



Tracking Job Costs

Protect your gross profit by accurately tracking job costs throughout a project.

Job costs — all of the expenses for materials, subcontractors, and labor — are the primary components of gross profit. These costs are lumped together under “Cost of Goods Sold” (COGS) in your profit and loss statement (P&L), but for the purpose of running your business day to day, you need a clear-cut method of tracking costs as a job moves from start to finish. Otherwise, you really have no way of protecting gross profit.

When COGS numbers agree with job cost numbers, you can be pretty sure that your company’s gross profit calculation is correct. This “equality” is easy to see when you only take on one job at a time, and it clearly shows that the assumptions you make about gross profit for the company as a whole are supported by the assumptions you make for each job.

But most remodelers work on more than one job at a time. Also, the cost information you need to estimate and manage jobs is more useful when it’s organized into phases of work — demo, foundation, framing, etc. — rather than cost types such as material, labor, and subcontracts. So the process becomes more complex. But it is still straightforward (no, I didn’t say easy) if you understand how to control the COGS/job cost equality.

PHASES OF WORK

The critical step is to set up the job costing system so that phases of work (sometimes called “cost codes”) also include the cost types used in the COGS section of the P&L: material, labor, subcontracts, and other (some contrac-

Phases	Phase Cost	Cost Type				Cost Type Totals
		Labor	Material	Sub	Other	
General Conditions						360
Labor	260	260				
Other	100				100	
Sitework						2,500
Materials						
Labor						
Subcontract	2,500			2,500		
Concrete	6,200			6,200		6,200
Carpentry						
Rough Carpentry						22,500
Materials	12,500		12,500			
Labor	8,500	8,500				
Subcontract						
Other	1,500				1,500	
Finish Carpentry						28,440
Materials	18,000		18,000			
Labor	9,690	9,690				
Subcontract						
Other	750				750	
Total Job Costs	60,000	18,450	30,500	8,700	2,350	60,000

Enter job costs in two places, once in the Phase Cost column, and once in the corresponding Cost-Type columns (Labor, Material, Sub, or Other). Yellow cells hold formulas, and amounts in the two orange cells in the bottom row should be the same. To download this spreadsheet, go to Remodeling Online.

tors also track a fifth type, “equipment”).

Phases of work are typically organized to correspond to the chronological order of construction — foundation, for example, would be listed before framing, and roofing before finishes. They should also exactly match the phases of work you use to produce estimates.

If you were to set this system up in a spreadsheet, it might look like the example above for a single job. When costs are incurred, post them to both the phase and the cost type. For each reporting period, use the cost-type totals in the

P&L statement. Done correctly, the COGS/job cost equality will be maintained.

Each job can be set up in a separate tab in a spreadsheet, then totaled on a summary page. But you’ll be better off using one of the many software programs that automate the process by integrating estimating and job costing with accounting. You can find a comprehensive list at www.softwareadvice.com/construction. —*Judith Miller is a Seattle-based construction business consultant and trainer specializing in accounting, finance, and computerization.*

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