Job costing fundamentals

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The need for Job Costing

- Is all business truly good business?
  - Need to understand if a client is profitable and your true costs…
  - Unless you are a non-profit company!

- Software vs. Excel spreadsheet job costing
  - Many different software options that can help streamline this process
  - Cost will vary – typically a subscription based model (# of users)
  - Depending on size of your organization, it may be cost prohibitive
    - But that doesn't mean you shouldn't do it!

Excel Spreadsheet Template

- Create a simple template for basic job costing data
    - Include total revenue
    - Direct labor costs (wages, payroll tax burden, benefits, work comp, etc.)
    - Direct material costs (supplies, equipment, equipment repairs, etc.)
    - Gross Profit (Total revenue less direct labor and direct material costs)

    If you want to understand Net Profit, you can include a line for:
    - Overhead allocation (administrative/management staff, vehicle costs, liability insurances, office rent, etc.)

Job Cost – Spreadsheet Example

	July	% of Sales
Total Revenue	2,523	100.00%
Direct Labor	1,218	48.28%
Overtime Labor	55	2.18%
Employee Benefits	-	0.00%
Payroll Taxes (FICA, SUTA, FUTA, Medicare)	40	1.60%
Liability Insurance (WC/Liability)	119	4.70%
Total Labor	1,432	56.76%
Cleaning supplies/products/tools	317	12.56%
Equipment maintenance	-	0.00%
Total Materials	317	12.56%
Gross Profit	774	30.68%

- Suggested frequency
  - Monthly w/running YTD total
- Who should review?
  - Controller/Ops Manager/Owner
- How to use the data?
  - Compare to budget
  - Identify trends and course correct
  - Use data to support need for a price increase or concession if customer is seeking reductions
  - Incentive/Bonus plans