



that all of the invoices get posted to the proper accounts within your accounting system.

Another vital job of the administrative department is to keep a price book up-to-date so that the estimator can keep track of the cost of materials. This book needs to be properly checked when invoices come in so that prices can be updated and kept-current. Any good secretary or bookkeeper can do this simple comparative process after the procedure has been explained.

**Labor.** It is also necessary for the bookkeeper to keep track of all the time that goes into each job, whether you have one employee, three employees, or fifty. Their time needs to be kept by job number and posted to that particular job card. If some labor is not chargeable to a specific job, because workers were cleaning the warehouse, working on trucks, or whatever, keep a record of it so you can control these overhead items.

The bookkeeper needs to total the time for each employee after it has been posted to the various job cards so payroll checks can be written. The payroll, itself, can be complex, in that all the wages and taxes need to be figured and kept separate for each employee. If your

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bookkeeper is qualified these records, including the quarterly and year-end payroll taxes, can be done in your office. You may, however, wish to make your accountant responsible for this.

**Other Overhead.** Consider other overhead and non-chargeable items. If you have more than one vehicle, it is beneficial to number each one so that any gas, repairs, or employee labor can be charged directly to that vehicle. You then have an accurate account of what that vehicle is costing per year to operate. Properly recording other overhead costs such as utilities and construction supplies (saw blades, rope, chain, and other things not charged directly to one job) help you control the cost of operating your business.

**Insurance.** Another vital link in administration is insurance. It is absolutely essential that someone work with your insurance agent to determine exactly what is covered and what is not covered in your business. In today's fast changing times, our bookkeeper works with the agent about every six months to determine whether there have been any changes in our coverage. We check to see if we need to update anything, if we are paying too much for our insurance, or if something important is not covered.

#### **Your Right Arm**

I am often told that the owner of the company does the bookkeeping himself. I find it extremely difficult to believe that a good bookkeeping job could be done by someone who is trying to run a crew, sell the jobs, and do the estimates. It is simply more than one human being can do.

I think it is easy to see that the basic

administrative job that I have outlined is at least a part-time job and more often a full-time job. When you add answering the telephone, operating the two-way radios, checking materials for the production department, talking to customers and working with selection sheets, it's not hard to see that a full-time person can be readily used and their wages well covered. It is often said that people can't afford a bookkeeper/secretary combination. My theory has always been that you can't afford to be without one. He or she needs to be your right-arm person to keep track of the overhead and your general expenses.

#### **Profit**

The profit-and-loss statement should be produced at least every three months, and I strongly suggest that one be prepared every month. It will show what overhead costs are, and you will readily know if your mark-up is adequate. The selling price of a job must be the cost of the material, the cost of labor, the general cost of doing business (overhead), and any profit that you want to make. Remember when you mark up cost, the percentage of mark-up must relate to the expenses indicated on the profit-and-loss statement. The percentages on the profit-and-loss statement are based on 100 percent of the gross amount of sales. When you are costing out a job, you are only working with direct costs (labor, materials, and sub-contractors). Therefore, when you are marking up a cost at 50 percent you are really only marking up the total sale by 33 percent. If your overhead happens to be 25 percent, you are only making 8 percent where you thought you were making 25 percent. (For a thorough explanation of mark-up see "Mark-up Basics," this issue.)

#### **Summing Up**

To briefly review: after a written proposal has been signed, a job-costing system must be developed to keep track of labor, materials, and subcontractors on each job. The system can use job cards or a loose-ring notebook.

You need a purchase-order system to keep track of the materials and subcontractors. You need time sheets filled out by your employees to document labor costs for each job and for payroll. And you need a system that makes sure the customers are billed in a timely fashion and that invoices are filed in an organized accounts-receivable system.

A payroll system is needed to keep track of the individual wages paid to, and taxes withheld from, each employee. An accounts payable person is needed so that you know how much you owe each individual vendor, and when you pay what you owe. The general-overhead and operating-expense items need to be recorded in separate accounts so that a profit-and-loss statement can be compiled and a tax return filed.

Even if your office happens to be in your home, you still pay heat, lights, telephone, insurance, etc., to operate the house. Remember to document these items so that you can determine the proportion that is attributed to your business. Successful remodelers and builders are backed by a good set of books-an accounting system which is acceptable to the profession. Remember, the job isn't completed until the paperwork is done! ■

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