

Get to the bottom of your job profitability with careful tracking



AT A GLANCE

Many QuickBooks users, such as contractors, allocate their work into jobs — and each job carries its own costs and revenue. If you want to see exactly how much cash each job raked in for your company, you must employ good job costing habits in your QuickBooks company file.

To effectively use job costing as a tool for analyzing profitability, we'll:

- Set up the records we need in both the Customer:Job List and the Item List.
- Invoice a customer correctly so that QuickBooks tracks costs and revenue related to that specific job.
- Review two important reports that can help us analyze each job's profitability.

Job costing is simply a matter of keeping good records and making sure that each expense you put into a job — along with the revenue you gain from the job — is factored in to the job's success. If you know how to assign invoices, checks, estimates, purchase orders, time sheets and other transactions to a particular job, you can ensure that QuickBooks's job costing is on target. Accurate job costing is essential for measuring how much a job was really worth to your company. Not only can you see which jobs are the money makers, but you can also determine which jobs actually put you in the red to ward off future business trouble.

Input everything you need

There are two lists you need to populate with data before you can begin job costing: the Item List and the Customer:Job List. The good news is that you probably already use these lists. Let's quickly add a new item to each list.

To add a new entry to the Item List:

1. Launch QuickBooks and open your company file, or open the wholesale/distributor sample file to follow along with us.
2. Choose Lists | Item List from the menu bar to open the Item List.
3. Press [Ctrl]N to open the New Item window.
4. Select an item type from the Type dropdown list. The item type you choose modifies the information you'll enter in the window. We'll choose Non-Inventory Part.
5. Assign an account to the item, such as Revenue, and then fill in any other information relevant to the item, as shown in **Figure 1**.

1: The information you need to input for a new item depends on the item type you choose.



At Warinner Consulting, we specialize in QuickBooks accounting. Whether you are an accountant or small business owner, we can help you if you run into trouble with QuickBooks.

We can do all of your bookkeeping for you or diagnose your QuickBooks problems, identify training issues and provide solutions.

Call us toll free at 877-933-0404 to discuss how we can help.

Good example: If you're unsure of what item type is appropriate for your new item or which account you should assign to the item, take a look at the existing Item List in the sample file. If you still have concerns, consult with us for the best way to set up your Item List.

6. Click Next to save the item and enter another one, or click OK to save the item and close the window.

The bottom line when it comes to your Item List is that you should have an item for all of the goods and services you provide so you can accurately track goods you buy and sell. It's also important to remember that you must accurately use these items, in addition to accounts, to use job costing successfully.

Important: You may wonder why we added our item as a Non-Inventory Part instead of an Inventory Part. Inventory records costs at the time of the sale, not the time of purchase (and does so at the average cost, not necessarily what you paid for the item for that particular job.) Therefore, you shouldn't combine inventory with job costing. Otherwise, you'd need to detail each piece of material you use in a job. Imagine how time-consuming that gets when you're building a house! For job costing purposes, use Non-Inventory Part items and Service items.

To create a new customer or job:

1. Click on the Customer Center icon on the icon bar to open the Customer Center.
2. Select the Customers & Jobs tab on the left side of the window to see the list of your customers and the individual jobs you've done for each one.
3. Click the New Customer & Job button and choose either New Customer or Add Job from the resulting dropdown list depending on what you need to add to your company file.

Shortcut: If you're adding a job to an existing customer, select the customer first in the Customers & Jobs list. Then when you choose Add Job, QuickBooks automatically fills in the customer's information. This cuts down on your data entry time.

4. Fill in any information concerning the new job or customer and then click OK to add it to your Customers & Jobs tab in the Customer Center.

As shown in **Figure 2**, we added a new job for the customer Stern Commercial Contractors. The Job Info tab contains information specific to the job, while QuickBooks can glean most of the information on the other tabs from the customer's defaults.

Invoice a customer for a specific job

Job costing works behind the scenes because QuickBooks uses the data you already store in your company file. For instance, when it comes time to invoice a customer for services and/or goods, you must assign the invoice to a specific job to keep your job costing accurate. Let's say we want to invoice Stern Commercial Contractors for a few goods. The easiest

way to ensure that the invoice is assigned to the Smith Properties job is to create it right from the Customer Center.

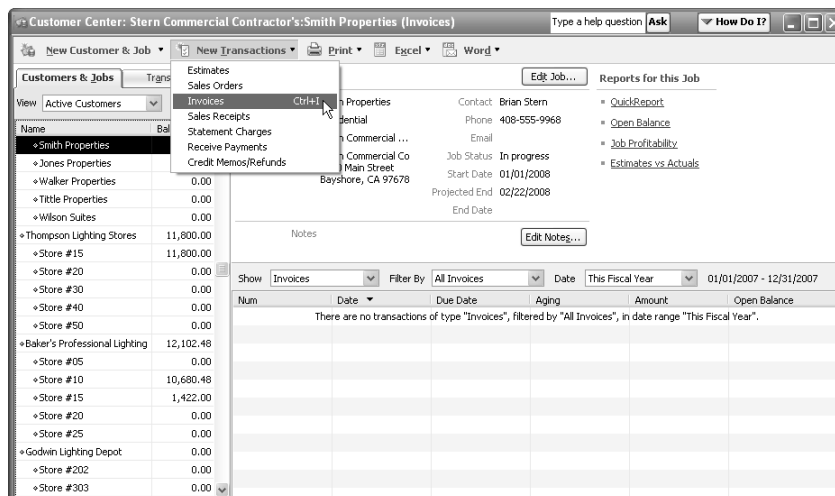
To assign an invoice to a specific job:

1. Return to the Customer Center and select the Smith Properties job, which is one of the Stern Commercial Contractors' jobs, in the Customers & Jobs list on the left side of the window.
2. Click on the New Transactions button in the Customer Center and choose the transaction type from the resulting dropdown list. As shown in **Figure 3**, we'll choose Invoices. QuickBooks opens the Create Invoices window with the correct job already selected in the Customer:Job dropdown list.
3. Enter the necessary line items for the invoice and click the Save & Close button when you're ready to record the invoice.

2: You can set up different job types to categorize the jobs you complete.

Now if you choose Invoices from the Show dropdown list in the Customer Center, you'll see the new invoice display in the bottom half of the window. This assures you that it's assigned to the correct customer and job, which appears in the top half of the window.

Invoices are only one type of transaction involved in job costing. You can also assign a job to sales orders, purchase orders, check payments, estimates and more. You can even assign a job to time sheets. This assignment allows you to include labor costs in your job costing. In a future issue, we'll show you how to use job costing with payroll.



3: QuickBooks 2006's new Customer Center makes it easy to assign transactions to a particular job and keep job costing accurate.

See job costing in action

There are several reports available for analyzing job costing, but we'll focus on the two most popular ones: Job Profitability and Job Estimates vs. Actuals. Each of these reports has a summary and detailed version.

As shown in **Figure 4**, the Job Profitability report lists the revenues and costs for a job and then calculates the difference in a third column. This is where you can really get an idea of how much money a job brought in for your company, but if you don't associate jobs with your transactions, these figures won't be accurate.

The Job Estimates vs. Actuals report helps you determine how accurately you're estimating job costs and revenue for your customers. Are you spending more on a job than you originally had in mind? Are you gaining more revenue than you had anticipated? The Job Estimates vs. Actuals report can answer these questions and lead to more precise estimates for your customers.

Enjoy more job costing features in the Contractor edition

With the Contractor edition of QuickBooks, you have enhanced job costing features that you'll want to put to good use. Here's a quick overview of the features you won't want to miss.

	Act. Cost	Act. Revenue	($\$$) Diff.
Kern Lighting Warehouse			
Store #45	13,364.01	30,675.00	17,310.99
Store #34	14,701.51	34,624.60	19,923.09
Store #13	14,044.16	37,725.00	23,680.84
Store #01	14,861.28	34,929.00	20,067.72
Kern Lighting Warehouse - Other	<u>-1,157.86</u>	<u>-3,900.00</u>	<u>-2,742.14</u>
Total Kern Lighting Warehouse	55,813.10	134,053.60	78,240.50
Stern Commercial Contractor's			
Jones Properties	99.00	186.00	87.00
Walker Properties	9,746.92	21,330.00	11,583.08
Titlle Properties	8,829.93	17,433.00	8,603.07
Wilson Suites	<u>7,335.93</u>	<u>14,355.00</u>	<u>7,019.07</u>
Total Stern Commercial Contractor's	26,011.78	53,304.00	27,292.22
Thompson Lighting Stores			
Store #15	5,314.92	14,825.00	9,510.08
Store #20	1,292.95	3,025.00	1,732.05
Store #30	1,292.95	3,025.00	1,732.05
Store #40	1,292.95	3,025.00	1,732.05
Store #50	<u>1,292.95</u>	<u>3,025.00</u>	<u>1,732.05</u>
Total Thompson Lighting Stores	10,486.72	26,925.00	16,438.28
Baker's Professional Lighting			
Store #05	918.52	2,391.00	1,472.48
Store #10	4,937.31	12,716.48	7,781.17
Store #15	1,371.07	3,307.00	1,935.93
Store #20	721.31	1,872.00	1,150.69
Store #25	<u>945.75</u>	<u>2,381.00</u>	<u>1,435.25</u>
Total Baker's Professional Lighting	8,893.96	22,869.48	13,775.52

4: The Job Profitability report outlines exactly how a job's expenses compared with its revenue.

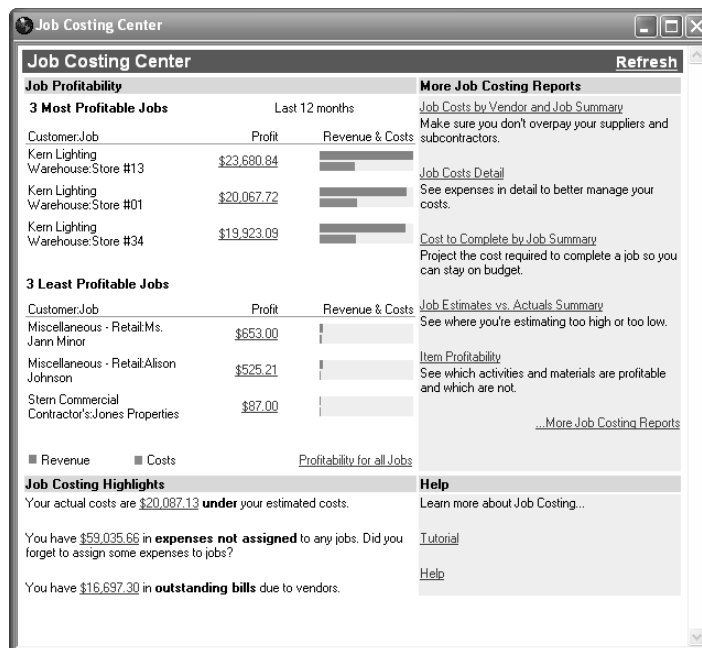
First, there are 10 additional reports related to job costing available in the Contractor's edition. In fact, there's a Job Costing area in the Report menu — in addition to the Jobs, Time & Mileage area where you find job costing reports in the other editions.

The most drastic addition you'll find in the Contractor edition is the Job Costing Center, which you can access

by choosing Contractor | Job Costing Center from the menu bar. As shown in **Figure 5**, the Job Costing Center:

- Displays the current top three *most* profitable jobs complete with a colored graph
- Displays the current top three *least* profitable jobs complete with a colored graph

- Gives you quick access to popular job costing reports
- Lists job costing highlights, including the total difference between your estimated costs and actual costs, the total in expenses that you haven't assigned to any job and the total amount you owe to vendors



5: The Job Costing Center is a great addition to the Contractor edition of QuickBooks.

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