



Realizing Profitable Potential through Change

Job Costing – Key to Profitability

The key to profitability in any company is being able to accurately track the costs as they relate to the job. It is not enough to just know your overall income and expenses. You need to know for each project/job how much you are spending compared to how much you are charging your client. If you don't know then you are probably throwing your profit right down the drain.

Here are 5 quick and easy tips to doing job costing:

1. Use an accounting system to help automate the tracking of your ins and outs. A system like QuickBooks enables you to set up customers and jobs that you can then associate with each expenditure and income.
2. When you make purchases, notate appropriately which job they relate to. Don't just put them in a "pool" of expenses. It takes very little effort to track per job expenses, but the outcome will be priceless.
3. Establish reports that separate income and expenses per job. Most accounting packages have these already established. You may just need to work with your accountant to know how to retrieve them out of the system.
4. Input estimated costs at a detailed level into your accounting system so that you'll be able to compare actual vs. estimated costs at a detailed level. This enables you to monitor where costs may get out of control as it relates to specific costs. It's hard to manage from an overall view if you do not know the specifics of where things go astray.
5. On a regular basis you need to be analyzing the project process from not only a production standpoint, but also from the monetary aspect. At any point in the process, by tracking the data in a computerized system, you'll be able to access where you are at financially at a job detail level to keep control of your costs in a timely manner, instead of after the fact.

Job costing doesn't have to be an overwhelming process. The key is to have a process and by utilizing a computerized accounting system, like QuickBooks, you'll be able to do this easily. There is no acceptable reason why a business would not make the effort to track their income and expenses at a job level. By choosing not to track this information, you are in essence making a conscientious decision to NOT be a proactive business owner/manager. Job costing processes are the key to your business profitability!

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