How to Accurately Calculate Markup, Overhead, & Profit

TN TDOT Department of Transportation

Civil Rights Division

Small Business Development Program

DBE Supportive Services

City of Knoxville

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Civil Rights Division

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Stephanie Brooks, Contract Compliance Officer

Michael Young, Transportation Program Monitor II

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Phone: 615.741.3681 or Toll Free: 1.888.370.3647

https://www.tn.gov/tdot/civil-rights.html

Civil Rights Division
Small Business Development Program

DBE Supportive Services

Business Education & Mentoring

Subject Matter Experts in:

- Construction Estimating and Bidding
- Indirect Cost Rate Analysis
- Strategic Marketing / Business Counseling
- Business Development/ Strategic Marketing
- QuickBooks Accounting Assistance
- Financial Management
- KPI Benchmarking & Analysis
- Human Resources Compliance Assistance
- Construction/Project Management Coaching

Consultants:

Victor C. Tyler, P.E., *Cost Estimating & Pricing /AEC Management Consultant*

Marshall Tabb, *Lead Accounting-Financial Management/Leadership Development*

Curtis Webb, *Strategic Marketing & Business Development Consultant*

Jay B. Mercer, E.A., *QuickBooks Pro-advisor / Financial Management*

Sandra T. Webb, *QuickBooks Pro-advisor Trainer / Certified Payroll Specialist*

Teresa C. Daniel, PHR, SHRM-CP, *Human Resource Consultant/ Leadership Coaching*

Tanisha Hall, AICP, TDM-CP, *Communication & Engagement Consultant*

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Victor C. Tyler, P.E., M.ASCE, NSPE

President of Tyler Construction Engineers, P.C., located in Nashville, TN. Over 40 years of civil engineering, design, cost estimating and management consulting.

Professional Profile

- Licensed Professional Engineer in the state of Tennessee
- Published Author - “How To Estimate Road Construction Accurately” – 2010
- Founder of RoadBidTemplates.com website featuring construction estimating and bidding spreadsheet templates
- Strength in cost estimating, construction management, project scheduling, and construction financial methods.
- Member – ASCE, NSPE, TRBA

Education

- Masters of Science, Engineering Management, University of Tennessee
- Bachelor of Science, Civil Engineering, University of Tennessee

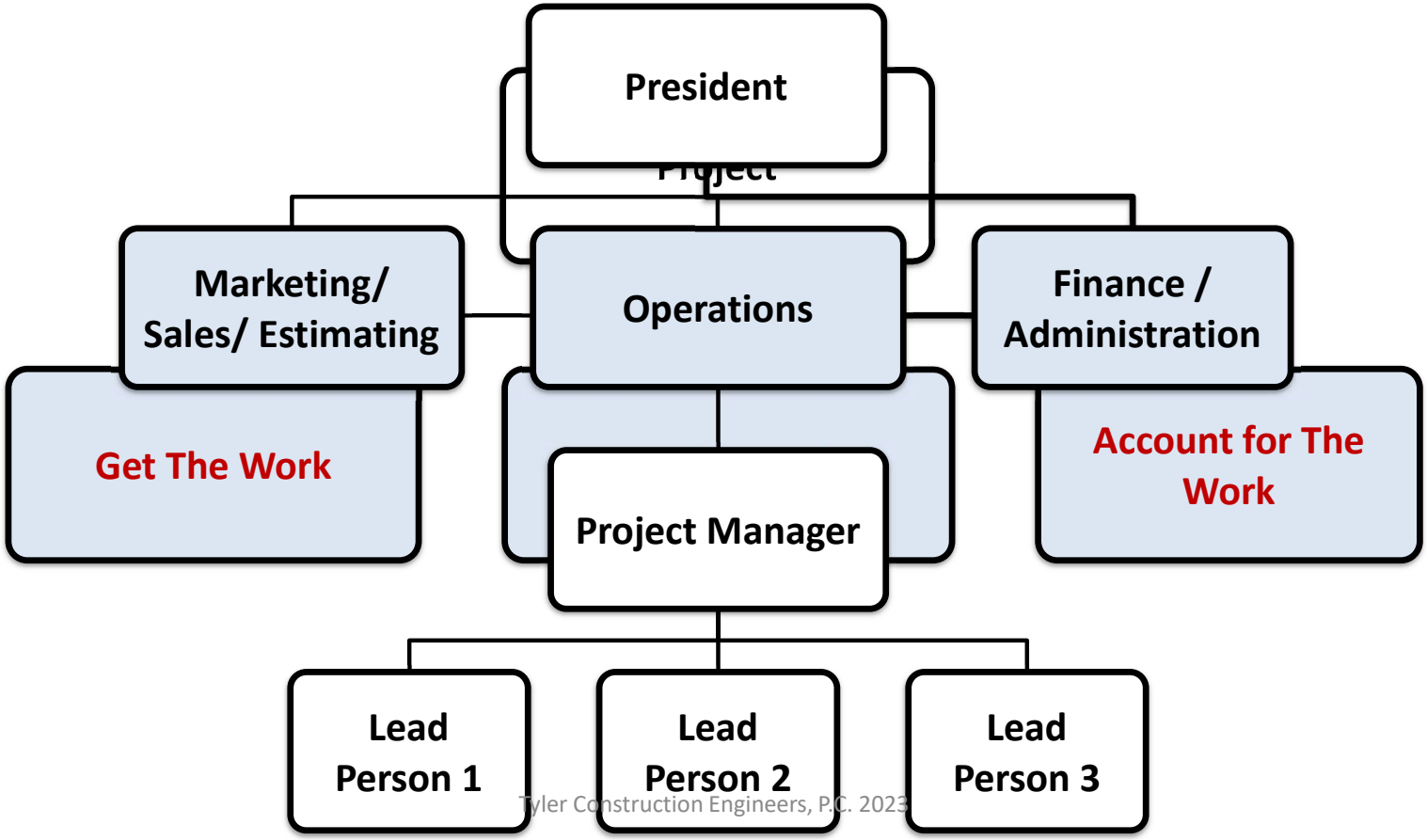
What Is This All About

To demonstrate what profit planning is all about and how you may be leaving money on the table by applying inaccurate overhead and markup rates to your job costs. We will guide you through the process of successfully calculating Overhead, Markups and Profit.

How to Accurately Calculate Markup, Overhead, & Profit

- The Right Questions about Markup & Profit
- Competitive vs Profitable
- Financial Management
- You Will Not Hear “Low Bid” In This Class
- Examples

Typical Project-Based Company



How do you ensure more consistency and accuracy across construction projects?

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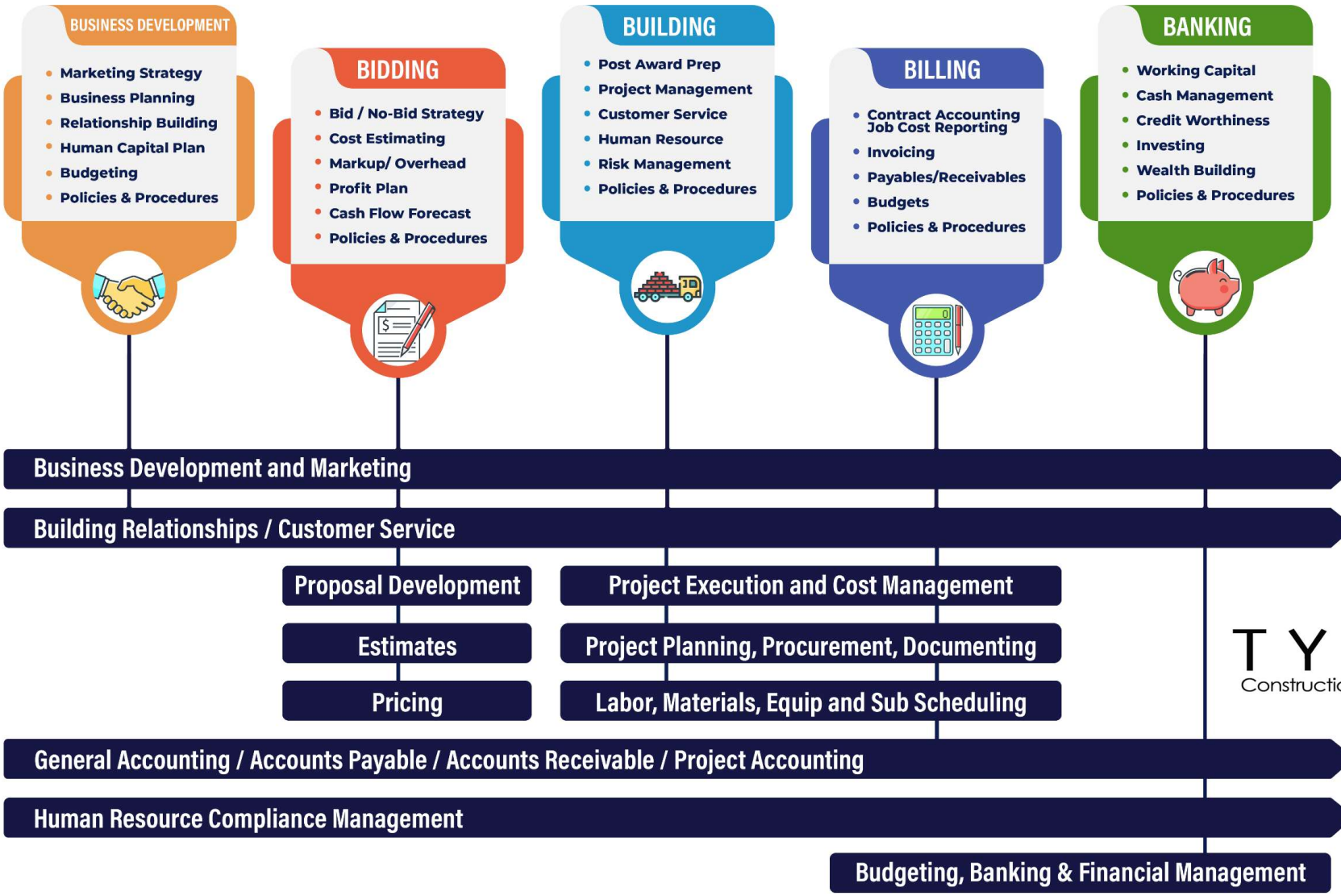

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B2. Bidding / Proposal Development

The Right Project

- Project Experience
- Project Size
- Location
- Competitors
- Competitive Advantage
- Labor Availability / Expertise
- Owner's Reputation

Estimating

- Labor
- Materials
- Equipment
- Subcontractors/ Suppliers
- Other Direct Costs
- **Job site Overhead**
- **Home Office Overhead**

The Profit Plan

- **Bid Markups**
- **Working Capital Required**
- **Profit Determination**
- Cash Flow Scheduling
- Project Affordability
- Bid Negotiation Plan
- Bid Policies & Procedures

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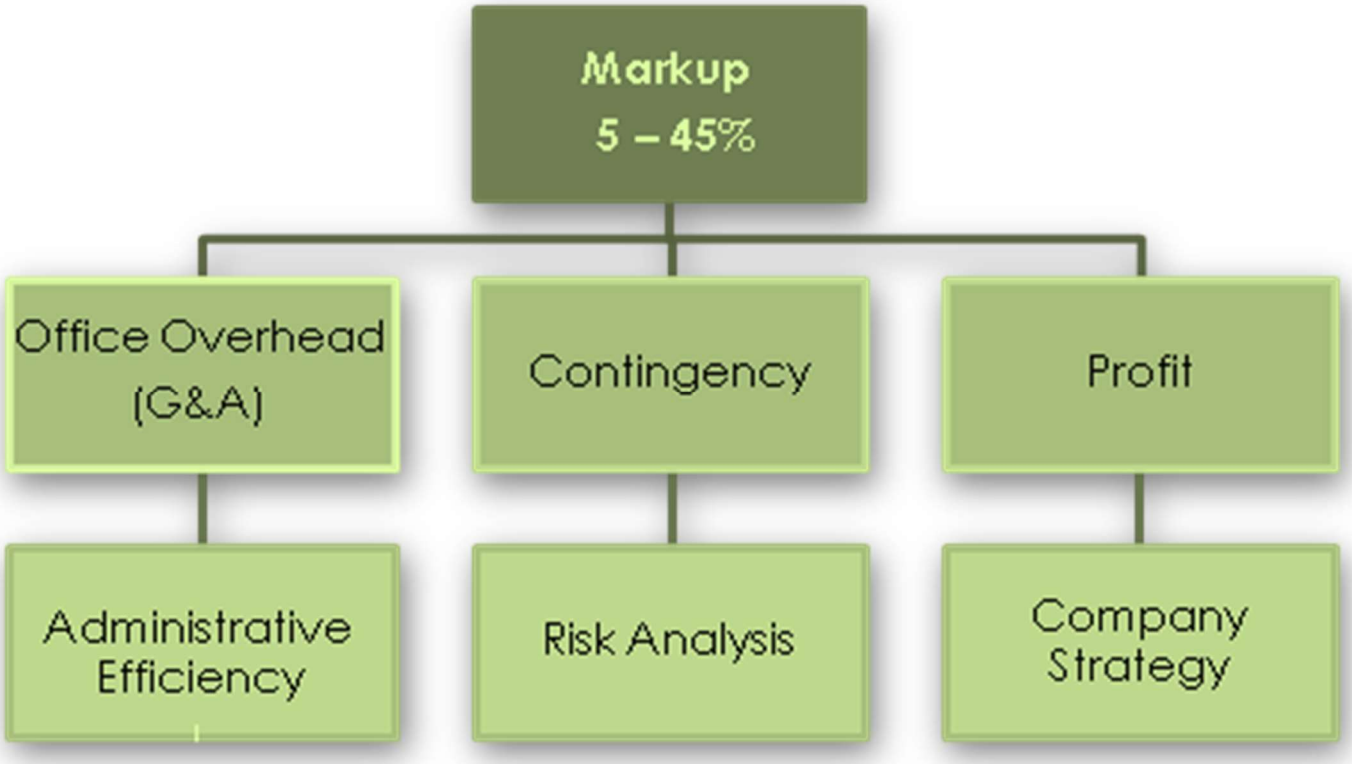
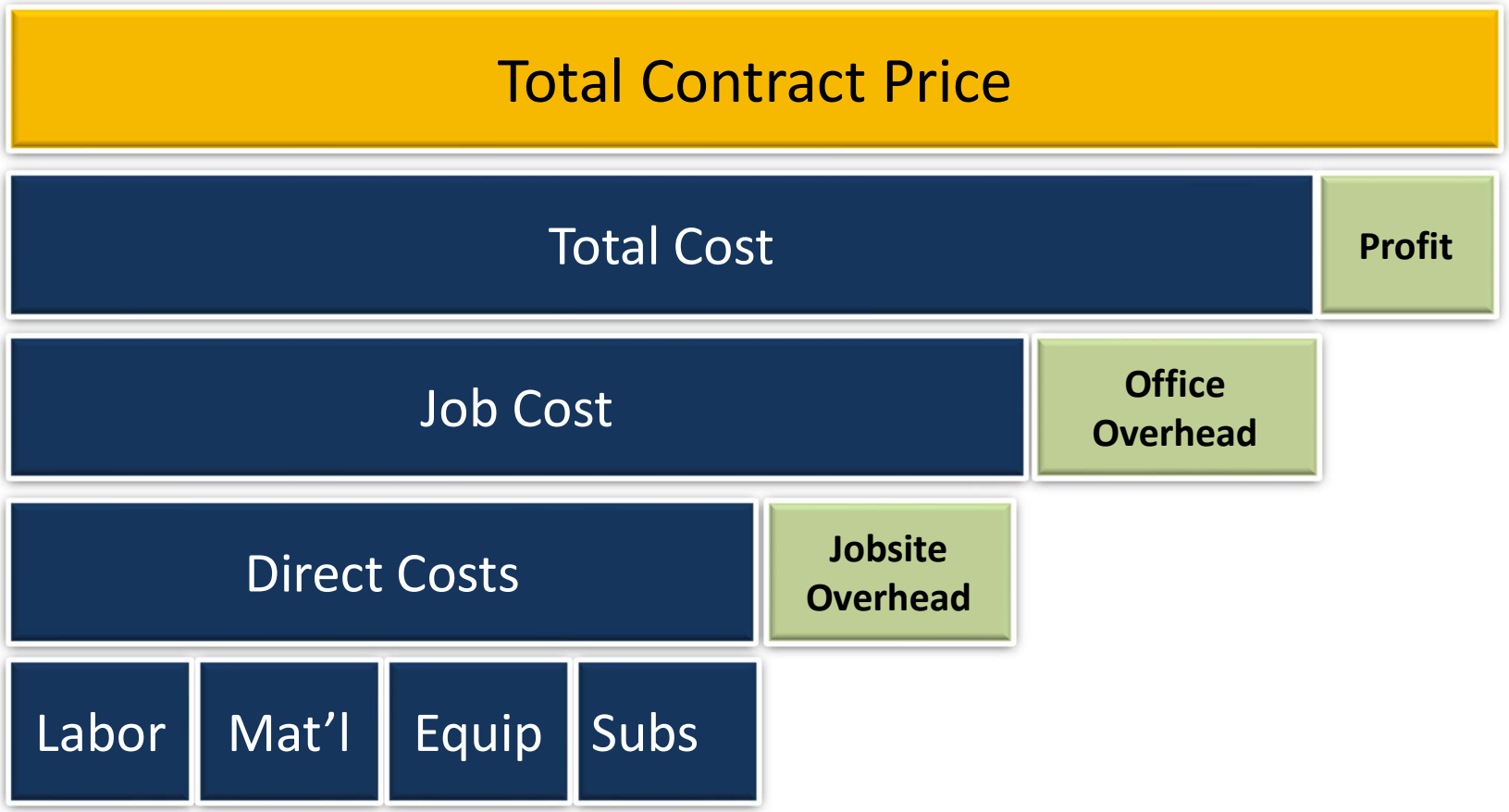
How Much Profit? … It Depends.

- Project risks
- Project Duration
- Type of Contract
- Number of Bidders
- Project Experience
- Project Supervision

Influences on Profit



Cost & Price Structure



Construction pricing is Cost Based

Service delivery can is *Value Based*

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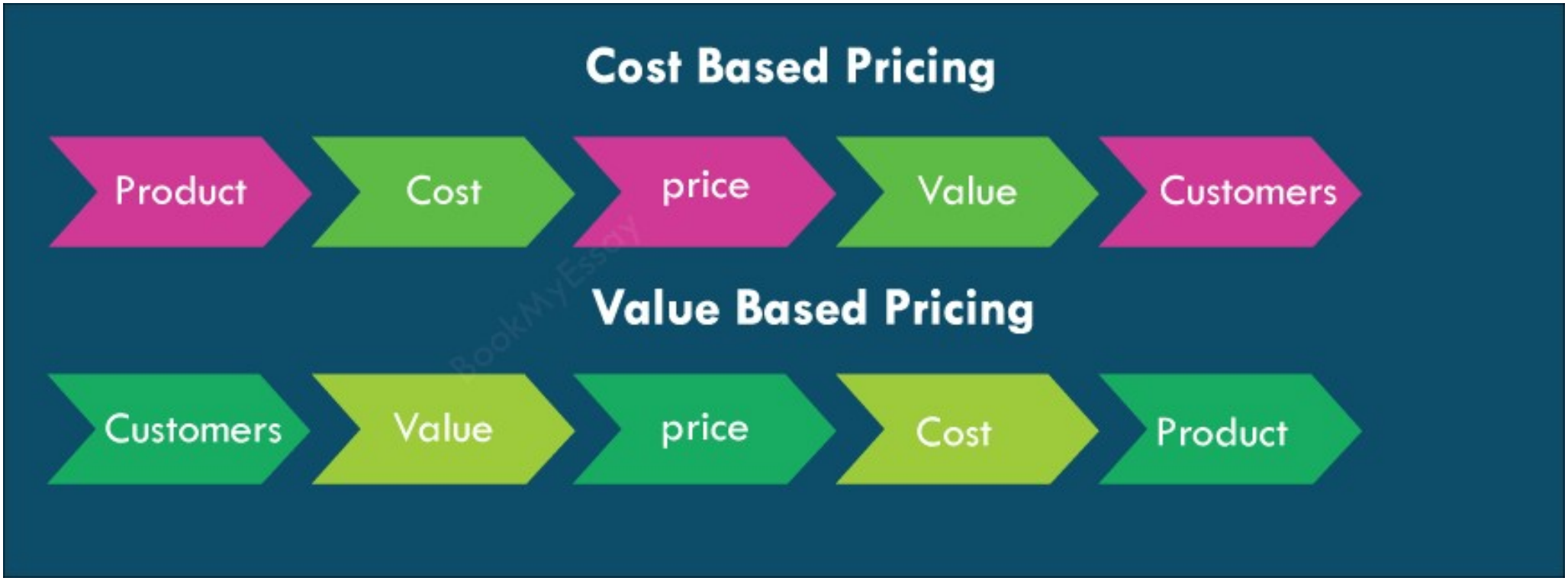
Cost-based Pricing

- Based on sales of individual products / service
- Sales Price can not be lowered
- Each job must stand alone
- Be aware of competition but do not worrying about it
- Accurate Markups are calculated
- Maintain good pay for employees or subs
- Know when to say “NO”
- Know what a Profitable job look like


Cost Based Pricing
Product
Cost
price
Value
Customers
Value Based Pricing
Customers
Value
price
Cost
Product

You can Maximize Profits by knowing and understanding your costs.

How To Improve Your Company's Profits

- ✓ Know Your Cost *(Estimating)*
- ✓ Understand Your Cost *(Bidding)*
- ✓ Control Your Cost *(Project Management)*
- ✓ Track Your Cost *(Job Cost Accounting)*
- ✓ Make Continuous Improvements *(To Improve Profits)*

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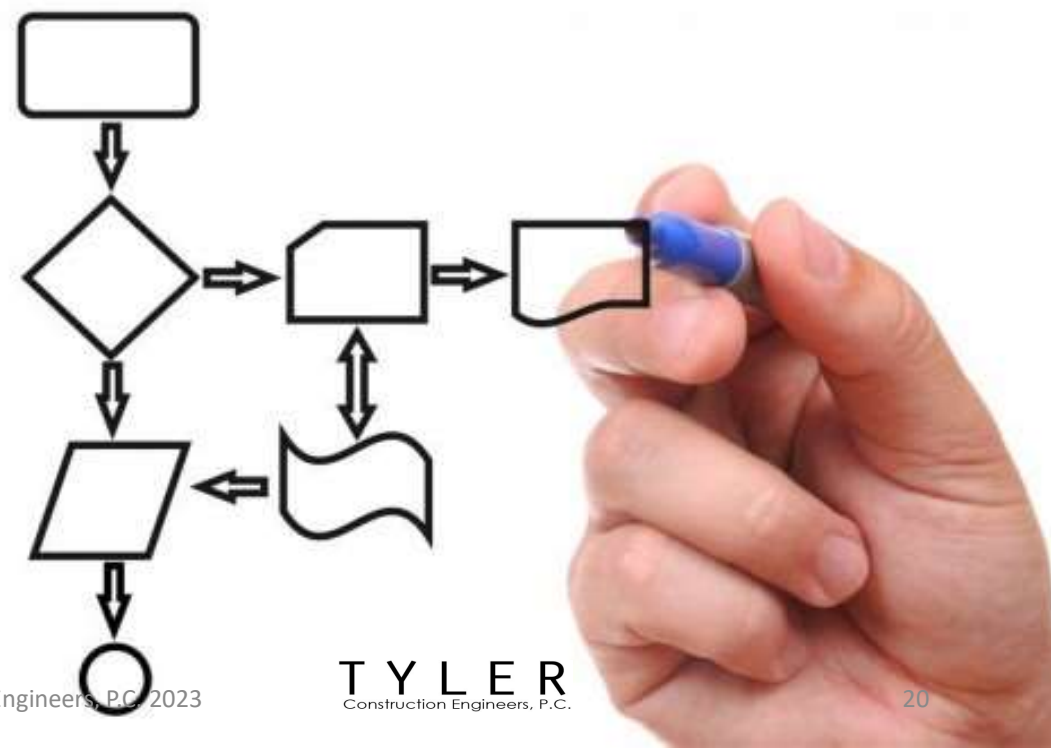
Objective: Creating processes that are…

Measurable

Predictable

Repeatable



Importance of Your Chart of Accounts

Construction (Job Cost) Accounting

Know Your Numbers . . . Accounting ^%@&*?!

Tyler Construction Engineers, P.C. 2023

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Financial Management Activities …

- ✓ Planning, Budgeting, and Forecasting
- ✓ Job Estimates
- ✓ Job Budgets
- ✓ Control Job Costs
- ✓ Job Profits
- ✓ Cash Flow
- ✓ Company Profits
- ✓ Investments

How To Capture Company Costs

Chart of Accounts (COA) is a financial organizational tool that provides a complete listing of every account in an accounting system.

An account is a unique record for each type of asset, liability, equity, revenue, cost and expense transaction.

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Chart of Accounts (Job Cost Setup)

4000 Income

5000 Direct Job Cost

6000 Indirect Cost (Job Site Supervision/Overhead)

7000 General & Administration (Office Overhead)

8000 Unallowable Expense (per FAR Regulations)

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Income Accounts

4000	**Income**
4010	City Gov't
4020	State Gov't
4030	Federal Gov't
4040	Residential
4050	Commercial

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Cost of Goods Sold (Direct Costs) Accounts

5000	**Direct Job Costs**	
5010	Direct Labor - (Field crew)	
5020	Material	
5030	Equipment (Rental)	
5040	Subcontractor	
5050	Other Direct Costs (General Conditions)	
	5051	Travel - (Field Crew)
	5052	Misc. Project Supplies
	5053	Support Expenses -Crew
	5054	Bonds
	5055	Licenses, Permits and Fees

Tyler Construction Engineers, P.C. 2023

Indirect Costs (Jobsite Overhead) Accounts

6000 Indirect Cost (Job Site Supervision)

6100 Payroll Expense

- 6110 FICA
- 6120 Medicare
- 6130 SUTA
- 6140 FUTA
- 6150 Worker's Compensation
- 6160 General Liability

6200 Fringe Benefits

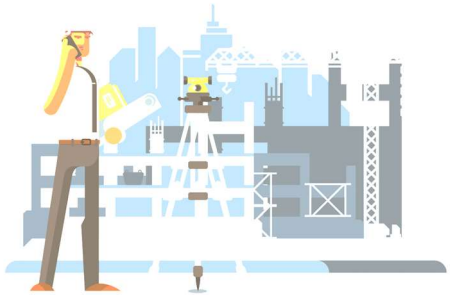
- 6201 Medical Insurance
- 6202 Dental Insurance
- 6203 401-K
- 6204 Education
- 6205 401-K / IRA
- 6206 Training
- 6207 Vacation / Sick Leave
- 6208 Downtime

6300 Job Site Supervision

- 6301 Project Manager-(Job Supervision)
- 6302 Travel – Supervision
- 6303 Truck Expense - (Fuel/Oil/Repair/Maint)
- 6304 Communication (cell phones/ laptop field)
- 6305 Project Plans & Specifications Purchases
- 6306 Support Materials
- 6307 Support Equipment
- 6308 Consultant-Engineers
- 6309 Safety
- 6310 Material Storage
- 6311 Delivery Charges
- 6312 Small Tools, etc
- 6313 Insurance (Job/ Specialty per specification)
- 6314 Consumables & other misc. Expenses

6400 Equipment (Owned)

- 6401 Diesel / Gas
- 6402 Oil & Grease
- 6403 Maintenance & Repair
- 6404 Tires
- 6405 Wear Parts



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General & Administration Accounts

7000	**General & Administrative Expense**
7010	Office Rent
7020	Office Utilities
7030	Owners Salary
7040	Office Manager Salary
7050	Administrative Assistant Salary
7060	Payroll Expenses
7070	Employee Benefits
7080	Office Supplies & Expense
7090	Taxes
7100	Business Licenses, Fees, Permits
7110	Marketing & Advertising
7120	Professional Fees (Consultants)
7130	Auto Expense
7140	Travel
7150	Misc

Tyler Construction Engineers, P.C. 2023

The Profit & Loss Statement

Construction/Manufacturing

4000	**Income**		XXXX
5000	**Direct Job Costs**		
	Labor	XXX	
	Material	XXX	
	Equipment	XXX	
	Subcontractors	XXX	
6000	**Job Overhead**	XXX	
	Total Job Cost		XXX
	Gross Profit		XXX
7000	**G & A Expenses**		XXX
	Net Income		XX

The Profit & Loss Statement

Service Industry (Consulting)

4000	**Income**		XXX
5000	Less Subs & Reimbursable	XXX	
	Net Service Revenue		XXX
5000	**Direct Labor**		XXX
6000	**Indirect Job Cost**		XX
	Gross Profit		XXX
7000	**Operating Expenses**		
	Advertising	XXX	
	Insurance	XXX	
	Supplies	XXX	
	Salaries	XXX	
	Total Expenses		XXX
	Net Income		XX

Cost First, then Price

Tyler's Cost Strategy 101

1. Know and understand your **Job Costs**
   (Labor + Material + Equip + Subs + Job Overhead)

2. Make the estimate comparable to the **P&L Statement**
   (Sales – Job Cost – Overhead = Profit)

3. **Cost first,…then price**
   (Job Costs + Overhead + Profit = Price)

Estimate Summary

The **Estimator's** View

Direct Costs ..... $$$
- Direct Labor
- Equipment
- Materials
- Subcontractors
- General Conditions

plus **Labor Burden (%)**

plus **Job Site Overhead (%)**

equals Total Direct Cost ..... $$$

plus **General & Administrative** (%)

plus **Profit Rate** (%)

plus **Bond Rate** (%)

equals Total Contract Price ..... $$$

Company Income Statement

The **Accountant's** View

Contract Revenues ..... $$$

minus **Direct Cost of Sales**
- Direct Labor
- Equipment
- Materials
- Subcontractors
- Other Direct Costs

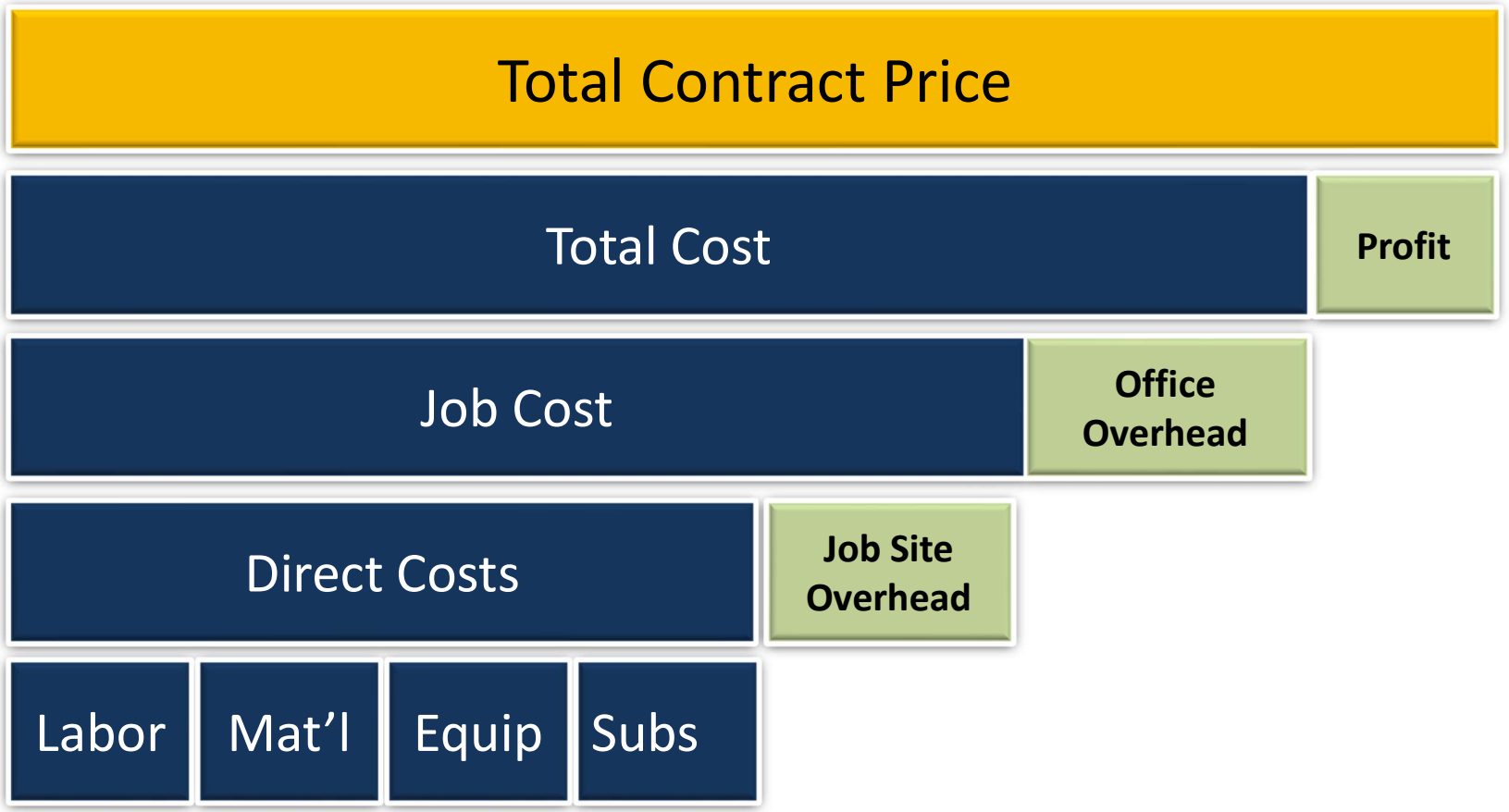
minus **Indirect Costs ..... $$$**
- Labor Burden
- Benefits
- Indirect Expenses

equals Gross Profit ..... $$$

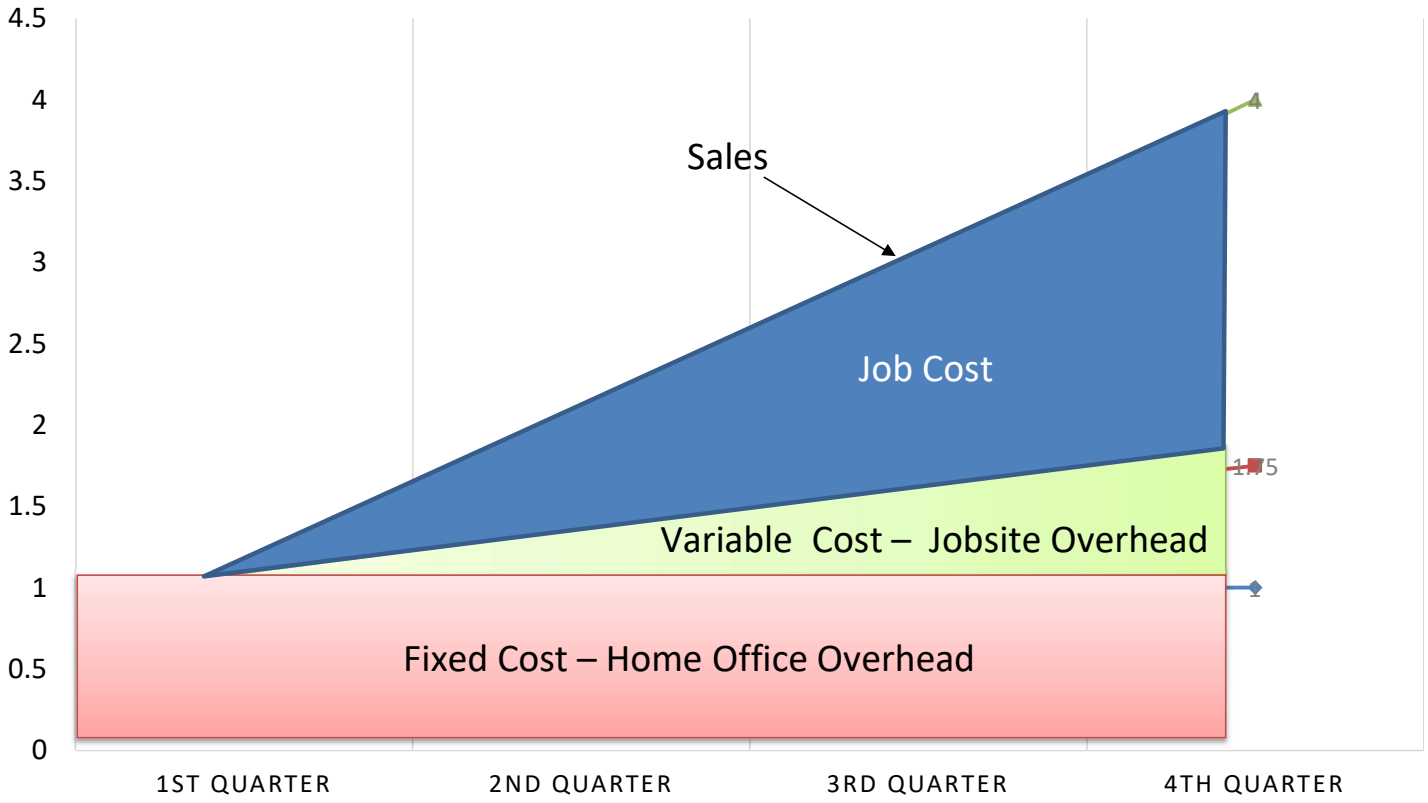
minus **G & A Expenses ..... $$$**

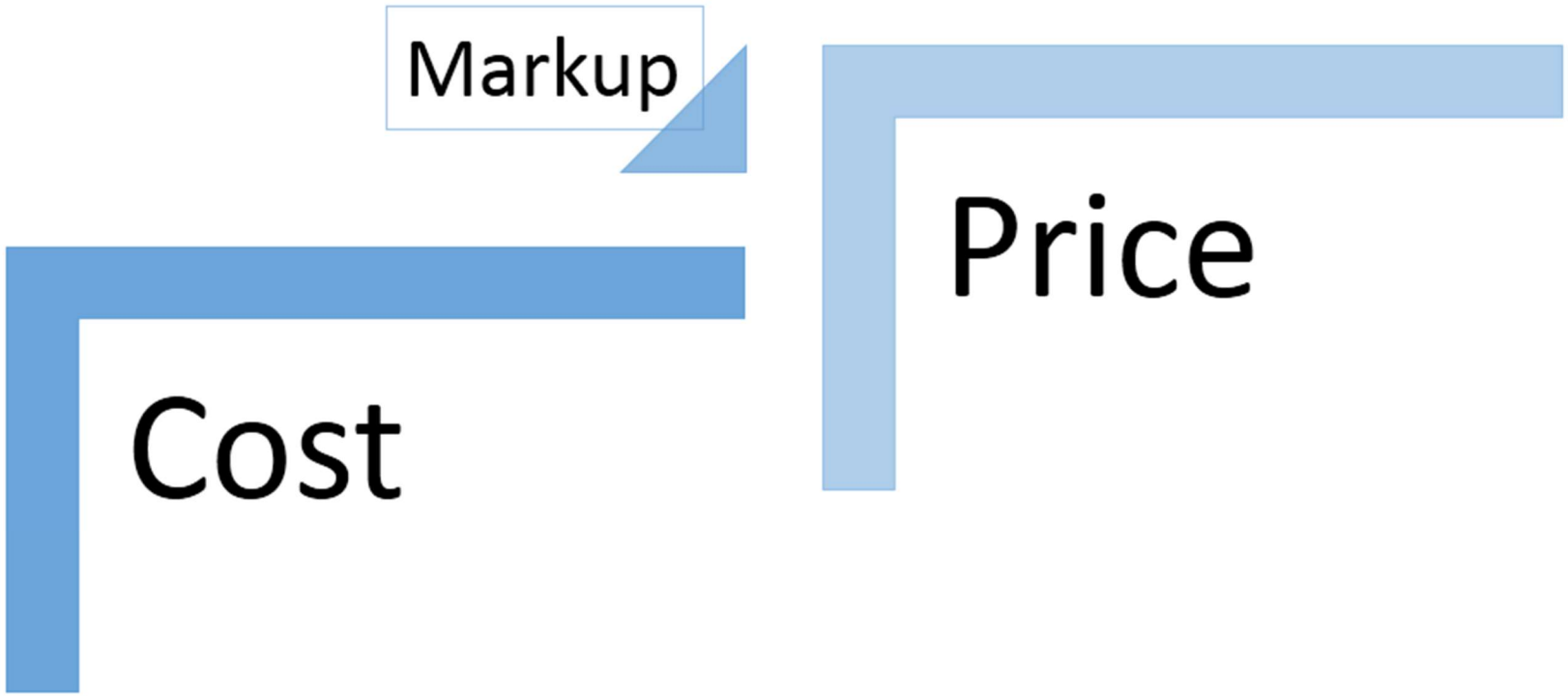
equals Income (Loss) Before Taxes ..... $$$

Cost & Price Structure



Cost Relationship Chart




Markup
Price
Cost

Markup Calculation Examples

Margin & Markup Calculation

Year-end P&L Summary

Sales Volume	$ 500,000
Total Job Costs	432,000
Gross Profit	68,000
Overhead	62,000
Net Profit	$ 6,000

Gross Margin = Gross Profit / Sales

= 68,000 / 500,000

= 0.136 or **13.6%**

Markup = Gross Profit / Total Job Cost

= 68,000 / 432,000

= 0.1574 or **15.7%**

Markup = a multiplier applied to your estimated direct job costs to cover overhead and profit.

Gross Margin = the difference between revenue (contract price) and total job costs.

Quick Study Example:

Using **Margin** Percentage to Job Costs: $432,000 x 0.136 = $ 58,752

Using **Markup** Multiplier to Job Costs: $432,000 x 0.1574 = $ 67,997

So as you can see, markup is different than margin. If you were to use a 13.6% to markup your total job cost instead of the 15.7%, you would leave approximately $9,2445 ($67,997 – 58,752) on the table.

Types of Markups

- Labor Burden (Payroll Taxes)
- Jobsite Overhead (General Conditions)
- Home Office Overhead
- Profit

What is your Overhead Rate?

What is your Loaded Labor Rate?

What is your Wrap Rate?

Is this your reaction?

THE ART OF
ESTIMATING
COST RECOVERY

Cost Recovery Calculations

Road Scholar Constructors, Inc. (RSCI)
PROFIT AND LOSS STATEMENT
20xx

4000	**CONTRACT REVENUES**		**$ 1,550,000**
5000	**DIRECT COSTS**		
	Labor	$ 294,645	
	Material	665,000	
	Subcontractor	85,000	
	Equipment	110,000	
	Other Direct Costs	70,000	
	TOTAL DIRECT COSTS		**$ 1,224,645**
6000	**JOB SITE OVERHEAD COST**		
	Burden		
	Field Employees (Payroll taxes)	$ 19,513 (a)	
	Field Employees (Fringes)	32,375 (a)	
	Field Employees (Insurance)	24,500 (a)	
	Job Overhead		
	Field Supervision	$ 50,000	
	Field Equipment	$ 14,000 (b)	
	Field Vehicles	11,500 (b)	
	Field Insurance/ Bond	11,000 (b)	
	Warranty Expense	6,000 (b)	
	Other Job Site Overhead Expenses	9,000 (b)	
	TOTAL JOB SITE OVERHEAD COSTS		**$ 177,888**
	TOTAL COST OF REVENUE		**1,402,533**
7000	**GROSS PROFIT**		**$ 147,467**
	GENERAL & ADMINISTRATIVE EXPENSES (e.g., Office Overhead)		
	Business Insurance (office/ Liability)	$ 1,300	
	Office (rent/phone/fax/utilities)	11,000	
	Office Employee's Salary	25,000	
	Owner's Salary	45,000	
	Office Employee Expenses (Burden)	5,000	
	Office Equipment	3,000	
	Office Supplies	2,000	
	Office Vehicles	5,200	
	Professional Fees	5,000	
	Sales & Marketing	3,500	
	Travel & Entertainment	2,500	
	Other General & Administrative	1,100	
	TOTAL GEN'L & ADMIN. EXPENSES		**$ 109,600**
	OPERATING PROFIT		**$ 37,867**
	OTHER INCOME (NET)		**$ 4,000**
	PROFIT (LOSS) BEFORE TAXES		**$ 41,867**

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Labor Burden Markup

Now referencing the Profit and Loss Statement for our case study company, Road Scholar Construction, Inc., take a look at how the following example illustrates a method of determining the percentage rate of Labor Burden charged for the year.

Annual cost of direct labor = $ 294,645

Labor Burden, Fringes, Insur for the year = $ 76,388

Labor Burden Markup:

($76,388 ÷ $ 294,645) x 100 = **25.93** %

Road Scholar Constructors, Inc. (RSCI)
PROFIT AND LOSS STATEMENT
20xx

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Owner's Salary	45,000	
Office Employee Expenses (Burden)	5,000	
Office Equipment	3,000	
Office Supplies	2,000	
Office Vehicles	5,200	
Professional Fees	5,000	
Sales & Marketing	3,500	
Travel & Entertainment	2,500	
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Job Site Overhead Rate Calculation

Annual cost of direct labor Costs = $ 294,645

Annual cost of job overhead *(excluding labor burden, benefits, Insr)*

= $177,888 – 76,388 = $ 101,500

Amount of job overhead chargeable to a project:

($ 101,500 ÷ $ 294,645) x 100 = **34.45%**

Road Scholar Constructors, Inc. (RSCI)
PROFIT AND LOSS STATEMENT
20xx

CONTRACT REVENUES		**$ 1,550,000**
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Labor	$ 294,645	
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Office Equipment	3,000	
Office Supplies	2,000	
Office Vehicles	5,200	
Professional Fees	5,000	
Sales & Marketing	3,500	
Travel & Entertainment	2,500	
Other General & Administrative	1,100	
TOTAL GEN'L & ADMIN. EXPENSES		**$ 109,600**
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General & Administrative Rate

(Home Office Overhead)

Overhead Rate = Home Office Expense ÷ [Total Cost Input]

= $109,600 ÷ [$1,402,533]

= **7.81%**

Road Scholar Constructors, Inc. (RSCI)
PROFIT AND LOSS STATEMENT
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Office Supplies	2,000	
Office Vehicles	5,200	
Professional Fees	5,000	
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Travel & Entertainment	2,500	
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Quick Example of Multiple-Overhead Markup

You are preparing a bid for Project XYZ and have estimated the direct costs as follows:

Direct Job Costs
Labor - $ 55,000
Material - $42,000
Equipment - $ 6,000
Subcontractors - $ 34,600

Create an estimate summary utilizing the cost multipliers we calculated. Therefore, the estimate summary becomes:

Direct Cost (labor, material, equipment, subcontractors)	**= $ 137,600.00**
Labor Burden: $ 55,000 x (25.93 %)	**= 14,261.50**
Job Overhead: ($ 55,000) x (34.45%)	**= 18,946.53**
	$ 170,808.03
Office Overhead: $ 170,808.03 x (7.81%)	**= 13,340.11**
Total Project Cost	**= $ 184,148.14**
Profit: @ 10.0%	**= 18,414.81**
Bid Price	**= $ 202,562.93**

Understanding Risk & Pricing

		Old Way Costing
Labor		$55,000
Material		$42,000
Equipment		$6,000
Subcontractor		$34,600
Other		$0
Subtotal		$137,600
Overhead & Profit	**40%**	$55,040
Total Bid		**$192,640**

		Improved Costing
Labor		$55,000
Material		$42,000
Equipment		$6,000
Subcontractor		$34,600
Other		$ 0
Total		**$137,600**
Multi-Overhead Allocation		
Labor Burden	**25.93%**	$14,262
Project Site Overhead	**34.45%**	$ 18,947
Subtotal		$170,809
Home Office Overhead	**7.81%**	$13,340
Profit	**10.0%**	$18,415
New Total Bid		**$202,564**

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Calculation of Direct Labor Multiplier for Architects, Engineering, Planning and Consulting Firms

Ref. AASHTO Publication

TABLE 5-5: SAMPLE OVERHEAD SCHEDULE

SAMPLE CONSULTING COMPANY, Inc.
Statement of Direct Labor, Fringe Benefits, and General Overhead
For the Year Ended December 31, 202x

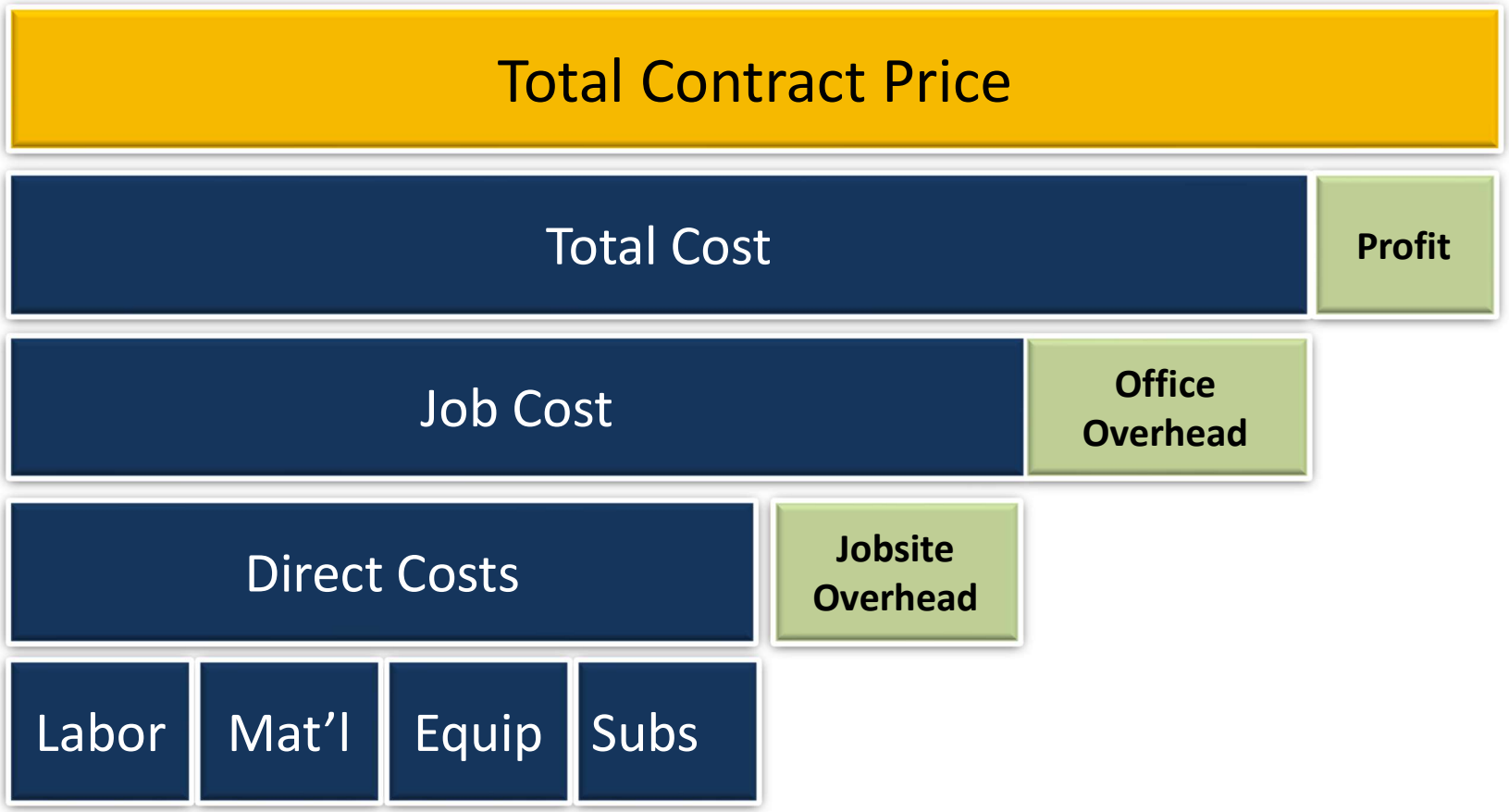
Account Number & Description	General Ledger Account Balance	Direct Costs	Disallowed Costs		Proposed Company Wide	%of Direct Labor
DIRECT LABOR	$ 1,950,501	$ 1,950,501	$		$ 1,950,501	100.00%
INDIRECT COSTS:						
FRINGE BENEFITS						
6300 Benefits: Bonuses	$ 234,060	$	$ (28,560)	(a)	$ 205,500	10.54%
6310 Benefits: 401(k)	97,525				97,525	5.00%
6320 Benefits: PTO (vac., sick, and holiday)	253,565				253,565	13.00%
6820 Insurance: Disability	58,515				58,515	3.00%
6830 Insurance: Life	21,846		(800)	(b)	21,046	1.08%
6840 Insurance: Medical	136,535				136,535	7.00%
6850 Insurance: Workers' Comp.	15,799				15,799	0.81%
7500 Payroll Taxes: FICA and Med.	180,421				180,421	9.25%
7510 Payroll Taxes: FUTA and SUTA	78,020				78,020	4.00%
TOTAL FRINGE BENEFITS	$ 1,076,286	$	$ (29,360)		$ 1,046,926	53.67%
GENERAL OVERHEAD						
6700 Indirect Labor	$ 741,190	$	$ (3,300)	(c)	$ 737,890	37.83%
5010 Direct: Lodging, Meals, and Tra-et.	122,101	(122,101)		(d)		0.00%
5020 Direct: Employee Mileage Reimbursements	159,941	(159,941)		(d)		0.00%
5030 Direct: Rentals and Supplies	21,651	(21,651)		(d)		0.00%
5040 Direct: Subconsultants	44,862	(44,862)		(d)		0.00%
6000 Ad-ertising and Marketing	23,991		(6,750)	(e)	17,241	0.88%
6100 Automobile Expense	68,268		(13,580)	(i)	54,688	2.80%
6200 Bank Se™ce Charges	9,753				9,753	0.50%
6400 Contributions and Gifts	14,629		(14,629)	(g)		0.00%
6500 Depreciation Expense.	117,030				117,030	6.00%
6600 Dues and Subscriptions	16,189		(350)	(h)	15,839	0.81%
6800 Insurance: Automoti-e	15,409				15,409	0.79%
6810 Insurance: Business Liability	23,406				23,406	1.20%
6900 Interest Expense	36,084		(36,084)	(i)		0.00%
7000 Licenses and Permits	21,456				21,456	1.10%
7100 Maintenance and Repairs	97,135				97,135	4.98%
7200 Meals & Entertainment	19,310		(1,050)	(j)	18,260	0.94%
7300 Misc. Fees, Fines, Penalties	6,827		(6,827)	(k)		0.00%
7400 Office Expense: Cleaning	8,192				8,192	0.42%
7410 Office Expense: Postage and Deli-ery	4,486				4,486	0.23%
7420 Office Expense: Office Supplies	32,183				32,183	1.65%
7430 Office Expense: Other Office Expense	35,889				35,889	1.84%
7600 Personal Property Tax	42,911				42,911	2.20%
7700 Prof Fees: Accounting and Legal	30,428				30,428	1.56%
7800 Rent	180,049		(2,400)	(l)	177,649	9.11%
7900 Telephone	60,466				60,466	3.10%
8000 Utilities	29,472				29,472	1.51%
Credit for Internal Allocations			(107,278)	(m)	(107,278)	-5.50%
TOTAL GENERAL OVERHEAD	$ 1,983,306	$ (348,555)	$ (192,247)		$ 1,442,505	73.96%
TOTAL INDIRECT COSTS & OVERHEAD RATE	$ 3,059,593	$ (348,555)	$ (221,607)		$ 2,489,431	127.63%

CAPACITY BUDGET

Business Unit: Consulting Firm

Staff Member Name	Avg. Direct Labor Rate ($/hr)	Available Hours per Year	Total Labor ($/yr)	Direct Labor Multiplier	Actual Billing Rates	Direct Labor ($/yr)	Profit (10%)	Target Annual Net Revenue
Owner	$50.00	2,080	$104,000.00	2.2763	$113.82	$236,735	$23,674	$260,408.72
Project Mgr	$41.00	2,080	$85,280.00	2.2763	$93.33	$194,123	$19,412	$213,535.15
Bookkepper/Accounting	$30.00	2,080	$62,400.00	2.2763	$68.29	$142,041	$14,204	$156,245.23
Totals and Averages			**$251,680.00**			**$572,899.18**	**$57,289.92**	**$630,189.10**

Cost & Price Structure



More Financial Calculations

Financial Calculations Using Margins

Breakeven Calculation

Year-end P&L Summary

Sales Volume	$ 500,000
Total Job Costs	432,000
Gross Profit	68,000
Overhead	62,000
Net Profit	$ 6,000

$$\text{Gross Margin} = \frac{\text{Gross Profit}}{\text{Sales}}$$

$$= \mathbf{13.6\%}$$

Breakeven Calculation

$$\text{Breakeven} = \frac{\text{Overhead}}{\%\ \text{Margin}}$$

$$= \frac{\$\ 62{,}000}{0.136}$$

$$= \mathbf{\$455{,}882}$$

How Many Months To Reach Breakeven?

Annual Breakeven Volume = $ 455,882

Average Monthly Breakeven Volume = $ 455,882 / 12 months = $ 37,990

Monthly Sales Amount = $ 500,000 / 12 months = $ 41,667

Your Breakeven Month = $ 455,882 / $ 41,667 = 10.94 months (about November 28th)

Forecasting

How Many Months To Reach Breakeven for $575,000 in Sales?

Monthly Sales Amount = $\frac{\$\ 575{,}000}{12\ \text{months}}$ *(Input New Sales Goal)*

= $ 47,917

Your Breakeven Month = $\frac{\$\ 455{,}882}{\$\ 47{,}917}$

= 9.51 months (about October 15th)

How Many Jobs Do I Need To Meet My Sales Goal?

Annual Sales Goal = $ 575,000

Monthly Sales Goal = $ 47,917

Average job size = $ 75,000

$$\text{Number of Jobs} = \frac{\$575,000}{\$75,000}$$

$$= 7.7 \text{ or } 8 \text{ jobs}$$

How May Leads To Hit Sales Target?

What is my effort to reach total sales of $575,000?:

- Historical Bid/win ratio of 1 in 4 or 25%
- To win 8 jobs will require at least **32 bid Leads**

Remember Contacts leads to ContRact$

A business owner may ask ...

How Do I **Budget** to Hire a full time
Office Manager or
Estimator or
Project Manager
and maintain my **Margins** ?

Another Example using Gross Margins

Assumptions:

2023 Proposed Sales = $ 575,000

Annual Overhead: = $ 62, 000

Net Profit = 5.0%

Calculation

Sales	$ 575,000
Overhead Exp.	62,000
Net Profit @ 5%	28,750
Gross Profit	$ 90,750

Gross Profit ÷ Sales = **Gross Margin**

$ 90,750 ÷ $ 575,000 = **15.78%**

Calculating Additional Sales Needed

New Employee = **$30,000** Salary/year

Taxes/Benefits at 30% = 9,000 per year

Total Expense = $39,000 per year

Total Expense ÷ Gross Margin = Additional Sales Needed

$39,000 ÷ 15.78% = **$247,148**

Calculating New Jobs Needed

Average job size = $ 75,000

Sales needed = $ 247,148

$247,148 ÷ $75,000 = 3.29 or 3 additional jobs

Q: Will the new hire enable the company to generate 3 additional jobs in the next 12 months to pay for themselves?

Total new sales projection: $575,000 + $247,148 = **$822,148**

A sales increase of 42.98%

Calculating Additional Costs on New Sales

Total new sales projection:

$575,000 + $247,148 = **$822,148**

A sales increase of **42.98%**

This is somewhat large increase in total sales:

- Bid/win ration of 1 in 4
- 3 new jobs will require at least 12 new bid leads
- Each lead will cost ___?
  - Cost of lead: $500.00 *(time, travel, plan expense, meals, software, etc)*
  - $500 x 12 leads = **$6,000**

This is an additional expense in advertising/marketing for the next 12 months to capture the required sales, therefore must include in Budget.

Similar methods are used to analyze the purchase of

- Vehicles
- Equipment
- Tools
- Office equipment
- …. and any unbudgeted overhead expense

Thoughts on Cash Flow

CASH FLOW SCHEDULE WITHOUT PROJECT FINANCING

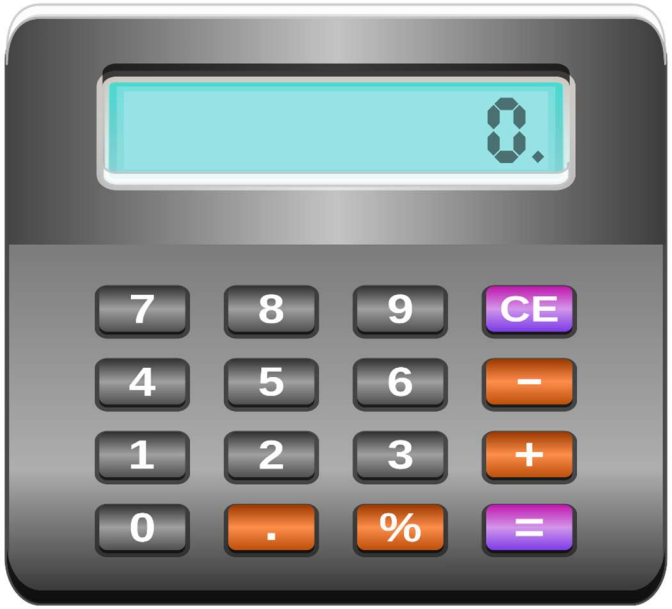
			PERIOD												
			Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan
Contract Revenue	**$ 1,153,000**	**Invoice Amount Per Period** *(Assume No Retainage Held)*	$ 34,590	$ 34,590	$ 69,180	$ 69,180	$ 115,300	$ 138,360	$ 115,300	$ 276,720	$ 103,770	$ 57,650	$ 92,240	$ 46,120	$ -
		Amount Rec'd	$ -	$ -	$ 34,590	$ 34,590	$ 69,180	$ 69,180	$ 115,300	$ 138,360	$ 115,300	$ 276,720	$ 103,770	$ 57,650	$ 92,240
Direct Job Costs															
DIRECT LABOR	$ 275,000		8,250	8,250	16,500	16,500	27,500	33,000	27,500	66,000	24,750	13,750	22,000	11,000	-
DIRECT MATERIAL	$ 210,000		6,300	6,300	12,600	12,600	21,000	25,200	21,000	50,400	18,900	10,500	16,800	8,400	
DIRECT EQUIPMENT RENTAL	$ 30,000		900	900	1,800	1,800	3,000	3,600	3,000	7,200	2,700	1,500	2,400	1,200	-
DIRECT SUBCONTRACTOR	$ 162,000		4,860	4,860	9,720	9,720	16,200	19,440	16,200	38,880	14,580	8,100	12,960	6,480	
OTHER DIRECT COSTS	$ 11,000		330	330	660	660	1,100	1,320	1,100	2,640	990	550	880	440	
	$ 688,000														
Job Site Overhead (Indirect Costs)															
LABOR BURDEN	$ 24,000		720	720	1,440	1,440	2,400	2,880	2,400	5,760	2,160	1,200	1,920	960	
FRINGE BENEFITS	$ 23,000		690	690	1,380	1,380	2,300	2,760	2,300	5,520	2,070	1,150	1,840	920	
INSURANCE	$ 39,000		1,170	1,170	2,340	2,340	3,900	4,680	3,900	9,360	3,510	1,950	3,120	1,560	
JOBSITE SUPERVISION	$ 110,000		3,300	3,300	6,600	6,600	11,000	13,200	11,000	26,400	9,900	5,500	8,800	4,400	
OWNED EQUIP MAINT. & FUEL	$ 38,500		1,155	1,155	2,310	2,310	3,850	4,620	3,850	9,240	3,465	1,925	3,080	1,540	
VEHICLE EXP	$ 22,000		660	660	1,320	1,320	2,200	2,640	2,200	5,280	1,980	1,100	1,760	880	
OTHER JOBSITE COSTS	$ 12,500		375	375	750	750	1,250	1,500	1,250	3,000	1,125	625	1,000	500	
	$269,000														
		Monthly Job Expenses	28,710	28,710	57,420	57,420	95,700	114,840	95,700	229,680	86,130	47,850	76,560	38,280	-
Job Gross Profit (Cash Flov	**$ 196,000**														
Home Office Overhead	**$ 145,617**		12,135	12,135	12,135	12,135	12,135	12,135	12,135	12,135	12,135	12,135	12,135	12,135	12,135
		Monthly Net Cash Flow	(40,845)	(40,845)	(34,965)	(34,965)	(38,655)	(57,795)	7,465	(103,455)	17,035	216,735	15,075	7,235	80,105
		Cummulative Cash Flow	(40,845)	(81,690)	(116,654)	(151,619)	(190,274)	(248,069)	(240,603)	(344,058)	(327,023)	(110,288)	(95,212)	(87,977)	(7,872)

The only thing worst than losing money in a business …. is losing money and not know it!

CASH FLOW SCHEDULE WITH PROJECT FINANCING

			PERIOD											
			Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan
Contract Revenue	**$ 1,153,000**	**Invoice Amount Per Period** *(Assume No Retainage Held)*	$ 34,590	$ 34,590	$ 69,180	$ 69,180	$ 115,300	$ 138,360	$ 115,300	$ 276,720	$ 103,770	$ 57,650	$ 92,240	$ 46,120	$ -
		Amount Rec'd		$ -	$ 34,590	$ 34,590	$ 69,180	$ 69,180	$ 115,300	$ 138,360	$ 115,300	$ 276,720	$ 103,770	$ 57,650	$ 92,240
Direct Job Costs															
DIRECT LABOR	$ 275,000		8,250	8,250	16,500	16,500	27,500	33,000	27,500	66,000	24,750	13,750	22,000	11,000	-
DIRECT MATERIAL	$ 210,000		6,300	6,300	12,600	12,600	21,000	25,200	21,000	50,400	18,900	10,500	16,800	8,400	
DIRECT EQUIPMENT RENTAL	$ 30,000		900	900	1,800	1,800	3,000	3,600	3,000	7,200	2,700	1,500	2,400	1,200	-
DIRECT SUBCONTRACTOR	$ 162,000		4,860	4,860	9,720	9,720	16,200	19,440	16,200	38,880	14,580	8,100	12,960	6,480	
OTHER DIRECT COSTS	$ 11,000		330	330	660	660	1,100	1,320	1,100	2,640	990	550	880	440	
	$ 688,000														
Job Site Overhead (Indirect Costs)															
LABOR BURDEN	$ 24,000		720	720	1,440	1,440	2,400	2,880	2,400	5,760	2,160	1,200	1,920	960	
FRINGE BENEFITS	$ 23,000		690	690	1,380	1,380	2,300	2,760	2,300	5,520	2,070	1,150	1,840	920	
INSURANCE	$ 39,000		1,170	1,170	2,340	2,340	3,900	4,680	3,900	9,360	3,510	1,950	3,120	1,560	
JOBSITE SUPERVISION	$ 110,000		3,300	3,300	6,600	6,600	11,000	13,200	11,000	26,400	9,900	5,500	8,800	4,400	
OWNED EQUIP MAINT. & FUEL	$ 38,500		1,155	1,155	2,310	2,310	3,850	4,620	3,850	9,240	3,465	1,925	3,080	1,540	
VEHICLE EXP	$ 22,000		660	660	1,320	1,320	2,200	2,640	2,200	5,280	1,980	1,100	1,760	880	
OTHER JOBSITE COSTS	$ 12,500		375	375	750	750	1,250	1,500	1,250	3,000	1,125	625	1,000	500	
	$269,000														
Job Gross Profit (Cash Flov	**$ 196,000**	**Monthly Job Expenses**	28,710	28,710	57,420	57,420	95,700	114,840	95,700	229,680	86,130	47,850	76,560	38,280	-
Home Office Overhead	**$ 145,617**		12,135	12,135	12,135	12,135	12,135	12,135	12,135	12,135	12,135	12,135	12,135	12,135	12,135
		Monthly Net Cash Flow	**303,213**	**(40,845)**	**(34,965)**	**(34,965)**	**(38,655)**	**(57,795)**	**7,465**	**(103,455)**	**17,035**	**216,735**	**15,075**	**7,235**	**80,105**
Working Captiol Available	**$ 344,058**	**Cummulative Cash Flow**	**303,213**	**262,369**	**227,404**	**192,439**	**153,784**	**95,990**	**103,455**	**0**	**17,035**	**233,771**	**248,846**	**256,081**	**336,186**

Using Templates & Checklists



TYLER
Construction Engineers, P.C.

Road Scholar Constructors
Balance Sheet

	2018	2019	2020	2021	2022
Assets					
Current assets:					
Cash	16,797	31,210	33,716	61,070	65,560
Accounts Receivable	6,274	5,904	6,567	7,117	27,539
Prepaid expenses	4,806	5,513	5,170	5,998	5,682
Inventory	7,805	9,601	9,825	10,531	11,342
Total current assets	35,682	52,228	55,278	84,716	110,123
Property & Equipment	45,500	42,350	40,145	38,602	37,521
Goodwill	3,580	3,460	3,910	3,870	3,850
Total Assets	**84,762**	**98,038**	**99,333**	**127,187**	**151,494**
Liabilities					
Current liabilities:					
Accounts Payable	3,902	4,800	4,912	5,265	15,671
Accrued expenses	1,320	1,541	1,662	1,865	1,899
Unearned revenue	1,540	1,560	1,853	1,952	1,724
Total current liabilities	6,762	7,901	8,427	9,082	19,294
Long-term debt	50,000	50,000	30,000	30,000	35,000
Other long-term liabilities	5,526	5,872	5,565	6,051	5,909
Total Liabilities	**62,288**	**63,773**	**43,992**	**45,133**	**60,203**
Shareholder's Equity					
Equity Capital	20,000	20,000	20,000	20,000	20,000
Retained Earnings	2,474	14,265	35,340	62,053	71,291
Shareholder's Equity	**22,474**	**34,265**	**55,340**	**82,053**	**91,291**
Total Liabilities & Shareholder's Equity	**84,762**	**98,038**	**99,332**	**127,187**	**151,494**

Facts:

Total current assets = $110,123
Total current liabilities = $19,294

Average job duration is 3 months, therefore annual turnover is times 4.

Solutions:

Working Capital = Current Assets -Current Liabilities
= $110,123 - $19,294 = **$90,629**

Maximum backlog = $90,629 x 10 = **$906,290**
Maximum single job = $906,290 ÷ 2 = **$453,145**

Target annual volume = Backlog x Turnover
= $453,145 x 4 = **$1,812,580**

TYLER
Construction Engineers, P.C.

Your Overhead Markup Calculator

Truck/Haul Calculator | Equip Rate Calculator | Overhead Calculator

Please refer to your Profit & Loss (Income Statement) for information for input into the calculator.

Accounting Period from: 1-Jan-2020 to 30-Dec-2020

What was the Sales Total for this period? $ 775,000.00

Direct Costs Input	Your Input
Field Labor Costs	210,000.00
Material Costs	250,000.00
Equipment Costs	55,000.00
Subcontractors	10,000.00
Other Direct Costs	7,000.00
Total Direct Cost:	$ 532,000.00

Labor Burden Costs Input	
Payroll Taxes (FICA,SUTA,FUTA, Med)	20,000.00
Insurance (W/C, GL, etc.)	11,000.00
Employee Benefit Costs	8,500.00
Total Labor Burden Cost:	$ 39,500.00

Jobsite Overhead/Supervision Costs Input	
Field Supervsion Salaries	47,000.00
Field Support Labor	6,500.00
Field Expenses (office, safety, etc.)	4,750.00
Company Equip/Vehicle Expense	11,500.00
Other Field Expense, small tools	2,500.00
Bonds or Specialty Insur. Expense	5,500.00
Total Job Cost Supervision:	$ 77,750.00

General & Administrative Costs Input	
Total Home Office Expenses	25,000.00
Office Salaries (Taxes/ Benefits)	35,000.00
Unallowable expenses	2,500.00
Total Gen. & Admin. Costs:	$ 62,500.00

Profit: $ 63,250.00

Profit % for peroid:	8.89%
Direct Cost Wrap Rate:	1.4568

Bid Template Markup Rates	
Markup on Direct Labor	18.81%
Markup on Jobsite Supervision	11.98%
Markup on Home Office Overhead	9.63%
INPUT YOUR DESIRED Profit Rate	8.00%
INPUT Surety's Quoted Bond Rate	2.00%

Loaded Labor Rate Calculator

			Equipment Operator	
1	**BASE RATE (ANNUAL / HOURLY)**		$ 54,080	$ 26.00
2	TOTAL HOURS PER YEAR	**52 WKS X 40 HRS**	2080	

	PAID TIME OFF (PTO)	***DAYS***	***HOURS***
3	Vacation	10	
4	Sick	0	
5	Holiday	6	
6	Training (Bonus Allowance)	0	
7	**SUBTOTAL**	**16**	
8	**Annual PTO Hours**		**128**
9	**REGULAR HOURS USED FOR CALCULATION**		**1952**

	PAYROLL TAXES (EMPLOYEER PAID)	***LIMIT***	***%***	***RATE***	***% BASE***
10	Medicare	**N/A**	**1.45%**	$ 0.38	1.45%
11	FICA	**$ 106,800.00**	**7.65%**	$ 1.99	7.65%
12	FUTA	**$ 7,000.00**	**0.60%**	$ 0.02	0.08%
13	SUTA (check with your state)	**$ 7,000.00**	**1.00%**	$ 0.03	0.13%
					9.31%

	INSURANCES	***WC CODE***	***%***		
14	Workers Compensation	**xxxx**	**1.18%**	$ 0.31	1.18%
15	General Liability (check with your insurance agent)		**13.08%**	$ 3.40	13.08%
					14.26%

	EMPLOYEER PAID BENEFITS (ANNUAL BENEFIT / REGULAR HOURS)				
19	401-K Match	**$ -**		$ -	0.00%
20	Health Benefits ($241 per month)	**$ 2,901.00**		$ 1.49	5.72%
21	PTO Benefit (LINE 18 x LINE 8)	**$ 4,112.31**		$ 2.11	8.10%
22	**SUBTOTAL**				**13.82%**

	OTHER LABOR-DRIVEN BURDENS				
23	Vehicle & Fuel ($1,250/Month)	**$ -**		$ -	0.00%
24	Small Tools/ Misc ($100/Month)	**$ -**		$ -	0.00%
25	**SUBTOTAL**				**0.00%**
26	**TOTAL BURDEN & BENEFITS (Per Actual Working Hour)**			**$ 9.72**	
27	**WAGE BASE + BURDEN + BENEFITS**			**$ 35.72**	**37.39%**
28	**MARK-UP FOR OVERHEAD**		**34.03%**	**$ 15.46**	
29	**MARK-UP PROFIT**		**10.00%**	**$ 6.09**	
30	**TOTAL BILLING RATE**			**$ 57.27**	
	BASE LABOR MARK-UP MULTIPLIER				**2.203**

Bid Item **Drywall Installation** - taped and smooth finish

Bid Item Data		
Bid Item Quantity	2750.00	Sq Ft
Planned Production Per Day	750.00	Units per Day
Calculated Task Duration	3.67	DAYS
Work Hours Per Day	10.00	HOURS PER DAY
Total Crew Hours	36.67	CREW HOURS
Total Man-Hours	110.00	MAN-HOURS

LABOR	QUANTITY	RATE PER HOUR	AMOUNT	
Carpenter	1.0	$ 20.00	$ 733.33	
Laborer-helper	2.0	$ 12.00	$ 880.00	
		$ -	$ -	
		$ -	$ -	
Labor Contingency as a % of labor cost	0.0%		$ -	$ 1,613.33 LABOR SUBTOTAL

MATERIALS	QUANTITY	UNIT	RATE	AMOUNT		
3/8" Drywall Board (4'x12')	94.53	sheets	$ 11.50	$ 1,087.11	*use 10% waste - 4'x8' Sheets*	
Joint Tape	3.00	rolls	$ 3.00	$ 9.00	*400 lf per 100 SF --- 1 roll has 500 lf*	
Joint Compound	6.00	buckets	$ 9.00	$ 54.00	*9.4 gals per 1000 sf*	
Vinyl Corner Bead	60.00	lf	$ 0.20	$ 12.00	*LF of corners*	
1-5/8" Screws	2750.00	each	$ 0.02	$ 55.00	*1 screw per SF*	
			$ -	$ -		
Input Sales Tax, %	9.25%			$ 100.56	$ 1,317.67	MATERIALS SUBTOTAL

EQUIPMENT	QUANTITY	RATE PER HOUR	AMOUNT	
Crew Pickup Truck	1.0	$ 12.00	$ 440.00	
Small Hand Tools and Equip.	1.0	$ 5.00	$ 183.33	
			$ -	
			$ -	$ 623.33 EQUIPMENT SUBTOTAL

SUBCONTRACTORS	QUANTITY	RATE	AMOUNT	
			$ -	
			$ -	$ - SUBCONTRACTORS

OTHER DIRECT COSTS	QUANTITY		RATE	AMOUNT	
Provide Cups, Ice & water per day	1.00	Days	$ 5.00	$ 5.00	
Misc Field Supplies (e.g. safety)	1.00	Days	$ 5.00	$ 5.00	
	0.00		$ -	$ -	
			$ -	$ -	$ 10.00 OTHER DIRECT COSTS

MARKUP	RATE
LABOR BURDEN	21.00%
JOBSITE OVERHEAD/ SUPERVISION	7.00%
HOME OFFICE OVERHEAD	15.00%
PROFIT	10.00%
BOND	0.00%

SUBTOTAL COSTS	$	3,564.33
LABOR BURDEN	$	338.80
JOBSITE OVERHEAD	$	273.22
HOME OFFICE OVERHEAD	$	626.45
PROFIT	$	480.28
BOND	$	-
BID ITEM TOTAL	$	5,283.09
UNIT PRICE	$	1.92 per sf

Item No.	Item Description	Quantity	Unit	Bare Unit Cost	Total Direct Cost	Overhead /Profit	Total Price	Bid Unit Price
701-01	CONCRETE SIDEWALK (4 ")	1.00	SF	$ 12,285.31	$ 12,285.31	$ 4,327.87	$ 16,613.19	$ 16,613.19
Installation Rate	Production Rate	900.00	SF/Day			35.23%		
	Work Hours Per Day	8.00	Hours					
	Calculated Task Duration	0.00	Days					
	Total Crew Hours	0.01	Hours					
	Total Manhours	0.04	Hours					
		Quantity		Unit Cost	Extended Cost		Notes:	
Labor	Labor Foreman	1.00	ea.	$ 25.00	$ 0.22			
	Concrete Finisher	2.00	ea.	$ 18.00	$ 0.32			
	Laborers	2.00	ea.	$ 15.00	$ 0.27			
					$ -			
					$ -			
					$ -			
Materials	Concrete	70.00	CY	$ 120.00	$ 8,400.00		added 15% for concrete waste	
	Edge Forms/Braces/Scrred	300.00	LF	$ 1.00	$ 300.00			
	Form oil	5.00	Gal	$ 150.00	$ 750.00			
	Reinforcement, WWM	0.00	Lbs	$ -	$ -			
	Expansion Joint Material	300.00	LF	$ 2.00	$ 600.00			
	Curing Compound	16.67	Gal	$ 125.00	$ 2,083.75			
	Stone Base, tons	0.00			$ -			
					$ -			
Equipment	Skid Steer	1.00	ea.	$ 50.00	$ 0.44			
	Compound Sprayer	1.00	ea.	$ 1.00	$ 0.01			
	Concrete Vibatory Compactor	1.00	ea.	$ 7.00	$ 0.06			
	Vibatory Plate Compactor	1.00	ea.	$ 7.00	$ 0.06			
	Crew Truck/Trailer	1.00	ea.	$ 15.00	$ 0.13			
	Concrete Saw	1.00	ea.	$ 1.00	$ 0.01			
	Misc. small hand tools	4.00	ea.	$ 1.00	$ 0.04			
					$ -			
Sub					$ -			
					$ -			
					$ -			
					$ -			
					$ -			
ODC	Provide Cups, Ice & water per day	5.00	Days	$ 15.00	$ 75.00			
	Misc Field Supplies (e.g. safety, clothing)	5.00	Days	$ 15.00	$ 75.00			
	Equip. move-in & out	0.00	Days	$ 500.00	$ -			
	Dump Fees	0.00	Ea	$ 300.00	$ -			

Bid Item Cost Summary

Direct Cost Items		Amount	% of Price
Labor		$ 0.81	0.00%
Material		$ 12,133.75	73.04%
Equipment		$ 0.76	0.00%
Subcontractors		$ -	0.00%
Other Direct Cost		$ 150.00	0.90%
Click Here to Use Overhead Rate Calculator			
Labor Burden	18.81%	$ 0.15	0.00%
Jobsite Overhead	11.98%	$ 1,471.21	8.86%
Home Office OH	9.63%	$ 1,324.29	7.97%
Profit	8.00%	$ 1,206.48	7.26%
Bond	2.00%	$ 325.75	1.96%
Make Your Price Adjustment (if any)			
Total Price (calculated)		$ 16,613.19	100.00%
Upon review: Adjust Price (+/-)		$0.00	0.00%
Adusted Total Bid Price		$ 16,613.19	100.00%
Bid Unit Price Submitted		$ 16,613.19	

Typical Production Rates Per Day

Concrete Flatwork	Low	Average	High
Concrete Sidewalk, SF	720	1,440	2,520
Conc. Curb & Gutter,LF	160	480	900
Conc. Curb, LF	160	480	900
Conc. Bituminous, LF	650	1,200	1,850

ROADBID TEMPLATES

TYLER Construction Engineers, P.C.

POP.
QUIZ?

Why Should You Perform These Calculations?

- Less money left on the table
- Getting more of the work that your company does well
- Change Orders or claims are more profitable
- Performance is more easily measured
- Better able to repeat the profitable results
- To determine what amount to invoice
- Financial performance (banker, surety, etc.)

To Improve Your Company's Profits

- ✓ Know Your Cost *(Estimating)*
- ✓ Understand Your Cost *(Bidding)*
- ✓ Control Your Cost *(Project Management)*
- ✓ Track Your Cost *(Job Cost Accounting)*
- ✓ Make Continuous Improvements *(To Improve Profits)*

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Any Questions?

Thank You!

See you at our next seminar, visit www.tylerengineers.com

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