

Job-Costing With Quicken

by Tim Murphy

Pushing this inexpensive checkbook program to its limits can give you a simple, streamlined approach to check writing, payroll accounting, and job-costing

I started my small design-build business in the early 1980s. By 1992, I was running three crews, building new houses and doing major remodeling projects. It was around that time I realized my skills and temperament were better suited to running a smaller, more personally manageable business, keeping only one crew busy with a combination of custom and spec remodels.

I now work on a hybrid time-and-materials basis, typically with a “not to exceed” budget. I bill every two weeks, charging the actual invoice cost of materials, subs, and other services, plus the price of my crew’s labor (not *my cost* of their labor), all multiplied by 120 percent. My labor price is spelled out in the contract and already includes a markup to cover labor burden and some profit.

Although we work T&M, I always produce a careful estimate so that the client and I are both comfortable with the proposed cost of the project. I also carefully track changes when the scope of work grows, as it often does, and frequently compare budgeted allowances to actual

costs as the client makes product choices for items like appliances, lighting fixtures, countertop materials, flooring, and plumbing fixtures.

Particularly on kitchen and bathroom jobs, allowance items can drive up the costs quickly, and it’s crucial that clients know the budget and are aware of when they are going over it. My experience has been that most clients will understandably try to pinch every penny when we are negotiating the contract, but once the work is started they find it easy to go overboard on a fancy range or elaborate tile work. As long as I can show them that it was their choices that drove up the cost of the project, tensions — if there are any — won’t be aimed at me.

Keeping clients informed on a regular basis requires good data and the ability to gather that data into timely reports. Years ago I made the choice to use Intuit’s Quicken to track my financials, and over the years I’ve learned how to push the program to its limits to create the kind of cost reports I need. I tried QuickBooks for a while — Intuit’s double-entry accounting

Class	Description
01.00	GENERAL CONDITIONS
01.10	Permits
01.20	Design, Engineering
01.30	Project Administration
01.40	Rental, Equip & Scaffolding
01.50	Materials Handling
01.70	Job Close-out
01.80	Cleanup & Protection
01.90	Supervision
01.95	Summary General Conditions
01.99	Warranty Work
02.00	SITWORK
02.10	Demolition
02.20	Excavation
02.25	Drilling
02.27	Backfill
02.30	Drainage
02.40	Irrigation
02.50	Fences
02.55	Retaining Walls
02.70	Paving
02.80	Landscaping
02.99	Other Sitework
03.00	CONCRETE
03.20	Concrete Reinforcing
03.30	Foundations, Form
03.35	Foundation, pour & strip
03.40	Concrete Walls
03.50	Concrete Flatwork
03.99	Concrete, Other
04.00	MASONRY
04.10	Masonry
04.24	Glass Block
05.00	METAL
05.10	Structural Steel
05.50	Architectural Metal
06.00	ROUGH CARPENTRY
06.10	Carpentry, Rough
06.11	Carpentry, Rough I
06.12	Carpentry, Rough II
06.13	Carpentry, Rough III
06.15	Trusses
06.16	Builder's Hardware
06.18	Sheathing
06.20	Siding
06.21	Exterior Trim
06.30	Exterior Stairs & Rails
06.40	Decks
06.45	Handyman, Maint.
06.49	Carpentry, Other Rough
06.50	FINISH CARPENTRY, INTERIOR
06.51	Fin. Carp. Trim Windows
06.52	Fin. Carp., Trim Doors
06.53	Fin. Carp., Trim Stairs

Categories

Category	Description	Type
Advertising	Advertising	Expense
Auto	Vehicle Expenses	Expense
Gas	Veh. Gas & Oil	Expense
Maintenance	Vehicle Parts & Repairs	Expense
Parking & Tolls	Parking and Tolls	Expense
Registration	Registration, License	Expense
Bank Charge	Bank Charges	Expense
Bus. Licenses	Business Licenses	Expense
Charity	Charity	Expense
Copy & Printing	Printing & Copy Expense	Expense
DCCL	DIRECT COST: CONTRACT LABOR	Expense
DCM	DIRECT COST: MATERIALS	Expense
DCO	DIRECT COST: OTHER	Expense
DCP	DIRECT COSTS: PAYROLL	Expense
DCS	DIRECT COSTS: SUBCONTRACTORS	Expense
Disc	Discounts	Expense
Draw	Owner's Draw	Expense
Draw on Equity	Drawn from Equity Line	Expense
Dues & Subscr.	Dues & Publications	Expense
Educ	Education	Expense
Ent	Entertainment Expense	Expense
Health Ins.	Health Insurance	Expense
Copay	Health Copayments	Expense
INC Job	INCOME From Jobs	Income
Inc Other	Income: Other	Income
Insurances	Insurances	Expense
Auto	Auto & Vehicle Insurance	Expense
Bond	CSLB Bond	Expense
Disabil	TSM Disability Insurance	Expense
Gen Liab	General Liability Insurance	Expense
Life	TSM Life Insurance	Expense
Interest	Interest on Debt	Expense
LABOR HOURS	Track Labor Hours	Expense
Legal	Legal & Prof. Fees	Expense
Misc	Miscellaneous Exp.	Expense
Office	Office Expenses	Expense
Comp	Computer Supplies	Expense
Equip	Office Equipment	Expense
Sup	Office Supplies	Expense
Wages	Office Wages	Expense
Phone	Telephone Expenses	Expense
Cell	Cell Phone Expense	Expense
ISP	Internet Service Provider	Expense
Office	Office Telephone Expense	Expense
Postage	Postage, Shipping, Freight	Expense
Rent	Office & Storage Rental	Expense
Office	Office Rent	Expense
Storage	Storage Rental	Expense
Retirement	Retirement Accounts	Expense
Supplies	Misc. Non-job Supplies	Expense
Taxes	Taxes	Expense
Tool	Tool Expenses	Expense
Purchase	Purchase Small Tools	Expense
Repairs	Tool Repairs	Expense
Supplies	Tool Supplies	Expense
Travel	Travel Expense	Expense
Utilities	Utilities	Expense

Figure 1. Shown here is the author's list of categories, which is used in Quicken like a chart of accounts to track income and expenses. Subcategories — the five types of insurance, for example — add an extra level of detail. Direct cost categories — those beginning with “DC” — help track job-related expenses.

program — but found its features were more complex than I required. I use cash-based accounting and try not to run up payables or receivables, so I don't need “accrual” accounting to manage my business.

Quicken is essentially a check-writing program. As any builder knows, we have to write a lot of checks in this business, so it makes sense to use the computer to streamline the process. The beauty of Quicken is that as the checks are being written, or credit card charges are recorded, you can also quickly add specific job and vendor information to the check register — information that can later be searched and organized into valuable job-cost and financial reports.

Setting Up Categories

I currently use Quicken 2007 for Mac, so that's the source for the screens that appear in this article. If you are just starting out with Quicken, you'll begin by opening a new file, which you will name (with your company name, for example) and assign a place to store (typically in the Quicken folder). Quicken will then immediately give you the option of importing its categories and subcategories (for home or business) or allow you to choose your own. This is a critical step: If you set your categories up correctly, you'll be able to track job costs and income by client, supplier, job phase — or in any number of other ways. Year-end tax reporting is also straightforward. The key is to have an organized, meaningful list of Quicken categories, classes, and memos.

If you already have a chart of accounts you're comfortable with, you would record them here. I've developed my own list of categories, which has evolved over the years. These categories include everything I need to track jobs and prepare year-end statements.

Keep in mind as you get started that you can always add and delete categories as time goes by and your needs change. (For an example of a very complete list, visit NAHB's Web site, nabh.org, and search for “Chart of Accounts.”)

Direct cost categories. A key component of my list is the direct cost categories, which I use to record any expense attributable to a project (see Figure 1). I've named these categories DCM (for direct cost: materials), DCS (for direct cost: subcontractors), DCP (direct cost: payroll), DCCL (direct cost: contract labor), and DCO (direct cost: other). Contract labor includes those expenses that may require a Form 1099 at the end of the year; “other” covers tool and equipment rental, hauling,

and any other direct cost not otherwise categorized.

Note that all the direct cost categories begin with DC, so that when I need to create a report I can ask for a summary of expenses from categories starting with DC.

Take advantage of autofill. Once you've got your categories in place, you'll find that you won't be dealing with a lot of pull-down menus as you start to assign them. As you type, Quicken's "autofill" function will insert the correct category. If you're setting up categories for the first time, it's a good idea to name unrelated categories so that they start with distinct letters. That way, after minimal typing, the program will recognize the word and quickly fill in the rest. In my own list, I have categories for income, insurance, and interest. Typing "in" calls up all three of these words, so then I have to select one or finish typing. It would be faster if I came up with distinct words for each of these categories: insurance, payment received, and credit charges, for example.

Fine-Tuning With Classes

Quicken's next level of organization is called classes. For this purpose I have long used the 1995 MasterFormat divisions (for more information, visit masterformat.com). My classes are also the list by which I organize my estimates so that I can compare estimate to actual in a reasonably accurate manner.

My class list may contain more or less detail than you need, depending on the complexity of your projects or your interest in the detail of your records (**Figure 2**). After 20 years in business, I still haven't fully memorized the classes, so I keep a laminated printout of the list near my computer for help when entering invoices.

To create a class, open Lists from the Quicken header and select Classes. You then simply enter the number in the Class column, add the Description, click Create, and the new item will show up in your class list from then on. Later, if you want to pull a report on, for example, all rough carpentry, you can request details on all classes beginning with 06.1 — or whatever your class code may be.

Once you've entered the categories and classes that make sense for your business, you can start paying bills with Quicken, knowing that the details of your transactions will be captured for future analysis. (You could, of course, start paying bills first and add categories and classes as you go along, but in the long run it's wiser to invest the time to enter the codes first. You can always add to them as the need arises.)

Classes

Class	Description	Class	Description
01.00	GENERAL CONDITIONS	08.00	DOORS & GLASS
01.10	Permits	08.20	Doors
01.20	Design, Engineering	08.21	Exterior Doors
01.30	Project Administration	08.22	Interior Doors
01.40	Rental, Equip & Scaffolding	08.23	Other Doors
01.50	Materials Handling	08.25	Garage Doors
01.70	Job Close-out	08.30	Shower Doors
01.80	Cleanup & Protection	08.40	Mirrors
01.90	Supervision	08.60	Windows
01.95	Summary General Conditions	08.65	Skylights
01.99	Warranty Work	08.70	Finish Hardware
02.00	SITEWORK	08.80	Misc. Glazing
02.10	Demolition	08.99	Other Doors & Glass
02.20	Excavation	09.00	FINISHES
02.25	Drilling	09.20	Stucco
02.27	Backfill	09.25	Plaster, Interior
02.30	Drainage	09.30	Tile
02.40	Irrigation	09.40	Drywall
02.50	Fences	09.50	Floors, Wood
02.55	Retaining Walls	09.60	Floors, Resilient
02.70	Paving	09.65	Floors, Carpeting
02.80	Landscaping	09.90	Painting
02.99	Other Sitework	09.99	Other Finishes
03.00	CONCRETE	10.00	SPECIALTIES
03.20	Concrete Reinforcing	10.30	Fireplaces, Manufact.
03.30	Foundations, Form	10.31	Manuf. Mantles
03.35	Foundation, pour & strip	10.32	Hearth
03.40	Concrete Walls	10.60	Louvers & Vents
03.50	Concrete Flatwork	10.70	Stairs, Manufact.
03.99	Concrete, Other	10.80	Bath Accessories
04.00	MASONRY	10.99	Other Specialties
04.10	Masonry	11.00	EQUIPMENT
04.24	Glass Block	11.10	Appliances, Kitchen
05.00	METAL	11.20	Appliances, Other
05.10	Structural Steel	12.00	FURNISHINGS
05.50	Architectural Metal	12.10	Cabinetry, Kitchen
06.00	ROUGH CARPENTRY	12.20	Cabinetry, Bath
06.10	Carpentry, Rough	12.30	Cabinetry, Misc.
06.11	Carpentry, Rough I	12.40	Countertops
06.12	Carpentry, Rough II	12.50	Window Treatment
06.13	Carpentry, Rough III	12.60	Furniture
06.15	Trusses	12.99	Other Furnishings
06.16	Builder's Hardware	14.00	HEAT, VENT & AIR COND.
06.18	Sheathing	14.10	Furnace
06.20	Siding	14.20	Air Conditioning
06.21	Exterior Trim	14.30	Air Cleaners
06.30	Exterior Stairs & Rails	14.40	Ductwork
06.40	Decks	14.50	Misc. Ventilation
06.45	Handyman, Maint.	15.00	PLUMBING
06.49	Carpentry, Other Rough	15.10	Plumbing, Rough
06.50	FINISH CARPENTRY, INTERIOR	15.20	Plumbing Fixtures
06.51	Fin. Carp., Trim Windows	15.30	Plumbing, Finish
06.52	Fin. Carp., Trim Doors	15.40	Gas Piping
06.53	Fin. Carp., Baseboard	15.50	Fire Protection
06.54	Fin. Carp., Wainscot & Crown	15.99	Plumbing, Other
06.55	Finish Carpentry, Misc.	16.00	ELECTRICAL
06.56	Mantles	16.10	Electrical Service
06.57	Closet Finish	16.20	Electrical Distribution
06.58	Interior Stairs & Parts	16.30	Elect. Fixtures, Built-in
06.59	Other Finish Carpentry	16.35	Elect. Fixtures, Surface Mount
07.00	MOISTURE PROTECTION	16.40	Phone & Cable
07.20	Insulation	16.50	Alarm Systems
07.30	Roofing	16.99	Electrical, other
07.60	Gutters & Sheet Metal	pmnt	Payment on Job
07.80	Waterproofing		
07.90	Caulking		

Figure 2. Classes complement categories, allowing the user to add more focused descriptions to any category. With a list based on MasterFormat divisions, the author uses classes to identify job phase. Classes are indicated in any Quicken transaction by typing a forward slash (/) after the category name, followed by the class name.

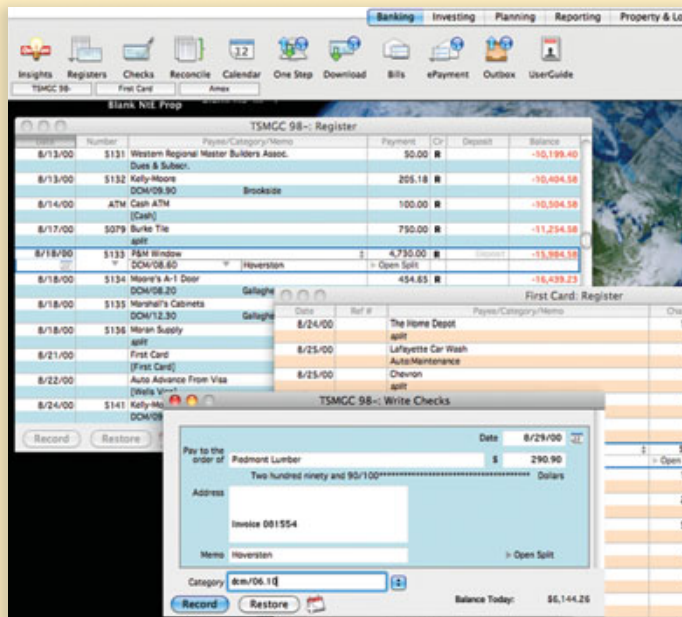


Figure 3. When writing a check to pay an invoice, the author puts the job name on the Memo line and indicates the direct expense category and class in the Category field. As he types, Quicken's autofill function completes the typing, speeding the process.

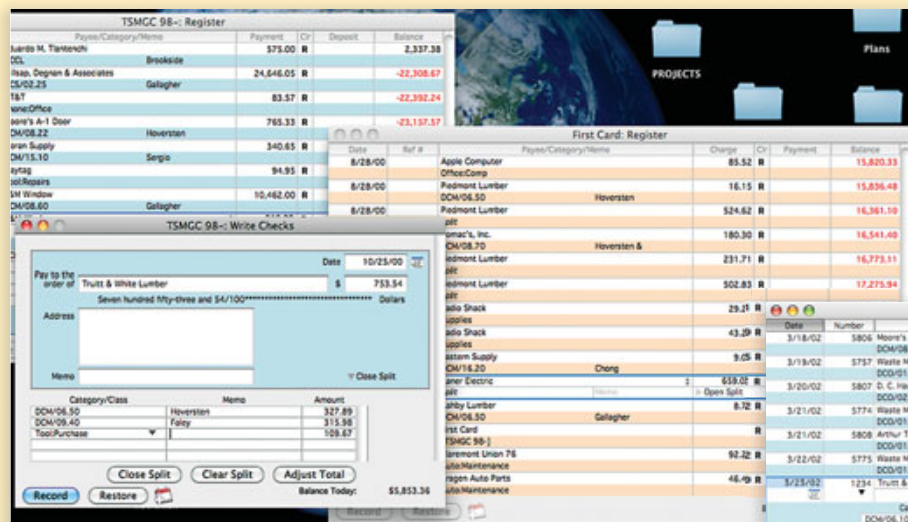


Figure 4. When paying an invoice that applies to more than one job, the author opens a "split" record (above) and indicates how the amount is divided between jobs, listed in the Memo field. This information is captured in the check register (right) and is retrievable for job-costing and billing.

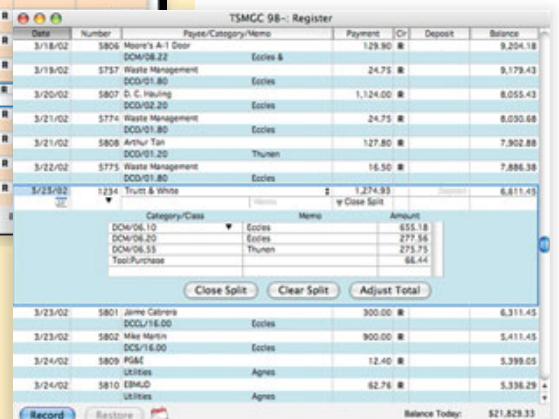
Paying Bills

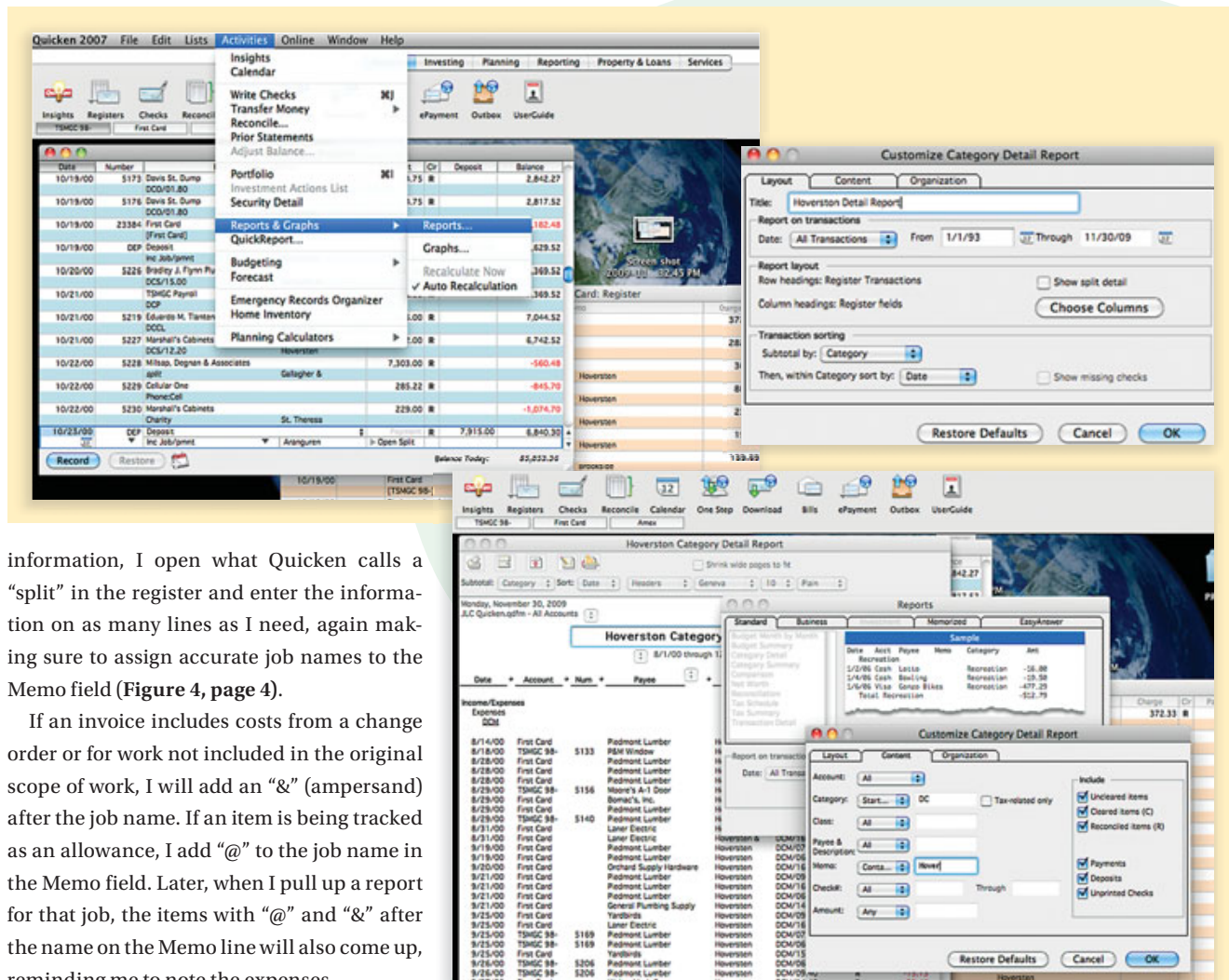
I try to bill my clients on a two-week cycle, and job invoices tend to pile up during that period. To record an invoice, you first open the account it is paid from: Checking, Credit Card, House Account, Cash. If you use your supplier's house accounts, you can set them up as lines of credit and record each invoice as you get it; or, if you typically wait for the monthly statement, you can record all the month's invoices when you write the check. (I've closed most of my house accounts unless they give discounts for quick payment and instead use a credit card with a reward program. As long as I pay in full every month to avoid the crazy interest charges, the free reward points can add up quickly on a big job.)

Most of my invoices apply to a single job, which is recorded on the Memo line, and just one category and class. When writing a check in Quicken, I first enter the date, the payee (Quicken's autofill feature does most of the typing), and the amount. In the Category box, I enter, for example, DCM (for a materials bill), followed by a forward slash (/) and then the class code. So "DCM/06.10" means the check is for a direct material cost in the rough carpentry phase. I then tab into the Memo box and enter the job name (Figure 3). I make sure this entry is accurate and consistent because later I'll be creating reports by asking for all

transactions with that name in the Memo field. When I've paid by credit card, I enter the information directly into the card's register and click on Record.

Split checks. Of course, some invoices list purchases made for multiple jobs or several categories and classes. To capture this





information, I open what Quicken calls a “split” in the register and enter the information on as many lines as I need, again making sure to assign accurate job names to the Memo field (Figure 4, page 4).

If an invoice includes costs from a change order or for work not included in the original scope of work, I will add an “&” (ampersand) after the job name. If an item is being tracked as an allowance, I add “@” to the job name in the Memo field. Later, when I pull up a report for that job, the items with “@” and “&” after the name on the Memo line will also come up, reminding me to note the expenses.

(There are a couple of ways to create a report. If on the pull-down I ask for a report that “Contains” the name in the Memo field, the items with “@” and “&” will also be reported. If I ask for a report that “Is” the Memo name, those items will be excluded.)

Generating Reports

After you’ve used Quicken for a while and have entered a number of invoices, you’ll be able to use the Reports function to keep an eye on job costs. From the menu bar, select Activities>Reports & Graphs>Reports (Figure 5). From the Standard tab, select Category Detail and enter the date parameter you want to analyze. Choose how you want to subtotal the report — by category, class, or memo — and click the Customize button. If you wish, you can title the report. Then click on the Content tab and in the Memo field select “Contains” and type in the job name.

Figure 5. To generate a job-cost report in Quicken, click on Reports & Graphs under Activities (top left). Under the Layout tab in the pop-up, title the report and indicate the type of information you want and the date range (top right). Under the Content tab (above), specify the level of detail you want.

(Again, if you select “Is” in the pull-down rather than “Contains,” you’ll miss the invoices with “&” and “@.”)

The resulting report will list each line item that contains the requested Memo. If that’s more detail than you need, back up to the Standard Reports tab and select Category Summary instead of Category Detail. Indicate the Memo and which categories you want and Quicken will tell you your gross materials or subs (or whatever you indicate) for the requested time period.

I recommend that you goof around with the reports to see what’s possible. When you hit upon a report that you

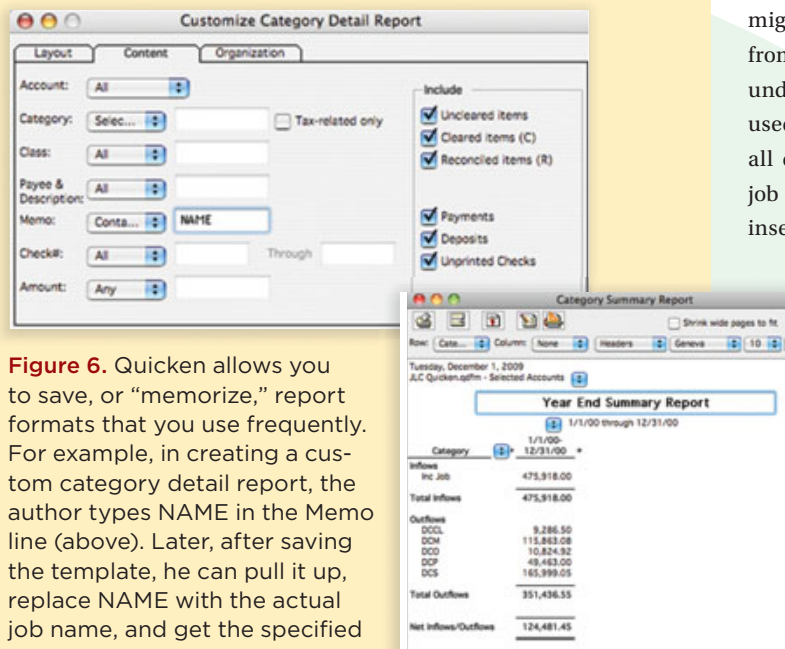


Figure 6. Quicken allows you to save, or “memorize,” report formats that you use frequently. For example, in creating a custom category detail report, the author types NAME in the Memo line (above). Later, after saving the template, he can pull it up, replace NAME with the actual job name, and get the specified record for that job. Other memorized reports compare company income with expense for a given time period, such as this year-end report (right).

might use again, select Edit>Memorize (or Command-Y) from the main menu bar, and the report will be listed under the Memorized report tab. My most frequently used report is a customized category detail that gives all direct costs and job income categories for a given job name (Memo). When I “memorized” the report, I inserted the word “NAME” into the “Memo: Contains” field (Figure 6). Now, to pull up a given job, I simply replace NAME with the job name and the rest happens automatically.

Two other memorized reports that get a lot of use are Gross Profit YTD and Net YTD. Gross Profit gives me job income less job costs for the year, while Net subtracts job costs and overhead expense from income to tell me if I need to tighten up to remain in the black.

Labor Hours Workaround

Another way I use Quicken is to track and report my crew’s hours in the field. To do this — it’s not a built-in function of the program — I’ve set up a cash account called Labor Hours. Every two weeks, as I do payroll, I record labor hours into this account as if they were dollars. If a carpenter has worked on two jobs doing a series of tasks, I record those as a “split” (Hours/06.10...Smith). Since I bill by hours, I pull a report from this account when I’m preparing a client’s service statement, and it gives me the numbers I need quickly (Figure 7).

Remember to Back Up

Once you’ve moved your financial records to the computer, make sure you have a plan for backing up your accounts to a separate drive or disk. Set up the backup to happen automatically and regularly. You do not want to lose years of financial records (trust me on this).

What I’m waiting for now is a program that will let me scan in an invoice and pay it electronically while automatically billing the client’s escrow account. The program will also warn me when lumber prices are up and let me know when I’m far enough ahead to relax and think about a fishing trip. Until then, I’ll keep pushing the limits of Quicken.

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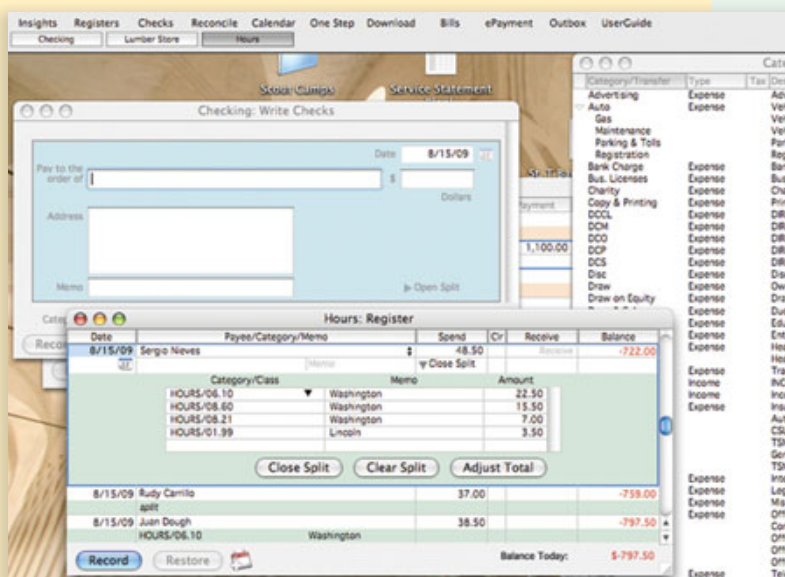


Figure 7. Because Quicken has no labor hour function, the author has set up an account in which he records his crew’s hours as if they were dollars (above). Using split check writing as a workaround, he is able to quickly report the correct hours for each employee to his payroll service while ensuring that the hours get billed to the correct job.