ClockShark

What is Job Costing and How Does it Impact Your Business?

An overview of everything you need to know to get the most out of your job costing

Introduction

It would be impossible to have a profitable company without having a clear understanding of your company's expenses. Job costing is the best way to stay on top of your profits and losses, but it's not always easy.

For businesses in the field service industry, it can become an organizational nightmare because most often there are several projects going on under the same umbrella, making expense-tracking difficult.

What is Job Costing?

Simply put, job costing is a type of [cost accounting](#) that collects detailed information about your company's expenses.

Accurate, organized job costing is necessary to ensure you are spending your resources in a profitable way.

Although job costing can be tailored to suit any company, on the most basic level it collects information on [three core expenses](#):

• **Direct** - Such as labor and supplies or materials used/scrapped on a job.
• **Indirect** - Like insurance or fleet management
• **Overhead** - Things like equipment depreciation or building/storage rental.

Understanding Job Costs Helps Make Field Companies Profitable

For companies with field workers, labor is a huge expense. In fact, sometimes it's the biggest, most difficult to predict expense and can cause you to run over budget.

Cost overrun is not uncommon and [research](#) has shown eleven key causes of it, ranked in order:

1. Material shortage
2. Shortage of labor
3. Late delivery of materials and equipment
4. Unavailability of competent staff
5. Low productivity level of laborers
6. Quality of equipment and raw material
7. Delay in progress payment
8. Financial difficulties by contractor
9. Poor site management
10. Escalation and fluctuation of material prices
11. Poor communication and coordination by the owner and other parties

For field service managers, four common issues that can affect cost overrun are:

1. Scheduling (both creating and adherence)
2. Safety/Liability
3. Communication
4. Performance Management

Some key issues that may cause problems for construction companies include:

• Improper accounting methods
• Allocation of indirect costs to long term projects
• Tax considerations of contractors versus employees

Thankfully, technology is rapidly being adopted by today's field service industries and the right system can help companies avoid these costly problems.

Using time tracking technology will help you identify costs on a per-project and per-employee basis to help avoid these common problems. When you are able to compare how much you spend on a job to the income, you can accurately calculate your gross profit.

If you find you are not making an ideal return, accurate job costing helps you make adjustments so you can get greater profits and stay competitive.

Benefits of Job Costing

We can't all be as organized as we'd like to be and it's even more difficult when we have field workers and multiple jobs or job sites. But it can't be denied that detailed job costing helps today's most successful companies in many ways.

Increase Profitability
Job costing obviously helps increase your profits because you can see where your dollars are going. But it's only as good as the effort you put into it. Accurate job costing improves your bottom line in at least four ways:

• Better customer service means your existing customers will stay loyal as you meet or exceed their expectations.

• Accurate records using real-time technology mean you don't have to worry about human error.

• When you are able to track each employee and each job to the minute, you can more easily calculate your labor dollars. By averaging what you pay your workers and multiplying it by actual hours worked, you can see if you're getting what you should be out of your workers.

• Scheduling is simplified so you can better control overtime costs.

Better Project Estimates
One way to avoid cost overrun is to know how much to bid on a project from the start. And what better teacher than history? When you look at previous projects that were the same or similar, you will have a good idea of what to bid on a new one.

Better Project Management
Let's face it: traditional project management is a nightmare. From hand-written notes to constant phone tag, it's incredibly difficult to manage your crews without technology and even more difficult to do so efficiently.

When you have real-time, automated updates from your workers, supervisors, and foremen, you can quickly access the necessary information and better manage their crews. Workers can view updates to a job or receive new schedules on the fly.

Proactively Respond to Changes on Projects
Some things are unpredictable. Weather, illnesses, or customer requests can toss a wrench into a smooth-running project. When you have job costs at your fingertips, you're in a better position to compare costs associated with these changes to the estimates and make necessary adjustments.

Is Job Costing Right for My Business?

Job costing is right for any business that wants to increase their profits and be more competitive. For companies in the field service and construction industries, job costing is a critical component of staying in business.

Many companies use this method of accounting for expenses because it is crucial to understand per-project costs for accurate billing, invoicing, and estimates.

Common companies that use job costing include:

• HVAC industries
• Construction companies
• Telecommunications and cable industries
• Healthcare workers such as mobile nurses or small medical practices
• Utility workers such as engineers and techs.
• Heavy engineering, mining, industrial and manufacturing companies
• Property maintenance such as landscaping, irrigation, and janitorial services

Job Costing and Government Contracts

For companies who work with the government, job costing is required. Your cost accounting system has to be in accordance with the **Federal Acquisition Regulation (FAR)** and **Cost Accounting Standards**.

This type of accounting system should:

• Track all costs for individual contracts
• Gather direct costs by labor code and job/task

• Collect indirect costs and allocate them using provisional, budgeted, or actual burden rates
• Track and isolate unallowable costs (as defined by FAR)
• Account for uncompensated overtime
• Account for bid and proposal as well as research and development costs
• Track employee labor
• Create invoices accurately and on time
• Have an adequate, consistent underlying accounting system

Government contracts are much stricter than private or commercial contracts and should be done not just for profitability but also to aid in compliance.

How ClockShark's Job Costing Feature Helps Project-focused Companies

ClockShark offers more than just time tracking. With our **powerful job costing** feature, you can start increasing productivity and profitability immediately.

Labor Tracking

Of course, it's helpful to have an accurate report of the hours of work your employees put in but being able to track individual jobs, tasks, and employees makes calculating labor hours a breeze. When you are able to gauge how much time employees are spending on different aspects of their jobs, you can create more profitable estimates.

For example, if you have a service technician who is given three hours to do a job but spends an extra 30 minutes in traffic congestion, it helps you keep track of the real labor dollars you're spending.

Project Oversight

As previously mentioned, poor project management is one of the top reasons for budget overrun. Part of this is due to communication issues and having to wait to find out the statuses of different jobs.

ClockShark lets project managers and supervisors see what's happening in real-time, so they know who's working on what, when. Workers can [share information and files](#) so their managers can communicate more effectively.

Integrations

ClockShark makes job-costing even easier when you [integrate](#) with QuickBooks, Sage, Xero, or other popular payroll and accounting systems. Instead of frantically going through pages of hand-written notes and deciphering job codes, you have a neat, clean report that organizes everything for you.

Conclusion

ClockShark's powerful job costing feature makes your job costing process simpler, yet more detailed than ever, in less than half the time. Are you ready to see how easy it is to improve your job costing and increase your profitability? Contact our experts to find out about our time tracking solutions or sign up to try our free two-week trial today.
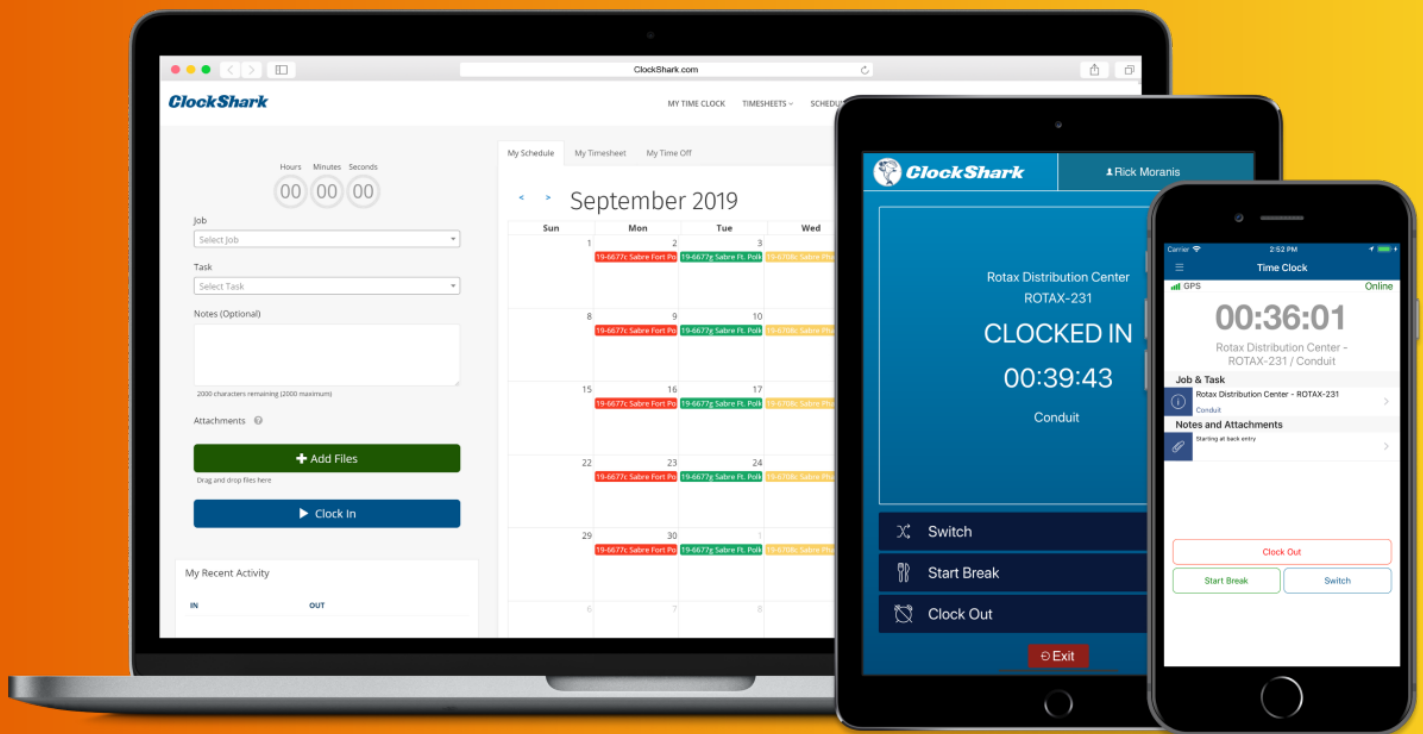
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