also produce dozens of financial reports, including a balance sheet and income statement. But basically, Quicken is a very detailed checkbook. As I've briefly shown, once the program is set up (which should take all of two hours), Quicken can do the one thing all contractors need to do: track costs by job.

QuickBooks, on the other hand, is true accounting software. While it has most of Quicken's check register functions, QuickBooks tracks a company's income and expenses using what's known as the Generally Accepted Accounting Principles (GAAP). That means it tracks money you owe (accounts payable), money owed to you (accounts receivable), and all the other financial stuff you'll need to run a construction company. QuickBooks also does payroll and tracks inventory, and with the use of budgets can create job cost reports to compare actual to estimated amounts.

Which program is right for me? Lots of contractors doing over a million dollars a year use Quicken, so gross income is not the issue in deciding whether to use Quicken or QuickBooks. Rather, if you are now running your company out of a checkbook (or shoe box), and if



In this Macintosh version of Quicken, lists of categories, classes, and merchants (top three boxes) make it easy to enter a transaction into the check register (bottom of screen). The distributed costs can be sorted into a report to track costs by job name.

your operation is simple enough that you have a handle on how much money you owe and how much money people owe you, Quicken is a good choice. You'll be able to balance your check-book in minutes, and you'll know immediately how much you've spent on a specific job. Don't get me wrong: You won't know your costs down to the last drywall screw, but you will have totals for labor, materials, and subcontractors for each job. (Quicken doesn't have integrated payroll so you'll have to enter payroll amounts manually to track them.)

The amount of time you have to spend on accounting is another distinguishing factor when choosing between these two programs. If you only have a half-hour or so each week to do your books, you need Quicken. And if accounting words like "payables" and "receivables" make your head swim, you'll find Quicken to be friendly and just powerful enough.

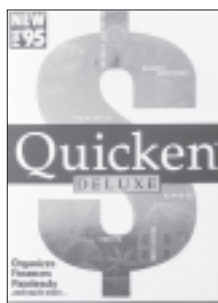
QuickBooks. On the other hand, if you feel like you are drowning when you think about all those bills stacked up on your desk, or if you wonder when you got the last payment from a job that ended six months ago, then you're a candidate for QuickBooks. Contractors, remodelers, and subcontractors will be equally at home using QuickBooks. Features such as built-in payroll (Mac only — Windows and DOS users need to use the QuickPay module), inventory, and itemized invoicing and purchase orders make the program powerful enough for most small to mid-sized outfits.

Although QuickBooks takes longer to set up than Quicken, as off-the-shelf accounting programs go, QuickBooks is a snap to use. One plus is that most

accounting jargon (including the dreaded "debits" and "credits") is hidden unless you want to see it. Instead, you deal only with real-world forms like POs, bills, and invoices, which QuickBooks organizes behind the scenes into formal accounting categories like "payables" and "receivables."

I've gotten a lot of requests for a closer look at QuickBooks. I'm out of room this month, but stay tuned. ■

Craig Savage, a longtime builder and computer user, owns Savage Co. in Carpinteria, Calif., and publishes the Macintosh Construction Forum and Windows On Construction newsletters.



Quicken (\$49.95) and **QuickBooks** (\$99.95) are available for Macintosh, DOS, and Windows from Intuit (2650 E. Elvira, Suite 100, Tucson, AZ 85706; 800/624-8742).

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.