



Construction

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Bottom Line

Job Cost Reports

By: Les Cunningham

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Job cost reports provide information that can be used both during construction and after the project is completed. The reports should have three columns for each phase of the project: one for the estimated bid, one for the actual produced number, and the last for the variance between the two. You can create these reports using most estimating or accounting software, but you can also create your own spreadsheet.

The source of the information in these columns is important. The estimated bids are set at the beginning of the project. During the project, the field crew's timecards — with phase codes and actual hours — should be used to fill in the "actual produced" columns.

The reports should be provided to the lead carpenters to review before weekly production meetings. At the meeting, the lead, the owner, and the salesperson should discuss any discrepancies to make sure the job stays on time and on budget.

Here's an example of how adjustments can be made during construction: If a carpenter spends three hours installing shelves for the client that were not on the original estimate, this should generate an additional work authorization for an extra charge of three hours plus materials. The additional hours could affect the job completion date. In some cases, estimated costs can change due to unforeseen circumstances, such as a tornado that results in suppliers raising prices for materials that are in short supply.

We find that 80% of errors are due to an incorrect estimate, and 20% are due to production errors. The typical error that most estimators make is miscalculating the time it takes to complete a task.

Company owners can also use the reports to judge the estimator's accuracy, the efficiency of workers on the job, and purchasing efficiency. With accurate feedback, the owner or leadership team can make intelligent decisions about how to be more efficient in running a profitable company, what to pay their people, and what to charge clients.

—Les Cunningham is the president of Business Networks. He can be contacted at les@businessnetworks.com.

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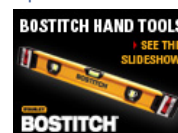


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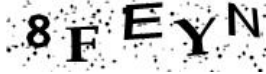
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