

THE **Mangold Group**

Certified Public Accountants, PC

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**TMG**

S O F T W A R E

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# JOB COSTING

improve cost control

reduce risk

increase profitability



# JOB COSTING – PRESENTED BY

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# JOB COSTING

You know you're a contractor if...

- Your dog rides in your truck more than your wife
  - You've never thrown away a 5-gallon bucket
- You can remember the square footage, pounds of nails required, and crew labor rates on a house you built 10 years ago, but cannot recall your wife's birthday

# JOB COSTING

- Who: Industries with projects
- What: Income & costs tracked by job
- Where: Accrual Financial Statements
- When: Monthly
- Why: Better Reporting
  - » Bonding
  - » Banking
  - » Budgeting

# JOB COSTING

## Job

### Definitions (2)

1. Term commonly used to indicate the location of a construction project.
2. An entire construction project or any component of a construction project.

<http://www.dictionaryofconstruction.com/definition/job.html>

# JOB COSTING

Budget = Estimate of the value of a  
the Income & Cost of a job

Income = Revenue

Costs = Direct: material, labor  
Indirect: overhead

# JOB COSTING

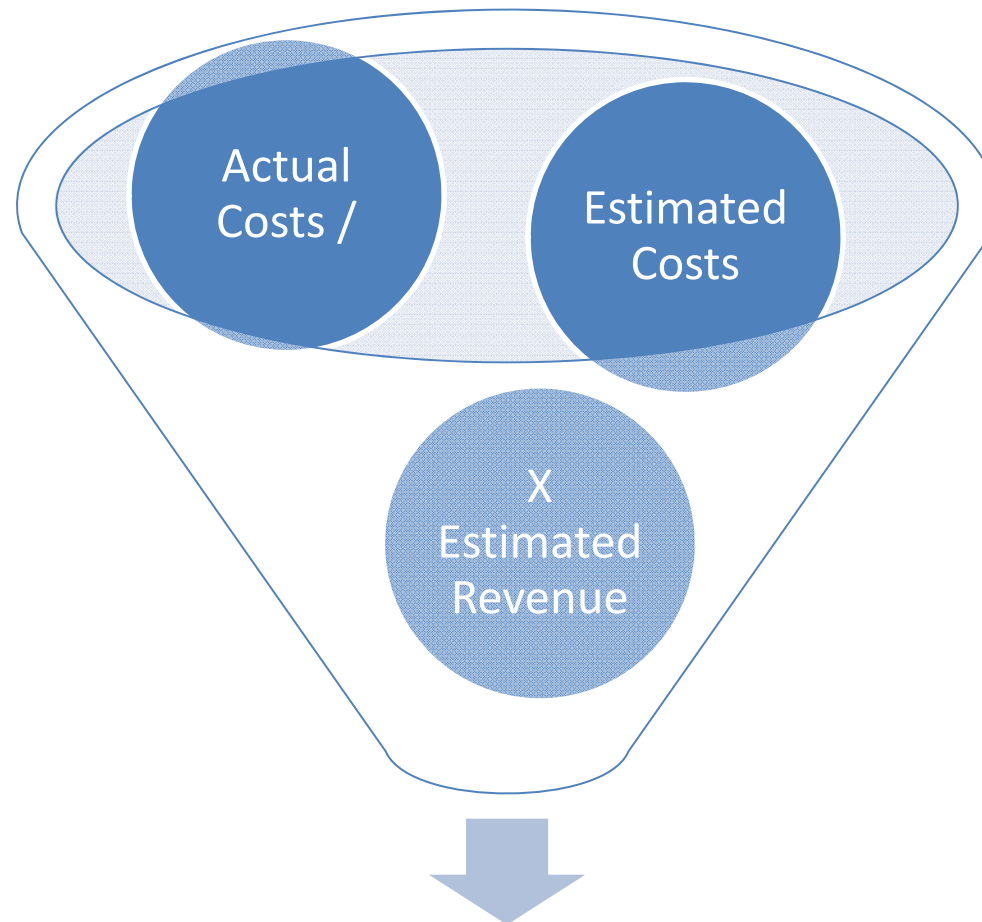
## Income

Deposits are not income

Timing (match revenue with costs)

GAAP accrual financial statements

# JOB COSTING



Percentage of Completion



# JOB COSTING



Bow wants a new dog house

# JOB COSTING

**Estimate** 4321-Luxury Dog house:

		Direct Material	Direct Labor	Overhead	Total
Phase 1	Lumber	20	30	10	60
Phase 2	Paint	5	10	5	20
Phase 3	Name Plate	5	2	3	10
Phase 4	Walk-through		5	5	10
Estimated Costs		30	47	23	100
Estimated Revenue					150
Estimated Profit					50
Deposit	50%	75			
At Installation	40%	60			
Retainage	10%	15			
		150			

# JOB COSTING

Deposit	50%	75
At Installation	40%	60
Retainage	10%	15
		150

**JUN**

	Est Total				
	Cost	Act Cost	Diff	Est Rev	Act Rev
Material	30	0	-30		
Labor	47	0	-47		
Overhead	23	0	-23		
Total Cost	100	0	-100	150	0

Percentage of Completion

Actual Costs to date	0
Estimated Total Costs	100
Percentage	0%
Estimated Total Revenue	150
Actual Revenue	0



# JOB COSTING

Deposit	50%	75
At Installation	40%	60
Retainage	10%	15
		150

**JUL**

	Est Total				
	Cost	Act Cost	Diff	Est Rev	Act Rev
Material	30	15	-15		
Labor	47	35	-12		
Overhead	23	10	-13		
Total Cost	100	60	-40	150	90

Percentage of Completion

Actual Costs to date	60
Estimated Total Costs	100
Percentage	60%
Estimated Total Revenue	150
Actual Revenue	90



# JOB COSTING

$\frac{\text{Actual Costs to Date}}{\text{Estimated Total Costs}} \times \text{Estimated Total Revenue} \rightarrow \text{Percent Complete}$

$$\frac{60}{100} \times 150 \rightarrow 60\%$$

# JOB COSTING

The real reasons why construction work takes so long



# JOB COSTING

Deposit	50%	75
At Installation	40%	60
Retainage	10%	15
		150

## AUG

	Est Total				
	Cost	Act Cost	Diff	Est Rev	Act Rev
Material	30	20	-10		
Labor	47	45	-2		
Overhead	23	15	-8		
Total Cost	100	80	-20	150	120

### Percentage of Completion

Actual Costs to date	80
Estimated Total Costs	100
Percentage	80%
Estimated Total Revenue	150
Actual Revenue	120



# JOB COSTING

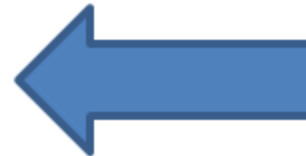
SEP

Deposit	50%	75
At Installation	40%	60
Retainage	10%	15
		150

	Est Total			Est Rev	Act Rev
	Cost	Act Cost	Diff		
Material	30	25	-5		
Labor	47	47	0		
Overhead	23	18	-5		
Total Cost	100	90	-10	150	135

## Percentage of Completion

Actual Costs to date	90
Estimated Total Costs	100
Percentage	90%
Estimated Total Revenue	150
Actual Revenue	135





# JOB COSTING

# OCT

Deposit	50%	75
At Installation	40%	60
Retainage	10%	15
		150

	Est Total				
	Cost	Act Cost	Diff	Est Rev	Act Rev
Material	30	25	-5		
Labor	47	52	5		
Overhead	23	23	0		
Total Cost	100	100	0	150	150

## Percentage of Completion

Actual Costs to date	100
Estimated Total Costs	100
Percentage	100%
Estimated Total Revenue	150
Actual Revenue	150



# JOB COSTING

		Progress Invoices
<i>June</i>	<i>Receive Deposit</i>	\$ 75
<i>July</i>		\$ -
<i>August</i>		\$ -
<i>September</i>	<i>Installation</i>	\$ 60
<i>October</i>	<i>Retainage</i>	\$ 15
	<i>Total</i>	<b>\$ 150</b>

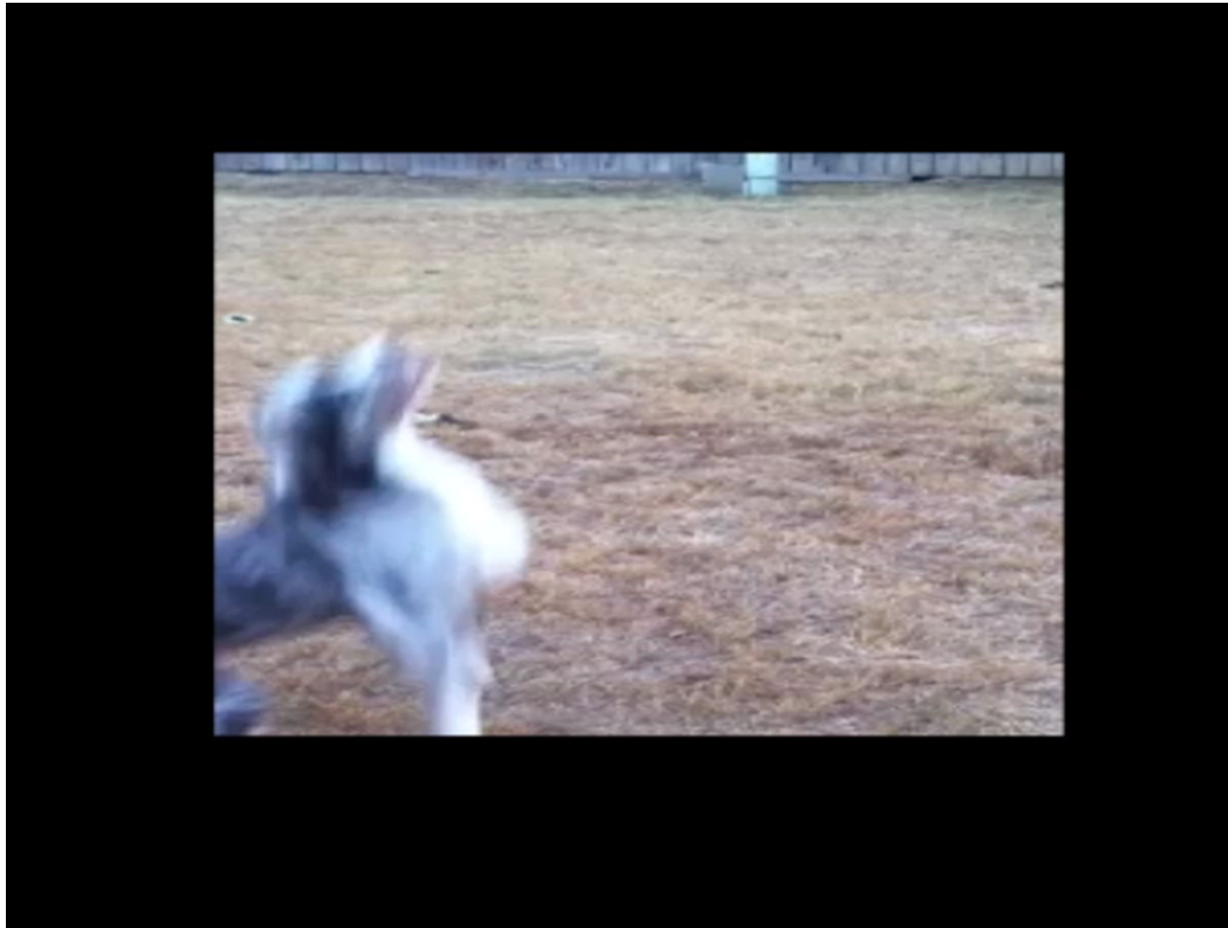
*Cash is NOT revenue*

# JOB COSTING

## *Profit and Loss Statement*

	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>Year</i>
<i>Revenue</i>	0	90	30	15	15			\$ 150
<i>Cost of Goods Sold</i>	0	60	20	10	10			\$ 100
<i>Gross Profit</i>	0	30	10	5	5			\$ 50
<i>Percent Complete</i>	0%	60%	80%	90%	100%			
<i>Gross Margin</i>	0%	33%	33%	33%	33%			33%

# JOB COSTING



Bow's new house is 100% complete

# JOB COSTING



Welcome home Bow

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General Contractor	Jun	Jul	Aug	Sep	Oct
Job Name: Bow's Luxury Dog House	Deposit			Installation	Walk-Thru
TOTAL ESTIMATED REVENUE	150	150	150	150	150
TOTAL ESTIMATED COSTS	100	100	100	100	100
Estimated Margin	50	50	50	50	50
Adjusted Margin %	33.33%	33.33%	33.33%	33.33%	33.33%
Actual Materials/Subs/Cost	0	25	35	43	48
Actual Regular Time	0	35	45	47	52
Actual Over Time	0	0			
Actual Labor Burden	0	0	0	0	0
TOTAL ACTUAL COSTS	0	60	80	90	100
Calc'd Labor Burden Reg Time	0	0	0	0	0
Calc'd Labor Burden OT	0	0	0	0	0
Total calculated costs incurred	0	60	80	90	100
Percentage Complete	0.00%	60.00%	80.00%	90.00%	100.00%
Earned Revenue	0.00	90.00	120.00	135.00	150.00
Total Revenue Recognized	75	0	0	135	150
Gross Profit	0	-60	-80	45	50
Over or (Under) billed	75.00	-90.00	-120.00	0.00	0.00
P & L Adjustment- Income	75.00	-90.00	-120.00	0.00	0.00
BalSheet Adjustment- Asset	0.00	-90.00	-120.00	0.00	0.00
BalSheet Adjustment- Liability	75.00	0.00	0.00	0.00	0.00

Over or (Under) entries should be posted to the accounting records for each job for each month. This adjusts between what revenue is recorded when invoices (or draws) are paid by the customer, and the “*earned revenue*” based on the percentage of completion.