Tracking Material Costs

by Denise David Baer

Try this simple test. Go to your file cabinet, pull out the file for one of your current projects, and in less than 15 minutes, determine the costs of materials for the project to date.

Time's up. If you just barely got started on the cost data — or worse, if you couldn't find the folder — it probably means you don't know if you're run-

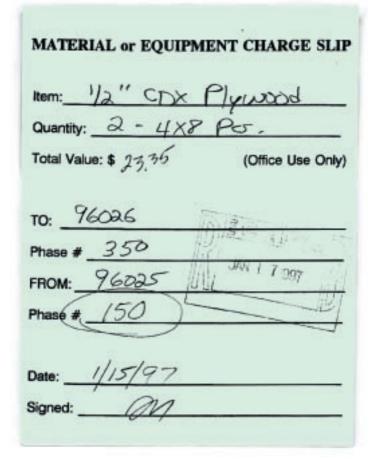
ning a profitable project, let alone a profitable company.

You're not alone. During our early years, we learned the hard way (usually through our wallet) that the foot-battle for profits is won or lost in the arena known as "job costs." So we implemented a system of procedures and forms to be used on every job. Some have to do with labor costs, others keep tabs on subs. But one of the simplest yet most important systems we use helps us track material costs.

Material Mess

The typical scenario usually goes something like this: You call in an order to your favorite supplier for materials for three different jobs. The supplier gives the order ticket to the driver, who loads the truck, then drives off to deliver the materials to all three job sites. At each site, your foreman checks off the materials received on the driver's slip and sends him off to the next site.

What's wrong with this picture? For one thing, you have no record of which materials were delivered to each site, since everything was printed on one invoice. The actual costs are a mystery, too, until you get your monthly statement from the supplier. If you're billing your client biweekly, you're out of luck till the end of the month, and even then you'll have to laboriously sort the list of materials into three different jobs. Multiply this by the number of orders you call in and you will get a feel for the size of the problem.



The author's crew uses simple forms like this to track leftover materials, tools, and petty cash purchases. The 4x5-inch forms are printed in-house on recycled office paper, then glued into packs of 50.

Fortunately, there's a simple job-cost procedure for materials that your supplier and your employees can use that doesn't require filling out reams of paper or a complex purchase-order system.

Separate Slips

To keep track of which materials were delivered where, you need a separate slip for each delivery. Any supplier who really wants your business will be more than willing to write up a separate slip for each job, but it won't happen unless you ask. When you place the order by phone, don't just read off

the whole list. Instead, start with the job name or number, followed by the list of materials for just that job. Then ask the supplier to start a new slip, and give the next job name or number, and so on.

To keep abreast of current costs, have the supplier itemize the charges for each item listed on the delivery ticket. Most suppliers are computerized and can spit out that information instantly. Yards that still write up orders by hand can supply cost information, too, although it will take a little longer. As the materials are being unloaded at each job site, the employee who checks the delivery for accuracy can also jot down job-cost phase codes next to each line item on the delivery ticket.

Those delivery slips then get handed in or faxed to the office, where they are put into the proper job files. When you get your supplier's statement at the

end of the month, use these slips to double-check the charges before invoicing your client. If you like to invoice clients more frequently, you can take cost data directly from the itemized delivery tickets.

The itemized delivery tickets also enable you to compare actual material costs with estimated costs without having to wait for supplier statements. If you do this kind of job-costing on a computer, you can input cost data every week or even every day. The report will tell you how much you have spent for materials by job and by phase, as of the day you print it.

Leftovers

Years ago, we were always losing track of materials that had been shuffled from supplier to warehouse, supplier to job site, or job site to job site. Keeping tabs on materials returned to the supplier was also a problem. The result was that some jobs weren't being charged for materials that made their way there from another site, while other jobs were being overcharged for materials that were left over and subsequently trucked to another job.

To solve that problem, we designed a little 4x5-inch form that provides space to record the item description, the quantity, the cost, where the material came from and where it went to, and to what job-cost phase it should be charged or credited. We use the same form to record the movement of equipment and tools from one location to another, too; and we've designed a similar form to record petty cash purchases at hardware stores where we don't keep a regular account.

We print both of these little forms four to a page on the clean side of previously used copier paper, old letters, and other recycled material. It doesn't cost us much in time or money to print and cut a stack of these forms, then glue the top edges to make convenient packs of about 50 forms. They can be tossed in the truck or toolbox, ready for use anywhere, anytime. Local print shops will also cut, assemble, and glue them for you at very little cost.

Denise David Baer and her husband, Gary, own and operate Restore 'N' More, a remodeling and restoration company in Lancaster, Pa.