A Day in the Life of a Job
Part 1

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Sage 100 Contractor

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Introduction - Leslie Shiner

- Owner of The ShinerGroup
- Financial & management consultant for over 25 years
  - MBA in Accounting and Finance from U.C. Berkeley
  - Sage Certified Consultant
- Author
  - A Simple Guide to Turning a Profit as a Contractor
  - (www.MoneyMazeBooks.com)
- Contributing Columnist
  - Remodeling Magazine
Continuing Professional Education Credits

This course is eligible for 1.5 CPE credits. In order to receive these credits, you must:

• Be present for the entire duration of each course session.
• Participate in all class activities.

Session Information

• Download session materials from the Resource Center.
• Set screen resolution to 1024 x 768 for optimal viewing.
• Place phone on mute to avoid excessive background noise:
  − Press *6 to mute. Press *6 again to unmute.
  − DO NOT put us on hold.
• Turn off email notifications, cell phones, and instant messaging. Move cell phones away from your phone and computer.
• Chat your questions to our moderator in the Chat panel.
• Due to time constraints, questions that are very specific to your business are likely to be deferred to post-session follow up.
Learning Objectives

• After completing this session you will be able to:

  • Create a job with the right information
  • Set up original budgets, subcontracts and purchase orders
  • Utilize the integrated functionality of change orders to update budgets, subcontracts, committed costs
More Learning Objectives

WSIC? Or: $W^{(tf)}SIC$?

Understand The Profit Cycle

PROFIT

Estimating and Sales
Production
Accounting
Analysis
Polling Question

• How long have you worked with Sage 100 Contractor
  - Less than 6 months
  - 6 months to 2 years
  - 3 years to 6 years
  - More than 6 years

Fully Integrated Program

Estimate with full detail
Based on parts

Schedule
Purchase Orders
Subcontracts
Bid Request
Change Orders
Proposal

Budget
Based on cost codes

A/P
Payroll
General Ledger
Billings

Actual Job Costs
Based on cost codes
A Day in the Life of a Job - Part 1

• Agenda
  • Budgets
  • Proposals
  • Purchase Orders
  • Subcontracts
  • Change Orders

Polling Question

• Who inputs budgets in your office?
  − I do
  − The bookkeeper
  − Someone else
  − We don’t input budgets
Budgets as a Starting Point

- Budgets become the basis for all estimated to actual job cost reports
- Every job should have a budget!
- Budget should never include overhead or profit!
- Create by cost code for line item detail
  - Is your cost code list too detailed?
  - Will the comparison of estimated costs to actual cost make sense?
  - What code will you use when costs are incurred?
  - Will the person entering the costs understand the different line items?

The Cost Code List

- The key to project management
- Are the Estimator, Project Manager, and Bookkeeper speaking the same language?

<table>
<thead>
<tr>
<th>Cost Code</th>
<th>Budget</th>
<th>Changes</th>
<th>New Budget</th>
<th>Costs</th>
<th>%</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>6109.0100 - Rough Framing</td>
<td>3,984.20</td>
<td>3,984.20</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6120.0100 - Wall Framing</td>
<td>449.25</td>
<td>449.25</td>
<td>1,589.20</td>
<td>381.45</td>
<td></td>
<td>-1,104.14</td>
</tr>
<tr>
<td>8203.0100 - Finish Carpentry</td>
<td>451.10</td>
<td>451.10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8409.0100 - Custom Casework</td>
<td>1,086.60</td>
<td>1,086.60</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8708.0100 - Rough Hardware</td>
<td>45.40</td>
<td>45.40</td>
<td>40.23</td>
<td>181.65</td>
<td></td>
<td>-0.75</td>
</tr>
</tbody>
</table>

Sub Total: 5,370.03  | 5,370.03  | 1,029.62  | 30.35     | 3,740.41 |
Create a Usable Budget

- Create automatically or manually
  - Export from 9-5 Takeoffs
  - Create manually in 6-2 Budgets
  - Import from an existing job or template
- Create by job
  - Can also create by phase
  - If you budget by phase, you should also job cost by phase
- Enter cost codes
  - Manually enter cost codes
  - Remember the F4 and/or F4* feature
- Also specify by cost type

Demonstration – Create a Job

- Create a Job (3-5)
- Number: Use default (should be 225)
- Name: Summit Job
- Client: 124 - Postmaster
- Contract Price: $75,609.98
A Day in the Life of a Job - Part 1

Result – Job Screen

Job Set Up Tip

- Set your defaults
  - Use the F7 Key to set defaults for Job Set-up
- Due Terms
  - Important for correct aging
  - Even if “due and payable upon receipt,” consider entering 10DY for 10 days
  - Otherwise, aging report shows past due
- Finance Charge
  - Important for printing invoices
  - System report pulls in this information
  - Consider entering 18% as default
  - Doesn’t mean you must charge finance charge
  - Don’t want invoice to show that you never charge a finance charge
Demonstration – Create a Budget

• Customize Your Budget Screen
• Open 6-2 Budgets
  − Right mouse click inside grid
  − Click on Show/Hide Columns
    • Uncheck User Def Type 6 though Type 9
  − Click OK
• Right mouse click inside grid again
  − Click on Save Current Grid View
• Do you want to have the Enter Key move down instead?

Demonstration – Create a Budget

• Job 225
  − Must enter Job # first!
• Use the following budget for your new job
• Save the budget

<table>
<thead>
<tr>
<th>Hours</th>
<th>Material</th>
<th>Labor</th>
<th>Equipment</th>
<th>Subcontract</th>
</tr>
</thead>
<tbody>
<tr>
<td>1300.00</td>
<td>8500.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1500.00</td>
<td>450.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18000.00</td>
<td>36.00</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>270.00</td>
<td>352.00</td>
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<td>24.00</td>
<td>526.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4200.00</td>
<td>204.00</td>
<td>925.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>29000.00</td>
<td>129000.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Result – Budget

• Once finalized, do not change
  – Check the "Lock Edit" box to prevent changes
  – Use Set Budget option to save copy
    • Optional step!
• Make changes through Change Orders
  – All future changes will be entered in Change Orders
  – Change Orders created in menu 6-4-1
    • Enter costs in the budget tab of the change orders
• Utilize Budget to create Proposal
• Utilize Budget (or Proposal) to create Progress Bill

Find a Number and Stick With It!
Make Budgeting Easier with Templates

• Create Templates
  – Can create template for repetitive type of work
  – Can create template with cost codes only (no dollars) for repetitive work with different dollar amounts
  – Export from existing job, import into a new job or phase

• Template
  – Budget file, includes all phases
    • Such as an Excel workbook
  – Grid file, includes only specific phase
    • Such as an Excel worksheet

• Agenda
  • Budgets
  • Proposals
  • Purchase Orders
  • Subcontracts
  • Change Orders
Create a Proposal From A Budget

- Notice that the:
  - Budget price is $57,172.00
  - Contract price is $75,609.98
  - Contract includes Overhead of 15% plus Profit of 15%
    - 15% OH plus 15% Profit doesn’t equal 30%
    - You earn profit on your overhead so markup equals 32.25%
- Create Proposal to increase each line item
  - By cost type?
- Or create Proposal equal to cost with additional line item for Overhead and Profit (or Contractor Fee)
- You decide what is best for your company

Demonstration – From Budget to Proposal

- Open 6-9
- Enter Job 225
- Click on Options
  - Import Budget
- Enter 15 in all fields
  - Default continues from above
- Click on OK
- Save
A Day in the Life of a Job - Part 1

Polling Question

• Do you utilize purchase orders?
  – Yes, sometimes
  – Yes, but only for the large purchases
  – No, it’s too much work
  – We have a purchased order system
Purchase Orders

- Create automatically or manually
  - Export from 9-5 Takeoffs
  - Create manually in menu 6-6-1
- Create with detailed parts
  - Imported from estimating
  - Specific to each vendor
- Utilize purchase orders by task or phase of job
- Can also create as lump sum to control costs

Purchase Order – Example
Demonstration – Create a PO

- Purchase Order menu (6-6-1)
- Order Number: Next (or 457 if it doesn't default)
- Vendor: 21 – Freeman Hardware and Steel
- Description: Concrete
- Job: 225
- Check the Hot List box (Turn off Lock Edit)
- Grid – Start with Description (do not use part#)
  - Concrete: 1 at $4200 for cost code 3300
  - Formwork: 1 at $270 for cost code 3100
- Save

Result – PO
Purchase Orders – Tips

- Turn on Option – Automatic Close
- Create A/P Invoice against PO
- Always use the Auto Cost button
  - Job cost will default from PO
  - Excellent for multiple cost codes
- Never delete line items in PO

- If you create Lump Sum PO’s
- You might want to swap Quantity and Price

Agenda

- Budgets
- Proposals
- Purchase Orders
- Subcontracts
- Change Orders
Polling Question

- Have you ever overpaid a subcontractor?
  - Never!
  - Yes, but just once
  - Yes, but I don’t want to talk about it
  - We don’t use subcontractors

Create Subcontracts

- Create automatically or manually
  - Export from 9-5 Takeoffs
  - Create manually in menu 6-7
- Similar to PO – commitment to purchase
- Integrates with Change Orders
- Allows you to:
  - Print legal documents
  - Manage retention
  - Manage payments
A Day in the Life of a Job - Part 1

Subcontracts – Features

- Avoid overpaying subcontractors
  - Track original Subcontract amount
  - Track all Change Orders: open and approved
  - Track invoices to date
- Real time review to prevent potential overpayment!
- Turn on option in 4-2
  - Set Over Subcontract Warning

Subcontractor – Overpayment Risk
Subcontractor – Insurance Liability Risk

- Avoid paying subcontractors with expired certificates and/or licenses
  - Can your job afford the added fees?
- Need to qualify current expired certificates at three points in time
  - Signed contract (enter subcontract)
  - Vendor bill received and entered
  - Cut the check

Subcontractor – End of Job Risks

- Find unbilled work
- Avoid the last minute invoices added to your job costs at the end of the job
- Perform Subcontract Audit
  - During the job
  - Prior to closing out job
Regularly Run Subcontract Audit

Process is the Key!

- Improve payable entry, approval, and disbursement procedure
- Enter bills at earliest possible moment
- Unknown items are still entered
  - Easier to catch overages than underreported items
  - Avoid lost items in the bottom of your inbox
  - Use “unknown” cost code
- Use status to only pay approved items
- Select bills to pay:
  - By vendor, due date, discount date, job, status
Demonstration – Subcontract

• Subcontract menu 6-7-1
• Job: 225
• Vendor: 14 – Jenkins Construction Company
• Use Subcontract Number: 225-014
  – Why do we use this numbering system?
• Description: Site Work
• Check the Hot List box
• Grid
  – Description: Site Work
  – Cost Code: 2000
  – Cost Type: 4
  – Amount: $18,000
• Save

Result – Subcontract

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[Image of a software interface showing a subcontract entry with details such as job number, vendor, description, cost code, and amount.]
Change Orders – Process

- Create procedures for creating “Proposed Change Orders” in the field
- Track all change work – whether it will result in increased dollars or not
- Make sure that all supervisory personnel know who is authorized to approve change work
- Document discussion with owners, architect, designer, and all parties involved
Change Orders – Pricing

- Change Orders can make or break a job
- Set expectations with client about change orders at beginning of each job
- Determine pricing of change work as part of contract
  - Who is your competition?
  - What to charge for overhead and profit?
  - You can charge higher rates for change work
  - You can charge different rates for increase/decrease in scope of work
- Do you charge a change order processing fee?

CO’s – the Ever Changing Budget

- Track two components of change work
  - Adjustments to contract price
  - Adjustments to budget
- Determine pricing for change work
  - Flat price vs. T&M or Cost Plus
- Revise project budget to reflect the changed expectations to keep the cost reports in line with changed conditions of project
- Be sure to track the change work and bill as early as possible within the parameters of the contract
Change Order – Tips

• Status (header) is very important
  – Many reports will not include Open Change Orders
• Subcontract integration
  – Remember the all-or-none columns
  – Can relate to specific line in subcontract
• Backcharge CO’s
  – Add to one cost code
  – Subtract from another cost code
  – What will a sub do and what will you do?

Demonstration – Change Order

• Change Order menu 6-4-1
• Header
  – Job: 225
  – Description: Additional Site Work
  – Change #: Accept default of 1 (first CO for this job)
  – Status: 1 (Approved)
  – Check the Hot List
• Grid – Prime Change Details tab
  – Additional Site Work: $2,000 plus 15% plus 15% for $2,645
    • Cost Code 2000, Cost Type 4
  – Change Order Fee: $250 requested (no estimated cost)
    • Cost Code 1000, Cost Type 5
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Demonstration – Change Order

- Grid – Budget and Sub Change Details tab
  - Additional Site Work: $2,000
    - Vendor 14, accept Subcontract defaults
    - Subcontract Line 1
    - Status: 1 Approved
    - Cost Code 2000, Cost Type 4
- Check the Hot List box
- Uncheck Lock Edit
- Save the Change Order

Result – Change Order
Change Order – Budget Tab

- How much will it cost **you** to do this extra work

![Change Order Table]

Let’s Look at the Subcontract Again

- Does your subcontract look different?
- Additional line with change amount
- Can drill down to view change order
- What is the new Contract Balance?

![Subcontract Table]
A Day in the Life of a Job - Part 1

Summary

✓ Budgets
✓ Proposals
✓ Purchase Orders
✓ Subcontracts
✓ Change Orders

Join me for A Day in the Life of a Job – Part 2
Starts in 30 minutes

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Questions and Thank You

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