Estimated Cost to Complete

It is our experience that nearly all contractors use the "percent complete" method of recognizing revenue and cost except the residential builder who use the "completed contracts" method of accounting for revenue and cost. "Completed contracts" means when the job is completely done, you record the total income and expense. No income, job expense, profit or loss related to the job is to be recorded on the income statement until the home settles. Prior to that, the job costs appear as an item on the balance sheet named "work-in-progress." Revenue appears as customer deposits, deferred revenue or an item of debt.

"Percent complete" means that revenue is recognized as income at the rate the job is completed. Job costs are recognized at the rate they are incurred in ratio to both revenue recognized and total job costs expended to date, plus what is estimated to be incurred to complete the job. Your balance sheet will have an asset entitled "costs in excess of billings," meaning that you have costs you have not or cannot bill right now to the customer on jobs in progress. A liability account, or "billings in excess of costs" means that the contractor has billed the customer for work not yet done which is where all contractors would prefer to be placing the contractor ahead of the customer on a cash flow basis.

If the costs in excess of billings are greater than the billing in excess of costs, you will likely have a cash flow problem. This means that either you are spending faster than you are billing, your PM's are behind in getting their bills out or there are change orders that are not processed. All jobs with costs in excess of billings should be lumped together under a liability account on the current asset side of the balance sheet. Always double-check for losses not yet recorded. A project manager might simply fall behind in billing, which costs you interest expense, poor vendor relationships, and cash heartache.

If your "billings in excess of cost" are always higher than your "costs in excess of billings" it is good for current cash flow as long as that difference is rising. However, this will give you a false sense of cash security once the job comes to an end because the cash flow slows down. The excess billings over costs are not profit; they are positive cash flow.

The "schedule" of closed jobs and the open jobs "estimated costs to complete" should be prepared monthly and when your accountant requests it. This maintains a current review of each job's status and addresses problems while the job is ongoing. Don't wait until the job closes to address them, and everyone hopes they'll do better next time. Instead, confront problem situations earlier in the project. Review schedules and reports to estimate an opportunity to bid higher or correct a problem in the bid process. In SMB Cost to Complete can be generated at menu 6-8-1 and the Over/Under Billings Report is found at menu 6-1-7.

Automate SMB Payroll with I-Net

Wright Office Solutions, Inc. and JustinTime Software would like to announce the release of our latest application for SMB, I-Net Time Entry.

I-Net Time Entry is an application that will allow employees to enter their timecards daily via the web which will automate payroll to SMB. There are two modules with I-Net, a Control Center and the Time Entry module.

The Control Center resides in your office and allows administrators to set parameters such as which employees can log in or which jobs, phases, or cost codes are accepting time. It can also restrict Project Managers to view only their jobs. You may also assign a temporary Project Manger to oversee jobs when the assigned PM is unavailable or on vacation.

The Time Entry module is the secure web based component of the application. Employees enter their start and stop times daily for each job(s) they work on. I-Net will distinguish between regular, overtime hours (over 40), and lunch breaks upon import. Users can only select valid jobs and cost codes to avoid potential posting errors. Once users save their time they may print time reports, but they may not modify any records that have been saved in history. Any modifications must be made by assigned personnel. I-net then transfers the data entered by the employee on the web to Daily Payroll in SMB. From there time can be approved and timecards created.

If your company is interested in I-Net or would like further information please contact us at sales@wrightoffice.com

Tech Support

Calls From Our Customers

I am entering an a/p invoice and when I click on the use tax I get an error and SMB shuts down.

Caller was entering a PO number and therefore brought in the PO details into the a/p invoice. The PO was long and filled all of the grid lines on the a/p invoice. SMB requires at least two blank lines at the end of an a/p invoice to process the use tax. If lines are not available, add them or you will get a runtime error and SMB shuts down.

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How do I default the cash account number for printing checks from 4-3 Vendor Payments?

Log into SMB as Supervisor. From the Check Printing window, click in the Checking Account field. Press the F7 key to open the Field Properties window. Enter the desired cash account number in the Default Entry to field and click OK.