



Civil Rights Division  
Small Business Development Program

# DBE Supportive Services

*Business Education & Mentoring*

Supportive Services Program Manager & Consultant

**TYLER**  
Construction Engineers, P.C.

Nashville, Tennessee  
[www.tylerengineers.com](http://www.tylerengineers.com)

1.888.385.9022



Civil Rights Division  
Small Business Development Program

# TDOT Supportive Services Consultant

[www.tylerengineers.com/supportive-services](http://www.tylerengineers.com/supportive-services)

**For Business and Technical Assistance contact:**

Complete the online Intake Request Form at:

[www.tylerengineers.com/intake-form](http://www.tylerengineers.com/intake-form)

**Email:** [dbe\\_supportive\\_services@tyler-engineers.com](mailto:dbe_supportive_services@tyler-engineers.com)

**Call:** 615.469.5398 or 1.888.385.9022

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# Business & Technical Assistance Services:

TDOT DBE Supportive Services makes available **Subject Matter Experts** to assist certified TNUCP DBEs with the development of their businesses.

## Subject Matter Experts in:

- Construction Estimating and Bidding
- General Business Counseling
- Business Development/ Strategic Marketing
- QuickBooks Accounting Assistance
- Financial Ratio Analysis
- Human Resources Compliance Assistance
- Indirect Cost Rate Schedules
- How to do business with TDOT



## 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 / Small Business Tax Specialist*

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

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

**Fairpointe Planning, LLC**, *Engagement and Outreach Consultant*

# The 5-B's of Project Business

Small Contractors Can Maximize Their Profitability by Understanding the 5-Bs of Project-Based Companies



# Managing The Profitable Business Webinar Series

## **Session 1: The 5-Bs of Project-based Business**

Wednesday, October 11, 2023, 10 am (CT)

## ~~Session 2: Human Resource Compliance – PART I~~

~~Wednesday, October 18, 2023, 10 am (CT)~~

## ~~Session 3: Human Resource Compliance – PART II~~

~~Wednesday, October 25, 2023, 10 am (CT)~~

## ~~Session 4: How To Do Business With TDOT~~

~~Wednesday, November 1, 2023, 10 am (CT)~~

## ~~Session 5: Are You Bidding On The Right Projects?~~

~~Wednesday, November 8, 10 am (CT)~~

## ~~Session 6: Know Your Financial Pulse: It Could Save Your Company's Life~~

~~Wednesday, November 15, 2023, 10 am (CT)~~

## ~~Session 7: How to Effectively Communicate, Coach And Counsel Company Policies With Difficult Employees~~

~~Wednesday, November 22, 2023, 10 am (CT)~~

## ~~Session 8: Financial Analysis & Capacity Building~~

~~Wednesday, November 29, 2023, 10 am (CT)~~

## **Session 9: Introduction to Job Cost Accounting Part I**

Wednesday, December 6, 2023, 10 am (CT)

## **Session 10: Introduction to Job Cost Accounting Part II**

Wednesday, December 13, 2023, 10 am (CT)

## **Session 11: Ask the Experts Roundtable**

Wednesday, December 20, 2023, 10 am (CT)

# Managing The Profitable Business Webinar Series

**Session 12: Markup, Overhead & Profit (*Bidding*)**

Wednesday, January 10, 2024, 10 am (CT)

**Session 13: Introduction to Developing Your Indirect Cost Rates for Consultants**

Wednesday, January 17, 2024, 10 am (CT).

**Session 14: Have You Completed Your Planning for the New Year**

Wednesday, Wednesday, January 24, 2024, 10 am (CT)

**Session 15: Developing A Strategic Business Action Plan**

Wednesday, January 31, 2024, 10 am (CT)

**Session 16: Dump Truck & Equipment Pricing (*Bidding*)**

Wednesday, February 7, 2024, 10 am (CT)

**Session 17: Pre & Post Award and Contract Close-out Preparation**

Wednesday, February 14, 2024, 10 am (CT)

**Session 18: Small Business Insurance: What Do I Need for My Company?**

Wednesday, February 21, 2024, 10 am (CT)

**Session 19: Surety Bonds: What Do I Need for My Company?**

Wednesday, February 28, 2023, 10 am (CT)

**Session 20: Wrap Up: Ask the Experts Roundtable**

Wednesday, March 6, 2024, 10 am (CT)



## **Civil Rights Division**

Small Business Development Program

DBE Supportive Services

*Presents*

Managing The Profitable Business Webinar Series

*Session 9: Introduction to Job Costing Part 1*

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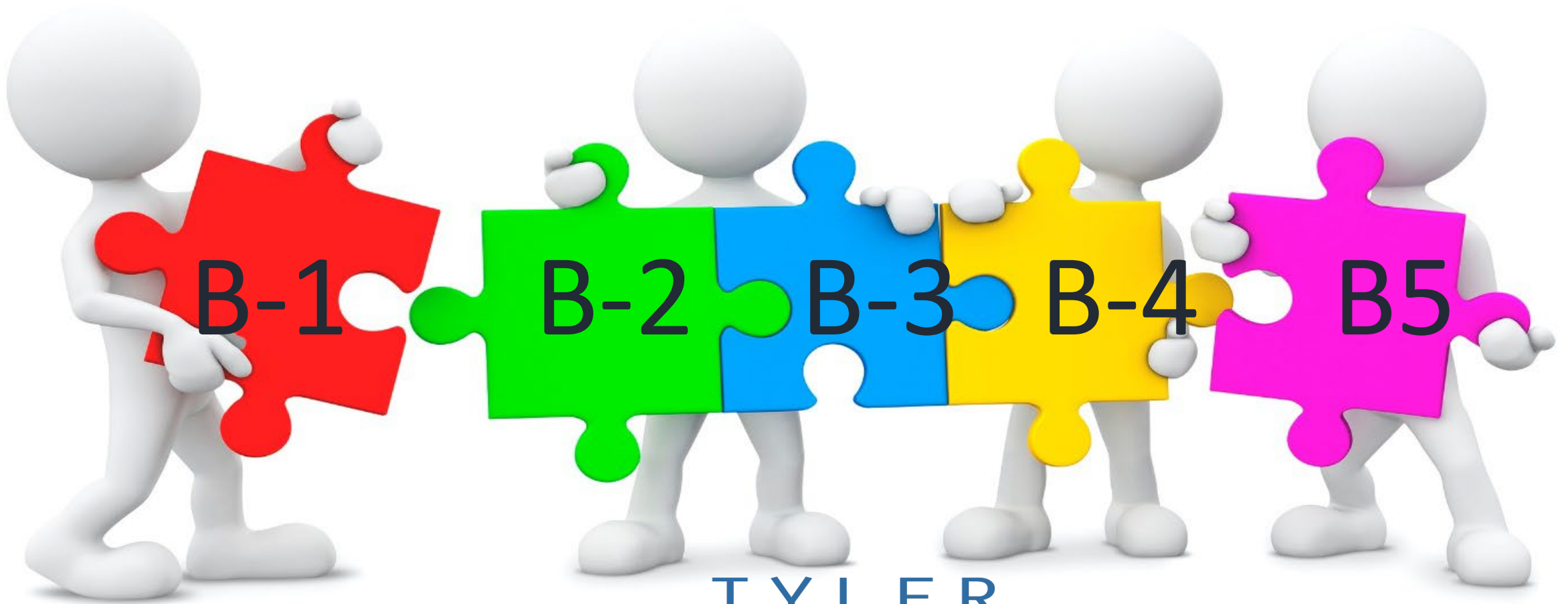
# The 5 B's of Project-Based Cost Job Costing



# B-4 Billing/Contract Accounting

- Considered the Hub of the 5Bs
  - Receives input, information, and request from other Bs
  - Processes input and analyzes or interprets information and request
  - Returns input, information, and request in the form of data and/or as a customized report
  -
- Manages all aspects of accounting
  - Customers                      Revenue
  - Vendors                         Cost
  - Assets                            Expense
  - Liabilities                       Unallowable
  - Equity                            Profit
- Produces the entity's financial report card
  - Balance sheet (financial position)
  - Profit & Loss statement (financial activity)
  -
- Provide Key Performance Indicators (KPI) and Industry Ratio Analysis
  -
- Governed by comprehensive policies and procedures

# Job Costing for Project-Based Businesses



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# Today's Objectives

- **Understanding job costing components**
- **Setting up an effective job costing system**
- **Managing and controlling costs**

# Overview of Job Costing

- Definition and importance in project-based businesses.
- Brief contrast with traditional accounting methods.



# Purpose of Job Costing

The primary purpose of job costing is to provide accounting of contract performance, assist in managing the job, as well as to provide management with relevant information regarding contract activity in order to make business decisions.

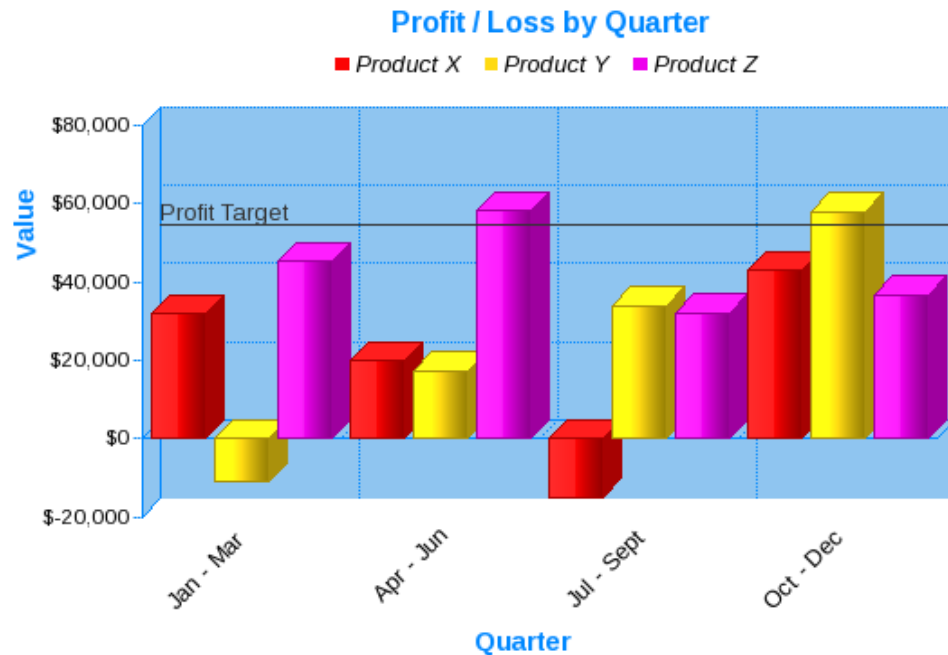
# Benefits of Job Costing

It can help a contractor with:

- ✓ Tracking the progress of jobs *as they are worked*
- ✓ Improving the estimating and scheduling process ... *estimated vs. actual costs*
- ✓ Controlling *purchasing* and *use* of materials and labor
- ✓ Determining which areas of business are *most* or *least profitable*

# Contrast Accounting Methods

## Traditional Accounting



## Job Cost Accounting

	Job 40		Job 44		Job 45	
	Estimate	Actual <sup>a</sup>	Estimate	Actual <sup>a</sup>	Estimate	Actual <sup>a</sup>
Sales price <sup>b</sup>	\$ 18,360	\$ 18,360	\$ 27,030	\$ 27,030	\$ 13,260	\$ 13,260
Direct materials	\$ 1,500	\$ 3,500	\$ 2,800	\$ 3,800	\$ 1,100	\$ 2,500
Direct labor	3,300	3,800	4,500	4,700	2,400	2,300
Manufacturing overhead	6,000	6,200	8,600	8,900	4,300	4,100
Total production costs	\$ 10,800	\$ 13,500	\$ 15,900	\$ 17,400	\$ 7,800	\$ 8,900
Gross profit	\$ 7,560	\$ 4,860	\$ 11,130	\$ 9,630	\$ 5,460	\$ 4,360
Gross profit as percent of total production cost <sup>c</sup>	70%	36%	70%	55%	70%	49% <sup>d</sup>



# Key Components of Job Costing

DIRECT AND INDIRECT COST

Take a **closer** look!



# Understanding Job Costs

**Direct Cost** is cost that is directly identified with and incurred for a specific job. i.e. labor, material, equipment, or subcontractors



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# Understanding Job Costs

- **Indirect Cost** is cost that is incurred regardless of the specific job. It is the cost of doing business. It's also known as overhead. i.e. taxes, rent, utilities, insurance, etc.



# General and Administrative Expenses

Expenses are generally referred to as “G&A”, “Selling & Administrative Cost” or “Home Office Expense”.

This includes cost that are not directly attributable to a product or job, but are necessary to operate the company.



# General and Administrative Expenses



# Importance of Accurate Job Costing

- Impact on profitability.
- Decision-making and budgeting.





# Setting Up a Job Costing System



# Construction Accounting

Know Your Numbers

...Accounting ^%@&\*?!

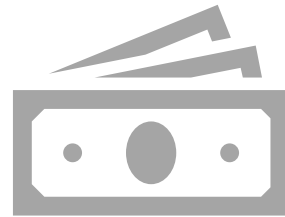




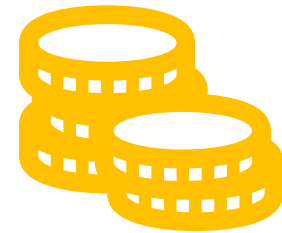
# Setting Up a Job Costing System



Initial Setup Steps



Tracking Direct Job Cost



Allocating Indirect Costs  
and Overheads

# Accounting Starting Point

**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.

# Project-Based Chart of Accounts

## BALANCE SHEET ACCOUNTS

- 1XXX Assets – Things an entity owns or controls
- 2XXX Liabilities – Claims against assets; claims of others
- 3XXX Equity – Ownership

## P & L STATEMENT ACCOUNTS



- 4XXX Income/Revenue – Earnings from goods/service sold
- 5XXX Direct Job Cost – Touch the job and are exclusive to the job
- 6XXX Indirect Job Cost – Do not touch job but are necessary because of the job
- 7XXX G & A – Aka Home office expense
- 8XXX Unallowable Cost/Expense – Use for Governmental Contracts



# Job Costing Activities

- Identify Profitable and Non-Portable Projects
- Effective Budgeting and Forecasting
- Performance Measurements
- Monitor Results
- Make Adjustments

# Project-Based Job Costing

	Job A		Job B		Job C		Job D		No Job	
<b>Sales (gross income)</b>	\$ 60,000	100%	\$ 90,000	100%	\$ 54,000	100%	\$ 96,000	100%	\$ -	0%
<b>COGS (Cost of Goods Sold)</b>										
Payroll & payroll taxes	\$ 11,700	20%	\$ 24,960	28%	\$ 11,700	22%	\$ 29,640	31%	\$ -	N/A
Trade contractors	\$ 9,900	17%	\$ 21,120	23%	\$ 9,900	18%	\$ 25,080	26%	\$ -	0%
Materials	\$ 14,400	24%	\$ 30,720	34%	\$ 14,400	27%	\$ 36,480	38%	\$ -	0%
Other misc job costs	\$ 1,350	2%	\$ 2,880	3%	\$ 1,350	3%	\$ 3,420	4%	\$ -	0%
Indirect prod'n costs	\$ 3,150	5%	\$ 6,720	7%	\$ 3,150	6%	\$ 7,980	8%	\$ -	N/A
<b>Total COGS</b>	\$ 40,500	68%	\$ 86,400	96%	\$ 40,500	75%	\$ 102,600	107%	\$ -	N/A
<b>Gross Profit</b>	\$ 19,500	33%	\$ 3,600	4%	\$ 13,500	25%	\$ (6,600)	-7%	\$ -	N/A
<b>Company Overhead</b>	\$ -		\$ -		\$ -		\$ -		\$ 45,000	N/A
<b>Net Profit</b>	\$ 19,500	33%	\$ 3,600	4%	\$ 13,500	25%	\$ (6,600)	-7%	\$ (45,000)	N/A

# Project-Based Job Costing

- Tracking Direct Job Costs
- Allocating Indirect Costs and Overheads



# Job Costing Essentials

Know Your Job Cost

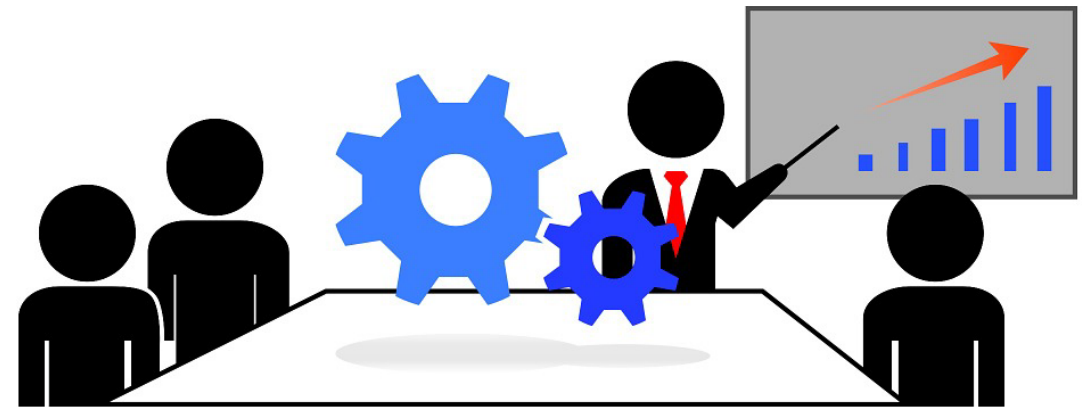
or

*It Maybe The Job That Cost You*



# Managing Job Costs

- Budgeting for Projects
- Monitoring and Controlling Costs
- Case Study for Project-Based Companies





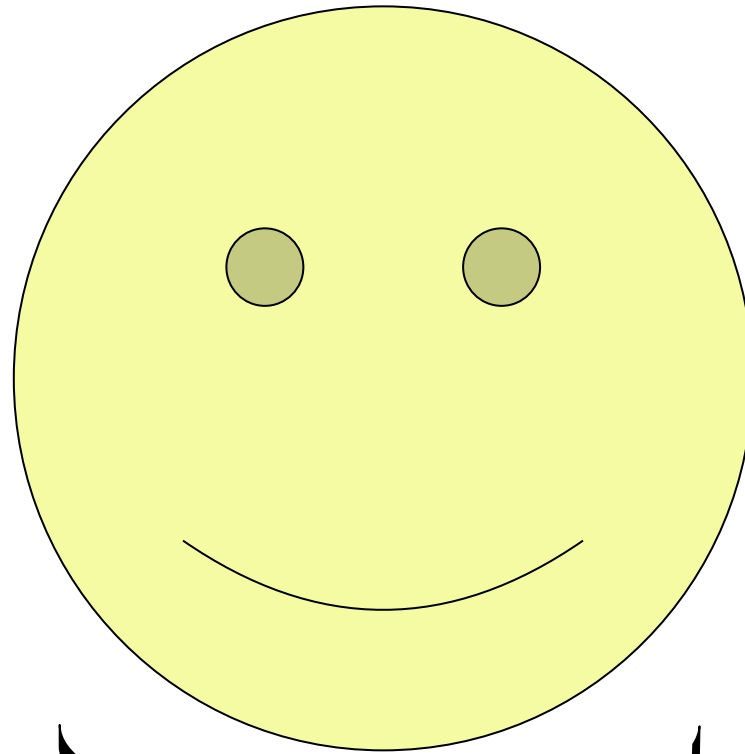
# Introduction to Job Cost Accounting Part II

Wednesday, December 13, 2023, 10 am (CT)

# QUESTIONS







**The End!**