



Servicing construction clients:
Top tricks to help you own this niche

20 Essential tips and tricks

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- Contractor's Guide to QuickBooks Desktop (1998)
- Contractor's Guide to QuickBooks Online (QBO)
- Construction Forms and Contracts

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Agenda

Terminology, Tips & Tricks

Types of Contractors

Accounting Methods for Contractors

Resources for Learning More

Tip #1 – Job costing

Single most important ‘basic’ term for the construction niche

If you’re a home builder, job costs are whatever it costs you to build a home

Including...

Labor



Materials



Subcontractors



Equipment rental



Other job related cost



Tip #3 LMSEO

Also know as direct costs or field costs

- Labor
- Materials
- Subcontractors
- Equipment rental
- Other job related cost

Courtney's Construction

BUDGET VS. ACTUALS: JOB BUDGET - FY19 P&L CUSTOMERS

January - December 2019

	TOTAL			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
Income				
4110 Construction Income	67,280.00	75,000.00	-7,720.00	89.71 %
Total Income	\$67,280.00	\$75,000.00	\$ -7,720.00	89.71 %
Cost of Goods Sold				
5000 Job Related Materials & Services				
5101 Plans & Permits				
5101.1 Plans	1,500.00	1,500.00	0.00	100.00 %
Total 5101 Plans & Permits	1,500.00	1,500.00	0.00	100.00 %
5102 Site Work				
5102.1 Demolition	800.00	800.00	0.00	100.00 %
Total 5102 Site Work	800.00	800.00	0.00	100.00 %
5106 Framing	1,203.42	1,205.00	-1.58	99.87 %
5111 Windows & Trim	430.00	430.00	0.00	100.00 %
5112 Plumbing	1,400.00	2,000.00	-600.00	70.00 %
5117 Ceilings & Coverings	330.00	330.00	0.00	100.00 %
5119 Cabinets & Vanities	10,829.40	15,000.00	-4,170.60	72.20 %
5120 Specialties	0.00	500.00	-500.00	0.00 %
5122 Painting	1,730.00	2,500.00	-770.00	69.20 %
5123 Clean Up & Restoration	1,780.00	2,000.00	-220.00	89.00 %
5125 Contingency	0.00	1,200.00	-1,200.00	0.00 %
5127 Supervision	3,100.00	5,000.00	-1,900.00	62.00 %
Total 5000 Job Related Materials & Services	23,102.82	32,465.00	-9,362.18	71.16 %
Total Cost of Goods Sold	\$23,102.82	\$32,465.00	\$ -9,362.18	71.16 %
GROSS PROFIT	\$44,177.18	\$42,535.00	\$1,642.18	103.86 %
Expenses				
Total Expenses			\$0.00	0.00%
NET OPERATING INCOME	\$44,177.18	\$42,535.00	\$1,642.18	103.86 %
NET INCOME	\$44,177.18	\$42,535.00	\$1,642.18	103.86 %

Tip #5 Job phases/tasks

Although QuickBooks Online uses the name Product/Service, you should think of them as job phases, like:



- Plans & Permits
- Site Work
- Excavation
- Concrete
- Masonry
- Plumbing
- Insulation
- Painting
- etc.

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PRODUCT/SERVICE LIST

PRODUCT/SERVICE	TYPE	DESCRIPTION
01 Plans & Permits	Service	Plans & Permits
02 Site Work	Service	Site Work
03 Excavation & Grading	Service	Excavation
04 Concrete	Service	Concrete
05 Masonry	Service	Masonry
06 Framing	Service	Framing
07 Roof Flashing	Service	Roof Flashing
08 Exterior Trim & Decks	Service	Trim & Decks
09 Siding	Service	Siding
10 Doors & Trim	Service	Doors & Trim
11 Windows & Trim	Service	Windows & Trim
12 Plumbing	Service	Plumbing
13 Heating & Cooling	Service	Heating & Cooling
14 Electrical & Lighting	Service	Electrical
15 Insulation	Service	Insulation
16 Interior Walls	Service	Interior Walls
17 Ceiling Coverings	Service	Ceiling Coverings
18 Millwork & Trim	Service	Millwork & Trim
19 Cabinets & Vanities	Service	Cabinets & Vanities
20 Specialties	Service	Specialties
21 Floor Covering	Service	Floor Covering
22 Painting	Service	Painting
23 Clean Up & Restoration	Service	Clean Up
24 Landscape & Paving	Service	Landscape
25 Contingency	Service	Contingency
26 Sales Commissions	Service	Commissions
27 Supervision	Service	Supervision

Job phases/tasks

QuickBooks Online tips:

- Using QuickBooks Products/Service, you can break any job into measurable, trackable units.
- An important thing to understand about items is that they link to the Chart of Accounts.
- When you set up a job cost item, link it to both a job-related cost account, like Job Related Costs, and an income account, like Construction Income.

Tip #6 Customers

In the construction industry a customer is the entity that pays the contractor.



Tip #6 Jobs or projects

- If you are doing a remodel for Mark and Beth Woodruff, they would be your customer and the project would be Kitchen Remodel.
- It is important to understand that a customer can have more than one project. For example, Mark and Beth Woodruff might come back in a couple of years and ask the contractor to build a cottage for them.
- QBO TIP: Use the Project in QBO instead of sub customer.

Tip #7 Job key

The job key helps a contractors keep track of projects in an organized fashion.



- D is short for design
- R for remodel
- S for spec
- C for commercial.

This type of job identifier helps you quickly get a visual of projects sorted by time and stage.

Tip #8 Billing schedule

A billing schedule is created to help you invoice a job when a certain milestone is reached.

The screenshot displays the 'Estimate #1002' form in QuickBooks Online. The customer is 'Mark Woodruff' with email 'mwoodruff@gmail.com'. The total amount is \$75,000.00. The billing address is 'Mark Woodruff, Woodruff, Mark, 4104 W Maple Lane, Boise, Idaho 83725'. The estimate date is 08/21/2019. The estimate number is 1002.

#	SERVICE DATE	PRODUCT/SERVICE	DESCRIPTION	QTY	RATE	AMOUNT	CLASS
1	08/21/2019	Milestone	Payment #1: Due at Contract Signing	1	5,578	5,578.00	07 Revenue
2	08/24/2019	Milestone	Payment #2: Due at the Start of Demo	1	10,800	10,800.00	07 Revenue
3	08/27/2019	Milestone	Payment #3: Due at Start of Rough Electrical Work	1	14,400	14,400.00	07 Revenue
4	08/29/2019	Milestone	Payment #4: Due at Start of Tile Work	1	15,800	15,800.00	07 Revenue
5	08/31/2019	Milestone	Payment #5: Due at Start of Cabinet Installation	1	12,000	12,000.00	07 Revenue
6	09/03/2019	Milestone	Payment #6: Due at start of Rough Plumbing	1	16,722	16,722.00	07 Revenue
7							

Buttons: Add lines, Clear all lines, Add subtotal, Add sales tax, Save, Save and send.

Summary: Total \$75,000.00, Estimate Total \$75,000.00.

Billing schedule

Milestone List Example

- Milestone #1: 10% due at signing of contract
- Milestone #2: 10% due at the start of demo
- Milestone #3: 10% due when cabinets and countertops are ordered
- Milestone #3: 20% due at start of rough plumbing
- Milestone #4: 20% due at the start of rough electrical
- Milestone #5: 10% due when cabinets are delivered
- Milestone #6: 20% due at the start of flooring installation

Tip #9 Worker's Compensation Insurance

A contractor is required to carry this to cover work-related injuries for all employees, both in the field and in the office. They are also required to provide it for subcontractors that do not have their own worker's compensation insurance.



Three basic things to know about worker's comp:

- Each state requires you to have worker's comp coverage for all employees.
- You have to pay worker's comp for regular pay, as well as sick, vacation, and holiday pay, and on any bonuses and commissions paid.
- You are required to pay worker's comp for any subcontractor that does not have their own coverage.

Tip #10 General Liability Insurance

General liability insurance provides liability insurance for broad types of business risks.



#11 – Types of contractors



Remodel contractor



Bathroom

Kitchen

Whole House

or

Kitchen & Bath

Spec home builders



The term “**spec**” is short for speculative investment. A spec home builder is a contractor that is taking on the risk and rewards for the project. In other words, the builder buys a lot and builds a home with no particular buyer in mind. At some point the home will go up for sale and it is speculated that the home will sell at a profit.

Spec home builders need an accounting system that is able to hold lot purchases and jobs costs to date, called Work in Process, in an asset account. In this video, we'll show you how to account properly for spec home costs.

Commercial contractor

Larger jobs, smaller margins and generally require more accounting oversight



Apartment Buildings

Commercial Buildings

Excavators

- Bonding Reports
- Reviewed Financials annually
- Equipment costing
- Some inventory

Not a good place to start

Specialty contractor

A specialty contractor specializes in a certain field in the construction industry.



Examples:

- Roofing
- Electrical
- Plumbing
- Painting
- Framing

Tip #12 Subcontractors

Form W-9
(Rev. November 2012)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

1 Name (as shown on your income tax return. Name is required on this line; do not leave this line blank.)
Western Idaho Cabinetry

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only one of the following seven boxes.
☐ Individual sole proprietor or single-member LLC
☐ C Corporation
☐ S Corporation
☒ Partnership
☐ Trust/estate
☐ Limited liability company. Enter the tax classification (C-C corporation, S-S corporation, P-Partnership) in the space below the box.
Note: Check the appropriate box in the line above for the tax classification of the single-member member. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is not disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.
☐ Other (see instructions) →

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 2).
Exempt payee code (if any) _____
Exemption from FATCA reporting code (if any) _____
(Provide to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.) See instructions.
7777 E Meadowlark Drive

6 City, state, and ZIP code
Eagle, ID 83717

7 Last account number(s) here (optional)

8 Requester's name and address (optional)

Part I Taxpayer Identification Number (TIN)
Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.
Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number
____ - ____ - ____
or
____ - ____ - ____

Requirements:

- Required to collect a W-9
- Collect worker's comp certificates
- And general liability certificates
- Be a legal subcontractor
 - Own their own tools
 - Give a bid/proposal
 - Have a license and business set up
 - Set their own hours
 - Work for other contractors

Tip #13 1099 Form



QuickBooks automatically tracks 1099-related payments if subcontractors are designated as eligible for a 1099, so don't forget to check that box!

At the end of the year, QuickBooks will generate a report listing those vendors meeting the \$600 threshold and prints your 1099-MISC forms.

Tip #14 Material suppliers

A material supplier distributes goods and services to an organization, also known as a vendor in QuickBooks.



Tip 15 % of completion method

Advantage 1

Most accurate way to measure income.

Advantage 2

This method evens out the reporting of income over the life of the contract.

Advantage 3

Losses may be recognized based on the percentage of the contract completed.

Advantage 4

Preferred by most banks and bonding companies.

- This method only affects how your income is computed and reported.
- When you use this method, all G&A and job costs are deducted using the accrual method of accounting.
- You will report some income in each year of a long-term contract.

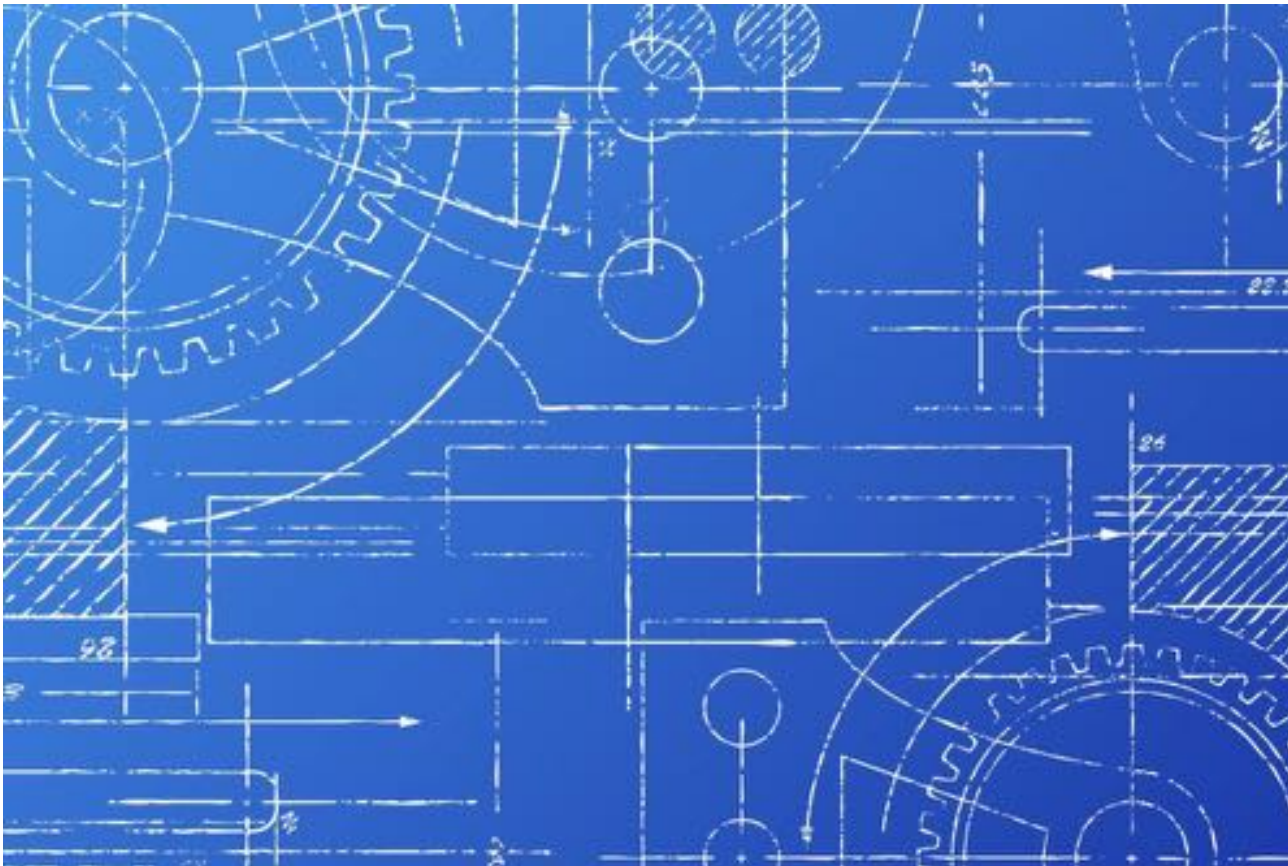
Tip # 16 Over/under billings

The screenshot shows an Excel spreadsheet with the following table structure:

Project	Estimated Cost	Total Costs to Date	%	Contract Price	Earned Revenue	Invoiced to Date	(Over)/Under Invoiced	% Completion	
								Estimated Earnings	Est. Cost to Complete
Project Name	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
The formulas pick up off these cells	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
Totals	0.00	0.00	0%	0.00	0.00	0.00	0.00	0.00	0.00
Over/Under Billings (Income)	0.00								
Under Billings (Current Asset)	0.00								
Over Billings (Current Liabilities)	0.00								

- Used to calculate the % complete on each project that is in process at the end of each month.
- Some jobs might be over billed and some are under billed.
- Spreadsheet

Tip # 17 Work in process



- Term WIP – current asset account
- You will use this account to track all of the costs to build the spec home, as well as land improvements, such as concrete work, irrigation system, landscaping, plans & permits, and all construction costs.
- Spec Home Builders can't expense the costs related to a spec home until the home is sold so you will need to know how to move costs from a Job Related Costs account to a Spec Home WIP account once a month.

Tip #18 Completed contract method

Advantages

- The completed contract method normally achieves the maximum deferral of taxes.

Disadvantages

- The books do not show clear information of operations.
- Income can be bunched into a year when a lot of jobs are completed.
- Losses on contracts are not deductible until the contracts are completed.

It is important to note that the completed contract method may only be used by small contractors and spec home builders.



Tip #19 Cash method of accounting

Advantages

- Cash Flow

Disadvantages

- Not accurate
- Will make P & L swing from month to month
- If you collect money up front you are required to pay taxes on that money

Tip # 20 Resources for learning more

Construction Trade Shows/NARI/NAHB

- Construction Trade Shows
- National Association of the Remodeling Industry (NARI)
- National Association of Home Builders (NAHB)

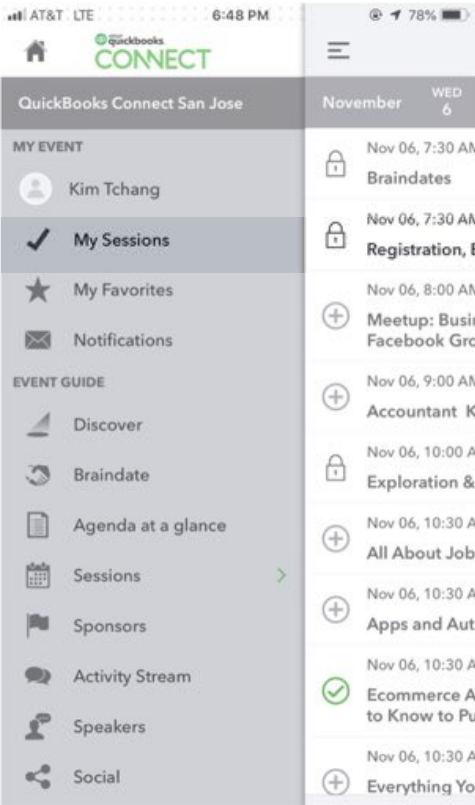


Questions?

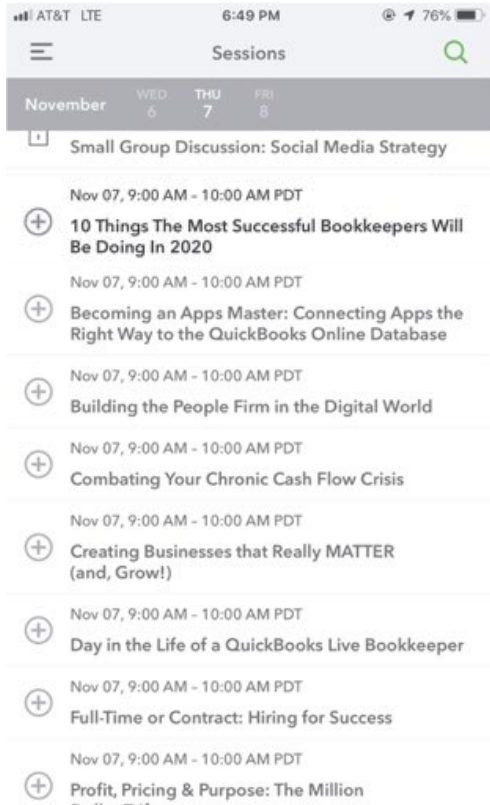
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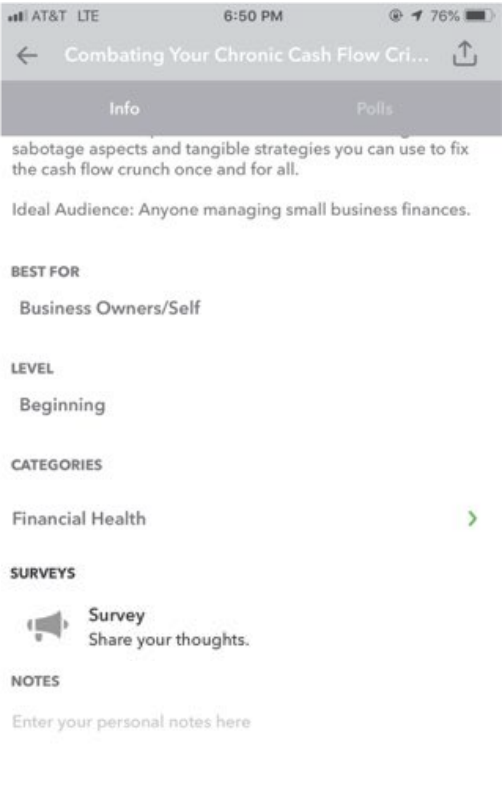
1. Select Sessions



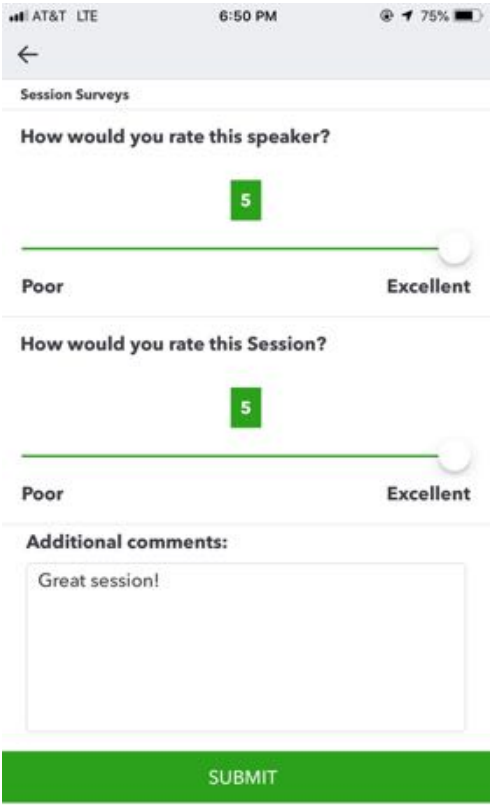
2. Select Session Title



3. Select Survey



4. Add Ratings



Material Download

1. Find the session on the agenda
2. Select + for more information
3. Download PDF of slides and/or supplemental material

<https://quickbooksconnect.com/agenda/>

The screenshot shows the QuickBooks Connect agenda page for November 7. The header includes the QuickBooks Connect logo, navigation links (Why Attend, Agenda, Speakers, Pricing, Sponsors, Travel, FAQ), and a 'Register now' button. The date 'November 7' is highlighted, with 'November 6: Accountant Day' and 'November 8' also visible. A 'Print Agenda' link is in the top right. Below the header, a paragraph describes the event: 'Get new insights from experts in business growth, organizational culture, financial health, technology and life skills. Book a Braindate with peers and expert consultant for one-on-one learning. Unwind in the evening with our legendary celebration.' A search bar labeled 'Search for sessions' is present. Below the search bar, filters are listed: Business Growth, Life & Business Skills, Organizational Culture, Technology Training, Advisory, and Financial Health, with an 'Expand all +' link. The agenda list shows sessions for November 7. The first session is 'Registration, Breakfast & Exploration' from 7:30-7:00 am. The second is 'Braindates' from 7:30-10:30 am, described as a new feature for booking time with attendees, consultants, and support. The third is 'Yoga' from 8:00-8:30 am. The fourth is 'Breakout Sessions' from 8:00-8:45 am, which includes several small group discussions: 'Small Business Meetup: Relationship Marketing and the Power of Human Connection', 'Small Group Discussion: Social Media Strategy', 'Small Group Discussion: Showing up - Why What You Wear Matters', and 'Small Group Discussion: Build Your Dream Bookkeeping firm'. Each session has a '+' icon to its right for more information.

QuickBooks CONNECT

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Register now

November 6: Accountant Day November 7 November 8

Print Agenda

Get new insights from experts in business growth, organizational culture, financial health, technology and life skills. Book a Braindate with peers and expert consultant for one-on-one learning. Unwind in the evening with our legendary celebration.

Search for sessions

Filters: Business Growth Life & Business Skills Organizational Culture Technology Training Advisory Financial Health Expand all +

7:30-7:00 am Registration, Breakfast & Exploration

7:30-10:30 am Braindates
New this year, you can use Braindates to book time with fellow attendees, expert consultants and the QuickBooks support team. [Learn more](#)
Best for: All Audiences
CPE Hours: not eligible

8:00-8:30 am Yoga

8:00-8:45 am Breakout Sessions

Small Business Meetup: Relationship Marketing and the Power of Human Connection

Small Group Discussion: Social Media Strategy

Small Group Discussion: Showing up - Why What You Wear Matters

Small Group Discussion: Build Your Dream Bookkeeping firm



OWN
THE
FUTURE