



Customer Workflow Procedures

These following procedures were created and tested thoroughly within Contractor Foreman and QuickBooks to guarantee proper reporting within both systems. Most of these procedures are currently used by many Contractor Foreman Clients. By implementing these procedures within Contractor Foreman, you will not only save time by refining and executing these already used procedures but also save money through proper reporting in QuickBooks.

Advanced Payments/Deposits Procedure

Most contractors nowadays take an upfront deposit prior to starting a project. Regardless of the project type, advanced payments are quite common in the construction industry. Sometimes it is a one-time payment and other times there are multiple payments collected over time. Contractors have sometimes referred to these as customer draws or deposits but regardless of how it is referred too, they are still down payments to cover expenses and labor costs upfront to help with budgeting.

“After collaborating with many contractors, I have come to discover that this procedure is often done incorrectly and can cause Income tax issues based on when you claim the income.”

Any type of deposits or customer draws should be treated as a liability to start. When an invoice is created most contractors claim it as income and post it to their profit and loss statement or create an invoice from schedule of values based on a straight percentage of each item on the estimate. The issue with doing this either way, is that this can cause problems later with when income is claimed and income taxes are due, depending upon when you pay income taxes throughout the year. The best example is if you were to take in \$100,000 of upfront payments in the month of December, yet you won't be starting the project until January, because you are claiming this as income you will have to pay taxes on it before you even begin the job. The key is how you record these deposits and report the income when you invoice for the percentage completion and account for the expenses prior to paying the income tax due. When you create an invoice for the advanced payment, you will want it to report to a liability account in QuickBooks first. Then when you are ready to invoice based on project completion, generally off schedule of values, a percentage of the upfront payments need to then be applied back to the invoices over the course of the project, which will then remove this amount from the liability and apply only what was invoiced to your income statement. This procedure will prevent you from having to ever pay any kind of income tax on upfront payments and only claim income at the time you invoice for it. This procedure is setup by us in Contractor Foreman and through our custom process the amounts will automatically reflect within reports in both QuickBooks and Contractor Foreman through cost codes.

Bulk Material Expense Purchases

If your company purchases bulk materials at a supplier store (and pays at time of purchase) to be applied to a project later, you will need this custom procedure to implement into Contractor Foreman.

This procedure involves setting up an inventory asset account and a contra-inventory asset used account in QuickBooks to be applied to projects later through the expense module in Contractor Foreman.

The initial bulk purchase cost gets entered by the employee in the expense module of Contractor Foreman as a Raw Materials Purchase and simultaneously assigned to the inventory asset account in QuickBooks to be applied later.

When it is time to apply the materials to the project later then you will enter another expense that will apply the project and COGS material while simultaneously removing it from the inventory asset account to the inventory used account to give you a detailed inventory amount. **Note: This procedure is not intended for full inventory control.**

Custom Expense Safeguards Procedure

Can you relate to the following situation in one way or another?

“Jane is the office manager for a local construction company. She oversees the company’s financial accounting records, HR, and payroll. Her duties are to make sure all project expenses are retrieved from the employees and allocated to the proper accounts in QuickBooks, along with projects associated. In addition, with all overhead expenses and reconciling the financial statements monthly. She spends hours a week waiting for the managers to turn in receipts and getting answers on what expenses are allocated to which projects before she can even start reconciling the financial books. The guys on the field are randomly losing receipts in their trucks or washing in the laundry prior to turning them over. Moreover, employees may be stop on projects in the field to answer questions about expenses and project allocation to assist the office manager in getting the information needed to reconcile these expenses.”

We have developed this procedure and workflow process to create a faster and more productive way for the financial team to capture the information they need, and receipts will come right into QuickBooks without even having to wait on the receipts from field project crew to hit the desk weeks later all at once.

This process looks like this:

Employee makes a purchase with their company credit card > Employee then takes a picture of the receipt with their phone > Opens the CF mobile app and goes to the expense’s module > Enter in the Project Name or Overhead (if it’s non-project related expense like fuel)> Enter the amount and vendor > Expense Category (with QuickBooks safeguards setup to protect QuickBooks)> The Employee Bank Account/Credit Card Used > Then they would upload the photo from their phone to the expense in Contractor Foreman. This will create a digital copy of the receipt in CF and transfer the expense and a digital copy of the receipt to QuickBooks and match with the bank feed. So now the accounting team will not only have a digital copy of the receipt automatically delivered right to them but the project, expense type and account that it was paid from is all assigned. You can then simply review the entry, receipt, and confirm it into QuickBooks and save hours of entry and tracking down receipts. You will have everything ready to reconcile once the monthly bank statement arrives.

Employee Reimbursement Procedures

If you have employees that need to make purchases that are reimbursable, we have created a procedure that the employee can enter the expense into Contractor Foreman to apply against a project or the actual expense for the company and will report to a reimbursement account in QuickBooks with the employee names defined.

Then when it is time to reimburse them whether through payroll or otherwise, this is down through one journal entry to a contra expense clearing account to offset the company expense account and reset the reimbursement account.

Supplier Accounts Procedure

This procedure was designed for companies that have supplier credit accounts with net terms. If you purchase materials and supplies throughout the month and then receive an invoice each month for your purchases along with any credits/returns/refunds applied to the account, then this procedure is for you. You will need to record the individual purchases as bills to the suppliers (Most times from a purchase order but not required) to the right projects in Contractor Foreman as normal throughout the month.

Then, you will need to apply any vendor credits in QuickBooks when the supplier invoice arrives or as you go throughout the month use the date the Credit was applied on the invoice. Make sure no more than one project is assigned on any one transaction in QuickBooks to avoid applying to transactions to the wrong projects in Contractor Foreman.