



Job Costing

SHAKER provides software and services to the construction industry, filling the needs of specialty and general contractors with financial and job accounting, payroll, project, equipment and service management, and more.

As the construction industry becomes more dependent on information, providers of software systems need to keep their systems up-to-date with information technology. The amount of data added to these systems is increasing exponentially. Much of the data output is not only of little value, but it also obscures the useful information needed to run a business effectively. In addition, experts estimate that 10 percent to 30 percent of data flowing through corporate systems is flawed. In a recent study of corporate data integrity, the Data Warehousing Institute (DWI) found that nearly half the companies surveyed suffered costs due to poor data. The estimated costs caused by this defective data were in the billions of dollars.

Some software packages fall into the trap of presenting

Distilling Data to Useful Information for Construction Companies

Job	Job Name	Contract Amount	RBM %	% Complete	PTCV	PTCV \$ This Month	Over Billings	Under Billings	Cash Flow	COBI
12413020	Job D	10,215,267	17.93	45.1182	-1,150	-95,970	421,555	0	197,087	1.02
12413028	Job E	2,086,000	5.20	51.8114	41,772	-22,016	0	444,312	-213,729	1.00
12413040	Job F	1,558,793	9.74	54.7978	-26,385	0	146,983	0	-75,358	1.09
12413047	Job G	3,113,700	20.83	48.4839	155,291	13,892	0	248,433	-27,648	1.02
12413054	Job H	440,000	13.36	73.8318	-9,989	697	52,723	0	86,341	1.00
12413536	Job I	199,183	23.12	84.6740	52,028	13,950	11,579	0	-21,228	1.44
12414005	Job J	300,000	18.80	0.5159	0	0	0	1,548	-1,209	1.00
12434034	Job K	128,478	49.39	62.1386	26,950	5,450	0	3,492	-28,169	1.01
12434048	Job L	498,000	17.59	21.3147	32,818	0	120,775	0	110,032	1.00
12434048	Job M	8,967	53.71	17.0510	1,913	1,447	6,663	0	-963	1.42
Totals		18,551,488	16.32	46.9535	273,238	-73,450	760,599	895,786	79,432	1.03

too much information and omitting key information needed to manage construction projects. Only a small amount of data is necessary to identify trouble spots so action can be taken on a timely basis.

BASICS REQUIRED TO FURNISH EFFECTIVE INFORMATION

In addition to typical cost and billing data, three pieces of basic information are required to furnish meaningful and timely information for a construction business. These are:

- **Revised Budget (RB) and Contract Amount (CA):** the

original contract and cost budget associated with a job plus the changes to the contract amount and budgeted cost associated with any change orders. To maintain this information, a change control function is required in the software and project managers need to be trained on how to report proposed change orders, pending change orders, approved change orders, etc.

- **Estimated Cost at Completion (ECAC):** the current estimate of what a job will cost at completion. This figure is derived from integrating budget and forecast information, as well as other information such as productivity and committed costs.

THE PRESENTATION OF EFFECTIVE INFORMATION

Users can prepare management reports containing the following nine columns of information to

gain the information required to manage jobs effectively:

- contract amount;
- revised budgeted margin percentage;
- percentage complete;
- projected total cost variance (a measure of expected performance compared to budget);
- projected total cost variance this month (the change in the projected total cost variance in the current month);
- overbillings (billings-revenue);
- underbillings (revenue-billings);
- cash flow (cash receipts-cash disbursements); and
- change order effectiveness (a comparison of change order margin percentage compared to the original contracts margin percentage).

As in most applications, simplicity is the key to success. When adding information to a software system, be careful not to add clutter that distracts from the important information required to manage projects.

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