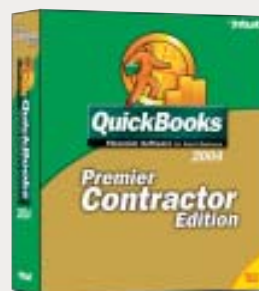
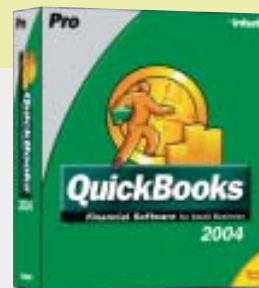


QuickBooks Pro vs. Contractor

Which Is Better?

by Melanie Hodgdon

If you like to customize, stick with Pro;
if you prefer prebuilt templates and
reports, consider Contractor



As a certified QuickBooks advisor, I am asked by a lot of contractors who are already using QuickBooks Pro (\$300 retail) whether upgrading to the Premier Contractor Edition (\$500) makes sense for them. The answer, not surprisingly, depends on who's asking the question.

What's Different About Premier

QuickBooks Premier for Contractors attempts to provide a complete setup — including a Chart of Accounts, an Items List, and a Class List — that allows the user to avoid many of the decisions that would have to be made setting up QuickBooks Pro. It also contains a Contractor-specific menu of tasks such as estimating, invoicing, entering bills, and paying employees, and a special Contractor menu of job-related reports that are easy to access by a novice user. Because it's based on the Premier version of QuickBooks (a more powerful version, just as Pro is more powerful than Basic), it boasts some extra bells and whistles. How relevant they are to your needs is questionable (see "QuickBooks Contractor Business Tools," page 3).

QuickBooks Pro offers an open-ended structure that requires the user to fill in what he wants for himself. You can get it to give you virtually everything you want for your company, but it takes work and a high level of understanding of the software.

Which product works best for you depends on several

factors: whether you are already using the Pro version; your accounting expertise; and the extent to which you wish to customize the file.

Is Pro working for you? If you're already using the Pro version and it's working, much of the initial advantage of the Contractor edition will be lost to you. Assuming that you elect to keep your existing company file, you will simply upgrade your current software to the Premier version. Because your file already contains the Chart of Accounts, the Items List, and possibly the Class List, you will bypass getting to use what Intuit has set up for you in the Contractor's edition. Once you upgrade your existing file, it will look precisely like Pro, with the exception of the special Contractor activities and reports menus, which you may find convenient. Therefore, only users willing to start a brand-new file will reap the benefits of the pre-existing setup.

Bear in mind, too, that virtually all the Contractor activities in the Premier Contractor edition are located in Pro's Customer, Vendor, and Employee menus, and all the reports listed in the Premier Contractor edition's Contractor Reports menu are also available through Pro, although you need to know more about the software to access or create them.

For example, in Premier for Contractors you will see the following report under the Contractor Reports menu:

Quality-Built Construction
Billed/Unbilled Hours by Person and Job
 January through November 2007

	Billed	Unbilled	Not Billable	Jan. New RT
Mitchell, Clark				
Albrecht, Henry Cottage - New Construction	0.00	500.00	0.00	500.00
Wessinger, Gary Bathroom Addition	0.00	400.00	0.00	400.00
Wessinger, Gary Guest Cottage	0.00	900.00	0.00	900.00
Total Mitchell, Clark	0.00	1,800.00	0.00	1,800.00
Pepper, Chris				
Albrecht, Henry Cottage - New Construction	0.00	500.00	0.00	500.00
Wessinger, Gary Bathroom Addition	0.00	400.00	0.00	400.00
Wessinger, Gary Guest Cottage	0.00	900.00	0.00	900.00
Total Pepper, Chris	0.00	1,800.00	0.00	1,800.00
Teichman, Tim				
Albrecht, Henry Cottage - New Construction	0.00	500.00	0.00	500.00
Wessinger, Gary Bathroom Addition	0.00	400.00	0.00	400.00
Wessinger, Gary Guest Cottage	0.00	912.00	0.00	912.00
Total Teichman, Tim	0.00	1,812.00	0.00	1,812.00
TOTAL	8.00	5,792.00	0.00	

Figure 1. This pre-existing report (left) in Premier Contractor's version shows billed, unbilled, and not billed costs for various jobs, sorted by employee. A modified report from QuickBooks Pro (below) shows the same information; the report can be renamed and saved for ready access.

Quality-Built Construction
Time by Name
 January through November 2007

	Billed	Unbilled	Not Billable	Jan. New RT
Mitchell, Clark				
Albrecht, Henry Cottage - New Construction	0.00	500.00	0.00	500.00
Wessinger, Gary Bathroom Addition	0.00	400.00	0.00	400.00
Wessinger, Gary Guest Cottage	0.00	900.00	0.00	900.00
Total Mitchell, Clark	0.00	1,800.00	0.00	1,800.00
Pepper, Chris				
Albrecht, Henry Cottage - New Construction	0.00	500.00	0.00	500.00
Wessinger, Gary Bathroom Addition	0.00	400.00	0.00	400.00
Wessinger, Gary Guest Cottage	0.00	900.00	0.00	900.00
Total Pepper, Chris	0.00	1,800.00	0.00	1,800.00
Teichman, Tim				
Albrecht, Henry Cottage - New Construction	0.00	500.00	0.00	500.00
Wessinger, Gary Bathroom Addition	0.00	400.00	0.00	400.00
Wessinger, Gary Guest Cottage	0.00	912.00	0.00	912.00
Total Teichman, Tim	0.00	1,812.00	0.00	1,812.00
TOTAL	8.00	5,792.00	0.00	5,792.00

Billed/Unbilled Hours by Person and Job (see Figure 1). This report shows hours worked on jobs during a designated time period, sorted by employee. The exact same report is available in QuickBooks Pro if you use the standard Jobs & Time report called Time by Name and customize it by placing check marks in the options Billed, Unbilled, and Not Billable. Once memorized, this report could be available to you in Pro by whatever name you wish.

Premier Chart of Accounts better. On the other hand, if your accounting background is limited and you're coming to QuickBooks as a first-time user, you will certainly avoid some common errors if you use Premier Contractor's preset Chart of Accounts (Figure 2, next page).

Pro's "Construction" Chart of Accounts is woefully poor, and actually mixes together job-related and overhead costs. For instance, your customary job-related costs would include labor, materials, subs, and perhaps a fourth catch-all category for equipment rental and other miscellaneous direct job costs. All of these job-related costs should be "above the line" in the category of accounts called Cost of Goods Sold. That would relegate your truck loan interest, office supplies, and accounting costs to overhead, in accounts categorized as Expense. In Pro,

however, you won't find *any* accounts assigned to Cost of Goods Sold categories, and you'll find Subcontractors and Job Materials set up as Expense accounts and treated the same as office supplies and postage. While easy to correct, users with a limited understanding of accounting may hesitate to make the necessary changes.

Matching the Way You Work

If you truly love customizing to get things just the way you want them, you may find that it takes the same amount of effort to change the pre-existing setup for Premier Contractor as it takes to create your own in Pro. The benefit of having a pre-existing setup that conforms to somebody else's perception of what works depends on how closely that perception matches your own.

It's a lot like estimating software. Many contractors happily put their faith in an estimating package and, after confirming its accuracy, use it year after year. They're willing to excuse its idiosyncrasies or inefficiencies in the name of expediency. Others have long lines of estimating packages sitting on their shelves and have settled on a custom-designed spreadsheet because it feels comfortable, thinks the way they do, and spits out paperwork in a format that appeals to

QuickBooks Contractor Business Tools

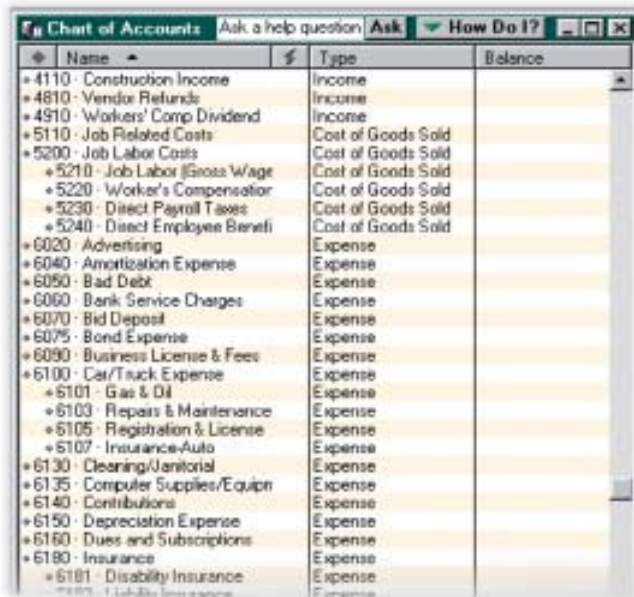
The Premier version provides analytical business tools not found in Pro:

The **Business Plan Tool** will help you “build a 36-month financial projection” using data drawn from your QuickBooks company file. The results can be edited to run “what-if” scenarios. The financial projection will be incorporated into the business plan itself.

The **Expert Analysis Tool** pulls data from two financial periods (to look at changes between periods) and spits out information about your company’s liquidity, profits and profit margin, sales, borrowing, fixed assets, and employees based on ratios. You choose the industry and company size for comparison purposes. It also prints out bar charts for easy viewing. The usefulness of what you get depends on whether or not you’re already using other standardized means to analyze your financial information. If you don’t know that you’re borrowing too much until you run this report, then it’s going to be useful.

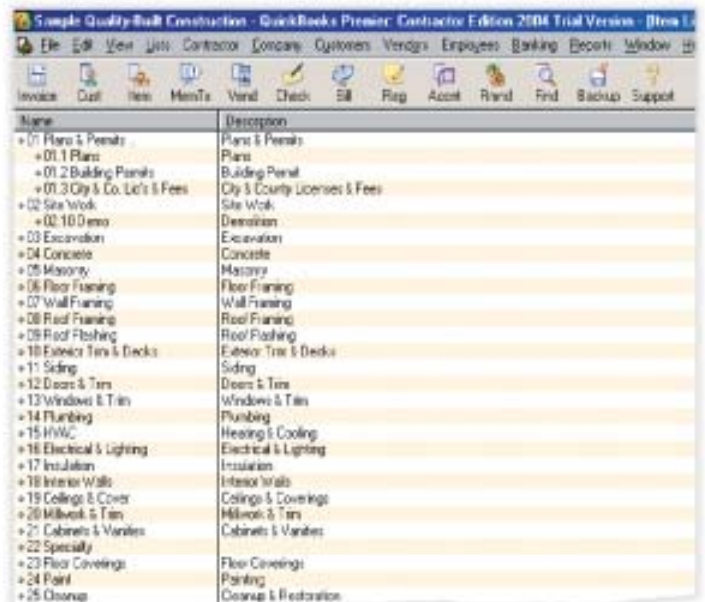
Decision Tools include the following options, many of which are available from the **Company Center** option in Pro: measure profitability (uses company data), analyze financial strength (uses company data), compare debt and ownership (uses company data), depreciate your assets (Premier version only; provides instruction on topic of depreciation and allows you to set up depreciation schedules for your assets), manage your receivables (advice), employee, contractor, or temp (legal definitions and advice), improve your cash flow (advice), track your taxes (tips about setting up QB as data source for standard tax-preparing software such as TurboTax), prepare for tax filing (year-end checklist and tips), and periodic tasks (list of tasks to perform weekly, monthly, quarterly, year-end, and as-needed).

Premier comes with a 12-month free subscription for **Remote Access**. Whether or not this is realistic, useful, or practical depends on your access (dial-up vs. cable, for example), security issues (such as firewalls), and convenience.



Name	Type	Balance
4110 - Construction Income	Income	
4810 - Vendor Refunds	Income	
4910 - Workers' Comp Dividend	Income	
5110 - Job Related Costs	Cost of Goods Sold	
5200 - Job Labor Costs	Cost of Goods Sold	
5210 - Job Labor (Gross Wage)	Cost of Goods Sold	
5220 - Worker's Compensator	Cost of Goods Sold	
5230 - Direct Payroll Taxes	Cost of Goods Sold	
5240 - Direct Employee Benefit	Cost of Goods Sold	
6020 - Advertising	Expense	
6040 - Amortization Expense	Expense	
6050 - Bad Debt	Expense	
6060 - Bank Service Charges	Expense	
6070 - Bid Deposit	Expense	
6075 - Bond Expense	Expense	
6090 - Business License & Fees	Expense	
6100 - Car/Truck Expense	Expense	
6101 - Gas & Oil	Expense	
6103 - Repairs & Maintenance	Expense	
6105 - Registration & License	Expense	
6107 - Insurance-Auto	Expense	
6130 - Cleaning/Janitorial	Expense	
6135 - Computer Supplies/Equip	Expense	
6140 - Contributions	Expense	
6150 - Depreciation Expense	Expense	
6160 - Dues and Subscriptions	Expense	
6180 - Insurance	Expense	
6181 - Disability Insurance	Expense	
6182 - Life-Dis Insurance	Expense	

Figure 2. Premier for Contractor’s preset Chart of Accounts will give a good start to users with no background in accounting. Pro’s “Construction” Chart of Accounts, by contrast, mixes up some direct and indirect costs.



Name	Description
01 Plans & Permits	Plans & Permits
01.1 Plans	Plans
01.2 Building Permits	Building Permit
01.3 City & Co. Lic's & Fees	City & County Licenses & Fees
02 Site Work	Site Work
02.10 Demos	Demolition
03 Excavation	Excavation
04 Concrete	Concrete
05 Masonry	Masonry
06 Floor Framing	Floor Framing
07 Wall Framing	Wall Framing
08 Roof Framing	Roof Framing
09 Roof Flashing	Roof Flashing
10 Exterior Trim & Decks	Exterior Trim & Decks
11 Siding	Siding
12 Doors & Trim	Doors & Trim
13 Windows & Trim	Windows & Trim
14 Plumbing	Plumbing
15 HVAC	Heating & Cooling
16 Electrical & Lighting	Electrical & Lighting
17 Insulation	Insulation
18 Interior Walls	Interior Walls
19 Ceilings & Cover	Ceilings & Coverings
20 Millwork & Trim	Millwork & Trim
21 Cabinets & Vanities	Cabinets & Vanities
22 Specialty	Specialty
23 Floor Coverings	Floor Coverings
24 Paint	Painting
25 Cleanup	Cleanup & Restoration

Figure 3. Premier Contractor’s preset Items list is similar to the phase list in HomeTech’s estimating program. The list can be modified to suit the user, but given the extra cost for Premier, extensive customization would be better done in Pro.

them. Nobody thinks through a job exactly the same way, and some contractors are unwilling to conform to a system that's a mismatch for the way they think. Therefore, if Intuit's idea of how to track information about your business mirrors yours, you'll probably feel comfortable with it.

The preset Items List in Contractor looks a lot like the HomeTech phases, but has some idiosyncrasies, such as single sub-items and a list of items for developers (Figure 3, previous page). If you don't like what you see, you can always change things to suit you, but that may negate the advantage of purchasing the more expensive software.

Job-cost reports depend on a blend of Items and Classes in the Contractor version. For every job-related transaction you enter, you must enter the phase by Item, and the kind of charge (labor, materials, subs, equipment rental, and so forth) by Class. The Class List

comes preset for you, which means that when you run a job-cost report of Estimated vs. Actual costs for a given job, you will get a "lump" of costs for each phase until you ask for the details by running the report by Class also (Figure 4). This will give you an analysis for labor, materials, subs, and equipment, but in a wide layout with many columns that I find visually confusing. If you're accustomed to breaking out your labor, material, and sub costs through your Items and using Class tracking for another purpose (such as categorizing the kind of job, customer, or location), then this may feel cumbersome to you.

Bear in mind that you can run a P&L by Class, so if you're interested in running a P&L that will compare your profitability for remodeling vs. new construction, or kitchens vs. baths, or residential vs. commercial, or some other breakdown of sales, then it does not make sense to use Classes the way Contractor wants you to

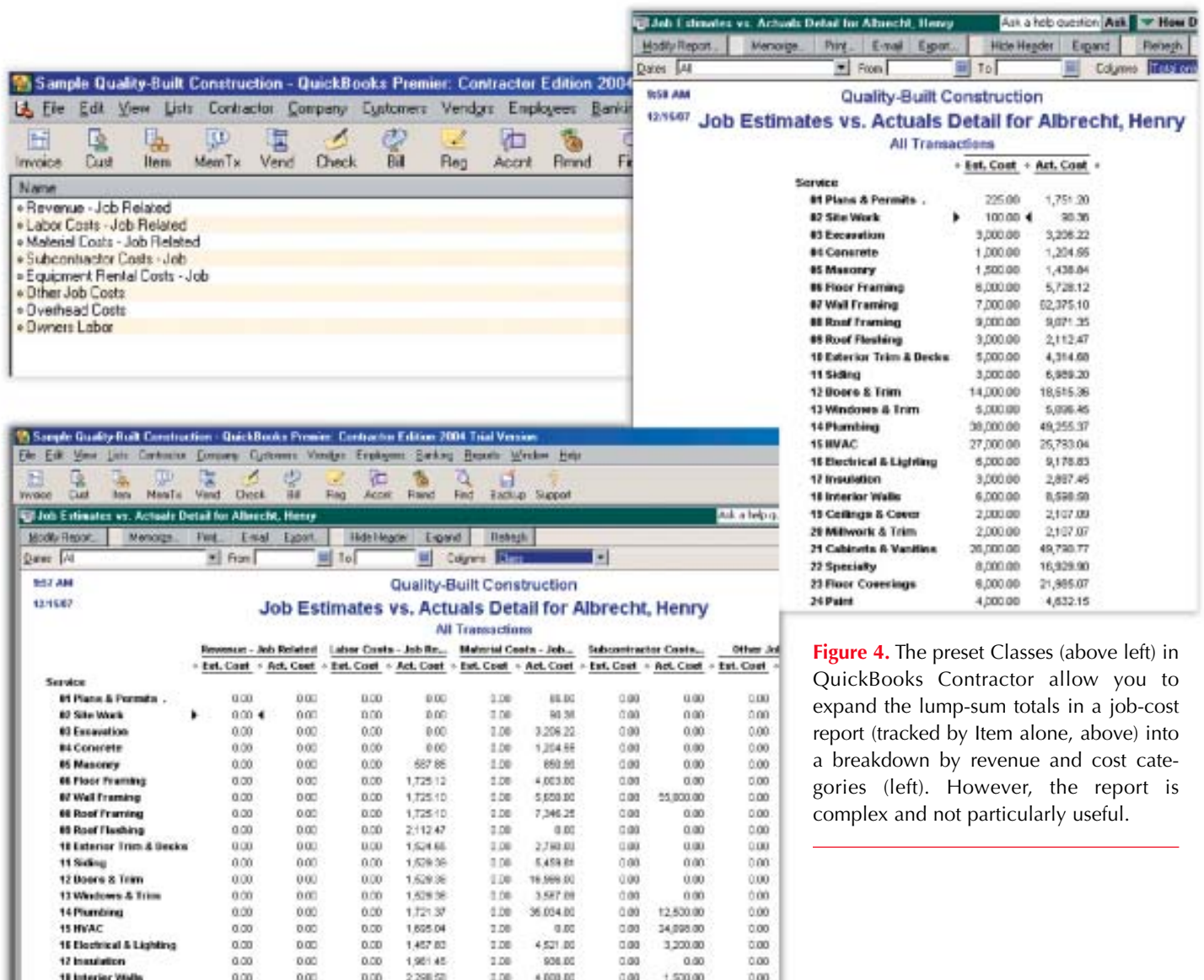


Figure 4. The preset Classes (above left) in QuickBooks Contractor allow you to expand the lump-sum totals in a job-cost report (tracked by Item alone, above) into a breakdown by revenue and cost categories (left). However, the report is complex and not particularly useful.

construction from the list, you'll be sharing about 75 percent of the same accounts as the other choices would produce. You build your own Items List from scratch, and if you use Classes it's because you decide you want to track something of specific interest to you.

As with a custom home, you will ideally wind up with something of high quality that has been specifically designed to meet your practical and aesthetic needs. But, as with construction, the greater the number of important decisions you're asked to make, the greater the danger of making mistakes. Fortunately, unlike a construction project, setup errors in QuickBooks are generally easy to correct.

Although suitable for virtually any kind of company, QuickBooks Pro has also incorporated a number of specifically builder-friendly features. They include the ability to set up Jobs under customer names, a designated set of Job reports, and the capacity to easily invoice for time and materials as well as for contract/fixed-price jobs using a variety of invoicing options, including progress payments. Functionally, Pro will do virtually anything that the Premier Contractor edition will do for day-to-day accounting. It doesn't have some of the "higher functions" that Premier

provides; if these functions are important to you, then Pro won't give you what you need.

Bottom Line

I always tell clients that in order to produce a workable QuickBooks company file and use it properly, they need to know three things: accounting, their specific business needs, and the software itself.

Accounting. The Premier for Contractor version will help you with accounting, though you may still need assistance from an accountant or other qualified resource. Pro's Chart of Accounts for contractors mingles job-related and overhead costs, which is just plain wrong. It provides fewer accounts in its Chart of Accounts than the Premier Contractor edition does, so you'll probably need to add more. If your accounting isn't strong, this could present a problem: The more accounts you need to add, the more errors you may make. Luckily, either version allows you to modify your Chart of Accounts with ease, and you should plan on having to add and remove accounts from either program to suit your company's needs.

Specific business needs. Premier for Contractor purports to understand your needs. If its preconceived notion of how you run your business is spot on, you're in great shape. If you have a different approach, then the amount of customizing you'll need to do may negate the advantage of buying a canned setup. Pro can give you virtually identical flexibility, but you'll have to start from scratch to generate some of the reports that Contractor will give you out of the box. If you use some of the "higher function" tools that the Premier version offers, then that's a significant advantage.

The software. The two programs work in a similar manner, except for the potential difference of using Classes in the Contractor version in a predetermined way. Your learning curve will be about the same for each, the exception being that Contractor users have readier access to more job-related reports through the Contractor Reports menu. While similar information is available in Pro, you'll have to understand the program better to get at it. There is no difference in the time required to enter data or generate reports; users deciding to upgrade won't notice any visible change, so no additional training will be required.

There is probably a greater incentive for non-QuickBooks users to begin with the Contractor edition. Benefits to established users will come primarily from the more powerful functions available from the Premier version and possibly from ready access to reports that they may not have already discovered on their own. 

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Glossary of QuickBooks Terms

Chart of Accounts. A listing of your general ledger accounts. Includes those accounts associated with your Profit & Loss Statement (such as income, cost of goods sold, and expenses) and with your Balance Sheet (assets, liabilities, and equity). All transactions eventually affect your Chart of Accounts and contribute to your financial reports. When your accountant asks you for reports on which to do your taxes, he or she will be looking at the dollar values of these accounts.

Items List. In its simplest form, a list of chargeable entities, including labor, materials, subcontractors, sales tax, mileage charges, and other line items that would appear on an invoice to a customer. For job-costing purposes, your items will also be associated with labor (through time-sheet entries), materials purchases, and bills from subcontractors.

Class List. An additional sortable field that allows you to filter transactions in order to focus the information in P&L statements and job-cost reports.