BY MELANIE HODGDON

The Right Reports

In my previous column ("The Reluctant Bean Counter," Feb/17), I described ways you can work with your bookkeeping staff to develop reports that will help you make better management decisions. This month, I'll focus on the substance of those reports. You don't want to get buried in accounting reports; you want only the ones that answer questions that let you make management decisions based on company data. These can be grouped as follows:

Financial reports. If you can't give your tax preparer something that is accurate and complete, you're missing the boat. At the very least, your accounting software should provide you with reports that help you and your tax preparer file company taxes. Even more important are reports that show the gross margins and net profit you achieved.

Profit-center reports. You should be able to identify what kinds of jobs produce the highest profit. Without knowing whether you're making more on kitchens than on baths, for example, how can you decide where to focus your marketing?

Job-cost reports. You should be able to perform job autopsies for every completed job. Regardless of what categories you have set up to compare your budgeted costs with actual costs, you must be able to sort out which cost estimates were accurate and which were over or under. But it's not enough to just know you didn't make the profit you'd hoped for on Job X. If you can't tell exactly where things went south, how can you plan to avoid similar mistakes on the next job?

Time-related reports. It's obvious if you do T&M invoicing that you need to accurately report the number of hours spent on each job, so you can invoice for what you're owed. But tracking time can show so much more.

Let's say you use a lead carpenter system. Your lead carpenter will be engaged in two different kinds of job-site activities: production tasks (like demolition, framing, and trim) included in the estimate, and administrative tasks (like meeting with inspectors, conducting preconstruction meetings with subs, and writing change orders). If both categories of time are tracked separately, you can generate a simple proportion to use when estimating future jobs. For example, if the lead worked 90 hours on the job and 10 of those hours were spent performing "administrative" tasks, then for every hour of production time, he spent 1/8 hour of administrative time (a ratio of 10:80 or 12.5%). The next time you price a job, add 12.5% hours to the estimated production hours.

Unless a company is very large, it's common for a few people in the office to perform multiple tasks. In fact, in the early phase of a business, it's common for the owner to wear many hats. And to grow the company, you need to know how much time is spent performing each type of task. This requires office personnel (including the owner!) to record time based on their different roles—bookkeeping, marketing, sales, estimating, production management, and the like. This way, even if you have multiple people performing bookkeeping tasks, at the end of the year you'll have a total number of hours spent, and this might help you decide whether hiring a full- or a part-time bookkeeper is justified. You don't have to make yourself crazy; just be sure that at the end of each day, you reasonably track what kinds of tasks were performed and how long they took.

Profit-sharing reports. Every company I know has a slightly different formula for sharing profits. Regardless of how you do it, you want reports that identify the key figures in your profit-sharing policy. For example, if quarterly profit sharing is based on gross margin achieved on each closed job, you need to be able to run a report showing the gross margins for all jobs that closed in a given quarter. This can be done easily if you plan ahead.

THINK IN QUESTIONS

For reports to work for you, stop thinking in terms of what canned reports are available, and think instead about what kinds of questions you need to have answered in order to monitor, modify, and improve. If you're not an expert in the software, seek assistance from somebody who not only will be able to create the framework for the report and train you in how to populate it, but who also can suggest useful reports to answer those questions that you haven't thought of yet.

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